

NATIONAL NON-DOMESTIC RATES - TRANSITIONAL RATE RELIEF 2015/16 AND 2016/17

1. INTRODUCTION AND BACKGROUND

- 1.1 This is a technical paper to give effect to a change that the Government is asking billing authorities to introduce for the benefit of non-domestic rate payers, following the Autumn Statement in December 2014.
- 1.2 Members are probably aware that the Council is responsible for issuing non-domestic rate bills and the annual bills are calculated by multiplying the rateable value (RV) of a property (set by the Valuation Office Agency) by the multiplier (set by the Government).
- 1.3 Revaluations are normally carried out by the Valuation Office Agency every 5 years. They adjust the rateable values to reflect changes in the property market. The most recent revaluation in England was 1 April 2010. The next revaluation will now be in 2017.
- 1.4 England has a transitional relief scheme which is designed to phase in substantial increases or decreases in a ratepayer's bill following a revaluation. Normally such schemes run for the five years. The current scheme caps the amount by which a business's liability can rise or fall annually following the 2010 revaluation, which in effect phases in the change.
- 1.5 The transitional relief scheme is due to end in 2015, notwithstanding the postponement of the 2015 revaluation to 2017. The Government announced in the Autumn Statement on 3 December 2014 that it will seek to extend the current transitional relief scheme for properties with a rateable value up to and including £50,000.

2. TRANSITIONAL RATE RELIEF POLICY 2015/16 AND 2016/17

- 2.1 As this is a measure for 2015/16 and 2016/17, the Government is not changing legislation. Instead the Government is asking local authorities to use discretionary powers within existing legislation to bring the changes into effect. Appendix 1 to this report sets out the necessary transitional rate relief policy for the formal approval of Members.
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- 2.2 The Government will fully reimburse local authorities for the cost incurred and is expecting billing authorities to grant discretionary relief (to effectively extend the transitional relief provisions for 2 more years) to qualifying ratepayers. There are only approximately 35 non-domestic properties in the District affected by the policy.

3. RECOMMENDATIONS

- 3.1 That Members approve the National Non-Domestic Rates – Transitional Relief Policy for 2015/16 and 2016/17, as attached as Appendix 1 to this report.

For further information contact:

Martin Cole (Revenues Manager)

Tel: 023 8028 5588

E-mail martin.cole@nfdc.gov.uk

or

Glynne Miles (Head of Service)

Tel: 023 8028 5588

E-mail glynne.miles@nfdc.gov.uk

Background papers:

<https://www.gov.uk/government/publications/business-rates-extension-of-transitional-relief-for-small-and-medium-properties>



NEW FOREST DISTRICT COUNCIL NATIONAL NON- DOMESTIC RATES



TRANSITIONAL RELIEF POLICY
EFFECTIVE FROM 1 APRIL 2015

NATIONAL NON-DOMESTIC RATES TRANSITIONAL RATE RELIEF POLICY FOR 2015/16 AND 2016/17

Introduction

The transitional relief scheme was introduced in 2010 to help those ratepayers who were faced with higher bills. The scheme ends on 31 March 2015 and as a result a small number of ratepayers will face a significant increase in their full rates bill from 1 April 2015.

The government announced in the Autumn Statement on 3 December 2014 that it will extend to March 2017 the current transitional relief scheme for properties with a rateable value up to and including £50,000.

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, in line with the eligibility criteria set out in their guidance document, reimburse local authorities that use their discretionary relief powers to grant relief under section 47 of the Local Government Finance Act 1988, as amended by the Localism Act 2011.

It will be for individual local authorities to adopt a local scheme and decide in each individual case when to grant relief under section 47. Central government has announced it will fully reimburse local authorities within the rates retention system for the actual cost to them under the rates retention scheme for the local share of the discretionary relief (using a grant under section 31 of the Local Government Act 2003), *provided* the award falls within the definitions in the guidance issued by the Department for Communities and Local Government.

In view of the fact that such expenditure can be fully reimbursed, the Government expects local authorities to grant discretionary relief to qualifying ratepayers.

This document provides details about the operation and delivery of the policy. For the reasons previously mentioned, New Forest has not departed from the guidance issued by DCLG.

Which properties 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 1/4/10 or the substituted day in the cases of splits and mergers.

Properties with a rateable value greater than £50,000 will not be eligible for transitional relief even where transitional relief was awarded in 2014/15.

In addition, because this policy only applies to those ratepayers who would otherwise face higher bills in 2015/16, anyone receiving transitional relief in 2014/15 to limit the decrease in their rates bill will receive the full reduction in 2015/16.

How much relief will be available?

The government will fund Localism Act discounts 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 should be assumed to remain as it is in the current statutory 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 for the change in the multiplier), **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)

As explained above, 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 schemes. 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 2010⁶ or 1 April 2010. The relief should be calculated on a daily basis

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

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 hereditament. This change of circumstances could arise during the year in question or during a later year.

The Non-Domestic Rating (Discretionary Relief) Regulations 1989 (S.I. 1989/1059)⁸ 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

Therefore, when the Council issues a notice to a ratepayer confirming an award of transitional relief, from 1 April 2015, it will be explained that in the event of a change to the rating list (e.g. a rateable value increase) to the eligible property, the relief can be recalculated.

State Aid

State Aid law is the means by which the European Union regulates state funded support to businesses. Providing discretionary relief to ratepayers is likely to amount to State Aid. However the extension of transitional relief will be State Aid compliant where it is provided in accordance with the De Minimis Regulations (1407/2013).

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).

To ensure that an award of transitional relief is state aid compliant, the Council will ask the ratepayer to complete a declaration to this effect.

Annex A

Calculation for the extension of transitional relief

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 the Council 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 1

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

For illustration we have assumed the multiplier does not change between years

Example 1 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.

Example 2

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
For illustration we have assumed the multiplier does not change between years				

In example 2, 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 in this example, the 80% mandatory charitable relief is awarded and the transitional relief is awarded against the net liability of £2,000 and therefore, the value of the discount to ensure in practice transitional relief continues is £500.