

**3<sup>rd</sup> MARCH 2020**

**KEY DECISION? ~~YES~~/NO**

**BUSINESS RATES DISCRETIONARY DISCOUNTS -  
AMENDMENT TO EXISTING RETAIL DISCOUNT POLICY  
AND NEW PUB DISCOUNT SCHEME**

**SUMMARY:**

This report seeks approval to amend the Council's existing Retail Discount Policy which enables the council to award a discount from Business Rates to retail outlets.

Government have announced an increase in the award from a one third discount to a 50 per cent discount, effective from 1 April 2020.

The Retail Discount has also been extended to include music venues and cinemas.

Government have also announced the reintroduction of the Pub Discount Scheme, which will allow the Council to award a discount to eligible pubs, effective from 1 April 2020.

This report also seeks approval to adopt a local policy to enable the council to award the discount for pubs, effective from 1 April 2020.

**RECOMMENDATIONS:**

Cabinet are recommended to:

- 1) Approve the amendment to the Retail Discount Policy.
- 2) Establish a local Pub Discount Scheme; and
- 3) Delegate the responsibility to award the relief and resolve disputes about eligibility of the Retail Discounts and Pub Discounts, to the Executive Head of Finance in consultation with Corporate Services Policy Holder.

**1. INTRODUCTION**

- 1.1. This report seeks approval to amend the Council's existing Retail Discount Policy to enable the council to award an additional amount of discount to retail outlets and to include independent cinemas and music venues.

- 1.2 This report all seeks approval to adopt a Pub Discount Scheme Policy to enable the council to award a discount for eligible public houses.
- 1.3 Both these new policies take effect from the 1 April 2020.

## **2. BACKGROUND**

- 2.1 The Government recognises that changing consumer behaviour presents a significant challenge for retailers in town centres and is taking action to help the high street evolve.
- 2.2 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.
- 2.3 Therefore, on 27 January 2020 the Financial Secretary to the Treasury made a Written Ministerial Statement announcing additional business rates measures that will apply from 1 April 2020, and which are detailed in this report.
- 2.4 The text of the statement is reproduced below: -
  - “The Government will increase the retail discount from one-third to 50 percent, extend the discount to include cinemas and music venues, extend the duration of the local newspapers office space discount, and introduce an additional discount for pubs.
  - The increase in the level of retail discount from one-third to 50 per cent will apply in 2020/21 for eligible retail businesses occupying a property with a rateable value less than £51,000.
  - The extension of the retail discount is to those eligible music venues and cinemas with a rateable value less than £51,000.
  - The extension of the £1,500 business rates discount for office space occupied by local newspapers will apply for an additional 5 years until 31 March 2025.
  - The pub discount scheme will provide a £1,000 discount to eligible pubs with a rateable value of less than £100,000 in 2020/21. This is in addition to the retail discount and will apply after the retail discount.
- 2.5 At present there are no local newspapers office space within the borough and therefore the discount will not apply in our area.
- 2.6 The Ministry of Housing, Communities and Local Government (MHCLG) have provided guidance about the operation and delivery of the Retail Discount and Pub Discount.

- 2.7 Full details of the guidance can be found: -

Retail Discount 2020/21 -

<https://www.gov.uk/government/publications/business-rates-retail-discount-guidance>

Pub Discount Scheme 2020/21 -

<https://www.gov.uk/government/publications/business-rates-pubs-discount-2020-to-2021-local-authority-guidance>

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

- 3.1. As the new measures announced will only apply for the financial year 2020/21, Government is not proposing to change the business rates legislation.
- 3.2. Billing authorities will be expected to use their existing discretionary powers, under Section 47 Local Government Finance Act 1988, as amended, to grant the Retail Discount and Pub Discount.
- 3.3. Section 47 Local Government Finance Act 1988 covers Discretionary Rate Relief. Guidance from the former Office of Deputy Prime Minister advises that Billing Authorities should have policies to award such reliefs or discounts.
- 3.4. Billing authorities will be fully compensated for the cost of awarding these discounts through a Section 31 grant from Government.

## **4 PROPERTIES THAT WILL BENEFIT FROM THE DISCOUNT(S)**

### **Retail 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, cinemas and live music venues.
- 4.2 Full details of the type of businesses that will qualify for the discount are contained in our local policy in Appendix 1 of this report. A summary of these type of businesses are outlined in paragraphs 4.3 to 4.7 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, Licensed Sex Shops 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, Exotic Dance Bars and Social Clubs primarily used as drinking establishments.
- 4.6 Properties that are being used cinemas and live music venues (not including nightclubs or theatres).
- 4.7 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 where membership is restricted, Headshops or those selling drugs paraphernalia, Nightclubs or Theatres.

### **Pub Discount Scheme**

- 4.8 The Pub Discount Scheme will be available to occupied public houses with a rateable value of less than £100,000.
- 4.9 The value of the discount will be £1,000 to be applied once any other relief or discount (including Retail Discount) has been applied.
- 4.10 There is no definitive description of a traditional pub or public house in law which could be readily used by billing authorities to determine eligibility. Therefore, Government's policy intention is that eligible public houses should: -
  - Be open to the general public
  - Allow free entry other than when occasional entertainment is provided
  - Allow drinking without requiring food to be consumed; and
  - Permit drinks to be purchased at a bar.
- 4.11 For these purposes, it should exclude: -
  - Restaurants
  - Cafes
  - Nightclubs
  - Hotels
  - Snack bars
  - Guesthouses
  - Boarding houses
  - Sporting venues
  - Music venues
  - Festival sites
  - Theatres
  - Museums
  - Exhibition halls

- Cinemas
- Concert halls
- Casinos

4.12 Full details of the Pub Discount Scheme is contained in Appendix 2 of this report.

## **5 IMPLEMENTATION**

### **Retail Discount**

- 5.1 The businesses set to qualify for the Retail Discount have already been identified and currently in receipt of the Retail Discount under the 2019/20 scheme.
- 5.2 All businesses will automatically have their discount increased to 50 per cent for the year 2020/21. However, these businesses will also be sent a covering letter and asked to make a declaration, that the award of the increased discount complies with State Aid Rules.
- 5.3 There are no cinemas in the borough that meet the criteria. I.e. Rateable Value of less than £51,000.
- 5.4 We have identified one additional property that is being used as a music venue, who will be awarded the retail discount from 1 April 2020.
- 5.5 The scheme will also be available on the Council's website whereby businesses can apply for this discount.

### **Pub Discount Scheme**

- 5.6 25 Public Houses have been identified as being entitled to this discount.
- 5.7 These Public Houses will automatically have the discount applied to their Business Rates account. However, these Public Houses will also be sent a covering letter and asked to make a declaration, that the award of this discount complies with State Aid Rules.
- 5.8 The scheme will also be available on the Council's website whereby Public Houses can apply for this discount.

## **6 Legal Implications**

- 6.1 Billing 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 now 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 (£180,000) in a three-year period (consisting of the current financial year and two previous financial years).
- 6.4 Therefore, any organisation, who is automatically awarded the Retail or Pub Discount (or both), will be required to return a statement advising that the award of these discounts will not exceed state aid limits.

### **Financial and Resource Implications**

- 6.5 At present, there are 238 businesses that are entitled to the Retail Discount and with a one-third discount, the total award for 2020/21 is £668k. However, when increasing the discount to 50 per cent, the total award will amount to approximately £1,109K, meaning these 238 businesses will receive an additional £441k between them.
- 6.6 25 Public Houses have been identified as being entitled to the Pub Discount Scheme. Assuming all of these Public Houses receive the discount for the full amount, a total reduction of £25k will be awarded.
- 6.7 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.
- 6.8 The MHCLG recognises that implementing these new schemes will place some additional burden on billing authorities. The MHCLG have advised that billing authorities will be compensated for implementing these new schemes of discounts under the new burdens grant. Full details of funding for these costs will be released following assessment.
- 6.9 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 amended Retail Discount Policy and the new Pub Discount Scheme Policy, as laid out in Appendix 1 and Appendix 2 of this report.
- 7.2 Cabinet are also asked to delegate responsibility of awarding the discount(s) and resolving any disputes about eligibility, to the Executive Head of Finance in consultation with Corporate Services Policy Holder.
- 7.3 The discount will be delivered using existing Discretionary Powers under Section 47 of the Local Government Finance Act 1988, as amended and the Council will be reimbursed for all discounts awarded under the scheme.
- 7.4 The Council will receive a grant towards the cost of implementation.

- 7.5 The proposals 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  
Discretionary Pub Discount Scheme Policy  
Business Rates Information Letter (1/2020) – Rate Reliefs  
Written Ministerial Statement by the Financial Secretary to the Treasury – 27 January 2020  
MHCLG'S Business Rates Discount 2020/21 – Local Authority Guidance  
MHCLG'S Pubs Discount 2020/21 – Local Authority Guidance

#### **CONTACT DETAILS:**

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# 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. The Government has since announced that for the year 2020/21 the discount will be 50%.

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. From 1 April 2021, the following property will also benefit from the retail discount:

a) Properties that are being used as cinemas

b) Properties that are being used as live music venues:

- For business rates purposes live music venues are properties wholly or mainly used for the performance of live music for the purpose of entertaining an audience. Properties cannot be considered a live music venue for the purpose of business rates relief where a venue is wholly or mainly used as a nightclub or a theatre, for the purposes of the Town and Country Planning (Use Classes) Order 1987 (as amended).
- Properties can be a live music venue even if used for other activities, but only if those other activities (i) are merely ancillary or incidental to the performance of live music (e.g. the sale/ supply of alcohol to audience members) or (ii) do not affect the fact that the primary activity for the premises is the performance of live music (e.g. because those other activities are insufficiently regular or frequent, such as a polling station or a fortnightly community event).

## 6. 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.

**Policy approved by a meeting of the Council's Cabinet on 3 March 2020**

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

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# Business rates discretionary rate discount

## Pub Discount Scheme

The Government announced in a written ministerial statement on 27 January 2020 that it would provide relief of up to £1,000 to all occupied public houses with a rateable value of less than £100,000 for the financial year 2020/21.

The discount is to be known as Pub Discount Scheme and is payable in accordance with a local policy introduced by the council.

In law, there is no definitive description of a traditional pub or public house which can be readily used by local authorities to determine eligibility. The objective has been for central government to adopt an approach which makes eligibility clear and consistent.

The Government's advice, which the council has adopted in their policy, defines a pub as:

- Open to the general public
- Allows free entry other than when occasional entertainment is provided
- Allows drinking without requiring food to be consumed
- Permits drinks to be purchased at the bar
- A social club primarily used as a drinking establishment and where membership is not restricted

Premises excluded from the Pub Discount Scheme are:

- Restaurants and cafes
- Nightclubs
- Hotels
- Snack bars
- Guest houses and boarding houses
- Sporting venues
- Music venues
- Festival sites
- Theatres
- Museums
- Exhibition halls
- Cinemas
- Concert halls
- Casinos

## State Aid

The award of Supporting Small Businesses with discounts will be State Aid compliant.

The issue of rate discounts and relief being considered as qualifying as state aid is now of some significance and 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/ discounts is subject to State Aid limits, which allow a business to receive a maximum of €200,000 of aid in a three-year period (consisting of the current financial year and the two previous financial years).

For more information please speak to the business rates team on **01252 398 331** or email [businessrates@rushmoor.gov.uk](mailto:businessrates@rushmoor.gov.uk)

Policy approved by a meeting of the Council's Cabinet on 3 March 2020