James Dornan MSP
Convener
Local Government and Communities Committee
The Scottish Parliament
Edinburgh
EH99 1SP

18 December 2019
Sent via email

Dear Convener,

The Scottish Fiscal Commission is responsible for producing independent forecasts of revenues from Non-Domestic Rates. We produce forecasts twice a year at the time of the Scottish Budget and the Medium Term Financial Strategy. Our founding legislation allows us to produce forecasts on “other fiscal factors” and as set out in our Protocol with the Scottish Government we may choose to produce these forecasts when primary or secondary legislation is published in the Scottish Parliament which affects a tax or social security benefit within the Commission’s remit.

Today we have published updated forecasts for Non-Domestic Rates (NDR) and our assessment of the financial impact of a number of policy changes that are included in the Non-Domestic Rates (Scotland) Bill, including those changed at Stage 2. The Commission is publishing this supplementary document to accompany the Financial Memorandum being published by the Scottish Government ahead of the Stage 3 debate.

The Bill introduces a number of measures which raise NDR revenues overall. The first three changes are together expected to raise an additional £17 million in 2020-21 – only properties in active occupation being entitled to reliefs, a lengthening of the reset period for Empty Property Relief and the removal of charitable relief for mainstream independent schools.

The amount raised through the changes increases each year to £377 million in 2024-25. From 2022 onwards the requirement for some student accommodation to pay NDR raises around £18 million each year and devolving Empty Property Relief to councils increases NDR revenues paid to the Scottish Government by around £102 million.

The amendment to devolve NDR to councils from 2024 is forecast to have no financial effect on NDR as we assume the same poundage continues. The same amendment results in two further changes, firstly to remove a number of reliefs raising £355 million in NDR and secondly removing the Large Business Supplement which reduces NDR revenues by £128 million.

My colleagues and I on the Scottish Fiscal Commission, and our staff, would be very happy to discuss this report with the Committee, either informally or in a formal evidence session.

We will publish this correspondence and our publication on our website to accompany the publication of the Scottish Government's revised Financial Memorandum.

Yours sincerely

Susan Rice

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