Mackay was warned about business rates crisis – and did nothing

- Home
- All News
- Mackay was warned about business rates crisis – and did nothing

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The SNP government was warned about business rates increases last year – but did nothing to help.

Leading business groups wrote to finance secretary Derek Mackay as early as October 2016 spelling out the damaging impact the revaluation would have on hotels, pubs and businesses in Scotland.

The British Hospitality Association said it would have a “severe impact” and “likely lead to an increase in rateable values, and rates payable, by hotels of between 30 and 50 per cent”.

And in November, the Scottish Retail Consortium warned a Holyrood committee: “It will be very difficult to absorb some of the potential costs.”

Cosla even offered to help the Scottish Government do some modelling work on the rates rise, an offer it said “has not been taken up”.

However, the SNP’s response was to insist the revaluation had nothing to do with the Scottish Government – and is still refusing to act in order to help.

The Scottish Conservatives are today repeating their call for Mr Mackay to make a statement to Holyrood next week, and to order an immediate review of the revaluation before it comes into effect.

The party has also slammed Mr Mackay’s comments in the press this morning, when he insisted it was for councils, not central government, to respond.

Scottish Conservative shadow finance secretary Murdo Fraser said:

“Business groups were warning about the impact of this revaluation last year.

“Yet, from the very start, the SNP’s response has been to pass the buck and insist it is nothing to do with them.

“It is a complete abdication of responsibility.

“Once again, we see a Scottish Government so obsessed with its campaign for independence that it has fallen asleep at the wheel on the issues that actually matter to people.

“Derek Mackay this morning has once again washed his hands of the matter and declared that it is for councils to act.

“This is from the man who has an extra £500m to spend next year, and who found nearly £200m down the back of the sofa two weeks ago in order to do a deal with the Greens.

“Mr Mackay should come before parliament to set out a clear statement that he will review this revaluation process before it is too late for firms which face going to the wall.

“Anything else will show that this SNP government has lost touch entirely with a crisis it knew was coming – but ignored.”

The SNP government was repeatedly warned by business groups about the crisis, most prominently by the British Hospitality Association.

British Hospitality Association

‘The 2017 rates revaluation in Scotland is likely to lead to an increase in rateable values, and rates payable, by hotels of between 30-50%. BHA has challenged this with the Assessors and has made known to the Scottish Government its concern over the impact of this on the profitability and sustainability of hotel businesses’ (*British Hospitality Association*, 18 October 2016, link).

William Macleod, British Hospitality Association

‘BHA is concerned, from what is known about the impact on hospitality and hotel businesses of the potentially severe impact of the 2017 revaluation that TR is likely to be required in the hospitality sector to allow businesses to cope with significant (between 30-50%) increases in rates’ (*William Macleod, British Hospitality Association – Consultation Response: 2017 Non-domestic rating revaluation – consultation on possible transitional arrangements*, link)

Councillor Keenan COSLA

‘More than a year ago, we made an offer to the Government that we would do modelling work on business rates, because we realise that there would need to be some equalising factor across areas, as some industrial areas can raise much more. We would look to do that work but, because that opportunity has not been taken up, we are probably a year or so behind where we could be. If that joint work was going on, we would have an indication of where the figures are.’(Local Government and Communities Committee Official Report, 28 September 2016, link).

David Lonsdale, Scottish Retail Consortium

‘Committee members will know some of our gripes about business rates, the large business supplement and the apprenticeship levy—I have a large list that I can bore the committee with at a later date, if you like. There will be some genuine challenges if retailers are to absorb some of those costs, so they will be looking for sharper deals with suppliers to see whether they can get a better price. They will also be shopping around, just as we advocate that consumers do, to see whether they can get the same quality of produce at better prices. As I said, it will be very difficult to absorb some of the potential costs, but it will be difficult to pass them on to consumers, given the current climate and the stiff competition out there.' (Official Report, *Culture, Tourism, Europe and External Relations Committee*, 24 November 2016, p18, link)

Scottish Retail Consortium

'It is far from clear why firms operating in Scotland should pay more in rates than firms in comparable premises elsewhere in the UK, particularly when many have options over where to invest elsewhere in the UK or indeed abroad. Next year's rise in the headline poundage rate for all other firms should also be shelved. After all, stimulating business investment is more difficult when costs are rising as it means diverting cash and resources away from growing the business The SRC supports the principle behind the new local discretionary rates relief in the interim period prior to fundamental rates reform. It is a welcome acknowledgement of the need to keep down costs for business. However, we remain to be convinced that its use by councils will either be widespread or substantive enough to be effective' (Scottish Retail Consortium, *retail industry recommendations for the Scottish Government for its Budget & Spending review* 1 August 2016, p6, link)