

Retail Relief from Business Rates

Lead Officer: Ian Potter, Revenues and Benefits Manager
Contact Details: ian.potter@southsomerset.gov.uk or (01935) 462690

Purpose of Report

To request that Full Council agree the implementation of the Business Rates Transitional Rate Relief for the 2015/16 and 2016/17 financial years and to inform members of an increase in the Retail Relief in relation to Business Rates for the 2015/16 financial year (second and final year of this relief).

Also to advise members that the enhanced Small Business Rate Relief has been extended for a further year and to request that members note the government's views on rate relief for childcare providers and the proposed SSDC response.

Public Interest

The purpose of rate relief is to reduce the amount of business rates payable in any given financial year.

There is a range of reliefs available each with a set of qualifying criteria. This report looks at three of those reliefs.

Recommendations

That Council:

- (a) agrees to use its discretionary powers to award Transitional Relief in accordance with Government guidance;
- (b) notes that the Retail Relief limit has been increased from £1,000 to £1,500 for 2015/16;
- (c) notes that the enhanced Small Business Rates Relief Scheme has been extended for a further year;
- (d) notes the government's views on rate relief for childcare providers.

Background

The Rating List produced by the Valuation Office agency and which contains details of the Rateable Value to be used in calculating the level of business rates payable normally lasts for a five year period. The current Rating List which came into effect on 1 April 2010 has been extended to a period of seven years, ending on 31 March 2017.

The Rateable Value of any given business rates hereditament can go up or down when the revaluation for each new rating list takes place. To provide some protection from large increases a Transitional Relief Scheme for small and medium size businesses phases in those increases over a number of years.

Transitional Relief

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 jump to 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.

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

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

Software suppliers have been unable to change the business rates IT system to automatically calculate entitlement to Transitional Relief so the Revenues Team will need to do this manually using government guidelines.

It is predicted that fewer than 100 businesses in each council area will qualify for this relief. The numbers are expected to be low because 2015/16 is the 6th year of the Rating List so much of the increase has already been phased in.

We will identify those businesses who qualify and issue a revised bill early in the new financial year.

Retail Relief increase

The Chancellor announced in his Autumn Statement on 5 December 2013 that Government would provide a business rates discount of up to £1,000 to all occupied retail properties with a rateable value of £50,000 or less in each of the years 2014/15 and 2015/16. Members approved the implementation of the two year Retail Relief in March 2014.

In his Autumn Statement on 4 December 2014 the Chancellor announced that for 2015/16 the relief would be increased from £1,000 to £1,500.

How many businesses have benefited in South Somerset?

The initial estimate was that approximately 700 businesses would receive Retail Relief. To date we have received 538 applications and more are being received on a daily basis. The Area Teams have supported this relief scheme by visiting or telephoning those businesses which had not applied during the original application process.

Small Business Rate Relief

The doubling of this relief which is awarded to businesses with a rateable value of up to £12,000 has been extended for a further year. This means that businesses with a rateable value of up to £6,000 will again pay no business rates in 2015/16.

Business Rates and Childcare Providers

Ministers would like to encourage local authorities to consider using their business rates local discounts powers to support access to local high quality childcare provision. The Government believes the provision of high quality childcare is crucial to stopping

development gaps emerging and ensuring all children get the best start in life. Good childcare provision can also help aid economic growth (*source: Business Rate Information Letter 1/2015*).

Government is therefore encouraging billing authorities to consider using their powers to introduce business rate relief to childcare providers where there is a clear community benefit, such as where it would help with narrowing the gap, school readiness, or maternal employment.

As this would be a local discount government will only fund 50% of the cost of any local discount granted, with SSDC funding 40% of the cost (the remainder is funded 9% County Council and 1% Fire and Rescue Authority in line with Rates Retention ratios).

The majority of childcare providers already receive either Small Business Rate relief or Charity Relief.

As there are budget implications of introducing a local discount and amending the Council's Discretionary Rate Relief Policy, it is proposed that a further report be brought before members later in the year as part of the budget setting process for 2016/17.

How will the Retail and Transitional reliefs be funded?

The up to £1,500 Retail Relief and Transitional Relief will be delivered through authority local discount powers (under s47 of the Local Government Finance Act 1988). Local Authorities will be refunded for the loss in receipts as a result of these measures. Refunds will be made through s31 grants.

State Aid rules

State Aid is generally prohibited by European Community rules. However, there are exceptions to this, and some financial aid is allowed if the sum given is below the 'de minimis' threshold. The 'de minimis' threshold is currently up to €200,000 over a three year period. As the State Aid rules apply across Europe it is expressed in Euros.

Financial Implications

SSDC will not be required to provide any funding for the increased Retail Relief and Transitional Relief Scheme.

The Government will not fund the relief where the State Aid 'de minimis' limits are exceeded. Applicants will be required to declare levels of State Aid received to ensure the award of relief remains within the permitted limits. Therefore there is a small risk of SSDC having to claim the relief back from any companies that breach the State Aid rules.

Corporate Priority Implications

Council Plan 2012 – 2015 (Focus 1 – Jobs)

Carbon Emissions and Climate Change Implications

None associated with this report.

Equality and Diversity Implications

None associated with this report

Background Papers

Full Council agenda and minutes March 2014 – Item 12

Business Rates Information Letter 1 / 2015 found at:

<https://www.gov.uk/government/publications/12015-business-rates-and-childcare-providers>

Business Rates #Information Letter 11 / 2014 (Autumn Statement) found at:

<https://www.gov.uk/government/publications/112014-autumn-statement-measures>