

## **EXECUTIVE NOTE**

### **The Non-Domestic Rate (Scotland) Order 2007 No.2**

The above instrument is made in exercise of the powers conferred on the Scottish Ministers by section 7B(1) and 37(1) of the Local Government (Scotland) Act 1975 and by all other enabling powers. The instrument is subject to the negative resolution procedure.

#### **Purpose of the Instrument**

The purpose of this instrument is to set business rate poundage in Scotland of 44.1 pence for 2007-08. The new rate for Scotland represents a decrease of 0.8 pence from 2006-07. A technical note explaining how this figure was derived has been published on the Scottish Executive website and can be downloaded from [www.scotland.gov.uk/businessrates](http://www.scotland.gov.uk/businessrates).

#### **Background**

The Minister for Finance and Public Service Reform confirmed the provisional poundage rate for 2007-08 on 13 December 2006 as part of his Parliamentary Statement detailing the Local Government Finance provisional allocations.

The Minister for Finance and Public Service Reform announced to Parliament on 6 October 2005 that from 1 April 2006 the Executive would reduce the existing gap between the Scottish and English poundage rates by half and would remove the gap completely on 1 April 2007.

This Order will complete the delivery on the second part of this pledge. As a result, the poundage rate paid by Scottish businesses from 1 April 2007 will be 44.1p, the same as south of the Border. This is a reduction of 0.8 pence in 2006-07 and a decrease of 2 pence in comparison to 2005-06.

#### **Consultation**

Ministers have powers to set the business rate poundage on an annual basis. There is no formal period of consultation required. Businesses have generally welcomed the announcement to fully equalise the poundage rate with England.

#### **Financial Implications**

The Scottish Executive is making £169 million available from the Scottish Executive budget to fund the costs of equalising the poundage rate in 2007-08.

#### **Impact**

It is anticipated that the reduction in the business rate poundage will reduce operating costs and provide the opportunity for competitive advantage. The Executive expects business to invest the £169 million savings in further business growth.

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