

DISCUSSION PAPER

INITIAL ESTIMATES OF THE TAKE-UP OF MAIN BUSINESS RATE RELIEF SCHEMES IN SCOTLAND IN 2008-09 FOR SMALL BUSINESS PROPERTIES INCLUDING THE SMALL BUSINESS BONUS SCHEME

Summary

As at October 2008, there were just under 155,000 business properties in Scotland with a rateable value¹ of £15,000 or less. Of these properties, it is estimated that around 118,000 were eligible for some form of rates relief on their Non-Domestic Rates (NDR) and that just under 94,000 received relief under the main rates relief schemes. The largest scheme in terms of the number of recipients is the Small Business Bonus Scheme (SBBS).

The overall take-up of the main rates relief schemes, can only be estimated at Scotland level at this stage and is based on individual non-domestic properties rather than businesses.

The take-up rate of the main rate relief schemes is defined on the basis of eligible properties, i.e. after removing ineligible properties from the pool of all small business properties. The Scotland level take-up rate of the main NDR relief schemes is estimated to be 80 per cent.

Introduction

The SBBS was introduced on 1 April 2008 to provide rates relief for small businesses in Scotland. It replaced the Small Business Rates Relief Scheme. For simplicity and to minimise bureaucracy, businesses eligible for relief under the Small Business Bonus Scheme, which are already in receipt of another main NDR relief, continue with that (other) relief, getting additional SBBS relief up to the SBBS cap. This approach was considered to be simpler than the alternative of requiring businesses to claim relief under the SBBS first, before they are assessed for other reliefs. (The alternative would have resulted in a higher take-up for the SBBS, offset by lower take-up of some of the other main NDR relief schemes.) Either way, however, it is difficult to disentangle fully the overlap between the various main NDR reliefs. As a result, the full impact of the SBBS is best measured by taking account of all main NDR reliefs, rather than the SBBS on its own, on the grounds that eligible businesses get NDR relief that meets or exceeds the SBBS cap.

Statistics on the take-up of the SBBS in 2008-09 are published in Annex A at the end of this paper. This methodology paper accompanies their publication, describing in more detail the method by which the take-up rate for the main Non-Domestic Rates relief schemes in 2008-09 have been estimated. The paper:

- Provides an explanation of the main NDR relief schemes, including the SBBS;
- Provides a definition of the take-up rate and the rationale for its use;
- Provides detail as to how the take-up rate has been derived;
- Details the limitations of existing data sources;
- Details the methodology used and how it works within the limitations of the data.

¹The rateable value is set by the Scottish Assessors and is based on their estimate of the net annual value of the non-domestic property. It is used as a basis for determining the non-domestic rates bill.

Main Relief Schemes, at 1 April 2008

The main NDR relief schemes in existence at 1 April 2008 were:

- 80% mandatory relief for Charities (including Community Amateur Sports Clubs);
- 50/100% mandatory Empty Property relief;
- Up to 50% discretionary relief for short-term Empty Property;
- 100% mandatory Disabled Persons Rates Rebates;
- 50% mandatory Rural Rates relief;
- £3,500 derating allowance for Stud Farms;
- Up to 100% discretionary relief for Not-for Profit Recreation Clubs.

These reliefs take precedence over SBBS relief, i.e. they are to be applied before any SBBS relief. Many of the recipients of these main NDR reliefs would be eligible for SBBS relief, however the amount of relief that they receive from the main NDR reliefs meets or exceeds the SBBS relief they would receive. SBBS is an application based scheme, and those receiving sufficient other relief would be unlikely to apply for SBBS. As such, these would-be SBBS recipients appear in this other main NDR reliefs group, decreasing the number of main NDR reliefs recipients in the SBBS group.

More information on NDR relief schemes can be found in [section 2.2 of the Scottish Government's 'Brief Guide to Non-Domestic Rates'](#)².

Introduction of SBBS, from 1 April 2008

SBBS relief is awarded to eligible, individual properties with rateable values up to a maximum of £15,000. Before relief is awarded, the combined rateable value of all non-domestic properties belonging to a single business is considered. The combined rateable value for a business claiming SBBS relief also must not exceed £15,000. SBBS relief is given as follows:-

Combined rateable value of all business properties in Scotland	Percentage NDR relief given subject to eligibility	
	2008-09	2009-10 onwards
up to £8,000	80%	100%
£8,001 to £10,000	40%	50%
£10,001 to £15,000	20%	25%

There are two primary reasons why properties are deemed ineligible for SBBS relief under the existing scheme, being part of a large business chain and/or in receipt of other main NDR reliefs.

The number of properties in Scotland which have a rateable value less than £15,000, but which belong to large business chains is significant. A single business may consist of

² <http://www.scotland.gov.uk/Topics/Government/local-government/17999/11199/brief-guide>

properties some or all of which have rateable values less than £15,000, however, if the total rateable value of the chain is more than £15,000, none of the properties will be eligible for SBBS relief. This type of ineligibility is referred to as ‘accumulating out’.

Additionally, a significant number of properties may already be in receipt of other main NDR reliefs or exempt from NDR, e.g. churches, charities and empty properties. In determining eligibility for the SBBS, an assessment of the other reliefs awarded to the property must also be considered. As mentioned above, the main NDR reliefs are applied before SBBS relief is given. Effectively, this means that the amount of SBBS relief given is reduced by the amount of any other main NDR relief that would apply. For example, a long term empty property with rateable value of £5,000 will receive 80 per cent relief with 50 per cent attributed to the empty property relief and 30 per cent attributed to SBBS. In cases where the SBBS relief percentage that would apply is lower than that for the main NDR relief, the SBBS relief is ‘cancelled’, so the property is deemed ineligible for the SBBS. An example of this would be a long-term empty property in receipt of 50 per cent Empty Property relief with a rateable value of £9,000. As the SBBS relief percentage that would apply (40 per cent) is lower than that for the empty property relief, this property would not also receive SBBS relief.

Overall, initial estimates suggest that there are a considerable number of small business properties that fall into at least one of these two categories, i.e. are part of large business chains which accumulate out and/or are in receipt of another main NDR relief.

Take-up Rate Definition

The take-up rate is defined as the number of properties in receipt of main NDR reliefs, including SBBS relief, divided by the total number of potentially eligible properties, expressed as a percentage. This means that the ineligible category is subtracted from the population (or ‘pool’) of properties creating a pool of eligible properties. Annex B depicts the breakdown of small business properties across three levels based on eligibility and receipt of reliefs status.

The data sources used in estimating take-up are described in Annex C. **As all of these sources are based on non-domestic properties and not businesses, this paper estimates take-up in terms of properties and not businesses.**

Components of the Take-Up Rate

To estimate the number of properties with a rateable value less than or equal to £15,000 which belonged to chains with an accumulated total rateable value over £15,000, data from the [Scottish Assessors Association Portal](http://www.saa.gov.uk/)³ was used. The Valuation Roll was match merged with the Proprietor, Tenant and Occupier Address list using a Unique Assessor Reference Number. The initial results suggest that, at October 2008, 36,896 properties had a rateable value less than or equal to £15,000, were not in receipt of other main NDR relief, but were ineligible for SBBS relief as they belong to large business chains with accumulated rateable value above the threshold.

³ <http://www.saa.gov.uk/>

From the SBBS Supplementary Data Annex returns, the number of properties in receipt of SBBS relief at October 2008 was found to be 64,179.

The estimate of the total number of small business properties in receipt of other main NDR relief was mainly based on a 2007 voluntary return from councils. This return provided the basis for the estimate that in October 2008 the number of properties in receipt of other main NDR reliefs, not including SBBS, was 29,492.

Combining these components reveals a take-up rate of 80 per cent as follows (also depicted in Annex B).

Total small business properties	154,659
<i>minus</i> small business properties not in receipt of main NDR relief, but part of large business chains	36,896
Total eligible small business properties	117,763
Total SBBS recipients	64,179
<i>plus</i> Total small business properties in receipt of other main NDR reliefs	29,492
Total small business properties in receipt of main NDR reliefs	93,671
Take-up rate: Total small business properties in receipt of main NDR reliefs <i>divided by</i> Total eligible small business properties (expressed as a percentage)	80%

Areas for Further Development

The estimate of the small business properties in the ‘accumulating out’ group may be slightly overestimated, which may mean non-uptake may be slightly underestimated. Further development of the aggregation analysis will further inform this aspect.

The estimate of the other reliefs category is a large number; however, the use of the NDRI returns figures for the cost of each relief will have assisted as a control. There is no reason to suppose this may be underestimated or overestimated. If underestimated, the non-uptake will be overestimated and vice versa. This cannot be taken further forward without developing the data collection (such as voluntary returns on relief counts, billing system extracts etc).

In summary, it is clear that further data linking and methodological work is needed to provide a robust estimate of non-uptake and that the initial findings should be treated with some degree of caution. Further work during 2009 in this area will help improve methodology and provide better estimates of non-uptake.

Annex A –

Small Business Bonus Scheme Relief Recipients, as at October 2008^{1,2}

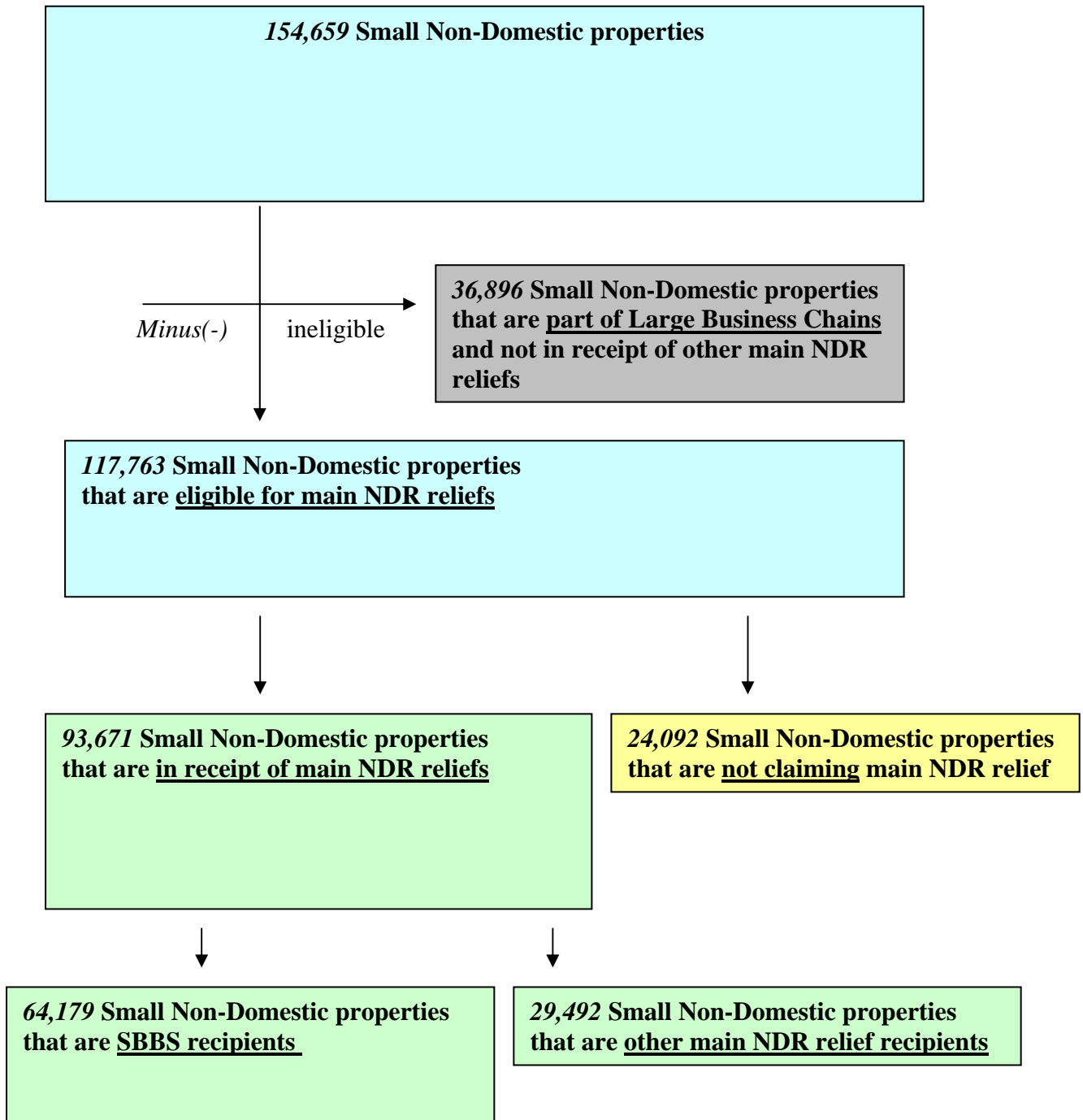
	Rateable Value (RV) of relief recipient ²							
	Less than or equal to £8,000		Between £8,001 and £10,000		Between £10,001 and £15,000		All recipients	
	Less than or equal to £15,000							
	Properties in receipt of relief	Total Rateable Value of properties in receipt of relief (£)	Properties in receipt of relief	Total Rateable Value of properties in receipt of relief (£)	Properties in receipt of relief	Total Rateable Value of properties in receipt of relief (£)	Properties in receipt of relief	Total Rateable Value of properties in receipt of relief (£)
Scotland	54,979	169,904,417	4,049	35,871,321	5,151	61,838,027	64,179	267,613,765
Aberdeen City	1,364	5,546,705	188	1,701,000	248	3,059,600	1,800	10,307,305
Aberdeenshire	3,623	8,840,446	182	1,661,700	211	2,582,950	4,016	13,085,096
Angus	1,679	4,648,850	79	712,500	96	1,167,627	1,854	6,528,977
Argyll & Bute	2,995	6,121,815	65	583,885	92	1,122,365	3,152	7,828,065
Clackmannanshire	455	1,568,940	26	233,100	28	338,600	509	2,140,640
Dumfries & Galloway	2,987	6,792,590	102	924,900	135	1,661,725	3,224	9,379,215
Dundee City	1,211	4,476,450	115	1,040,050	168	2,063,275	1,494	7,579,775
East Ayrshire	962	3,329,675	75	669,950	90	1,106,150	1,127	5,105,775
East Dunbartonshire	457	1,914,210	84	743,750	85	1,053,200	626	3,711,160
East Lothian	1,091	3,314,075	67	606,900	86	1,045,950	1,244	4,966,925
East Renfrewshire	392	1,599,645	56	503,800	102	1,236,300	550	3,339,745
Edinburgh ,City of	3,636	15,861,141	479	4,368,106	613	7,575,200	4,728	27,804,447
Eilean Siar	382	780,665	16	145,200	7	93,000	405	1,018,865
Falkirk	1,134	3,943,600	110	995,150	121	1,459,150	1,365	6,397,900
Fife	3,288	11,066,093	237	2,135,650	387	4,730,560	3,912	17,932,303
Glasgow City	3,622	14,834,025	485	3,707,130	606	6,091,125	4,713	24,632,280
Highland	5,268	11,588,535	163	1,498,750	211	2,565,850	5,642	15,653,135
Inverclyde	476	1,893,350	61	551,350	67	825,000	604	3,269,700
Midlothian	662	2,235,660	52	495,100	65	788,750	779	3,519,510
Moray	1,381	3,170,484	62	566,800	66	832,550	1,509	4,569,834
North Ayrshire	1,633	4,870,945	83	733,700	131	1,591,800	1,847	7,196,445
North Lanarkshire	1,865	7,510,315	238	2,138,750	237	2,886,550	2,340	12,535,615
Orkney Islands	796	1,354,165	18	160,400	21	252,700	835	1,767,265
Perth & Kinross	2,562	7,304,695	144	1,300,800	187	2,297,350	2,893	10,902,845
Renfrewshire	1,451	5,579,334	143	1,262,050	203	2,556,650	1,797	9,398,034
Scottish Borders	2,613	5,778,765	74	659,800	122	1,490,000	2,809	7,928,565
Shetland Islands	367	799,456	15	135,000	25	289,900	407	1,224,356
South Ayrshire	1,372	4,347,130	104	926,150	149	1,791,250	1,625	7,064,530
South Lanarkshire	2,141	8,713,010	280	2,503,500	273	3,341,700	2,694	14,558,210
Stirling	1,506	4,222,315	93	840,200	117	1,443,000	1,716	6,505,515
West Dunbartonshire	554	1,978,085	46	413,600	55	665,400	655	3,057,085
West Lothian	1,054	3,919,248	107	952,600	147	1,832,800	1,308	6,704,648

Source: Small Business Bonus Scheme Supplementary Data Annex

1- Includes 2,617 recipients of other reliefs in addition to Small Business Bonus Scheme relief. The rateable value of these properties is included in its gross form, before any relief is applied.

2- RV of relief recipient refers to the individual subject, or property, and not to the accumulated RV of the business to which the property belongs.

**Annex B - Distribution of the 154,659 Small Non-Domestic properties,
as at October 2008**



Annex C - Overview of Data Sources

NDR INCOME MID-YEAR RETURN – SMALL BUSINESS BONUS SCHEME SUPPLEMENTARY DATA ANNEX

This annex to the mid-year NDRI returns was specifically designed to collect information on the numbers of properties for which SBBS relief is received. The data collection for 2008-09 was a snapshot as at October 2008. The data are essentially derived from billing systems and are in terms of individual properties, not businesses. The SBBS annex returns provide summary statistics on relief recipients within each Local Authority, according to the recipient's rateable value band (based on the rateable value of the individual property). There is a further split into properties which are in receipt of another NDR relief and those that only have SBBS relief.

The return also includes the total rateable value of the properties in receipt of SBBS, by rateable value band, and the total cost of SBBS relief. This return is the main source of data relating to SBBS.

NDRI RETURNS

These are a series of returns which provide data on NDR income, collected at 3 points in the year including in the mid-year, and are required in order that the NDR income pool be operated. Amongst other things, the returns provide figures on the amount of NDR income reduction that can be attributed to each mandatory and each discretionary relief. So, for example, the returns provide an estimate for each council of the amount of NDRI reduction due to empty or partly unoccupied properties. These do not provide any information about the numbers of properties that are in receipt of each type of relief. However, the relief costs totals have been used in the grossing up and imputation process.

ASSESSORS PORTAL:- VALUATION ROLL AND PTOA ADDRESS LIST

This is a live database of properties in Scotland maintained by Scottish Assessors covering both domestic and non-domestic properties and their valuations. The entities in the database are 'subjects' (i.e. 'properties' as described in this paper), and not businesses. For non-domestic properties, the database contains the rateable value. The estimates in this paper are based on a download at October 2008 of all the non-domestic properties - zero rated properties are excluded from the analysis. This provides the 'population' of non-domestic properties, a total of 203,801 properties, of which 154,659 have a rateable value less than or equal to £15,000.

A separate part of the portal provides the Proprietor, Tenant, Occupier Address list. The Valuation Roll and the Proprietor, Tenant, Occupier Address list can be linked via unique reference numbers, although the linking is not one-to-one. However the merged data can be used to form the basis of an analysis that groups together properties within the same business.

OTHER DATA

In 2007, for the first time, a voluntary return was sent to all councils seeking information on the numbers of properties in receipt of each type of NDR relief, by rateable value band. (The returns did not cover SBRRS as that was already collected in the NDRI mid-year returns,

SBRRS annex). Up until that time, there was very little data available on the numbers of properties in receipt of each type of relief, other than for SBRRS. While not every council was able to provide the data, there was sufficient response to be able to form approximate estimates of numbers of properties receiving each type of relief, using imputation and grossing up.

More recently, a sample of councils have provided data downloads directly from their billing systems covering all properties in receipt of relief, and including fields for each NDR relief type. While this source has yet to be fully developed, the data received so far has been useful in the estimation process and for credibility checks.