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31 July 2023

Dear Ryan Crighton,

Thank you for your letter of 16 June 2023 to Tom Arthur MSP, Minister for Community Wealth and Public Finance, regarding non-domestic rates and short-term let licensing. I am responding as this falls under my portfolio of responsibility, however, I am liaising with my ministerial colleagues about this cross-cutting regulation. Please accept my apologies for the delay in this reply.

The Scottish Government acknowledges the difficult economic climate currently facing many short-term let businesses. In recognition of this, a strong non-domestic rates package was announced in the Scottish Budget 2023-24. This included a freeze in the poundage, the number one ask of business organisations, which delivered the lowest poundage in the UK for the fifth year in a row and a package of reliefs for 2023-24 worth an estimated £749 million.

With effect from 1 April 2023, the Small Business Bonus Scheme (SBBS) was reformed, whilst ensuring that it remains the most generous scheme of its kind in the UK, and continues to take 100,000 properties out of rates altogether. 100% relief continues to be available for properties where the cumulative rateable value of all of a ratepayer's properties is no more than £12,000 and where the property is not used for an excluded purpose. Where the cumulative rateable value of a ratepayer's properties is between £12,001 and £35,000, 25% relief is available for properties with individual rateable values of up to £15,000 and will taper from 25% to 0% for properties with individual rateable values between £15,001 and £20,000, where the property is not used for an excluded purpose.

To ensure that properties losing, or seeing a reduction in, SBBS relief at revaluation do so in a phased manner, a Small Business Transitional Relief was introduced from 1 April 2023. This means that for those losing or seeing a reduction in SBBS relief on 1 April 2023, the maximum increase in the rates liability for each qualifying property (relative to 31 March 2023) will be capped at £600 in 2023-24, rising

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to £1,200 in 2024-25 and £1,800 in 2025-26. This will protect an estimated 19,000 properties.

Additionally, to protect those properties seeing the most significant increases in rateable values the Scottish Government has introduced a [Revaluation Transitional Relief](#). Increases in non-domestic rates liabilities due to the revaluation taking effect on 1 April 2023 will be capped at 12.5% (cash terms) for small properties, 25% for medium-sized properties and 37.5% for large properties in 2023-24, rising in subsequent years. This relief is expected to support an estimated 84,000 properties with their gross rates bills in 2023-24.

With regards to short-term let licensing, we recognise that short-term letting businesses have contributed positively to Scotland's tourism industry and local economies across the country. However, the growth of the sector has accelerated rapidly over the past decade, not just across Scotland but globally. Scotland is therefore not alone in identifying the need to regulate short-term lets.

Licensing has been introduced in Scotland to ensure short-term lets are safe and the people providing them are suitable. It also provides local areas with the option to apply additional conditions to address local issues with short-term lets where these are causing problems for neighbours and residents. Development of the legislation took place over four years, with extensive consultation and engagement with stakeholders. Alternatives were considered but these do not provide the same level of provision as licensing.

Regulating short-term lets now brings this form of accommodation in line with regulation of other accommodation sectors such as hotels, caravan parks and houses of multiple occupation. It also offers benefits to the sector as a licence represents assurance to guests and others, that they can have confidence in the safety status of the accommodation they are staying in. We consider the legislation is appropriate for the whole of Scotland and offers considerable flexibility to local authorities in how it is implemented.

Further information can be found on the Scottish Government website:

Short-term lets: [regulation information - gov.scot](#)

Short-term lets: [impact on communities: research - gov.scot](#)

The principal component of our licensing scheme is a set of mandatory safety standards which apply to all short-term lets in Scotland. Many hosts will already be following these standards, and therefore incurring associated costs, as a matter of compliance with existing law or best practice.

You express concern about the expense of licence fees and the variation in fees charged by different local authorities. Local authorities establish and run their licensing schemes, using application fees to cover their costs. As the number of short-term lets vary across Scotland this means the amounts set locally will vary too. Whilst Scottish Government guidance encourages licensing authorities to establish a licence fee structure which takes account of the type of licence being applied for, we do not have the authority to dictate policy at local authority level. The short-term let licensing scheme is administered by licensing authorities, and it is for them to implement a fee structure appropriate to their particular area.

I am grateful to you for sharing the details of how your members are impacted by these changes, and for the invitation to meet with them. Unfortunately, I'm afraid neither the Minister for Community Wealth and Public Finance or myself will be able to accommodate your invitation during recess.

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However, I hope that the information in this letter is helpful and if there is new information you wish to share please let my officials know.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Paul McLennan', with a long horizontal flourish underneath.

PAUL MCLENNAN
Minister for Housing

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