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Kenneth Gibson MSP
Convener
Finance and Public Administration Committee
The Scottish Parliament
Edinburgh
EH99 1SP

24 February 2026

Dear Convener,

I am writing to inform you of our publication of an updated forecast for Non-Domestic Rates (NDR), following changes to Scottish Government policy. These changes were announced by the Cabinet Secretary for Finance and Local Government during the Parliament's Stage 1 debate on the Budget Bill, on 12 February 2026. Today, we have published a [supplementary costing](#) of these changes to support parliamentary scrutiny of the Scottish Budget, ahead of the Stage 3 debate on the Budget Bill tomorrow.

The Cabinet Secretary announced two changes to NDR, which are to be implemented in regulations. The first is an extra relief of 25 per cent for licensed hospitality premises and music venues that have a rateable value up to and including £100,000, which will apply for the three years of the 2026 valuation cycle. This is in addition to the existing 15 per cent mainland retail, hospitality, and leisure (RHL) relief. The total award per business across this relief and the existing RHL reliefs will remain £110,000 per year. We forecast that this will cost the Scottish Government £8 million in 2026-27, £10 million in 2027-28, and £14 million in 2028-29.

The second change is to alter the Revaluation Transitional Relief (RTR) caps that apply for self-catering holiday accommodation with a short-term let licence. The revised caps limit year-on-year increases in bills to around 15 per cent, up to 2028-29. We forecast that this will cost the Scottish Government £1 million in 2026-27 and in 2027-28, and £3 million in 2028-29.

Together, we forecast that the overall effect of these changes will be to reduce NDR revenue by £9 million in 2026-27, by £12 million in 2027-28, and by £17 million in 2028-29.

I am happy to provide any further information that would assist the Committee.

Yours sincerely,

Professor Graeme Roy