

**ASSC Membership Survey on Key Business Issues**

Founded in 1978, the Association of Scotland’s Self-Caterers (ASSC) is the leading source of knowledge on short-term letting and holiday homes in Scotland. The ASSC is the only trade body representing the interests of the traditional self-catering sector. It has more than 650 members, operating in excess of 7,000 self-catering properties throughout Scotland, and has close links with other European countries, as founding members of the European Holiday Homes Association. The ASSC commits its members to maintaining the principles of “quality, integrity, cleanliness, comfort, courtesy and efficiency” and to offering visitors to Scotland consistently high standards within their self-catering properties. The ASSC’s vision is to place our members at the forefront of a professional, vibrant and prosperous Scottish self-catering sector.

**Background to ASSC Membership Survey**

Prior to the meeting with the Scottish Government’s Cabinet Secretary for Finance and Constitution, the Association of Scotland’s Self-Caterers undertook a survey of its members to gauge their views on the possible introduction of a tourist tax in Scotland, issues around business rates and the Small Business Bonus Scheme, as well as on matters concerning the cost of doing business. In the survey, there was also an opportunity for our members to offer comments on the key issues. Nearly 200 responses were received, representing almost one-third of our membership.

The ASSC believe the Scottish Government should take cognisance of these views, especially due to the importance of the industry to the Scottish tourist economy. Self-catering is a vital component of the tourism industry and currently supports approximately 15,000 jobs, attracts £723m in consumer spending, £470m of which is spent by visitors to Scotland.[[1]](#footnote-1)

**Headline Findings**

* **Tourism Tax**: Nearly three-quarters (73%) of ASSC members are opposed to the introduction of a tourist tax in Scotland.
* **Business rates**: Around eight-in-ten (79%) ASSC members had received increases in the Rateable Value of over 30% following the recent Rates Revaluation. Many did not appeal the new Rateable Value as they were eligible for the Small Business Bonus Scheme; those who did appeal encountered considerable administrative difficulties.
* **Transitional Relief**: Nearly six-in-ten (59%) of ASSC members did not apply for transitional tax relief for a variety of reasons.
* **Small Business Bonus Scheme**: A majority (60%) of ASSC members said they benefited from the Small Business Bonus Scheme and their business would be severely negatively impacted if it was modified or withdrawn.
* **Cost of Doing Business**: The overwhelming majority (91%) believe that the cost of doing business increased during 2017 and this has impacted on their profitability (indicated by 79% of respondents). Comments were offered on energy costs, VAT, water rates, and the introduction of Energy Performance Certificates.

The individual policy details are discussed in more details under the headings below. For simplicity, please note that some of the percentages have been rounded to the nearest whole number. Due to this rounding, some totals may not correspond with the sum of the separate figures.

1. **Tourist Tax**

The ASSC oppose the introduction of a tourism tax or levy. Scotland is already one of the most expensive destinations in Europe, with a high rate of VAT applied in comparison to other countries. In addition, while we appreciate the financial difficulties at local authority level, our members pay business rates (or council tax) and visitors to Scotland make a huge economic contribution to the local and national economy.

Our findings show that there is a clear and robust opposition from ASSC members to the introduction of a tourist tax amongst our members. This chimes with an earlier survey produced by the Federation of Small Businesses (to which the ASSC contributed) that highlighted that 77% opposed a tourism tax.

***Q: Practical difficulties of collection aside, are you (a) against a tourism tax; (b) in favour of a tourism tax; or (c) in favour of a tourism tax only if revenues are ring-fenced and directed towards tourism investment/support?***

1. **Against a tourism tax: 73%**
2. **In favour of a tourism tax: 5%**
3. **In favour of a tourism tax only if revenues are ring-fenced and directed towards tourism investment/support: 23%**

**Comments from ASSC Members**

*“A Tourism Tax would prohibit the growth of the holiday and tourism sector in Scotland. Small tourism businesses need to be supported more than ever in this austerity-ridden Brexit climate.”*

*“We need to be competitive in Europe to attract guests not put them off with too higher prices.”*

*“It is a clear deterrent to visitors who will choose an alternative destination which does not involve paying a tax. Holidays are selected for economic reasons as well as desirable destination. Scotland needs incentives for visitors, not deterrents.”*

*“With tourist numbers at an all-time high, I would question the wisdom of a tax on visitors. Their spend is already significant, and numbers would drop if a tax was levied!”*

*“Tourism businesses are already taxed heavily…and Scotland is expensive enough for visitors without adding to the cost.”*

*“Imposing a Tourism Tax on visitors to Scotland will only deter numbers and not encourage visitors. The costs of travel, accommodation and attractions are already very high compared to other parts of Europe.”*

*“Other legislation is squeezing already minimal profits on self-catering (e.g. Energy Performance Certificates). Visitors to any area may use services but they also spend money and boost the economy.”*

*“Scotland is already a very expensive destination with a high rate of VAT.”*

*“If rural businesses are forced into increasing their prices further that it could seriously damage these small businesses.”*

*“Why kill the goose? My guests to Edinburgh spend tens of thousands in Scotland each year helping local businesses thrive and generate jobs and revenues.”*

1. **Business Rates**

Following the 2017 Rates Revaluation, the average increase in Rateable Value for self-catering properties was 65%, the highest increase in the hospitality industry. This section covers the increases in rateable value; appeals made against those increases; as well as applications for transitional tax relief and any difficulties arising from that process.

***Q: If you know it, what percentage increase did you receive in Rateable Value after the recent Rates Revaluation?***

**0-30%: 12 / 19%**

**30-40%: 6 / 9.5%**

**40-50%: 4 / 6.3%**

**50-60%: 8 / 12.7%**

**60-70%: 5 / 7.9%**

**70-80%: 2 / 3.2%**

**80-90%: 4 / 6.3%**

**90-100%: 2 / 3.2%**

**100-110%: 9 / 14.3%**

**110-120%: 0**

**120-130%: 1 / 1.6%**

**130-140%: 2 / 3.2%**

**140-150%: 2 / 3.2%**

**150-160%: 1 / 1.6%**

**160-170%: 1 / 1.6%**

**170-180%: 2 / 3.2%**

**180-190%: 0**

**190-200%: 0**

**200-210%: 0**

**210-220%: 1 / 1.6%**

**220-230%: 0**

**230-240%: 1 / 1.6%**

Comments from ASSC Members

*“Our small business cannot sustain these wild increases - not least because we cannot increase our prices without losing customers. The 20% VAT makes it more difficult for us to price competitively compared to non-VAT registered self-caterers.”*

*“Shocking increase, lost small business bonus which made it more painful.”*

*“Completely disproportionate to the income levels these properties currently bring in.”*

*“Difficult to see how such a large increase can be justified. Our profitability hasn't increased by 57% since the 2010 revaluation!”*

*“Awful - how can such an increase be justified by any metric in the current economic climate?”*

*“Without the small business relief scheme I could not afford original rates. If rates were payable the new Rateable Value would render my business unviable.”*

*“I am now reluctant to grow my business to where I would be out of the 100% relief bracket as it would be less cost effective.”*

*“This is a significant burden on our business.”*

*“Although I appealed the process, I do not hold any hope that this will be overturned. It is getting harder and harder to provide an amazing service to my guests and make a profit at the same time.”*

*“This new rateable value has meant that we have had to increase our prices as it conveniently brings us to £1000 over the cap for small business rates relief. We are struggling to manage this and have lodged an appeal. We run a small business and this is seriously damaging for our financial forecasts. We had to take a holiday let cottage off the market to be able to reduce the costs across the other six.”*

*“100 to 150% increase. This was a shock and I am unimpressed with the Scottish Government battering small business owners.”*

***Q: Did you appeal against your new Rateable Value?***

**Yes: 15%**

**No: 48%**

**No response: 37%**

***Q: If the answer is yes, did you succeed? What was the outcome and did you seek professional advice?***

* A considerable proportion of respondents have not heard back following their appeal, demonstrating a lack of communication for those suffering severe financial problems.
* Only a few have sought professional advice and there is a general perception that there was little point in appealing the rateable value.
* The ASSC have highlighted the existence of the transitional relief scheme but believe that there was a general lack of communication regarding transitional relief from other relevant bodies, the process involved, as well as its administration.

Comments from ASSC members:

*“I appealed in September 2017. I was told someone would be in touch. I have heard nothing despite phone calls and e-mails of enquiry.”*

*“Awaiting outcome. No response from the council.”*

*“Appealed in October 2017. Got an acknowledgement but have heard nothing since.”*

*“Still not heard, although we lodged out appeal in August 2017.”*

*“The outcome is still pending as the valuations board apparently made a mistake with the first valuation which we accepted. We then sent a letter saying they had calculated it wrong and there was an increase of over 100%. We have sought professional help and are awaiting an outcome.”*

*“I have not had a response beyond my initial acknowledgement, and I do not expect my appeal to be successful.”*

***Q. Have you applied for the transitional tax relief?***

**Yes: 9%**

**No: 59%**

**No response: 32%**

* Many did not appeal as they received the Small Business Bonus Scheme.
* It is concerning that a sizeable number of respondents did not know about the transitional tax relief.

Comments from ASSC members:

*“Didn’t know it existed.”*

*“Not sure what that is.”*

*“What’s the point?”*

***Q: If the answer is yes, have you encountered any difficulties during the process?***

**Yes: 4%**

**No: 10%**

**No response: 85%**

* Many members did not appeal as they were eligible for SBBS.
* However, if this was withdrawn, the ASSC believe that the number of appeals would increase.

Comments from ASSC members:

*“The council said they didn't have the necessary software to implement the capped relief initially. We finally received the capped relief in September (when it was supposed to be implemented in March/April). This made our monthly bill £700 instead of £1000. Still a lot bearing in mind our lodges are rarely 100% booked.”*

*“The time to process applications is ridiculous.”*

*“It took me several emails for it to be applied correctly.”*

*“No answers or confirmation that my appeal was ever received.”*

*“More administration time that could be spent on my business.”*

1. **Small Business Bonus Scheme**

This section deals with the Scottish Government’s Small Business Bonus Scheme. SBBS was introduced in 2013 and will now be evaluated by the Scottish Government following the Barclay Review of Business Rates. Our members have clearly benefited from SBBS and the ASSC would recommend that the Scottish Government continues with this scheme.

***Q: Did you benefit from the Small Business Bonus Scheme?***

**Yes: 60%**

**No: 8%**

**No response: 32%**

* From those who replied, ASSC members have benefited from the Scottish Government’s Small Business Bonus Scheme, an initiative that has been criticised by some opposition MSPs such as Andy Wightman MSP.

Comments from ASSC members:

“*The latest rateable value took us just over the threshold. Previously we could benefit from the Small Business Bonus Scheme. But now, even though our business is still a small business (as it always has been), and runs in exactly the same way, it is now NOT considered to be a small business. This seems arbitrary and unfair.”*

*“Without this we would have to put our prices up even more which would make it very difficult to attract tourists.”*

*“Without this I wouldn't make much in the way of profit. Losing this would probably force me to close down my business, stop hiring cleaner/laundry service / tax adviser / yearly gas-electricity reviews etc. and have a knock on effect to the immediate local community in terms of my guests no longer doing there bit to prop up local amenities (e.g. shops, bars, restaurants).”*

*“Absolutely. Without this scheme, I would not make much profit on the self-catering property, which is on an island with a 6-8 month letting period.”*

*“Feel strongly that this scheme must continue. It was promised!”*

*“I only have one property at present although I may have another in the future. It really does make a difference to starting up.”*

*“Without it we would close for definite.”*

*“Without this we could not continue to let our self-catering cottage. We have however been clobbered by water rates.”*

*“100%. Should this cease we will no longer be able to continue with our self-catering business taken together with all the other requirements being put upon us.”*

***Q: Has your new Rateable Value taken you out-with the Small Business Bonus Scheme?***

**Yes: 12%**

**No: 83%**

***Q: Will the new Rateable Value impact on your business detrimentally?***

**Yes: 18%**

**No: 40%**

**No responses: 41%**

* The majority of respondents recognise that if the Small Business Bonus Scheme is withdrawn, it would have a hugely detrimental impact on their business.
* Increases in water rates based on Rateable Values are already having a huge impact on ASSC members.

Comments from ASSC members:

*“Definitely.”*

*“Only if the small business rates relief is stopped.”*

*“Possibly if Small Business Bonus Scheme is withdrawn.”*

*“We pay for private water and sewage provided by the Holt Leisure Ltd. They base their charge on rateable value, and to this year their charge has almost \*doubled\* compared to last year, with no transitional relief of scope to appeal.”*

*“It will limit expansion. It is such a binary relief - from a lot of relief to a huge amount of tax in a very small difference of value. It wipes out most profit at that business expansion point.”*

*“Reluctant to grow past the 100% relief bracket.”*

*“Increased Water Charges as this is calculated on the Rateable Value.”*

*“It removes a significant portion of the business profit. I will give serious consideration to closing the business.”*

*“Added to potential VAT threshold decreases, going forward I am downsizing my business.”*

***Q. The Small Business Bonus Scheme is being reviewed by the Scottish Government. If SBBS is modified or withdrawn, what impact will this have on your business?***

* The comments provided by ASSC members recognised that withdrawal of the Small Business Bonus Scheme would have a hugely detrimental impact on their business.
* If it is withdrawn, according to our survey a significant and worrying proportion of operators may cease trading, impacting on a sector that contributes £723m to the Scottish economy, and represents 23% of the accommodation provision in Scotland.

Comments from ASSC members:

*“We are considering trying to sell the business as it is not sustainable with the increased cost of running the lodges - even before any guests are booked in.”*

*“I think this would be highly detrimental to our business.”*

*“For our business, the removal of SBBS would have a big impact. In short, we would have to increase our prices to the customer. This scheme has been a credit to our government’s efforts to help the tourism industry, and has been of tremendous assistance to our business.”*

*“Withdrawal of the SBBS would have a serious impact on our business. Our total rates bill would be 10% of our profit.”*

*“It would certainly have an impact. I would be faced with the choice of increasing rentals and then risking a fall in occupancy rates, or of making less money and having less money to spend on ensuring standards across the house are maintained.”*

*“It would add a significant and serious extra charge to the business and we might consider going to long lets/residential tenancies instead.”*

*“I will have to sell up as the expenses of running a small holiday home will make it unsustainable to continue.”*

*“Major impact. Our turnover is less than 3 times the Rateable Value and current profit after allowable expenses is not much more than the amount of tax we would have to pay.”*

*“It will cost us £2,500. May decide to call it a day.”*

*“Business viability would definitely be challenged.”*

*“We will close.”*

1. **The Cost of Doing Business**

According to recent research by the Scottish Tourism Alliance, despite confidence in the self-catering sector, attributed to a buoyant season in 2017 and favourable exchange rates for tourists, there appears to be concern surrounding a rise in business costs and loss of profitability. This was reflected in our membership survey.

***Q: Do you consider that the cost of doing business has increased?***

**Yes: 91%**

**No: 11%**

* The overwhelming majority of ASSC members believe that the cost of doing business has increased – and this has affected the profitability of their business.
* The comments provided highlighted a range of issues, from energy costs to water rates.
* ASSC members also raised the withdrawal of the exemption for holiday homes for Energy Performance Certificates. The ASSC has engaged with the Scottish Government on this issue but is not satisfied that key concerns have been adequately addressed.

Comments from ASSC members:

*“2017 was far from buoyant for us.”*

*“It is no longer a simple trading of a service for a reasonable cost. Business rates have increased, energy costs have increased, water rates have increased, the 20% vat means I lose 20% of my income compared to non-VAT registered competitors.”*

*“After 24 years of running this business, I have never known it to be so difficult economically to maintain what we have to survive (never mind grow and develop).”*

*“Yes. Increased legislation and standards to meet, including EPCs, EIRC etc.”*

*“The costs for cleaning, laundry, utilities, repairs and insurance have all increased. It has not been possible to increase rents by a commensurate amount owing to constraints in the marketplace.”*

*“There is an ever increasing regulatory burden and the rates hike forced me to close down one property resulting in a significant loss of income and a corresponding drop in overall profit margin.”*

*“Expensive payments for services e.g. water rates, tradesmen charging more for their services, concern over the energy performance certificates and suggested improvements for the house - an old croft house, replacing items is more expensive, the cost of oil and electricity is high in remote areas.”*

*“Banks and payment processors have not reduced their fees, yet businesses are no longer able to pass on card charges. Listing sites fees have also continued to increase. Local suppliers (cleaners, laundrettes, etc.) have increased their fees, as they have lost many of their staff from the EU (they've returned to their home countries with concerns over their future post-Brexit), meaning that some suppliers are now outsourcing their services, or getting expensive agency staff in to help them while they find permanent staff. Water rates have increased (a little). Lastly, the implementation of GDPR has also meant my business has had to make changes our data processes (there's an additional cost for this, as we've decided to go the full journey and be as secure as we can be; we cannot afford the fines into the £millions that would be imposed by the ICO, so we're doing all we can to safeguard our guests' data, but this has come at a cost).”*

*“All of our overheads have increased, the increase in the minimum, along with the increase in rateable value our businesses financial model has dramatically changed and this has meant that we are not able to pay ourselves we are literally living hand to mouth. We are looking at further diversification to try and increase our profitability.”*

*“Compliance with everything just gets more complicated – GDPR an expensive nonsense, especially for small businesses. EPCs unnecessary for self-catering. Making Tax Digital and new real time VAT rules coming in will not be easy to handle.”*

***Q: Has the rise in business costs impacted on your profitability***

**Yes: 79%**

**No: 20%**

Comments from ASSC members:

 *“The more costs go up the more any profit decreases. You can't put your charges to guests up correspondingly if you want to remain competitive.”*

*“Absolutely. I need to get lots more bookings. However, there is more competition priced lower, so it’s a struggle to make ends meet.”*

*“More expenses, less profit!”*

*“Greatly reduced profit margin.”*

*“Have absorbed and passed on costs so far, but there is a limit to this.”*

*“Only a very small bit - it has certainly added to the levels of anxiety and detracted a bit from the pleasure of running a self-catering enterprise.”*

***Q: Do you have concerns for your business going forwards?***

**Yes: 48%**

**No: 11%**

**No response: 40%**

* Nearly half (48%) of ASSC members have concerns about their business.
* Some members referred to the ‘Homes First’ campaign led by Andy Wightman MSP on short-term lets as a major concern.

Comments from ASSC members:

*“2017 was the first year that we did not make a surplus so more overheads now will not be good news.”*

*“Is the SNP going to force me out of business with a knee jerk reaction to Mr Andy Wightman's ill-informed attack on the Short Term Letting sector? As the party in power I expect the SNP to be fully cognisant of the economic damage that will result by introducing a 150day or 90day STL max per year.”*

*“We may not stay in the industry for much longer.”*

*“The Small Business Bonus Scheme withdrawal would be devastating financially.”*

*“I worry whether my business is viable.”*

*“There will come a point where it is not viable to continue in the self-catering business.”*

*“I mainly worry about the effects of Brexit which are still unknown.”*

*“My main concerns going forward are the (false) belief of councils that planning permission is required, as well as a possible restriction on the number of nights I can let my property. I also worry over the increasing vandalism of self-catering properties in cities such as mine.”*

*“The current Cabinet Secretary for Tourism does not understand that legislation coming in from other parts of her government could be detrimental to tourism, as exemplified by her intransigence to EPC rules. Rules to curb Airbnb type businesses will impact on the whole sector. Negative attitude to STLs fuelled by the Scottish Greens, but also growing worldwide.”*

1. Frontline Consultants., *Economic Impact Assessment of Short-Term Lettings on the Scottish Economy* (2017). Url: <https://www.assc.co.uk/about-us/assc-economic-impact-assessment-short-term-lettings-scottish-economy/>. This paper also provides a useful area by area breakdown of the jobs supported by self-catering and the expenditure generated. [↑](#footnote-ref-1)