

Position Paper on Business Rates



This paper sets out Scottish Renewables' position on the April 2017 Scottish business rates revaluation, and the exorbitant increases proposed for a number of small-scale renewable energy generators.

Summary

Business rate liabilities are based on the determined 'rateable value' of a site, which is multiplied by the 'poundage' to arrive at an annual liability¹.

The 2017 rates revaluation is set to increase rateable values for small-scale renewable energy generators by up to 650%.

Many of these schemes are outwith the relief offered by the Small Business Bonus and there is no transitional relief for subjects seeing significant increases in rates. In addition renewable energy generators are no longer able to apply for rates relief which was removed in April 2015 for all schemes that fall outwith determined levels of community investments and returns².

We urgently call on the Scottish Government to extend its renewable energy rates relief scheme to cover small-scale, commercial renewable energy installations, to reconsider its decision not to introduce transitional relief in order to allow the sector to continue to deliver low-carbon energy to consumers and to provide appropriate relief to district heating schemes.

New Rateable Values

Draft rateable values were published³ by the Scottish Assessors' Association in December 2016.

Data from a number of projects shows **increases in rateable values of up to 650%**, with the steepest increases to small-scale developments. We have illustrated the scale of these increases below, in terms of a percentage increase.

Table 1: Examples of provisional increases in rateable values for small renewables schemes in April 2017, anonymised due to commercial sensitivities.

	Technology	Capacity (kW)	Current rateable value (£)	Provisional rateable value 2017 (£)	Percentage increase in rv
Project A	Hydro	100	4,900	36,750	650%
Project B	Hydro	496	27,700	72,000	160%
Project C	Hydro	500	19,600	49,600	153%
Project D	Hydro	500	32,900	82,200	149%
Project E	Hydro	716	46,900	121,000	158%
Project F	Hydro	1900	98,000	405,000	313%
Project G	Hydro	2000	104,000	268,500	158%
Project H	Hydro	2000	123,000	340,000	176%
Project F	Wind	500	7,400	28,000	278%
Project G	Wind	500	7,600	28,000	268%
Project H	Wind	800	14,750	32,000	116%
Project I	Wind	1500	22,900	46,100	101%

¹ Business Rates Guidance from Scottish Government: <https://www.mygov.scot/business-rates-guidance/>

² Provisions for existing relief are detailed in The Non-Domestic Rates (Renewable Energy Generation Relief) (Scotland) Amendment Regulations 2016: <http://www.legislation.gov.uk/ssi/2016/121/contents/made>

³ Provisional rateable values for projects can be found through the Scottish Assessors Association website: <https://www.saa.gov.uk/>

District Heating

We are aware that existing legislation results in district heating schemes being valued disproportionately⁴ and have called for the Barclay Review of Business Rates⁵ to consider and review the methodologies in order for the technology to be accurately valued.

While this is underway **we urge the Scottish Government to support district heating schemes through providing appropriate relief.**

Call for Renewables and/or Transitional Relief

Scottish Renewables recognises the importance of accurate and up-to-date valuations, which in some cases can mean a significant increase in rateable values. However, the severity of this increase for some generators is to such a degree that we believe it is disproportionate and therefore unrealistic to expect SMEs to absorb the leap in rates.

Our analysis indicates that relief schemes, such as the Small Business Bonus, do not capture all small-scale renewable projects facing substantial increases in their business rates liabilities.

These are projects not only contributing to meeting our energy and carbon reduction targets, but offering socio-economic benefit to communities across Scotland.

Longer term, the Barclay Review is expected to make recommendations to enhance and reform the business rates system in Scotland, with the aims of better supporting business growth, long-term investment and reflect changing market places. The outcomes of this review are expected in summer 2017, though will not impact the April 2017 revaluation.

We therefore urgently call on the Scottish Government to extend renewable energy relief to cover small-scale renewable energy installations facing significant increases, to provide appropriate relief for district heating schemes, and to reconsider its decision not to introduce transitional relief to allow the sector to continue to deliver clean, green energy to consumers and benefit Scotland's economy.

⁴ <https://www.scottishrenewables.com/publications/consultation-response-barclay-review-business-rate/>

⁵ <http://www.gov.scot/Topics/Government/local-government/17999/11199/BarclayReview16-17>