

## **Scottish Licensed Trade Association**

The Scottish Licensed Trade Association (SLTA) was formed in 1880 and counts within its membership all types of Licensed On-trade premises, in general pubs and bars, the majority of which are independent operators. The Association welcomes the establishment of a cross-party commission to examine new ways in which to fund local government in Scotland.

The Commercial rating system in Scotland has been a major bone of contention for the Association over the years and despite a number of promises to review the punitive commercial rating system singularly imposed upon the Licensed On-trade in Scotland, our members remain extremely disappointed and angered that our comments and concerns have been totally ignored by the Scottish Government.

The Scottish Government's lack of consideration to introduce a replacement system where rates calculations are equally applied to all business sectors or, preferably, are based on "business profitability" is both neglectful of, and discriminatory to, our sector of industry. There is an urgent need to redress the financial burden of commercial rates to help Scotland's pubs and bars. The anomaly whereby every other business sector in Scotland has a rateable value based on square footage, in comparison to pubs and bars which are based on turnover, must end.

The rates burden on Scotland's pubs and bars generally equates to around 8.5% - 9% of turnover. In comparison, the rates burden on premises such as supermarkets, equates to about 2% of turnover. The current scheme leads to unacceptably high valuations, an unfair burden of rates being imposed upon small businesses; and doubly penalises those businesses by almost automatically excluding them from the small business relief scheme in stark comparison to most other small businesses with a similar or even higher profitability. After all, Scotland's pubs and bars are part of the retail sector and our premises are generally located alongside our retail partners.

In addition, small Licensed On-Trade businesses are subsidising other small business sectors by the imposition of the 1.3 pence rates supplement to pay for the additional cost of the Small Business Bonus Scheme. Such a practice is nothing but discriminatory against the Scottish pubs and bars business sector.

The historic system of valuations in Scotland for the On-trade has left the industry with a series of knock-on impacts such as Licensing application fees, water charges and Sky television charges. Whilst the SLTA cannot expect ministers to intervene in commercial transactions, it is both fair and reasonable for the Association to bring this fact to the attention of the Scottish Government. This is a clear example of how the unfair burden set by our un-natural system of valuation can be further exacerbated by additional charges which are also set at a false and inflated level, based on the burden set by Government.

The SLTA believes it is right and fair that more contributions should be made by the most profitable businesses particularly in these austere times, but the Government's priority must be to introduce a commercial rating system based on a system where all business sectors are rated using the same principles. It is unacceptable that pubs and bars should be penalised several times every year due to the historic inequality of the burden imposed in rating an entire industry on sales with no allowance made for the profitability of any operation.

The current scheme also makes no formal allowance for the valued role which many pubs play within their communities, indeed it would not be an exaggeration to state that for some communities the pub is the last centre for that community to meet, plan, fund raise and work as a functioning community following the loss of both other commercial operations and community halls. It is unbelievable that of the £541m distributed through rates relief in Scotland in 2011/2012, only £2.9m was directed to Scotland's Pubs and Bars.

The Association would also take issue with the matter of the availability of rates relief and local council discretionary rates relief for "clubs". The SLTA supports rates relief for responsibly run community amateur sports clubs and charity/not-for-profit clubs. However, when these organisations operate a bar in their premises, retail alcohol and in fact turn out to be operating in the same way as any pub or hotel bar, then such rates relief should be automatically withdrawn.

The SLTA also shares the concerns of other groups and Scottish Assessors on a number of issues which have been collectively identified.

The time period between each revaluation is too long. With the last rates revaluation carried out in 2008, before the country entered the economic downturn, and the Scottish Government further prolonging business rate valuations until 2017, we are operating in a system which no longer reflects the current business climate. Retailers and businesses are locked into unrealistically high rates levels which don't reflect the current rental values over the last four or five years. We would therefore be supportive of rates revaluations being carried perhaps every three years, rather than five. Another consideration would be to stagger different sectors across different years. Simplifying and unifying the process for Scottish Pubs and Bars would be necessary to fit in with these type of recommendations, as mentioned above.

The SLTA also shares the views of other groups that there should be a 12 months advanced notice of Revaluation assessments; Assessors should have a legal responsibility to provide clear information on how the level of rateable values for individual premises were achieved thus giving transparency in the valuation process; With the length of time for an appeal to be heard, in some cases over 2 years, there is a need for a fast track system to be introduced and such a system should be free of charge; there is a lack of training and experience within the appeal system and this must be addressed, perhaps the inclusion of independent and impartial valuers in all appeal disputes may be worth considering; there is also a need for consistency across all regions, and production of clear guidelines on how to avoid going to appeal.

As previously stated, until there is an equally applied commercial rating system for all types of businesses, Scotland's pubs and bars are bearing an over-proportionate share of the commercial rate burden.

There is also an urgent need to issue clear national guidelines on "Material Change of Circumstances". The SLTA was under the impression that the Scottish Assessors Association had indicated that the recent change to the drink driving limit could be considered a material change in circumstance with regard to business rates appeals, if businesses could demonstrate a fall in trade. However, we now understand that a number of appeals have been rejected on the basis that such circumstances cannot be considered as a material change of circumstance.

In conclusion, there are without doubt a number of issues of concern surrounding Scotland's commercial rating system. However, until the calculation of business rates is applied equally to all business sectors, Scotland's pubs and bars face operating in a dis-advantaged business environment.

Colin A. Wilkinson

SLTA Secretary

The Scottish Licensed Trade Association