



Department for
Communities and
Local Government

Business Rates

Extension of Transitional Relief for small and medium
properties - Guidance



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Department for Communities and Local Government
Fry Building
2 Marsham Street
London
SW1P 4DF
Telephone: 030 3444 0000

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Extension of Transitional Relief for small and medium properties - Guidance

About this guidance

1. This guidance is intended to support local authorities in administering the extension of transitional relief for small and medium properties announced in the Autumn Statement on 3 December 2014. This Guidance applies to England only.
2. This guidance sets out the detailed criteria which central government will use to determine funding relief for properties falling out of transition to higher bills in 2015/16. The Guidance does not replace existing legislation on any other relief.
3. Enquiries on this measure should be addressed to:
ndr@communities.gsi.gov.uk

Introduction

4. 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.
5. 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.
6. This document provides guidance to authorities about the operation and delivery of the policy. The number of ratepayers affected in each local authority is very small (typically below 100) and the government recognises that authorities may choose to explore manual solutions to calculate the relief. If as a result authorities are unable to include the award of relief in bills for the beginning of 2015/16 then they are encouraged to inform the ratepayers affected that relief is available.

Section 1:

Extension of Transitional Relief

How will the relief be provided?

7. As this is a measure for 2015-16 and 2016-17, the government is not changing the legislation around transitional relief. Instead the government will, in line with the eligibility criteria set out in this guidance, reimburse local authorities that use their discretionary relief powers, under section 47 of the Local Government Finance Act 1988, as amended¹, 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.
8. Central government will reimburse billing authorities and those major precepting authorities within the rates retention system for the actual cost to them under the rates retention scheme of the relief that falls within the definitions in this guidance.

Which properties will benefit from relief?

9. 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.
10. This policy applies to transitional relief only (i.e. those moving to higher bills).
11. As the grant of the relief is discretionary, authorities may choose not to grant the relief if they consider that appropriate, for example where granting the relief would go against the authority's wider objectives for the local area. We would encourage councillors to be consulted on the final scheme that the local authority adopts, so there is a clear line of accountability.

How much relief will be available?

12. The government will fund Localism Act discounts to ensure eligible properties receive the same level of protection they would have received had the transitional

¹ Section 47 was amended by the Localism Act 2011

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 scheme² except that:

- a. the cap on increases for small properties (with a rateable value of less than £18,000/£25,500 in London) in both 2015/16 & 2016/17 should be assumed to be 15% (before the increase for the change in the multiplier)³, 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)⁴.
13. 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 scheme⁵. 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 2010⁷. The relief should be calculated on a daily basis.
14. A detailed explanation and illustration of how the relief (and the associated section 31 grant) should be calculated is at Annex A.

Recalculations of relief

15. 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.
16. 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.

² As prescribed in the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2009 No. 3343.

³ Specifically, X in regulation 8(3) for the years commencing 1 April 2015 and 1 April 2016 should be assumed to be 115. Q should be assumed to be 1.019.

⁴ Specifically X in regulation 8(2) for years commencing 1 April 2015 and 2016 should be assumed to be 125. Q should be assumed to be 1.019.

⁵ i.e. "N over J" for reductions or "N minus J" for increases.

⁶ Regulations 15 or 16, SI 2009 No. 3342.

⁷ Regulation 14 SI 2009 No.3343.

⁸ The Non-Domestic Rating (Discretionary Relief) Regulations 1989 No. 1059.

17. Therefore, when making an award for the extension of transitional relief, local authorities should ensure in the conditions of the award that the relief can be recalculated in the event of a change to the rating list for the property concerned (retrospective or otherwise). This is so that the relief can be re-calculated if the rateable value changes.

State Aid

18. 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)⁹.
19. 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). Local authorities should familiarise themselves with the terms of this State Aid exemption, in particular the types of undertaking that are excluded from receiving De Minimis aid (Article 1), the relevant definition of undertaking (Article 2(2)¹⁰) and the requirement to convert the aid into Euros¹¹.
20. 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). Where local authorities have further questions about De Minimis or other aspects of State Aid law, they should seek advice from their legal department in the first instance¹².

How will the relief work in Enterprise Zones?

21. Where an eligible property is also eligible for Enterprise Zone relief, then Enterprise Zone relief should be granted and this will be funded under the rates retention scheme by a deduction from the central share. Local authorities should not claim funding for the extension of transitional relief on properties which would otherwise qualify for Enterprise Zone government funded relief.
22. If a property in an Enterprise Zone is not eligible for Enterprise Zone relief, or that relief has ended, the extension of transitional relief may be granted in the normal way, and this would be reimbursed by grant under section 31 of the Local Government Act 2003.

⁹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:352:0001:0008:EN:PDF>

¹⁰ The 'New SME Definition user guide and model declaration' provides further guidance:

http://ec.europa.eu/enterprise/policies/sme/files/sme_definition/sme_user_guide_en.pdf

¹¹ http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm

¹² Detailed State Aid guidance can also be found at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/15277/National_State_Aid_Law_Requirements.pdf

Section 2:

Calculation for the extension of transitional relief

Calculating the extension of transitional relief where other reliefs apply

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 authorities 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

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.

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. But 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

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

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. So the value of the discount to ensure in practice transitional relief continues is £500.