Email from the Association of Scotland's Self-Caterers to the Committee, 9 December 2025

Dear Convener and Committee Members,

Addressing Micro-Business Hardships under Draft 2026 Rates Revaluation

I write on behalf of the Association of Scotland's Self-Caterers (ASSC) to draw the Committee's attention to the severe financial and mental health pressures being experienced by many of Scotland's smallest tourism and self-catering operators as a result of the draft 2026 Non-Domestic Rates revaluation. The ASSC, along with a broad cross-section of tourism organisations, has documented growing distress among micro-businesses facing radical increases in Rateable Value.

Key concerns include:

- Steep and unpredictable rises in Rateable Value across the sector - on average 120% and in some cases up to 300% - which threaten to undermine the financial viability of small operators and family-run businesses.
- The cumulative burden of regulatory, licensing, tax and rate changes now being borne by micro-businesses, with many reporting severe stress, anxiety and uncertainty about whether they can continue to operate.
- Disproportionate impact on rural, island and peripheral communities where self-catering businesses provide essential employment, sustain local supply-chains, and contribute to community wellbeing and economic diversity.

Against this backdrop we urge the Economy and Fair Work Committee to consider the following:

1. Call for an immediate evidence session to hear directly from micro-business operators, including those facing severe hardship and mental-health impacts, to inform a more socially responsible approach to revaluation.
2. Request that the revaluation process include a robust social and economic impact assessment - not only financial outcomes but also the effects on wellbeing, community cohesion and long-term sustainability of tourism in rural and fragile areas.
3. Advocate for transitional arrangements or relief measures as part of the Scottish Budget to protect micro-businesses that may otherwise be forced to close, thereby preserving jobs, local economies and the diversity of Scotland's visitor offering.

4. Ensure that any revaluation methodology properly reflects the real-world trading context of micro-businesses - including occupancy rates, seasonal volatility, and the fragile profit margins common in small-scale, owner-operated tourism enterprises.

We would be pleased to submit evidence, including anonymised case studies and survey data collected by ASSC and our colleagues the Scottish Tourism Alliance, Scottish Agritourism,

Scottish Land and Estates and Federation of Small Business, to assist the Committee's deliberations.

In advance, please see attached.

Thank you for your consideration of this urgent matter.

All the very best,

Fiona Campbell MBE

Chief Executive

The Association of Scotland's Self-Caterers (ASSC)

Web: www.assc.co.uk

Ivan McKee MSP

Minister for Public Finance

Scottish Government

Via email: MinisterPF@gov.scot

9th December 2025

Dear Minister,

We are writing to you, collectively, to express our profound concern at the emerging issues surrounding the draft 2026 Non-Domestic Rates (NDR) revaluation for Scotland's self-catering accommodation sector, and its potentially devastating implications for Scotland's wider visitor economy.

Scotland's tourism and hospitality sector finds itself in precipitous times. The Scottish Tourism Alliance's recent survey[1] brought that into sharp focus, with businesses across the country reporting falling profitability, suppressed demand, escalating operating costs and declining confidence. Many operators indicate that they are still struggling to recover fully from the pandemic while battling ongoing economic volatility and uncertainty created by regulatory and fiscal reforms.

Our sector is reeling from one cost blow after another, with the recent UK Government Budget only adding more pressure. The cumulative regulatory burden, including the abolition of the Furnished Holiday Let tax regime, onerous short term let licensing and planning rules, proposed EPC reforms and sustained inflation in core business costs, is eroding the resilience of businesses at an alarming rate.

It is in this already fragile landscape that Scottish Assessors have introduced highly perplexing changes to the valuation methodology for self-catering properties. As the Association of Scotland's Self Caterers highlights[2], of the 16,513 self-catering units on the Valuation Roll, only 501 are recorded as rented, and the bed space rates underpinning the new model were derived from just 135 properties. A national valuation methodology based on such a limited and unrepresentative dataset is deeply problematic.

The ASSC's survey work has identified draft Rateable Value increases averaging around 120 percent, with some operators facing rises approaching 300 percent. For small, family run rural businesses, increases of this magnitude are simply unmanageable. Respondents report acute financial stress and are contemplating closure should this come to pass. Many also fear for the long-term sustainability of their communities, as rural Scotland relies heavily on self-catering accommodation to support local employment and wider economic activity.

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[1] https://scottishtourismalliance.co.uk/scottish-tourism-alliance-pre-budget-snap-survey-manytourism-businesses-at-breaking-point-without-cost-relief/

[2] https://www.assc.co.uk/industry-news/assc-statement-on-draft-rateable-values-and-revised-bedspace-rates

Inflated draft RVs also threaten to push many operators out of eligibility for the Small Business Bonus Scheme, with further uncertainty surrounding SBBS thresholds at the forthcoming Scottish Budget in January 2026. Businesses affected by the reduction in relief when the thresholds were changed three years ago are also now coming to the end of the transitionary relief period, meaning they will be faced with full bills for the first time next year. Now is not the time to compound this extra cost by layering on even more.

Diversified rural businesses are particularly exposed to changes affecting SBBS entitlement. The increases for self-catering have been so dramatic that some businesses have gone from qualifying for relief to being subject to the intermediate business poundage rate, further exaggerating the already cliff-edge impact. This represents not only a potential structural shock to Scotland's accommodation capacity and tourism competitiveness, but also to wider, already fragile, rural economies.

Evidence from the ASSC's November 2025 Barometer Survey, completed by 444 operators, reinforces the seriousness of the situation. Confidence in the future of the sector has deteriorated sharply, with barely more than half of operators indicating that they intend to remain in business and almost a quarter expressing uncertainty about their future. These are businesses that are already putting everything into staying operational; availability levels remain exceptionally high, with the overwhelming majority open for well over 140 nights each year. A large proportion of operators depend on the Small Business Bonus Scheme to remain viable. The prospect of falling below the revised threshold or losing the scheme entirely is causing widespread anxiety about future sustainability.

This is further echoed in the 24-hour snap survey undertaken on 1 and 2 December 2025, which received 459 responses in just a single day.

One of the most distressing findings emerging from this research is the impact on mental wellbeing. Two thirds of respondents reported that the draft valuations had already caused either significant stress or deep worry. Many expressed sleeplessness, anxiety and a sense of being overwhelmed by the cumulative weight of recent regulatory changes. Some respondents describe the situation as "unbearable", "devastating" and "the final straw", reflecting not only the financial implications but the psychological toll of sustained uncertainty and escalating pressures. For individuals running small, family businesses, often rooted in their homes and communities, the emotional weight of potentially losing their livelihoods is profound. These concerns cannot be dismissed as peripheral. They are a stark indicator of a sector under immense and unsustainable pressure.

The broader consequences extend far beyond individual wellbeing. Self-catering accommodation plays a vital role in sustaining the vibrancy of rural and island economies particularly as a cornerstone of farm diversification at a time when many agricultural businesses are under financial pressure. For numerous farms, hospitality income is not supplementary but critical to keeping the wider business afloat. A diverse and balanced mix of accommodation is essential to supporting year-round visitor demand, encouraging investment, strengthening local supply chains and enhancing Scotland's wider reputational offer. Small tourism enterprises underpin population retention in fragile areas, support local services and help sustain cultural and community life. Any assessment of the revaluation must therefore be viewed within this wider economic, social and demographic context.

The scale of the increases being applied across the sector is disproportionate at a time when what is required is a nuanced and proportionate approach. When combined with the ongoing costs of STL licensing, the abolition of the Furnished Holiday Let regime, planning constraints and rising operating costs, the cumulative impact is becoming existential. Many operators no longer see a clear route to remaining viable. The risk of widespread business closure is now material and immediate.

While we fully recognise that Assessors operate independently, it remains within the gift of the Scottish

Government to mitigate these harms through targeted reliefs. Restoring SBBS thresholds to their

previous levels, and ensuring additional reliefs are available during this destabilising period, would provide critical support to a sector facing unprecedented pressures. Without this intervention, the risk to rural economies, to small business resilience, and to the mental wellbeing of those who run them is significant.

We would welcome the opportunity to brief you directly and to work constructively with the Scottish Government and all relevant bodies to find a fair, evidence led and sustainable way forward.

Self-catering has long been one of Scottish tourism's greatest success stories. BiGGAR Economics analysis[3] shows it provides a £1 billion annual contribution to the economy, supporting thousands of jobs across Scotland. Yet this contribution is now at risk. The combination of accumulated regulatory burdens, tax changes and now an unprecedented revaluation threatens to erode a sector that has consistently delivered for Scotland's economy, communities and reputation.

As a sector, we hope we can count on your support in ensuring that this revaluation process receives the scrutiny, balance and fairness it urgently requires.

Yours sincerely,

Association of Scotland's Self-Caterers
Scottish Tourism Alliance
Scottish Land and Estates
Federation of Small Businesses
Scottish Agritourism

cc Shona Robison MSP, Cabinet Secretary for Finance and Local Government

Kate Forbes MSP, Deputy First Minister and Cabinet Secretary for the Economy and Gaelic

[3] https://assc.flywheelsites.com/wp-content/uploads/2024/12/Economic-Impact-of-Short-term-Lets-inScotland-Report-by-BiGGAR-Economics-11Dec24.pdf

ASSC
Supporting self-catering in Scotland

Draft 2026 Self-Catering Rateable Values

Executive Summary

The emerging evidence from operators, ASSC surveys, and independent valuation analysis shows that the draft 2026 Revaluation for Scotland's self-catering sector poses a material and immediate risk to business survival, sector supply, rural economies, and the integrity of the rating system.

Three critical findings stand out:

1. **The rental evidence base underpinning the 2026 valuation model is extremely small, unrepresentative, and not reflective of genuine market transactions**. Just **501 of 16,513 units** appear as rented on the Valuation Roll, and Assessors relied on a sample of **just 135 properties** for national rate-setting, many of which involve connected-party arrangements that do not reflect open-market conditions.
2. **Survey evidence from 459 operators over 24 hours shows average draft RV increases of 120 percent**, with many cases far higher and individual increases reaching up to **280 percent**. These rises are described by operators as **existential**, with two-thirds reporting severe stress or worry, and more than two-thirds anticipating either severe or major impacts on business sustainability.
3. **Independent analysis shows that draft RVs are rising at broadly double the rate seen previously**, with Fife trebling, while some areas such as Lothian show declines due to 2023 RVs being significantly over-inflated. This illustrates the instability and inconsistency inherent in the new rental-only model and reinforces the need for an immediate review of the methodology applied for the 2026 revaluation.

Collectively, the evidence shows that the proposed 2026 valuation methodology lacks robustness, is not grounded in the economic reality of the sector, and risks widespread business closures.

1. Evidence on the 2026 Rental-Based Valuation Methodology

1.1 Limitations of the Rental Evidence Base

The entire national bed-space rate framework is being constructed from a critically small and flawed dataset.

Key data:

- **16,513 self-catering units** listed on the Valuation Roll.
- Only **501 (3 percent)** are recorded as rented.
- Assessors confirmed that only **135 rented properties (0.8%)** form the basis of the national rate calculation.
- Many of these rented properties involve **connected parties**, tax arrangements, or non-market structures that cannot be used to infer open-market rental levels.

The ASSC position is consistent and unequivocal: **there is no functioning open-market rental system for self-catering units in Scotland**. It is therefore methodologically unsound to underpin the national valuation framework on this dataset.

1.2 Fundamental Divergence from Past Practice

The shift from a receipts-and-expenditure model to a rental-only model marks a significant departure. **This change was introduced without any meaningful consultation with the sector, despite its scale and implications.** Operators were not given a genuine opportunity to comment on or influence the decision to abandon the long-established profitability-based approach, nor were they provided with transparency around the evidence underpinning the new methodology.

- **2017:** Valuation was explicitly based on receipts and expenditure.
- **2023:** Hybrid model (rents and receipts).
- **2026: Receipts entirely removed**, with Assessors relying exclusively on rents.

This represents a structural methodological change that lacks evidential grounding and creates distortions across regions and property types.

1.3 Loss of Granularity and Accuracy

Significant detail and nuance in the valuation system has been removed:

- Property-type differentiation eliminated.
- Quality classifications stripped out.
- Quantum adjustments radically simplified.
- Bed-space rates now determined primarily by location and size alone.

This generic, non-granular approach increases the risk of over-valuation and creates disconnect from actual profitability, especially in rural and island areas where seasonality is acute. Businesses are still in survival mode following the pandemic and have faced persistently fragile trading conditions in the years since, which leaves them with little resilience to absorb further shocks.

2. Evidence From Operator Surveys: Scale of Impact, Stress, and Business Viability

ASSC's 24-hour survey from 1-2 December 2025 (459 respondents) provides a real-time snapshot of the sector's immediate reaction to the 2026 draft RVs.

2.1 Scale of RV Increases

Across the full respondent sample:

- **Average increase: 120 percent.**
- Many businesses report increases >200 percent.
- Some individual cases exceed **280 percent**.

These increases are described as "untenable", "out of line", "ridiculous", and "disconnected from commercial reality".

2.2 Stress and Wellbeing Impacts

The survey shows a significant human toll:

- **23 percent** experiencing severe stress affecting wellbeing.
- **43 percent** report serious worry.
- **8 percent** say this is the "final straw".
- Only **8 percent** report no impact.

Quotes include “sleepless nights”, “unbearable”, “sitting in tears”, and “devastating”.

2.3 Sustainability and Closure Risk

When asked about business sustainability:

- **35 percent**: severe impact, business may no longer be sustainable.
- **34 percent**: major impact with long-term viability at risk.
- Only **9.5 percent** foresee no impact.

Many respondents explicitly state they will close or sell.

The data shows this is not a marginal issue but a systemic shock.

3. Independent Analysis

Independent assessment of the entire valuation roll and draft RVs provides robust numerical evidence of inconsistency and over-valuation in the model.

3.1 Key findings:

- **Average RV increases are broadly double previous levels**.
- **Fife has seen the highest increase at treble**.
- **Lothian shows a decrease**, reinforcing that **2023 RVs were too high by 40–50 percent** and 50 are still under appeal.
- The rental evidence appears to skew valuations artificially, and the Assessors' dataset must be disclosed.

This analysis corroborates the survey data and supports the conclusion that the draft 2026 valuations are disconnected from operational reality.

4. Risks to Policy Objectives, Rural Economies, and SBBS

4.1 Threat to the Small Business Bonus Scheme Many operators currently rely on SBBS for

viability.

Inflated RVs:

- Risk pushing businesses above the £12,000 threshold.
- Create unpredictable policy impacts ahead of the Budget.

Given Scottish Government commitments to rural and island economies, these effects require urgent modelling.

4.2 Impact on Local Economies and Tourism Supply

Survey respondents highlight consequences for:

- Local employment.
- Seasonal businesses.
- Family-run operations.
- Rural and island visitor economies with fragile trading conditions.

Closure of even a fraction of the 16,513 properties would have significant downstream effects.

4.3 Cumulative Regulatory Burdens

This sits within a wider cumulative impact, as operators are already absorbing multiple interventions including the abolishment of the Furnished Holiday Let tax regime, the costs and complexity associated with short-term let licensing and planning requirements, the forthcoming visitor levy, proposed EPC reforms, and rising input and operating costs. Together, these pressures compound the financial strain on businesses and intensify the shock to viability created by the draft 2026 Rateable Values.

5. Recommendations

Based on all available evidence, the following actions should be considered by Assessors and Government:

1. Suspend reliance on the 2026 rental-only methodology

Until the dataset and robustness of the rental evidence are transparently demonstrated.

2. Publish the full list of properties used in the rental analysis

This is essential for sector scrutiny, as recommended by independent analysis.

3. Introduce a profitability-based model

Receipts-and-expenditure methods reflect the real trading conditions of owner-managed businesses and avoid distortions.

4. Review SBBS thresholds urgently

Modelling should be completed to quantify the impact of draft RVs on eligibility.

5. Undertake a full sector impact assessment

Including rural and island modelling and supply-side consequences.

6. Reinstate more granular classifications

Property type, quality, and amenity must be reinstated to achieve accuracy.

7. Establish a joint Government–Assessor–Industry review panel

To refine the method before final valuations are issued.

Conclusion

The combination of a flawed evidence base, major methodological departures, significant increases in draft RVs, and strong evidence of business distress demonstrates that the 2026 draft Rateable Values for self-catering accommodation require urgent reconsideration.

The ASSC's surveys and independent analysis show that many operators cannot absorb the proposed increases without risking closure. These findings highlight a clear risk to Scotland's commitments to sustainable tourism, balanced regulation, and vibrant rural and island economies.

A recalibration of the methodology is essential to ensure fairness, accuracy, and long-term sector resilience.

December 2025

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Supporting self-catering in Scotland

Comparison of Methodology: 2017 vs 2023 vs 2026 Practice Notes

1. Fundamental Valuation Basis

2017

The method is explicitly **receipts and expenditure based**.
The Note states that valuation should use "rates per bed space derived from an analysis of **receipts and expenditure** from properties throughout Scotland".

2023

Still uses a hybrid approach, referring to "analysis of **rents and receipts**" to derive rates per bed space.

2026

A significant methodological shift.
The 2026 Note specifies analysis of **rents only**, not receipts.
It states that rates per bed space come from "an analysis of **rents** from properties throughout Scotland".

Key change:

Income-based (profit/receipts) analysis disappears in 2026. This represents a structural move towards a **rental-only model**, even though the market for actual leased self-catering units is extremely thin.

2. Quality Classifications and Property Typologies

2017

Detailed and granular quality bands with up to **14 classes** across Houses, Flats and Chalets (H1–H3, F1–F3, C1–C3, L1).

2023

Quality classes drastically simplified to **six categories**: L1, H1, H2, C1, C2, F1, F2.
This halves the level of granularity while keeping a property-type-based approach.

2026

Quality classes removed almost entirely as a factor in the rate table.
The methodology assumes "good quality properties", with "superior" and "inferior" handled only via **percentage adjustments** rather than being built into the valuation matrix.

Key change:

By 2026, the core rate no longer varies by property type (house vs flat vs chalet) or detailed quality band. This is a major simplification with consequences for accuracy and fairness.

3. Location Framework 2017

Five-tier location hierarchy (A–E) ranging from principal city locations to average/non-tourist locations.

2023

Four-tier location system (A–D) with emphasis on city, high-tourism and low-tourism markets.

2026

New four-tier system (A–D), but redesigned:

- A: Prime City Centre
- B: High Demand
- C: Fair Demand
- D: Low Demand
  Definitions now incorporate both **tourist** and **worker-oriented** demand, reflecting the inclusion of short-lets used for temporary workers (regulation shift).

Key change:

2026 merges tourism and non-tourism short-term demand into the location methodology, marking a broader interpretation of "self-catering use".

4. Bed-space Calculation and Quantum Adjustments

2017

Quantum reductions based on insufficient bathrooms and public rooms.
Only applied if more than 6 bed spaces **and** no additional bathrooms or public rooms, with explicit 0.5 and 0.25 rules for larger units.

2023

Same method as 2017.
Reductions only when a property lacks adequate bathrooms/public rooms, identical thresholds and reduction values.

2026

A completely different approach.
A **flat 0.5 reduction for every bed space over 6**, regardless of bathrooms or public rooms. This is a major methodological simplification but may distort valuations of larger properties that are well equipped.

Key change:

2026 applies a universal quantum reduction formula that does not account for property amenities, unlike in 2017 and 2023.

5. Rate Tables

2017

Rates are detailed by:

- Structure class (L1–F3)
- Location (A–E)
  Tables highly granular, leading to more precise adjustments.

2023

Still structured by property class and location, but fewer classes, and no differentiation between 1–2 bed units and larger units.

2026

Moves to **only two categories**:

- Maximum of 2 bed spaces
- More than 2 bed spaces
  Both determined solely by location class A–D, not by building type or quality band.

Key change:

2026 removes structural detail and focuses only on location and size (bed count). This marks a shift to a **much more generic valuation model**.

6. Adjustments: Additions and Deductions

2017 and 2023

Additions: Facilities such as pools or games rooms; maximum 25 percent.
Deductions: Up to ±20 percent for disamenity or exceptional circumstances.

2026

Additions and deductions still allowed, but tied to “Superior” or “Inferior” classifications rather than formal property classes.
Range remains 5–10 percent normally, max 25 percent.

Key change:

2026 shifts adjustments from being supplements to detailed property classes to being stand-alone modifiers applied against a stripped-down base rate.
Summary of Methodological Evolution

2017

Most detailed.

Income-based plus property-type-based.
Strong differentiation by structure class and quality. Quantum only triggered by lack of facilities.

2023

Intermediate stage.
Still uses receipts and rents.
Fewer classes but broadly same approach as 2017.

2026

Major methodological redesign.

- Rental-only evidence
- No property-type classes
- Simplified location categories with worker demand included
- Flat quantum reduction formula
- Rates split only into 1–2 beds and more than 2 beds
- Adjustments replace structural classifications

This reflects a move toward **generic, simplified, less evidence-rich valuation**. It is materially different in both method and theoretical basis.

December 2025