

**5<sup>TH</sup> FEBRUARY 2019**

**KEY DECISION? YES/NO**

**BUSINESS RATES - RETAIL DISCOUNT POLICY**

**SUMMARY AND RECOMMENDATIONS:**

**SUMMARY**

This report seeks approval to adopt a local policy to enable the council to award a retail discount from business rates with effect from 1 April 2019 to local businesses, as announced in the Chancellor of the Exchequers 2018 autumn statement.

**RECOMMENDATIONS**

Cabinet are recommended to:

- 1) Establish a local Retail Discount Policy for reducing business rates liabilities as set out in this report; and
- 2) Delegate the responsibility to award the relief and resolve disputes about eligibility, to the Executive Head of Financial Services, in consultation with the Corporate and Democratic Services Portfolio Holder.

**1. INTRODUCTION**

- 1.1 The government recognises that changing consumer behaviour presents a significant challenge for retailers in our town centres and is taking action to help the high street evolve.
- 1.2 Therefore, the Chancellor of the Exchequer announced a new form of retail discount, which is detailed in this report.

**2. BACKGROUND**

- 2.1 The retail sector is changing, particularly due to internet shopping, and many high streets are experiencing challenges as they look to adapt to changing consumer preferences in how people shop. The Government wishes to support town centres by providing some immediate financial support to retailers.

- 2.2 The Government announced in the Autumn Statement on 29<sup>th</sup> October 2018 a new discount scheme for retail properties that have a rateable value of below £51,000. Under the scheme, eligible businesses will receive a one-third discount of their annual business rates bill. The discount will have effect for the financial years 2019/20 and 2020/21.
- 2.3 The Government has provided guidance about the operation and delivery of the discount.
- 2.4 Full details of this guidance can be found at <https://www.gov.uk/government/publications/business-rates-retail-discount-guidance>

### **3. PROVISION OF RELIEF**

- 3.1 As the new measures announced will only apply for the financial years 2019/20 and 2020/21, the Government is not proposing to change the business rates legislation.
- 3.2 Billing authorities will be expected to use their existing discretionary powers, under S.47 Local Government Finance Act 1988, as amended, to grant this new discount for retail properties.
- 3.2 Billing authorities will be compensated for the cost of awarding this discount through a Section 31 grant from Government.

### **4 PROPERTIES THAT WILL BENEFIT FROM THE DISCOUNT**

- 4.1 Businesses that will benefit from the discount will be those occupying a property with a rateable value of below £51,000, and wholly or mainly being used as shops, restaurants, cafes and drinking establishments.
- 4.2 Full details of the type of businesses that will qualify for this discount are contained in our local policy in Appendix 1 of this report. A summary of these types of businesses are outlined in paragraphs 4.3 to 4.6 below.
- 4.3 Properties that are predominately being used for the sale of goods to visiting members of the public. These are premises such as Shops, Locksmiths, Opticians, Post Offices, Furnishing Shops / Display Rooms, Car Showrooms, Second Hand Car Lots, Markets, Petrol Filling Stations, Garden Centres, Art Galleries and Vape Shops.
- 4.4 Properties that are being used to provide services to visiting members of the public, such as Hair and Beauty Services, Shoe Repairs etc, Travel Agents, Ticket Offices (theatre etc), Dry Cleaners, Launderettes, Domestic Appliance Repair, Funeral Directors, Photo Processing / Printing / Copying, DVD / Video Rentals, Tool Hire and Car Hire.
- 4.5 Properties that are being used for the sale of food and drink to visiting members of the public such as Restaurants, Takeaways, Sandwich

Shops, Coffee Shops, Pubs, Bars and Social Clubs primarily used as drinking establishments.

- 4.6 Properties that will not be considered for this discount are Financial Services (such as banks), Estate / Letting Agents, Doctors / Dentists / Vets, Professional Services (such as solicitors, accountants), Post Office Sorting Office, Private members clubs, Headshops or those selling legal highs.

## **5 IMPLEMENTATION**

- 5.1 The businesses set to qualify for this discount have already been identified and the relief will be awarded in two phases.
- 5.2 All small independent businesses will have their discount automatically applied to their account and deducted from their April 2019 business rates bill.
- 5.3 All larger national chains will be issued with an application form inviting them to apply for the retail discount. Larger national chains are being treated differently because any award of relief or discount is subject to state aid limits. Current state aid limits is set at €200,000 over a three-year period and therefore it's unlikely that all national chains will qualify for this discount around the whole country. State Aid rules are detailed in section 6 under Legal Implications.
- 5.4 The scheme will also be available on the Council's website whereby any business can apply for this discount.

## **6. IMPLICATIONS**

### **Legal Implications**

- 6.1 Local Authorities are expected to deliver the scheme through the use of their discretionary powers under Section 47 of the Local Government Finance Act 1988.
- 6.2 The issue of some discretionary rating reliefs and discounts are considered as qualifying as "state aid" and is of some significance.
- 6.3 Broadly, any awards of discretionary rate relief or discounts are subject to State Aid De Minimis limits. 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).
- 6.4 Therefore, any organisation, who is automatically awarded this Retail Discount, will be required to return a statement advising that the award of this discount will not exceed state aid limits.

- 6.5 All larger national chains will be issued with an application form inviting them to apply for the retail discount and must complete a statement to advise that any award will not exceed state aid limits.

### **Financial and Resource Implications**

- 6.5 If all organisations identified are awarded the retail discount, the total value of the award will be approximately £805,637 benefiting 313 businesses.
- 6.6 Government will reimburse billing authorities awarding this discount within the rates retention scheme for the actual cost of this relief. The amount to be reimbursed will equal the total value of the discount awarded.
- 6.7 The Ministry of Housing, Communities and Local Government (MHCLG) recognises that implementing this new scheme will place some additional burden on billing authorities. MHCLG have advised that billing authorities will be compensated for implementing this new scheme of discount under the new burdens grant. Full details of funding for these costs will be released following assessment.
- 6.8 Therefore, there will be no financial impact on the Council but would have a benefit to certain ratepayers within the borough.

## **7 CONCLUSIONS**

- 7.1 In conclusion, Cabinet are asked to approve the new discretionary retail discount policy as attached at Annex 1 of this report.
- 7.2 Cabinet are also asked to delegate responsibility of awarding this discount to the Principal Revenues and Benefits Officer in discussions with the Corporate and Democratic Services Portfolio Holder.
- 7.3 The relief will be delivered using existing Discretionary Powers under Section 47 Local Government Finance Act 1988 and the Council will be reimbursed for all discounts awarded under this scheme.
- 7.4 The council will receive a grant towards the cost of implementation.
- 7.5 This proposal to assist retail premises in the borough will directly benefit a substantial number of smaller retailers in what is at present a challenging retail sector.

### **BACKGROUND DOCUMENTS:**

Discretionary Retail Discount Policy  
S47 Local Government Finance Act 1988  
Business Rates Information Letter (4/2018): Autumn Budget 2018  
MHCLG'S Business Rates Retail Discount – Guidance

**CONTACT DETAILS:**

**Report Author** – David May / [david.may@rushmoor.gov.uk](mailto:david.may@rushmoor.gov.uk) / 01252 398330

**Head of Service** – David Stanley / [david.stanley@rushmoor.gov.uk](mailto:david.stanley@rushmoor.gov.uk) 01252 398440



## Business Rates - Retail Discount Policy

The Government announced in the Autumn Statement on 2 November 2018 that it will provide a one-third discount to all occupied retail properties with a rateable value of £51,000 or less for 2019/20 and 2020/21.

The discount is payable in accordance with a local policy introduced by the Council. Details of the policy are as follows:

1. Properties that will benefit from the discount will be occupied properties with a rateable value of £51,000 or less, that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments.
  
2. The Council consider shops, restaurants, cafes and drinking establishments to mean:
  - a) Properties that are predominately being used for the sale of goods to visiting members of the public, as set out below:
    - Shops (eg florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off-licences, chemists, newsagents, hardware stores, supermarkets, pet shops etc)
    - Security solutions and locksmiths
    - Charity shops
    - Opticians and hearing solutions
    - Post offices
    - Furnishing shops / display rooms (eg carpets, double glazing, garage doors)
    - Car / caravan show-rooms
    - Second-hand car lots
    - Markets
    - Petrol stations
    - Garden centres, garden and paving supplies
    - Art galleries (where art is for sale / hire)
    - Licensed sex shops
  
  - b) Properties that are being used for the provision of services to visiting members of the public, as set out below:
    - Hair and beauty services (eg hairdressers, nail bars, beauty salons, tanning shops, tattoo parlours, body-piercing services etc)
    - Shoe repairs, key cutting, engravers
    - Travel agents
    - Ticket offices (eg for theatre)
    - Dry cleaners
    - Launderettes
    - PC / TV / domestic appliance repair
    - Funeral directors
    - Photo processing, printing, design and copying services
    - DVD / video rentals
    - Tool hire
    - Car hire
    - Vehicle repair shop
  
  - c) Properties that are being used for the sale of food and / or drink to visiting members of the public, as set out below:
    - Restaurants
    - Takeaways
    - Sandwich shops
    - Coffee shops
    - Pubs
    - Bars
    - Exotic dance bars
    - Social clubs primarily used as drinking establishments

3. To qualify for the discount, the property should be wholly, or mainly, being used as a shop, restaurant, café or drinking establishment. In a similar way to reliefs (such as charity relief), this is a test on use, rather than occupation. Therefore, properties which are occupied, but not wholly, or mainly, used for the qualifying purpose, will not qualify for the discount.
4. The list below sets out the types of uses that are not considered retail use for the purpose of this discount:
- a) Properties that are being used to provide the following services to visiting members of the public:
- Financial services (eg banks, building societies, cash points, bureau de change, payday lenders, betting shops, pawn shops and brokers, money lenders and cheque encashment stores, amusement arcades, casinos and bingo halls)
  - Other services (eg estate agents, letting agents, employment agencies)
  - Medical services (eg vets, dentists, doctors, osteopaths, chiropractors, chiropodists)
  - Professional services (eg solicitors, accountants, insurance agents, financial advisors, tutors)
  - Post office sorting office
  - Private members clubs – excluding social clubs primarily used as drinking establishments
  - Headshops or those selling drugs paraphernalia
- b) Properties that are not reasonably accessible to visiting members of the public.

## 5. State aid

The retail discount award will comply with state aid limits.

The issue of rate relief and discounts being considered as state aid is of some significance. It is briefly explained in the Rate Relief for Charities and other Non-Profit Making Organisations guidance note issued by the Office of the Deputy Prime Minister in December 2002.

Broadly, any award of discretionary rate relief or discounts is subject to state aid limits, which allows a business to receive a maximum of €200,000 of aid in a three-year period (this is the current financial year and two previous financial years).

In all cases, where ratepayers are seeking discretionary relief or discounts or for liability to be reduced, they must provide the council with enough information at the time of the application for us to decide on eligibility.

Further information and advice can be obtained from the Business Rates section at Council Offices,  
Farnborough Road, Farnborough, Hampshire, GU14 7JU

Email: [localtax@rushmoor.gov.uk](mailto:localtax@rushmoor.gov.uk) • Telephone: 01252 398 331