

Business Rates – Localised Transitional Relief Policy 2015/16 and 2016/17

1. Introduction

- 1.1 Business Rates, also known as National Non-Domestic Rates (NNDR), is the main local property tax for all non-domestic properties and uses.
- 1.2 Under the present Business Rates Retention Scheme, the Council is responsible for collecting all of the income due from ratepayers and assessing all reliefs and reductions.
- 1.3 The scheme also requires the Council to split the income between Central Government and Hampshire County Council, via a complex formula of levies and tariffs.

2. Valuation Process

- 2.1 The Valuation Officer (VO) sets the rateable value of each property, broadly representing the annual rent the property could be let for on the open market.
- 2.2 The VO reviews the rateable value of all properties every five years. The current Rating List has been in effect since 1st April 2010 and had been due to terminate on 31st March 2015.
- 2.3 The Government announced its intention to postpone the next Business Rates revaluation until 2017. That decision was connected to the turbulence in the economy and uncertainty about current rental levels in the long term. The impact of this decision to extend the current rates list has meant that local authorities have needed to implement a series of short-term measures to ensure that businesses continue to receive reliefs and support during this extended two year list period (2015-2017). This report proposes to extend the Transitional Relief Scheme to cover this period.

3. Transitional Relief Scheme

- 3.1 The current Transitional Relief Scheme was introduced in 2010 to help those ratepayers who faced higher bills because of the 2010 revaluation. The Scheme ended on 31st March 2015, which coincided with the anticipated 2015 Business Rates revaluation.
- 3.2 Due to the delay to the revaluation, a small number of ratepayers will face a sharp increase to their full rates bill from 1st April 2015.
- 3.3 The Government announced in the Autumn Statement on 3rd December 2014 that it will extend the current Transitional Relief Scheme to March 2017.

4. How will this Relief be provided?

- 4.1 As this is a measure for 2015/16 and 2016/17 only, 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.
- 4.2 It will be for individual billing authorities to adopt a local scheme and decide in each individual case when to grant relief under Section 47. A proposed Policy is attached at Appendix 1. This Policy is based on a model policy document provided by Government. The 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). In view of the fact that such expenditure can be reimbursed, the government expects local government to grant discretionary relief to qualifying ratepayers.
- 4.3 Properties that will benefit from the relief 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.
- 4.4 This Policy applies to transitional relief only (i.e. those moving to higher bills).

5. How much relief will be available?

- 5.1 Government will fund this Relief to ensure eligible properties receive the same level of protection they would have received had the Transitional Relief Scheme extended into 2015/16 and 2016/17. The Transitional Relief Scheme except that:
- a) The 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 in multiplier) and
 - b) The cap on increases for other properties (with a rateable value between £18,001 and £50,000) should be assumed to be 25% (before the increase in the multiplier)

6. State Aid Limits?

- 6.1 To administer State Aid De Minimis limits it is necessary for the local authority to establish that the award of aid will not result in the business having received more than €200,000. This applies to the aggregate of all aid received by that business throughout the country.
- 6.2 The Council will ensure as best it can, that awards comply with the De Minimis Regulations. However, responsibility for declaring this will rest with each individual business.

7. Financial Implications

- 7.1 It has been identified that 8 customers could qualify for this relief totalling £3,500.00.
- 7.2 The total financial implication on Rushmoor would be zero as this relief will be met in full by the Government via Section 31 grant funding.

8. Recommendation

- 8.1 Cabinet are recommended to:
 - a) Establish a local Transitional Relief Policy for the years 2015/16 and 2016/17 as set out in this report and appendix
 - b) Delegate the responsibility to award any relief due to the Head of Finance

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Corporate Director

Business Rates

Policy for Transitional Relief for Small and Medium Properties

2015/16 – 2016/17

Introduction

The Transitional Relief Scheme was introduced in 2010, to help those ratepayers who faced with higher bills. The Scheme ended on 31st March 2015 and as a result, a small number of ratepayers will face a jump to their full rates bill from 1st April 2015.

In the Autumn Statement on 3rd December 2014, the Government announced it would extend the current Transitional Relief Scheme for properties with a rateable value up to and including £50,000, to March 2017.

This Policy is intended to closely match the guidance issued by the DCLG in January 2015. The DCLG Guidance sets out the detailed criteria which Central Government will use to determine funding relief for properties falling out of transition in 2015/16.

Central Government will reimburse billing authorities and those major precept authorities that award transitional relief in 2015/16 and 2016/17 through the Rates Retention Scheme.

The Council will provide relief using its discretionary relief powers under Section 47 of Local Government Finance Act 1988, as amended.

Properties which will benefit from relief

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 1st April 2010 or the substituted day in the cases of splits and mergers.

This Policy is applied to Transitional Relief only – i.e those moving to higher bills.

The amount of Relief

Eligible properties receive the same level of protection they would have received had the Transitional Relief Scheme extended into 2015/16 and 2016/17. The Transitional Relief Scheme should be assumed to remain as it is in the current statutory scheme except that:

1. The cap on increases for small properties (with a rateable value of less than £18,000 / £25,000 in London) in both 2015/16 & 2016/17 should be assumed to be 15% (before the increase for the multiplier), and

2. 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 multiplier).

As explained above, the Scheme applies only to properties up to and including £50,000 rateable value based on the value shown for 1st April 2010 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 1st 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 31st March 2010 or 1st April 2010.

The relief should be calculated on a daily basis.

Recalculations of Relief

As with the current Transitional Relief Scheme, the amount of relief awarded should be recalculated in the event of a change of circumstances. This could include, for example, a backdated change to the rateable value or the premises. This change of circumstances could arise during the year in question or during a later year.

State Aid

Providing Transitional Relief for 2015/16 and 2016/17 is administered under the Council's discretionary relief powers and therefore will amount to State Aid.

To administer De Minimis it is necessary for the local authority to establish that the award of aid will not result in the undertaking having received more than €200,000 of De Minimis aid. Note that the threshold only relates to aid provided under the De Minimis Regulations (aid under other exemptions or outside the scope of State Aid is not relevant to the De Minimis calculation).

At Rushmoor Borough Council, we will write to all those ratepayers affected to ensure that they will not exceed the De Minimis limits.

Calculation for the extension of Transitional Relief

Under the existing statutory Transitional Scheme, which ends on 31st March 2015, transitional relief is measured before all other reliefs. However, 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.

1. Identify those eligible properties which would have qualified for Transitional Relief in 2015/16,
2. Calculate the actual rates bill for those properties in 2015/16 after all other reliefs assuming Transitional Relief has ended,
3. Calculate the rates bill for those properties in 2015/16 after all other reliefs assuming Transitional Relief continued, and
4. Calculate the difference between stage 2 and 3 and award a Localism Act discount to that value.

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 relief) | n/a | n/a | n/a | -2,500 |
| Net Rates Bill | 6,000 | 10,000 | 7,500 | 7,500 |

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. However, 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 | 0 |
| 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 |

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. Therefore, the value of the discount to ensure in practice Transitional Relief continues is £500.