

TECHNICAL NOTE: ESTIMATING THE POUNDAGE SUPPLEMENT NEEDED TO MEET THE COST OF THE SMALL BUSINESS RATE RELIEF SCHEME – 2005-06

Introduction

1. This note describes how it has been estimated that a **0.45p** supplement on the rate poundage of non-domestic subjects with a rateable value over £29,000 is required to meet the additional costs of the small business rate relief scheme in 2005-06. The methodology was explained in the Technical Note to the 2003-04 supplement (which can be found at <http://www.scotland.gov.uk/consultations/enterprise/poundagesupp.pdf>), and only revised figures are included here.

2. The total net costs to be met by the supplement have been estimated for 2005-06 using provisional Valuation Rolls supplied by the Scottish Assessors, previous data on the level of reliefs and take-up of Small Business Rate Relief.

The cost of the scheme in 2005-06

3. The revised estimate of the total gross cost of the small business rate relief scheme in 2005-06 is **£30.5 million**.

4. As at 1 April 2005, the total rateable value of properties with a individual rateable value of £11,500 or less is estimated to be £568.0 million. Of this total, an estimated £100.8 million will be subject to mandatory relief. Properties with a rateable value of between £8,000 and £11,500 will account for a further £151.7 million. These subjects, with a total rateable value of (£100.8 million + £151.7 million) = £252.5 million, will receive a relief of 5%, with a gross cost of £252.5 million * 5% * 46.1p = £5.8 million.

5. For properties with a rateable value of less than £8,000, a proportion will be eligible for higher level relief of 10% or more. Provisional data submitted to the Scottish Executive by Local Authorities has been used to estimate this proportion in each valuation band, and is summarised in the table below, giving a gross cost of relief of £20.4 million.

	Rateable value excluding mandatory reliefs and vacant properties	Effective RV of subjects in receipt of higher level relief as % of all subjects	Estimated effective rateable value of businesses in receipt of higher level relief.	Relief %	Estimated gross cost of SBRRS - 2003-04
	£m	%	£m	%	£m
0 < rateable value < 3500	100.7	43	42.9	50	9.9
3500 <= rateable value < 4500	49.3	46	22.4	40	4.1
4500 <= rateable value < 5750	63.0	43	26.9	30	3.7
5750 <= rateable value < 7000	58.7	36	21.0	20	1.9
7000 <= rateable value < 8000	43.8	34	15.0	10	0.7
Total for subjects with RV<£8,000	315.5		128.3		20.4

6. The properties with a rateable value of less than £8,000 which do not qualify for higher level relief will still receive basic level Small Business Rate Relief at 5%. This will cost an additional $(£315.5 \text{ million} - £128.3 \text{ million}) * 5\% * 46.1\text{p} = £4.3 \text{ million}$.

7. These three components of cost can thus be added together, **giving a gross cost of £30.5 million** for the scheme ($£5.8\text{m} + £20.4\text{m} + £4.3\text{m}$).

8. The revised cost of the scheme to be paid by business is calculated as **£17.8 million**. This is £12.7 million less than the total gross cost of the scheme but it ensures that big business does not pay for something currently met by central government. It is £30.5 million less:

- the equivalent of the previous 2p discount for all qualifying subjects with a rateable value of £11,500 or under (£11.4 million).
- the cost of increasing the basic relief for small properties occupied by businesses with a cumulative rateable value of more than £11,500, or for those in receipt of mandatory or discretionary relief, from a 2p discount to a 5% relief (£1.3 million).

9. The effective rateable value of subjects with a rateable value over £29,000 is estimated to be £3,897m from 1 April 2005.

10. The required supplement is therefore $£17.8\text{m} / £3,897\text{m} = \mathbf{0.45\text{p}}$ (to the nearest 0.05p).

11. If you have any queries regarding this note then please contact Dr David Signorini, Statistical Support for Local Government on 0131-244-7033 or by email to david.signorini@scotland.gsi.gov.uk.

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