

Business Rates Policy 2015-16 and 2016-17

Business Rates –
Extension of Transitional Relief

1 Introduction

- 1.1 The Chancellor in the Autumn Statement on 3rd December 2014 announced that the government would extend Transitional Relief for small and medium size businesses for 2015-16 and 2016-17.
- 1.2 Small and medium size businesses are those with a rateable value of up to £50,000
- 1.3 The current Transitional Relief scheme was introduced in 2010, with the introduction of the 2010 rating list.
- 1.4 Business properties are generally re-valued every five years and given a new rateable value in a new rating list. As this may lead to large increases or decreases for some businesses the Government introduces, at the start of a list, a transitional relief scheme that limits the amount by which a business' rates can be increased or decreased by.
- 1.5 As the Government has decided not to revalue business rate properties from 01/04/15 (when it was originally due) the transitional scheme they put in place when rateable values were last generally amended (01/04/10) ends on 31/03/15 as it was legislated for a 5 year period.
- 1.6 This means some businesses who were receiving relief under the transitional scheme (because their rateable values increased by a large amount in 2010) are left facing large increases as their transitional relief is taken from them wef 01/04/15.
- 1.7 The Chancellor announced in the autumn statement that this was not the intention of the government and therefore needed to extend the transitional relief scheme.
- 1.8 The government has announced that it is not able to extend the existing transitional relief scheme into 2015-16 and 2016-17 as was its intention but to ensure that business rate payers are not unfairly penalised, so have announced a scheme for Council's to use their powers under section 47 of the Local Government Finance Act 1988 to award discretionary relief in these cases of an amount in line to that which would have been awarded if the scheme had been extended. The amount of relief awarded in this way would then be paid as a section 31 grant to councils.
- 1.9 As the legislation has been amended to introduce this change under the discretionary powers, this means that each Local Authority needs to develop a policy to deal with the operation and delivery of the relief up to State Aid De Minimis limits.

2. How the relief will be provided?

- 2.1 As this is a temporary measure for 2015-16 and 2016-17, the government is not changing the legislation around transitional relief. Instead the government will reimburse local authorities that use their discretionary relief powers, under

section 47 of the Local Government Finance Act 1988, as amended, to grant relief.

- 2.2 It will be for individual local billing authorities to adopt a local scheme and decide in each individual case when to grant relief under section 47.
- 2.3 Central Government will fully reimburse local authorities for the local share of the discretionary relief (using a grant under section 31 of the Local Government Act 2003). The Government expects local government to grant relief to qualifying ratepayers.

3. Who will be eligible for Relief

- 3.1 Properties that will benefit are those with a rateable value up to and including £50,000 who would have received transitional relief in 2015/16 or 2016/17 had the existing transitional relief scheme continued in its current format. In line with the existing thresholds in the transitional relief scheme, the £50,000 rateable value threshold should be based on the rateable value shown for 1/4/10 or the substituted day in the cases of splits and mergers.
- 3.2 This policy applies to transitional relief only (i.e. those moving to higher bills).
- 3.3 As the grant of the relief is discretionary, authorities may choose not to grant the relief if they consider that appropriate, for example where granting the relief would go against the authority's wider objectives for the local area.
- 3.4 Enterprise Zones

Where an eligible property is also eligible for Enterprise Zone relief, then Enterprise Zone relief will be granted and this will be funded under the rates retention scheme by a deduction from the central share.

If a property in an Enterprise Zone is not eligible for Enterprise Zone relief, or that relief has ended, the extension of transitional relief may be granted in the normal way, and this would be reimbursed by grant under section 31 of the Local Government Act 2003.

4. How much relief will be available?

- 4.1 Relief will be available for up to two years (2015-16 and 2016-17) from 1st April 2015
- 4.2 The government has stated that it will fund Localism Act discounts to ensure eligible properties receive the similar level of protection they would have received had the transitional relief scheme extended into 2015/16 and 2016/17.
- 4.3 The policy will therefore follow the guidance issued by Department of Communities and Local Government in January 2015.

4.4 The transitional relief scheme should be assumed to remain as it is in the current statutory scheme except that

a. cap on increases for small properties (with a rateable value of less than £18,000) in both 2015/16 & 2016/17 should be assumed to be 15% (before the increase for the change in the multiplier)³,

and

b. the cap on increases for other properties (up to and including £50,000 rateable value) in both 2015/16 and 2016/17 should be assumed to be 25% (before the increase for the change in the multiplier)

4.5 The scheme applies only to properties up to and including £50,000 rateable value based on the value shown for 1/4/10 or the substituted day in the cases of splits and mergers. Changes in rateable value which take effect from a later date should be calculated using the normal rules in the transitional relief scheme. For the avoidance of doubt, properties whose rateable value is £50,000 or less on 1 April 2010 (or the day of merger) but increase above £50,000 from a later date will still be eligible for the relief. Where necessary the Valuation Office Agency will continue to issue certificates for the value at 31 March 2010 or 1 April 2010. The relief should be calculated on a daily basis.

4.6 A detailed explanation and illustration of how the relief (and the associated section 31 grant) will be calculated is at Annex A.

4.7 Recalculations of Relief

The amount of relief awarded will be recalculated in the event of a change of circumstances. This could include, for example, a backdated change to the rateable value or the hereditament. This change of circumstances could arise during the year in question or during a later year.

4.8 The Non-Domestic Rating (Discretionary Relief) Regulations 1989 (S.I. 1989/1059) require authorities to provide ratepayers with at least one year's notice in writing before any decision to revoke or vary a decision so as to increase the amount the ratepayer has to pay takes effect. Such a revocation or variation of a decision can only take effect at the end of a financial year. But within these regulations, local authorities may still make decisions which are conditional upon eligibility criteria or rules for calculating relief which allow the amount of relief to be amended within the year to reflect changing circumstances.

4.9 When making an award for the extension of transitional relief, Slough Borough Council will ensure in the conditions of the award that the relief can be recalculated in the event of a change to the rating list for the property concerned (retrospective or otherwise). This is so that the relief can be recalculated if the rateable value changes.

5 State Aid

- 5.1 There are European Union regulations which restrict the award of state aid and under certain circumstances the award of discretionary relief could be considered to be state aid. However Reoccupation Relief will be State Aid compliant where it is provided in accordance with the De Minimis Regulations (1407/2013)
- 5.2 The De Minimis Regulations allow an undertaking to receive up to €200,000 of De Minimis aid in a three year period (consisting of the current financial year and the two previous financial years).
- 5.3 These circumstances in which the EU regulations need to be considered will be where the organisation engages in commercial activities or competes with commercial bodies because of an activity it carries out. For example a not for profit training organisation that also provides training services to businesses.
- 5.4 If the organisation undertakes any commercial activity it must be commercially insignificant and localised so that there is no potential impact on intra-community trade, otherwise the regulations governing state aid will apply.
- 5.5 All applicants will be required to complete a declaration form (Appendix 2) to confirm that they have not received more than the De Minimis amount of State Aid.
- 5.6 Guidance on State Aid is available via the government web site at <https://www.gov.uk/government/publications/enterprise-zones-state-aid-and-business-rate-discounts>

6 Administration

- 6.1 Slough Borough Council will administer the scheme under the guidelines set out by the Department for Communities and Local Government dated 1 January 2015
- 6.2 It will provide relief as outlined above to all premises as entitled to Transitional Relief based on the calculation in Appendix 1
- 6.3 The scheme is fully funded by central Government.
- 6.4 The reliefs awarded will be administered by the Business Rates team who will provide an annual report to the Section 151 officer for approval, and monthly reports for information.

Calculation for the extension of transitional relief

Calculating the extension of transitional relief where other reliefs apply

Under the existing statutory transition scheme which ends on 31 March 2015, transitional relief is measured before all other reliefs. But the extension of transitional relief into 2015/16 and 2016/17 will be delivered via section 47 of the Local Government Finance Act 1988 (as amended by the Localism Act) which is measured after other reliefs (including other Localism Act delivered reliefs such as retail relief).

Therefore, for the purposes of awarding relief and claiming section 31 grant, authorities should measure the extension of transitional relief after all other reliefs. To do this authorities will need to:

Step 1: identify those eligible properties which would have qualified for transitional relief in 2015/16,

Step 2: calculate the actual rates bill for those properties in 2015/16 after all other reliefs assuming transitional relief has ended,

Step 3: calculate the rates bill for those properties in 2015/16 after all other reliefs assuming transitional relief continued (in line with the assumptions in this guidance), and

Step 4: calculate the difference between stage 2 and 3 and award a Localism Act discount to that value.

Authorities will be asked to report the cost of extending the transitional relief scheme using this methodology from which the associated section 31 grant will be calculated (using the appropriate local share).

Example

If a ratepayer would have been eligible for transitional relief of 25% caps in 2015/16 then their bill is calculated as follows (ignoring inflation):

	Step 1	Step 2	Step 3	Step 4
	2014/15	2015/16	2015/16	2015/16
Bill before any reliefs	10,000	10,000	10,000	10,000
Transitional relief (had the original scheme continued)	-4,000	n/a	-2,500	n/a
Net bill before Localism Act discount	6,000	10,000	7,500	10,000
Localism Act discount (to give effect to transitional)	n/a	n/a	n/a	-2,500

relief)				
Net rates bill	6,000	10,000	7,500	7,500
For illustration we have assumed the multiplier does not change between years.				

This is the simple case. The value of the transitional relief had the scheme continued is £2,500. In practice extending transitional relief will be achieved by awarding a Localism Act discount which is calculated at the end of the bill. But because there are no other reliefs the value of the discount to ensure in practice transitional relief continues is also £2,500.

But if, for example, the same ratepayer would otherwise have fallen out of transitional relief in 2015/16 also receives 80% charitable mandatory relief then their bill is calculated as follows (ignoring inflation):

	Step 1	Step 2	Step 3	Step 4
	2014/15	2015/16	2015/16	2015/16
Bill before any reliefs	10,000	10,000	10,000	10,000
Transitional relief (had the original scheme continued)	-4,000	n/a	-2,500	n/a
Net bill before Charitable relief or Localism Act discount	6,000	n/a	7,500	10,000
Charitable Relief	-4,800	-8,000	-6,000	-8,000
Localism Act discount (to give effect to transitional relief)	0	0	0	-500
Net rates bill	1,200	2,000	1,500	1,500
For illustration we have assumed the multiplier does not change between years.				

In the above example, whilst the reported cost of transitional relief in 2015/16 would still have been £2,500 had the scheme continued in its current form, this is measured before all other reliefs. In practice extending transitional relief will be achieved by awarding a Localism Act discount which is calculated after all other reliefs. So the value of the discount to ensure in practice transitional relief continues is £500.

Appendix 2

'De minimis' declaration

Dear []

BUSINESS RATES ACCOUNT NUMBER: _____

The value of the business rates Transitional Relief to be provided to [name of undertaking] by [name of local authority] is £ [] (Euros []).

This award shall comply with the EU law on State Aid on the basis that, including this award, [name of undertaking] shall not receive more than €200,000 in total of De Minimis aid within the current financial year or the previous two financial years). The De Minimis Regulations 1407/2013(as published in the Official Journal of the European Union L352 24.12.2013) can be downloaded at <http://eur-lex.europa.eu>

If you have previously received De Minimis aid, please list below. If you have not previously received De Minimis aid, please mark as 'nil'.

Amount of De Minimis aid Euro's	Date of aid	Organisation providing aid	Nature of aid

I confirm that:

1) I am authorised to sign on behalf of _____[name of undertaking];
and

2) _____[name of undertaking] shall not exceed its De Minimis threshold by accepting this Reoccupation Relief.

SIGNATURE:

NAME:

POSITION:

BUSINESS:

ADDRESS:

DATE:

This authority is under a duty to protect the public funds it administers, and to this end may use the information you have provided on this form for the prevention and detection of fraud. It may also share this information with the Audit Commission and other bodies responsible for auditing or administering public funds for these purposes. Individuals can find more information on data processing at www.slough.gov.uk/council/data-protection-and-foi/privacy-notices.aspx