

Supporting Business – Promoting Growth
Consultation Response from the Scottish Grocers’ Federation
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Introduction

The Scottish Grocers' Federation (SGF) is the only national trade association for Scotland's convenience store sector. SGF has 2,000 members in a sector that employs 40,000 people and contributes some £3.2 billion to Scotland's economy. Our central aim is to ensure that key policy and decision makers understand how to improve the trading environment to allow for continuing investment, job creation and development by convenience store retailers.

We welcome the opportunity to respond to this consultation and the Scottish Government's desire to create a ratings system that can help stimulate economic growth, improve transparency and streamline the operation of the ratings system. This is an important issue for our members: business rates represent the second largest expenditure for convenience store retailers.

The consultation document itself is a useful guide to non-domestic rates in Scotland. However, we believe that overall the consultation is a missed opportunity and fails to address many of the key issues in respect of business rates and how the system can genuinely contribute to economic growth and the sustainability of businesses in Scotland.

We believe that the decision to postpone to 2017 the revaluation originally scheduled for 2015 was not in the best interests of business. The last revaluation of business rates took place in 2010. This was based on a revaluation date of 1st April 2008 – as a result rates were based on what was still a buoyant property market and calculated before the full effects of the current recession were felt. The revised Rateable Value at a 2015 revaluation would have been based on rental values on or about 1st April 2013 and as such would have taken into account Rateable Values that are now dramatically misaligned with the current value in the commercial property market – in many cases retailers will have to pay more than is fair for an additional 2 years.

The consultation document makes much of the fact that the poundage rate in Scotland will not rise above that set in England and that the rate for 2013 is 45 pence in the pound. However, the document fails to mention that from April 2013 the rate will rise to 46.2 pence. This will be an additional financial burden on retailers during a period that is widely seen as being the most challenging business environment in modern times. We believe that there is still an extremely strong case for non-domestic rates to be frozen. This would genuinely contribute to the economy and business sustainability.

Question 1 – Are the current reliefs and exemptions offered appropriate?

No

Question 1a – Please provide reasons for your answer to Q1. If you answered no, how would you suggest they are refined and how could they be funded?

Under the current system only 50% of SGF's members are eligible for the Small Business Bonus Scheme. Eligibility for the scheme is calculated using the aggregate value of a businesses' property – as many of our members are large businesses they lose out on the SBBS.

Question 2 – Should Councils have a new flexibility to introduce and fund relief schemes to reflect local circumstances and priorities?

Yes

Question 2a – If you answered yes to Q2, should this new flexibility be:
a wide power to offer any type of relief to respond to local need or

limited to extension of current reliefs (e.g. by creation of a new discretionary element to the Small Business Bonus Scheme over and above current thresholds) **YES**

Question 2b – Please provide reasons for your answer to Q2 (and 2a, if applicable).

Councils should have a new flexibility to introduce and fund relief schemes to reflect local circumstances. But introducing any new forms of relief would be time consuming and cumbersome. As such any new flexibility should be focused on existing reliefs to make them more consistent, targeted and transparent. For example reliefs could be targeted at town centre regeneration: this is a particular problem that could be helped by enabling councils to help new businesses get established. 100% rates relief for 6 to 12 months for all genuine new start ups would greatly assist new enterprises when help is most needed. There are many town centre properties that have rateable values that fall outside the SBBS scheme.

Question 3 – What do you think the impacts on recipients would be if relief thresholds (e.g. for the Small Business Bonus Scheme) were confirmed for a number of years in advance?

We believe that confirming relief thresholds for a number of years in advance would have very positive impacts on recipients. This would give them greater certainty and allow them to plan more effectively for investment and business development.

Question 4 – Should the way reliefs are funded change, for example the split between the Scottish Government and Councils for discretionary reliefs?

No view – this is essentially an issue for Scottish Government and Local Authorities to decide.

Question 4a – If you answered yes to Q4, how would you suggest the funding of reliefs could be changed?

No comments from SGF

Question 5 – Where relief is awarded to properties in the public sector, should this be handled differently, for example subject to separate reporting arrangements?

No

Question 5a – Please provide reasons for your answer to Q5.

To maintain the integrity, transparency and fairness of the business rate system, the award of reliefs (including reporting arrangements) must be handled in the same way for each business sector.

Question 6 – Please provide details of any other suggestions as to how the ratings system could be improved to support growth.

While we believe that in the short-term there is a strong case for business rates to be frozen, in the medium-to-long-term we would argue strongly for a very different approach to rates increases. The Scottish Government should move away from an annual increase of business rates based on snapshot of the highly unpredictable RPI measure of inflation. Instead we believe that business rates in Scotland should be capped at 2% - the inflation target set by the UK government.

The use of RPI has been abandoned by government in a number of other areas such as public sector pay settlements. Capping business rates at 2% will provide business with:

- Relief from the RPI inflation rate – RPI does not provide the most realistic indicator of inflation.
- Certainty for future rates allowing businesses to plan for the long-term.
- Confidence to grow and increase employment levels.

Question 6a – Would there be any costs associated with your suggestion and if so how could these be recouped within the rating system?

There are no direct costs related to our suggestions for reforming the ratings system to promote growth.

We recognise that capping rates at this level would present challenges for the Scottish Government's budget. However, in the longer-term this is in fact an economic investment; encouraging business growth, enabling investment in existing businesses and creating jobs.

Question 7 – What are your views on transitional relief at 2017 and future revaluations?

We support the re-introduction of transitional relief at 2017 and at all future revaluations.

Question 8 – What are your views of the current appeals system?

It is vital that the appeals system is transparent, affordable and accessible. There will undoubtedly be inconsistencies in the way the appeals system operates in different Local Authorities. The key issue, however, that the system must be transparent and consistent within the individual Local Authority.

We would oppose any move to impose charges for appeals. All ratepayers should have equal access to the system. Therefore it would be unfair to charge ratepayers for the privilege of challenging the basis of their liabilities.

Question 9 – Please provide details of any other reform of the appeals system that you think would be beneficial to businesses. For example, how could the process be improved or speeded up?

No Comments.

Question 10 - In what ways do you think the transparency of the rating system could be improved?

Put simply, business rates are a tax on the occupation of commercial property. As with any tax, clarity, fairness and transparency are essential. Payers need to know what they are expected to pay, how that level is calculated, when they are required to pay and process exists for contesting the level of tax being applied. The annual publishing of an extract of the Assessment Roll showing a summary of the liabilities and reliefs for each rated property, (but excluding payment or recovery information), would be very transparent, and also may help to reduce the need for freedom of Information requests.

Question 11 - Do you support the general principle that tax avoidance in the rating system should be closed where possible?

Yes

Question 11a – Please provide reasons for your answer to Q11.

The ratings system, as with every other form of taxation, must be based on a principle of fairness – everyone liable for the tax should contribute a proportionate amount. The system must have integrity and must be seen to be fair. If it is not rate payers will be encouraged to consider tax avoidance measures and investigate potential loopholes.

Question 12 - Do you have any comments you wish to make in relation to business rates?

We are not convinced that the ending of 50% relief on unoccupied commercial premises will have the intended outcome of bringing empty property into use and revitalising the high street. Landlords are unlikely to have premises empty by choice – most property is empty because of the difficult economic situation and reducing the relief available to 10% will only increase the financial pressures on landlords.

There seem to be no robust evidence that these measures will help to boost occupancy rates; it is the lack of demand with the commercial property market that is contributing to this serious problem, not the unwillingness of landlords to make property available.

Supporting Business – Promoting Growth

RESPONSE FORM/ RESPONDENT INFORMATION FORM

Please Note both pages of this form **must** be returned with your response to ensure that we handle your response appropriately.

Please print clearly in bold using black ink.

1. Name/Organisation

Organisation Name

Scottish Grocer's Federation

Title: Mr

Surname: Lee

Forename: John

2. Postal Address

Federation House
222/224 Queensferry Road
Edinburgh

Postcode	Phone	Email
EH4 2BN	0131 343 330	j.lee@scotgrocersfed.co.uk

3. Please indicate which category best describes your organisation (Tick one only).

Business Owner/ Ratepayer	
Business Representative Organisation/ Trade Body	X
Local authority	
Other public sector (e.g. NHS Board, Executive Agency or NDPB)	
Third sector/ equality organisations	
Professional/ Representative body for professionals	
Academic	
Individual	
Other – please state...	

4. Are you in receipt of any Rates Relief at the Moment? No

5. If you answered yes to Q4, what Rates Relief do you receive? Please tick all that apply.

Charity SBBS Disabled Religious Rural

Sports Renewable Generator Enterprise Area Empty Property

Other Please state.....

7. Permissions - I am responding as...

Individual / Group/Organisation
Please tick as

(a) Do you agree to your response being made available to the public (in Scottish Government library and/or on the Scottish Government website) and/or on the Scottish Government website?
(b) Where confidentiality is not requested, we will make your responses available to the public on the following basis
Please tick ONE of the following boxes

- Yes, make my response, name and address all available
- Yes, make my response available, but not my name and address
- Yes, make my response and name available, but not my address

(c) The name and address of your organisation **will be** made available to the public (in the Scottish Government library and/or on the Scottish Government website). Are you content for your **response** to be made available?

Please tick as appropriate
Yes

(d) We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

Please tick as appropriate Yes

Please ensure you email this form along with your response to
BusinessRatesGeneralEnquiries@scotland.gsi.gov.uk

www.scottishshop.org.uk