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Dear Ms Campbell,

In line with the New Deal for Business, I am writing to advise you of some forthcoming minor changes in respect of the self-catering accommodation thresholds for non-domestic rates in order to improve the administration of the system.

As you will be aware, to be classed as a Non-Domestic property liable for Non-Domestic rates instead of Council Tax, a self-catering property must be intended to be let for 140 days and actually let for 70 days or more in the financial year. This was a recommendation from the independent Barclay Review of Non-Domestic Rates which was accepted in 2017 by the Scottish Government in order to counter a known avoidance tactic for second homes. Scottish Assessors may request evidence of intention of availability to let, actual letting, or both, in order to determine whether self-catering accommodation has met the thresholds in a financial year.

The consultation on Council Tax for Second and Empty Homes earlier this year invited views on the thresholds at which self-catering accommodation becomes liable for non-domestic rates. Having considered the responses, and those from businesses in particular, I am pleased to confirm that we are not changing the self-catering thresholds at this time as it is still too early to assess the impact of the recent changes.

We are however making some minor amendments to the administration of the system, which are intended to provide clarity, consistency and a joined-up approach around some operational aspects of the requirements in order to be classed as non-domestic self-catering accommodation – chiefly, we are introducing a deadline for submitting evidence in response to requests from assessors; spelling out the consequences if evidence is not provided following a request within the required timescale, and recognising that accommodation providers generally offer accommodation to let on a per night, rather than day, basis. Regulations will be laid before the Scottish Parliament very shortly to provide this further

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clarity intended to support an efficient, effective and transparent process. Should it be helpful, my officials would be happy to discuss this further with you.

The Scottish Government continues to do all it can to support businesses and I do hope that the self-catering sector welcomed the announcements in the Scottish Budget 2024-25, particularly the freeze to the Basic Property Rate, which alongside an inflationary increase in the Intermediate Property Rate, will ensure that properties with a rateable value up to and including £100,000 remain liable for the lowest non-domestic property rate in the UK; the maintenance of the Small Business Bonus Scheme (SBBS) at the rates and thresholds introduced in 2023-24; and offering 100% relief in 2024-25 for hospitality businesses, including self-catering accommodation, located on islands as defined by the Islands (Scotland) Act 2018, capped at £110,000 per business. As announced in the Scottish Budget 2023-24, there will also in 2024-25 be a £1,200 cap (up from £600 in 2023-24) on the maximum increase in rates liability relative to 31 March 2023 for those who on 1 April 2023 were no longer eligible for SBBS, saw a reduction in their eligibility for SBBS, or were no longer eligible for Rural Rate Relief.

I hope that this is helpful and look forward to your continued participation in the non-domestic rates sub-group, which next meets on 31 January.



TOM ARTHUR

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