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19 January 2016

Dear Rob

Land Reform (Scotland) Bill – Part 6

We write jointly as the lead Minister for the Bill, and the portfolio Minister for Part 6 of the Bill.

In the Government's written response to the Committee's Stage 1 report, we said we would provide further information that the Committee was seeking in respect of Part 6 in time for Stage 2. That information is enclosed as an annex to this letter. We would draw the Committee's attention to section 3 at page 16 of the annex in particular, which concerns further information and evidence that will be available in the future and which the Government would be happy to provide to the Committee.

We understand that the Committee is also interested in our engagement with the Scottish Assessors Association, and can assure the Committee that our officials are in frequent dialogue with them to inform our proposals. We also reiterate our intention to continue to work with stakeholders during Bill scrutiny and then ahead of and during implementation to secure fair and workable rating arrangements in respect of shootings and deer forests.

We trust the enclosed information is of interest.

JOHN SWINNEY

AILEEN MCLEOD

FURTHER INFORMATION RELATING TO PART 6 OF THE LAND REFORM (SCOTLAND) BILL

Summary

1. This document contains further information relating to the points made in relation to Part 6 of the Land Reform (Scotland) Bill in the Rural Affairs and Climate Change Committee's Stage 1 Report, as committed to by the Scottish Government in its written response to that report.
2. Section 1 of this document provides an overview of the evidence base relating to the size and scale of the shooting and deerstalking sector, including a description of economic contribution and of the context in which that contribution takes place – highlighting that the provision of shooting usually coexists alongside other activities such as farming, which often brings in other income streams etc. Many of the larger landholdings also have a considerable income from other sources, including Common Agricultural Policy payments as a result of EU policies.
3. Section 2 provides a further analysis of evidence provided to the Scottish Government by the Scottish Assessors Association. This evidence source is subject to distinct limitations; however it does represent the best source of evidence on the characteristics of the tax base. The conclusions from this analysis also tally with wider evidence sources considered in sections 1 and 2. It is possible to conclude from this evidence alone that the reintroduction of non-domestic rates in respect of shootings and deer forests is likely to generate a gross liability in the order of £4 million. This amount may however be subject to rates relief as a result of Scottish Government policies such as the Small Business Bonus Scheme. As a result of these reliefs and the characteristics of the industry, it is likely that a small number of large providers will pay the majority of revenues that the reintroduction of rates would produce.
4. Section 3 provides a summary of what information can be made available at a later stage, subject to the passage of the Bill, ahead of proposed implementation in 2017.

Contents

Section 1: Economic contribution and context	p2
Section 2: Available evidence on the tax base	p10
Section 3: Looking forward – further evidence available in future	p16

SECTION 1: ECONOMIC CONTRIBUTION AND CONTEXT

Summary

- It is estimated that there are around 7,100 shooting providers in Scotland, influencing an area of 4,500,000 hectares (equivalent to around 80% of agricultural land in Scotland and around 58% of the total land area in Scotland).
- The shooting sector is estimated to directly support 2,600 FTE jobs, with recognition that a lot of the employment is temporary given the seasonal nature of shooting.
- When factoring in the indirect effects (e.g. buying of goods and services), the total employment supported by the shooting sector in Scotland is estimated at 4,100 FTE. This equates to around 1.4% of total employment in rural Scotland.
- Annual tourist expenditure from shooting in Scotland is estimated at £69m, although around half of the shooting providers report that they operate at a loss. This shortfall is likely to be offset by income from other land uses (such as farming (including Common Agricultural Payments), forestry or energy production).
- There are various estimates regarding the economic contribution of the sector, with a recent study estimating that shooting directly contributes £21m in Gross Value Added (GVA) to the Scottish economy. A separate study has estimated the contribution at £38m in GVA, rising to £200m GVA when factoring in the indirect effects from suppliers.

Introduction

5. This section examines the evidence base on the economic contribution from the shooting sector to the Scottish economy. This provides contextual information on the shooting sector in Scotland rather than an assessment of the potential non-domestic rates liability or of the impact of such liability on the sector.
6. Overall, the available evidence is limited, largely due to the size of the sector and the way the sector is reported within economic statistics. For example, the sector is aggregated alongside Agriculture and Fishing within official Scottish Government GDP statistics, which account for around 1% of output in the Scottish economy. Consequently, evidence in this section is drawn from the few published studies on the sector.
7. The shooting sector in Scotland has been relatively stable, with a survey finding that around 70% of shooting sports providers reported that shooting has taken place on the current site where they operate for over 50 years¹. Furthermore, the survey did not capture responses from any provider who had been shooting on their site for less than five years.

¹ <http://www.shootingfacts.co.uk/pdf/consultancyreport.PDF>

8. Stalking/shooting locations are predominantly found in the Highlands, Dumfries & Galloway, the Borders and Perthshire.

Table 1: Stalking/shooting locations in Scotland

Location	Shooting/Stalking Locations
Highlands	25%
Borders	19%
Aberdeenshire	9%
Perthshire	19%
Dumfries & Galloway	21%

Source: PACEC (2015)

9. Overall, there are around 7,100 shooting providers² in Scotland, influencing an area of 4,500,000 hectares (equivalent to around 80% of agricultural land in Scotland and around 58% of the total land area in Scotland³).
10. There is limited evidence on how these 7,100 shooting providers break down in terms of the scale of their operation. However the following tables highlight that a significant number are likely to be relatively small scale operations, with around 45% having fewer than 19 days of shooting a year and around 65% of providers having annual expenditure of under £50,000.

Table 2: Shooting & stalking providers in Scotland: days shooting in 2012/13

Total Number of Days	Percentage of all Respondents
1-9	20
10-19	25
20-39	16
40-59	14
60 or more	26

Source: "The Benefits and Volume and Value of Country Sports Tourism in Scotland", PACEC 2015

² This is likely to be a slight overestimation of the number of providers who may be liable for non-domestic rates. The PACEC study defined shooting providers as target shooting, clay pigeon shooting and the legal shooting of birds or animals which someone pays to be able to do or for which payment is waived. This does not include activities for which someone receives payment. The study found that around 84% of providers in Scotland offered live quarry.

³ There are around 5,555,900 hectares of utilised agricultural land in Scotland, and the total land area in Scotland is around 7,790,000 hectares.

Table 3: Shooting & stalking providers in Scotland: expenditure

Total	Percentage of Respondents
£0 - £99	2
£100 - £999	4
£1,000 - £9,000	27
£10,000 - £49,000	32
£50k or more	35

Source: "The Benefits and Volume and Value of Country Sports Tourism in Scotland", PACEC 2015

Economic contribution

11. Despite the lack of disaggregated official statistics covering the shooting sector, a number of studies have attempted to estimate both the direct contribution (e.g. number of people directly employed) and the indirect contribution (e.g. looking at the supply chain).
12. This section draws heavily on two separate reports undertaken by Public and Corporate Economic Consultants (PACEC) in relation to the value of shooting in the UK⁴ and specifically in Scotland⁵.

Employment

13. The shooting sector is estimated to directly support 2,600 FTE jobs, with recognition that a lot of the employment is temporary given the seasonal nature of shooting⁵. For example, it is reported that on average there are only 60 shooting days per annum for most shooting estates. It was also identified that there are a number of people who are unpaid employees (such as family members).
14. However, it is recognised that the expenditure from the shooting sector supports additional employment in the rural economy in Scotland in terms of indirect effects (buying of goods and services by the shooting providers). This was estimated at 1,500 FTE jobs, bringing the total direct and indirect jobs supported by the shooting sector in Scotland to around 4,100 FTE⁵.
15. A separate study⁶ focusing solely on Scottish Land & Estates members estimated that sporting activity directly supported 733 FTE jobs, rising to 1,134 FTE jobs when factoring in the indirect and induced impacts.
16. The estimated 4,100 FTE jobs represent 1.4% of the total number of jobs in rural Scotland, or around 4.2% of jobs in remote rural areas of Scotland⁷. Figure

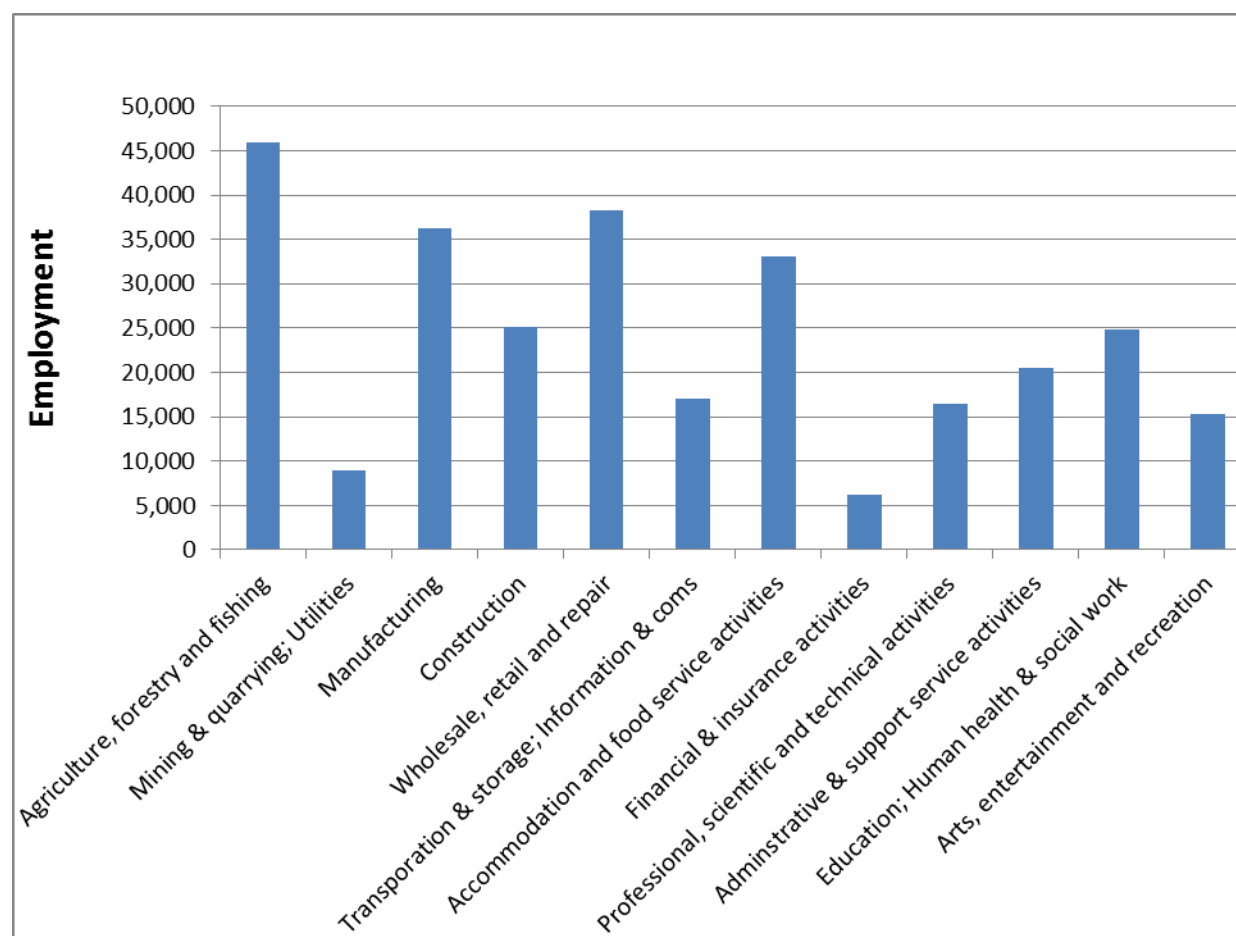
⁴ <http://www.shootingfacts.co.uk/pdf/consultancyreport.PDF>

⁵ <http://www.countrysportscotland.com/wp-content/uploads/2015/03/The-Benefits-Volume-and-Value-of-Country-Sports-Tourism-in-Scotland-PACEC-2014.pdf>

⁶ "Economic Contribution of Estates in Scotland: An Economic Assessment for Scottish Land & Estates", SRUC & Rural Solutions, (2014),
<http://scottishlandandestates.co.uk/images/stories/EconomicContributionofEstatesinScotland.pdf>

1 highlights employment levels in rural Scotland by Industry Sector (with the shooting sector incorporated within “Agriculture, forestry and fishing”).

Figure 1: Employment by industry sector in rural Scotland



Source: Inter Departmental Business Register, 2011. Using Scottish Government Urban Rural Classification

17. Furthermore, as a significant proportion of these jobs will be seasonal, it is likely that employees will hold other jobs in the rural economy that also support their income. For example, around 10% of workers in remote rural Scotland hold more than one job, compared to 3% for urban parts of Scotland⁸.
18. Survey evidence indicates that gamekeepers are more likely to hold permanent salaried positions, with the work of beating and picking up on shooting providers' land being undertaken by seasonal and/or part-time workers¹. The

⁷ Rural Scotland is defined as areas with a population of less than 3,000. Within this, there are accessible rural areas which are within a 30 minute drive from the centre of a settlement with a population of 10,000 or more, and remote rural areas which have a drive time of greater than 30 minutes from such a settlement.

⁸ Rural Scotland Key Facts 2015 <http://www.gov.scot/Publications/2015/03/5411>

Scottish Gamekeepers Association reports that around 1,500 of their members are full-time gamekeepers in Scotland⁹.

Income & expenditure

19. Annual tourist expenditure from shooting in Scotland is estimated at £69m¹. A separate survey found that, for around 56% of providers, the level of income received has remained roughly the same over the past five years. Around 37% of providers reported that their income had risen and only 6% of respondents reported that income had fallen over the same period⁴.
20. Overall, around 38% of providers reported that shooting is self-financing and roughly breaks even, with 12% reporting that it makes a profit. Meanwhile 50% of respondents reported that shooting is loss-making and is either financed through other activities or by other means⁴.
21. A separate study¹³ highlighted a similar picture, with the estimated total expenditure from sporting activities of Scottish Land & Estates members (around £17 million per annum) exceeding the estimated total revenue from sporting activities (around £12.4 million per annum). Crucially, the report highlighted that the data does not indicate that the business of sporting is not profitable.

“This conclusion cannot be made from this data as it does not take into account the fact that these figures will include monies spent by estate owners for own use and enjoyment where no income is recovered. It also does not take account of the income generated by sporting businesses from accommodation, catering, related hospitality and retail. Many sporting businesses provide a “package” of these services making financial analysis of the total business of sporting far more complex than a simple comparison of income earned and expenditure incurred on direct inputs, labour and capital improvements.”

Source: “Economic Contribution of Estates in Scotland: An Economic Assessment for Scottish Land & Estates”, SRUC & Rural Solutions, (2014),

22. Furthermore, the study¹³ found evidence that the vast majority of sporting providers planned to increase shooting activity in the future.
23. Indeed Scottish Land & Estates reported that many estates are integrated businesses running farming and sporting enterprises in parallel. They report that any annual loss from running a sporting enterprise is most likely to be offset by other land uses (such as farming, forestry or energy generation)¹⁰. Consequently, income from farming, including Common Agricultural Policy (CAP) subsidies, will likely be used to support shooting providers who may not be self-financing.
24. Although no reference is made to CAP subsidies received in respect of land where shooting takes place in the various reports on the economic impact of the

⁹ <http://news.scottishgamekeepers.co.uk/2015/03/sga-announces-year-of-rural-worker-with.html>

¹⁰ [http://www.scottish.parliament.uk/S4_RuralAffairsClimateChangeandEnvironmentCommittee/General%20Documents/\(112\)_Scottish_Land_and_Estates.pdf](http://www.scottish.parliament.uk/S4_RuralAffairsClimateChangeandEnvironmentCommittee/General%20Documents/(112)_Scottish_Land_and_Estates.pdf)

sector, despite numerous media articles on this¹¹, it is clear that landholdings with sporting activities are in receipt of substantial annual subsidies, in some cases in excess of £100,000¹².

25. Indeed the Scottish Government in 2015 sought to exclude sporting estates from being eligible for CAP Pillar 1 subsidy payments¹³ unless they could demonstrate that they were a genuine farm business. However, the inflexibility of EU rules meant that such an exclusion was not possible as even one day of shooting would have excluded the land from CAP subsidy support¹⁴.
26. Detailed figures were provided on the breakdown of expenditure by shooting providers in the UK¹⁵. Overall, around £1.1bn annual expenditure was made, of which around £110m was capital expenditure and £370m covered staff costs. Although no detailed breakdown is provided for shooting providers in Scotland, overall the first round supplier spend by providers and participants is estimated at £180m per annum.
27. A separate study¹⁶ examining the economic contribution of estates in Scotland estimated that expenditure related to sporting land uses in Scotland from those who were members of Scottish Land & Estates¹⁷ was around £16.9m per annum. This included around £7.4m spent on wages and £3.9m on capital works.
28. More generally, previous research highlighted only around a third of sporting estates in the Highlands claimed that the main motivation for running the estate was to support their livelihood¹⁸.

¹¹ http://www.heraldscotland.com/news/13159449.Richest_landowners_to_cash_in_on_bigger_farm_subsidies/; <http://www.bbc.co.uk/news/uk-17225652>

¹² Details of CAP payments in Scotland were published by Defra here: <http://cap-payments.defra.gov.uk/Download.aspx>

¹³ <http://news.scotland.gov.uk/News/Supporting-rural-Scotland-d82.aspx>

¹⁴ <http://news.scotland.gov.uk/News/Hill-farm-support-1726.aspx>

¹⁵ <http://www.shootingfacts.co.uk/pdf/consultancyreport.PDF>

¹⁶ <http://scottishlandandestates.co.uk/images/stories/EconomicContributionofEstatesinScotland.pdf>

¹⁷ The total landed membership of SLE in the report was estimated at 1,513 with 2.3 million hectares (albeit this is an under estimate of their total landowning membership as there were 162 records which did not have full landholding details).

¹⁸ http://www.andyweightman.com/docs/ESRC_sporting.pdf

Table 4: Main motivation for running an estate

Reason	Very important (%)	Quite or very important (%)
A place for family and friends	72	95
Sporting activities	65	97
Maintain employment	59	97
Family continuity	54	78
Conservation	52	93
Non-hunting recreation	33	86
Livelihood	20	36
Capital investment	18	52
Entertaining business associates	3	15

Source: "Sporting estates and Recreational land use in the Highlands & Islands of Scotland", Higgins. P, Wightman. A, & MacMillan. D. (2002)

29. However, it was recognised by around half of respondents that part of their motivation for owning a sporting estate was that it was seen as a capital investment. Overall, land prices in Scotland have increased significantly over the past decade, with Knight Frank reporting an increase of 223% between 2004 and 2014¹⁹.

Gross Value Added

30. There are different estimates of the Gross Value Added (GVA) to the Scottish economy from shooting provided by PACEC. In their 2015 report for Scotland they report that the central estimate for GVA from shooting in Scotland is £21m.
31. However, a higher estimate of £38m GVA for Scotland is provided in their 2014 report undertaken at the UK level. Within this report PACEC also estimate that, when taking into account the indirect effects from suppliers, this rises to £200m GVA to the Scottish economy. There have been some concerns over the robustness of the PACEC studies at the UK level, with a report suggesting that the figures might be an over-estimation of the impact of the sector²⁰.
32. Notwithstanding that, the estimates provided by PACEC need to be placed within the context of the size of the Scottish economy, which has on-shore GVA

¹⁹ <http://content.knightfrank.com/research/443/documents/en/q1-2014-2104.pdf>

²⁰ Cormack & Rotherham (2014) A review of the PACEC reports (2006 & 2014) estimating net economic benefits from shooting sports in the UK
<http://www.league.org.uk/~media/Files/LACS/Publications/Cormack--Rotherham-2014-Review--of-the-PACEC-2006-and-2014-reports-on-sport-shooting-impacts-MAIN-REPORT.pdf>

of around £123 billion²¹. Therefore £200m GVA equates to less than 0.2% of on-shore GVA in Scotland.

Box 1: An economic study of Scotland's grouse moors (2010)

The Fraser of Allander Institute undertook a study to examine the economic contribution made by estates to the Scottish economy, focusing specifically on the contribution of grouse shooting. They found that if they applied their survey responses to all the estates in Scotland with grouse shooting, then grouse shooting would support:

- 1,072 jobs;
- £14.5 million worth of wages; and
- make a contribution (taking into account direct and indirect effects) of £23.3 million to Scottish Gross Value Added.

The study also found that 43% of respondents reported that their estate made a profit, up from only 17.6% when a previous survey was undertaken back in 2001.²²

Broader economic effects

33. Various reports have explored the broader environmental and social benefits of shooting sports. It has been recognised that one of the key duties for paid gamekeepers is habitat and wildlife management. For example, it is reported that a wide variety of habitat and wildlife management practices are associated with shooting sports, designed to control pests, increase wildlife and provide habitats favourable for sustaining suitable conditions for quarry¹.

34. At the UK level, it is estimated that shooting providers spend around £230 million per annum on habitat and wildlife management practices (including Government subsidies for environmental options). Around 60% of this expenditure is specifically on labour.

²¹ <http://www.gov.scot/topics/statistics/browse/economy/QNA2015Q1>

²² <https://www.gwct.org.uk/media/350583/An-Economic-Study-of-Grouse-Moors.pdf>

SECTION 2: AVAILABLE EVIDENCE ON THE TAX BASE

Summary

- The Bill provides for the valuation of shootings and deer forests by the Scottish Assessors.
- Once this tax base has been identified and measured, any prospective rates liabilities can be quantitatively assessed.
- A quantitative assessment of the tax base will be made prior to Scottish Ministers determining the tax burden by setting the annual rates poundage and considering reliefs applicable to the tax base. The Scottish Government will provide further information to the Committee in this respect prior to this decision being finalised.
- Prior to this statutory valuation exercise, there is currently insufficient evidence to justify a precise estimate of how much revenue the reintroduction of rates would generate, or to identify precisely how individual providers would be impacted by such a move.
- The best currently available evidence indicates that the gross revenues raised by any reintroduction of rates would be up to £4 million, however this revenue may be subject to rates relief (which would reduce net revenues raised).
- This evidence also shows that a small minority of the most valuable shooting providers would account for a large proportion of the rateable value that makes up this tax base, with smaller providers not facing a significant burden.

Introduction

35. The exclusion of shootings and deer forests from the valuation rolls from 1995, and the subsequent lack of readily available and up-to-date rental information, combine to limit the available evidence base on which to assess likely revenue and to identify the characteristics of the tax base itself.
36. In the circumstances, it is not possible to provide an accurate estimation of revenue in advance of the Assessors' work which would follow the passage of the Bill. This work would involve identifying and quantifying the tax base on a property by property basis, gathering and assessing rental evidence, establishing market rents and valuation methodology and then producing individual valuations.
37. This statutory exercise is not one that can be readily anticipated or rehearsed in advance, and short of the Scottish Government undertaking all the steps the Assessors would themselves take, there is not a robust evidence base that could be used to inform a full economic impact assessment.
38. A further point to consider is the risk of any detailed values produced by the Scottish Government (as illustrations of the possible impact of the legislation)

being cited as evidence in future valuation appeal hearings, if they proved to be lower than the subsequent statutory valuations set by the Assessors.

39. Even when tax liabilities are accurately known it is generally not possible to accurately model business behaviours and knock-on effects, because the tax liability is only one (sometimes relatively minor) factor in decision-making. This is recognised, for example, in recent legislative proposals on non-domestic rates in the UK Parliament, for which the UK Government stated “Impact Assessment not needed as this is related to tax issues”²³. In respect of this Bill, the situation is compounded by the absence of rating valuation since 1994-95, and consequently the Government would be keen to ensure that expectations for quantitative assessments should not be unrealistically high.

Considering non domestic rates liabilities – and potential reliefs

40. In order to understand the potential distribution of rating liabilities, it is important to first recognise the characteristics of non-domestic rating valuation²⁴. Rates are levied on the “rateable value” of a property – this represents a best estimate of the net annual rental value that the property could command on the open market. A tax rate – the non-domestic rate (which is 48.0 pence for 2015-16), referred to as the poundage – is then applied to the rateable value to determine the liability associated with the property. So, if a property has a low rental value, it will have a low rates bill. Certain properties may be eligible for prevailing rates reliefs (either statutory reliefs or local reliefs set by councils) or supplements (such as the large business supplement on properties with rateable value over £35,000; this supplement is 1.3 pence for 2015-16). All of these would affect the liability associated with the property.
41. Rates and reliefs would be applied in the same way for shootings and deer forests as for other rateable properties. Much of the evidence outlined above indicates that the average shooting provider is relatively small in terms of directly associated economic activity. For example, while the latest data indicates that there are 7,100 providers, these providers are estimated to directly support a total of 2,600 FTE jobs, implying that the average provider supports less than one FTE job. This evidence suggests that a large majority of the providers could therefore be expected to have a low rateable value.
42. As a result, the Scottish Government anticipates that many small farm-scale shoots will be eligible for up to 100% relief under the Small Business Bonus Scheme (SBBS). The main criterion for SBBS eligibility is that the total rateable value of all properties occupied by the applicant is under a certain threshold (e.g. 100% relief can be awarded for total RV up to £10,000). The State aid de minimis regulation is applicable, meaning that rates relief together with any other de minimis aid received is limited to €200,000 for related entities (e.g. parent/subsidiaries are considered together in this respect). Scottish Ministers have committed to maintain SBBS for the duration of the next parliament if re-elected in 2016.

²³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/485440/BIS-15-703-enterprise-bill-summary-IA-december.pdf

²⁴ Further detail is available at: <https://www.mygov.scot/business-rates-guidance/overview/>

43. While there is some administrative burden in applying for SBBS, this is not a significant cost to business²⁵ – around 40% of properties within Scotland successfully applied for SBBS last year.
44. Shootings and deer forests will be eligible for other statutory reliefs in the same way as other non-domestic properties. As of this year, councils can also further reduce rates bills in line with criteria they choose²⁶.

Existing evidence on the potential distribution of rates bills – 1994-95 valuation roll data

45. The Scottish Assessors Association has provided some cross sectional data sets relating to the valuation rolls in 1994-95 – the final year before the exclusion of shootings and deer forests from the valuation rolls. It is the view of the Scottish Government that this historic data does not provide the basis for either a robust distributional analysis, or a robust estimate of future tax revenues. The data represents an incomplete and historic snapshot of properties, valuation methodology, market conditions and rental values (the valuation ‘tone date’ for the 1990 valuation roll being 1 April 1988).
46. However, the data is of some use for illustrating the potential broad impacts of the policy on individual ratepayers in future, subject to a series of caveats around the amount of change that may have taken place in the tax base since 1994-95. Clearly these changes will have been significant, and the industry may have grown or changed in a different way from the economy as a whole. Therefore, while of possible interest, the conclusions of this analysis are entirely illustrative – highlighting characteristics of the industry that may or may not have remained consistent over the past twenty years.
47. The Scottish Government wish to thank the Scottish Assessors Association for providing this historic data.
48. Since 1994-95, Non Domestic Rates Income across Scotland has broadly doubled, and so it is appropriate to apply a degree of inflation to these figures. This analysis uses a factor of two to capture a possible scenario in which the shooting and deerstalking provider would have experienced an increase in rateable value in line with other properties in Scotland. It is worth noting that the Scottish Government also carried out a sensitivity analysis employing alternative scenarios in which their rateable value had grown at twice the rate of the average property in Scotland and in which they had not grown at all. Irrespective of the scenario that was tested, all of the conclusions remained the same.
49. The data sets provided by the Scottish Assessors Association are from the 1994 valuation roll. They cover:
- The number of entries and the total rateable value of shootings and deer forests for each of the 14 Assessors’ valuation rolls.

²⁵ A typical SBBS application form is accessible here:
<http://www.pkc.gov.uk/CHttpHandler.ashx?id=855&p=0>.

²⁶ under Part 11 of the Community Empowerment (Scotland) Act 2015

- A sample of individual rateable values from some of the valuation rolls.
50. In addition, Scottish Government officials inspected some archived 1994 valuation roll data held by the National Records of Scotland.
 51. At a national level, there were almost 8,000 entries for 1994-95, with a cumulative rateable value of around £3.7 million. This is in line with the 7,100 shooting providers that were discussed in section 1, and adds weight to the conclusion that this is likely a reasonable estimate of the volume of providers operating.
 52. This aggregate data implies that the average value of the entries contained on the valuation roll was equivalent to just under £500 in 1994-95. This translates into around £1,000 in today's prices – implying that the average provider may have a relatively low rateable value. Under these circumstances, it is reasonable to conclude that much of the tax burden will relate to a small number of high value providers, rather than falling evenly across all providers.
 53. It is possible to look at the second data set – the sample valuation roll data at a property by property level. This data does not cover all of Scotland and is therefore not comprehensive. This data sample accounts for approximately 21% of the entries on the valuation rolls (over 1,500 entries), and for around 21% of the total rateable value (around £800,000 in total). This does not represent a random or representative sample of all shootings and deer forests in the valuation rolls for 1994-95, as inclusion depends on geography. As a result, the conclusions that can be drawn from the analysis are illustrative rather than precise.
 54. The data available is limited, and the only variables that can be consistently analysed are individual and total rateable values. However, it is encouraging that the results of this illustrative analysis are very much in line with the national level data that is available, and much of the contextual information summarised in section 1. The average value of entries within this data sample is around £500 in 1994-95 prices – in line with the national level data. Further analysis of the valuation board level data also supports the conclusion that a relatively small number of high value providers would account for a large proportion of the tax base. For example, the value of the 5% of the most valuable entries within the sample accounts for 50% of the rateable value within the sample.
 55. While it is likely that the characteristics of shooting and deerstalking providers have changed somewhat since 1994-95, the analysis clearly indicates a small number of the most valuable providers would be responsible for paying a large amount of any taxes raised. Most smaller providers are unlikely to be significantly affected. This conclusion is supported by the illustrative case studies provided below:

Box 2: Case study examples

Case Study 1: a farm running half a dozen shoots a year with around 50 pheasants shot per day might qualify for 100% relief under SBBS. If there is other rateable occupation, such as a farm shop or a bed and breakfast, then the total rateable value would need considered against the SBBS relief thresholds.

Case Study 2: Another example is an estate running 12 days of shooting with around 200-300 grouse shot per day, and also offering deerstalking with around 20 stags culled annually. Such a property might not qualify for SBBS relief. However, it is not possible to produce meaningful costings in advance of the Assessors' valuations, as doing so would be little more than speculation at this stage.

Existing evidence on the potential revenues associated with a reintroduction of non domestic rates

56. The Scottish Government has set out estimates based on the evidence available, predicting gross revenue of around £4 million, however noting that this revenue may be subject to rates relief.
57. This is based on projecting forward the 1994 revenue, which was estimated then by UK Ministers as £2 million²⁷.
58. The historic national level summary data from the valuation rolls would support this analysis. As mentioned above, the total rateable value of shootings and deer forests was around £3.7m. The earliest available Local Government Finance Statistics publication (Local Government Finance Statistics 1995-96) contains historic data on non-domestic rates going back to 1993-94. At the time, different local authorities each applied a different poundage rate. The average poundage rate across Scotland in 1994-95 was 48.5p.
59. It is reasonable to multiply the total rateable value by the prevailing average poundage to inform an illustrative estimate of gross revenues gained. This analysis would lead to an estimate of gross revenues of around £1.8m (i.e. £3.7m in rateable value reported in Scotland at the time, multiplied by 48.5% in order to reflect the prevailing poundage rate). This illustrative analysis helps confirm the broad conclusions regarding revenues that UK Government Ministers reached in 1994.
60. While there is a difference between gross and net revenues as a result of reliefs etc, rates reliefs were considerably lower in 1994-95 than they are today – for example the Scottish Government's Small Business Bonus Scheme was not launched until 2008²⁸. As such the two estimates of cost in 1994-95 – a loss in gross revenues of £1.8m and a revenue foregone of £2m represent broadly

²⁷ <http://www.parliament.the-stationery-office.co.uk/pa/cm199394/cmhansrd/1994-01-20/Writtens-5.html>

²⁸ As a further illustration, while NDR income equated to around 40% of total RV in 1994-95, in 2013-14 NDR income equated to around 35% of total RV. While this does reflect a slight difference in poundage (which stood at 46.2p in 2013-14), it is also reflective of a more generous reliefs package offered in recent years.

similar conclusions about the effect of the UK Government decision to exempt shootings and deer forests from the valuation roll.

61. In order to convert this into an estimate of revenues today, Government analysts have applied a factor of two to reflect the fact that non domestic rates income in Scotland has broadly doubled over the last twenty years. This doubling of income reflects increases in rental costs across the Scottish economy resulting in higher rates bills. Applying this scaling factor leads us to obtain a gross revenue estimate of £4m of income in today's prices. However, as we have noted throughout, this may be subject to rates relief including as a result of Scottish Government policies such as the Small Business Bonus Scheme. The estimate also does not reflect the industry today, but a snapshot of the industry taken twenty years ago. In order to build a more robust analysis, an accurate quantification of the tax base must take place – the Bill provision enables the Scottish Assessors to carry this out.

SECTION 3: LOOKING FORWARD – FURTHER EVIDENCE AVAILABLE IN FUTURE

62. The Scottish Government will continue to take the steps necessary to provide supporting information in respect of this proposal.
63. The Government would also highlight the extensive consultation process in this regard, including the convening of the Land Reform Review Group which reported in May 2014, the Government's public consultation on proposals for the Land Reform (Scotland) Bill which drew over 1,000 responses with 71% agreement from those who gave a view on the proposal to end the exemption from non-domestic rates for shootings and deer forests, as well as the on-going parliamentary scrutiny relating to this Bill, and the other channels of stakeholder engagement.
64. This is in marked contrast to the way the current exemption was legislated for. In November 1993 the then Scottish Secretary, Ian Lang, proposed the measure in a late announcement to Parliament as part of a forthcoming local government bill²⁹, it not having been included in the preceding white paper.
65. In January 1994, UK Government Ministers confirmed in Parliament the estimated annual revenue from "sporting rates" was £2 million³⁰. Scottish Government officials have searched the official record and archives, and have not been able to identify any impact assessment relating to the exemption as proposed in the related Local Government etc. (Scotland) Bill³¹.
66. Illustrating the difficulty in estimating particular revenue following a revaluation (even though, in contrast to the current position, the current tax base was then known, as the subjects were still on the valuation roll), one Conservative Minister commented in Parliament³²:
- The exact figure is not easily calculable because it depends on hypothesis as to what would have been recovered in the way of rating income on these items as a result of the 1995 revaluation. One cannot predict it exactly, but that is, roughly speaking, thought to be the figure.*
67. Section 2 of this paper considers the current lack of available evidence on the tax base due to the exclusion from the valuation rolls since 1995. This Bill provides for valuing the tax base, but it does not set the tax. The fact that taxation decisions on the poundage and any changes to reliefs for 2017 will not be made until after the passage of this Bill compounds the difficulty in predicting revenue at this time. The Government's consideration of the impacts at this stage has therefore been necessarily qualitative, in dialogue with sector stakeholders.

²⁹ http://hansard.millbanksystems.com/written_answers/1993/nov/03/sporting-rights

³⁰ <http://www.parliament.the-stationery-office.co.uk/pa/cm199394/cmhansrd/1994-01-20/Writtens-5.html>

³¹ The current provision is section 151 of the Local Government etc. (Scotland) Act 1994

³² <http://hansard.millbanksystems.com/lords/1994/jul/21/local-government-etc-scotland-bill-1>

68. In general, the Government recognises that tax can itself be considered an adverse impact for taxpayers, notwithstanding its purpose to raise revenue to help fund public services which these taxpayers will directly or indirectly benefit from. The Government accepts that a new tax liability, however marginal, can influence business decisions, and this could mean some businesses foregoing certain activity or employment. This is the case for all ratepayers, who if spared a rates bill, might expand their activities or employment.
69. The Government notes that rating, as a tax on market rents, has a proportionate and sustainable basis. It is not a tax on profitability. If the rental value of a property is low, then the rating liability will be correspondingly low. And in terms of affordability, rates were sustained for shootings and deer forests for over 100 years before the 1995 exemption.
70. This proposed addition of a new class of property to the valuation roll is unprecedented in recent years, and the Government recognises the challenge such a proposal presents for legislative scrutiny. For most taxation considerations the tax base is more readily known or identifiable, but for the rateable tax base the Government relies on the Assessors' valuations. The Assessors follow the market and statutorily value the hypothetical market rent, and it is this rental value that is then taxed, thus ensuring a logical and proportionate basis for taxation.
71. Because the tax base has not been measured or recorded since 1995, tasking the Assessors to undertake this is the necessary first step, to establish the evidence base for later taxation decisions. Broadly we anticipate the Assessors' key tasks being as follows:
- Identify shootings and deer forests, and associated proprietors, tenants and occupiers
 - In-gather and analyse rental information
 - Further engage the sector to develop valuation methodology
 - Finalise methodology and produce corresponding 'practice note'
 - Produce and publish draft valuations
 - Further engagement and analysis
 - Finalise valuations
72. As covered in section 2 of this paper, the Assessors have advised that the last valuation rolls containing shootings and deer forests (for 1994-95) contained around 8,000 such subjects with a total rateable value of around £3.7 million. Prior to that, these properties had been expressly valued and rated since the mid nineteenth century. Although the number of properties may have changed since 1995, that year's figures give an indication of the scale of the exercise in future. The Assessors may need to interrogate a greater number of landholdings in the first instance to re-establish the existence of any related shootings and deer forests.
73. The Government notes the suggestion from some stakeholders that "shootings" entries will be required in the valuation rolls in respect of every area of land. This however was not the case for the many years that shootings were rateable, and this Bill proposes no such change or anything to cause such a

change. That said, the Government is considering whether a Stage 2 amendment is required to remove any doubt in this respect.

74. Recognising the need to provide information when available, the Scottish Government proposes that, subject to the passage of the Bill, it will provide further information to the Committee (or its successor) regarding the emerging valuations of shootings and deer forests once these have been produced by the Assessors – thus ensuring the Committee has the opportunity to consider the issues and express any views before Ministers lay regulations for rating (taxation) and any changes to reliefs associated with implementation in 2017.
75. Finally, Ministers wish to express their appreciation to stakeholders for their continuing engagement, which is crucial for informed decision-making. In particular, the Government works in close partnership with the Scottish Assessors Association, duly recognising the Assessors' independence, and values the views and evidence received in respect of this proposal in the Bill. The Government is also grateful for the numerous helpful meetings with stakeholders, notably Scottish Land & Estates, who have imparted considerable expertise. The Government intends to continue its collaborative approach with all stakeholders towards and beyond implementation.