



Department for  
Communities and  
Local Government

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**Chief Finance Officers of English Billing Authorities**

**FOR THE ATTENTION OF THE BUSINESS RATES SECTION**

Dear Chief Finance Officer

**Business Rates Information Letter (2/2017): Spring Budget**

This is the second business rates information letter to be issued by the Department for Communities and Local Government this year. Previous letters are available on the internet at:

<https://www.gov.uk/government/collections/business-rates-information-letters>

or for archived letters:

<http://webarchive.nationalarchives.gov.uk/20120919132719/http://www.communities.gov.uk/localgovernment/localgovernmentfinance/businessrates/busratesinformationletters/>.

- **Supporting Small Businesses**
- **New Discretionary Relief Scheme**
- **New Business Rate Relief Scheme for Pubs**

**Supporting Small Businesses**

In the Spring Budget the Chancellor announced that a scheme of relief would be made available to those ratepayers facing large increases as a result of the loss of small business or rural rate relief.

The transitional relief scheme does not provide support in respect of changes in reliefs. Therefore, those ratepayers who are losing some or all of their small business or rural rate relief may be facing very large percentage increases in bills from 1 April 2017.

The supporting small businesses relief will help those ratepayers who as a result of the change in their rateable value at the revaluation are losing some or all of their small business or rural rate relief and, as a result, are facing large increases in their bills. To support these ratepayers, the supporting small businesses relief will ensure that the increase per year in the bills<sup>1</sup> of these ratepayers is limited to the greater of:

- a cash value of £600 per year (£50 per month). This cash minimum increase ensures that those ratepayers currently paying nothing or very small amounts are brought into paying something, or
- the matching cap on increases for small properties in the transitional relief scheme<sup>2</sup>.

The note at **Annex A** provides initial guidance to authorities about the operation and delivery of this policy. It is concerned with simple cases in 2017/18 only, allowing local authorities to quickly start the process of identifying those who stand to benefit. The number of ratepayers affected in each local authority is likely to be small and authorities are encouraged to inform the ratepayers affected that relief will be forthcoming.

Formal guidance on the operation of the scheme including more complex cases and future years will follow.

## **Discretionary Relief Scheme**

At the Spring Budget the Government announced the establishment of a £300m discretionary fund over four years from 2017-18 to support those businesses that face the steepest increases in their business rates bills as a result of the 2017 revaluation.

The intention is that every billing authority in England will be provided with a share of the £300m to support their local businesses. Billing authorities will be expected to use their share of the funding to develop their own discretionary relief schemes to deliver targeted support to the most hard-pressed ratepayers. The £300m will cover the four years from 2017/18:

- £175m in 2017/18
- £85m in 2018/19
- £35m in 2019/20
- £5m in 2020/21

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<sup>1</sup> Prior to the Business Rates Supplement (2p for properties in London with a rateable value of more than £70,000) and City of London multiplier (which is 0.5p higher for all properties in London). The level of these supplements are unchanged at the revaluation but changes in the amounts paid through the supplements are outside the transitional relief scheme.

<sup>2</sup> 5%, 7.5%, 10%, 15% and 15% 2017/18 to 2021/22 all plus inflation.

The Government expects that billing authorities will deliver the scheme through the use of their discretionary relief powers under section 47 of the Local Government Finance Act 1988, as amended. Billing authorities will be compensated through a Section 31 grant for the cost to the authority of granting the relief – up to a maximum amount based on the authority's allocation of the £300m fund. No new legislation will be required to deliver the scheme.

DCLG published a consultation on the design of the discretionary relief on 9 March, seeking views on the allocation of the fund, arrangements for compensation for local authorities, and the operation of local schemes:

<https://www.gov.uk/government/consultations/discretionary-business-rates-relief-scheme>

### **Support for Pubs**

The Government has also announced a new relief scheme for pubs that have a rateable value of below £100,000. Under the scheme, eligible pubs will receive a £1000 discount on their bill. DCLG plans to publish a consultation on the operation of the relief scheme for pubs shortly. The relief will have effect for 2017/18.

Local authorities will be expected to use their discretionary relief powers (under section 47 of the Local Government Finance Act 1988, as amended) to grant this new relief for pubs in line with the relevant eligibility criteria. They will be compensated for the cost of granting the relief through a Section 31 grant from Government. No new legislation will be required to deliver the scheme.

### **Administration and Communication of New Reliefs**

We expect billing authorities to have in place clear and swift arrangements for communicating with ratepayers both on the confirmed and likely terms of the new schemes for relief covered by this BRIL, as well as on the anticipated timescale for billing or re-billing, where applicable. This should include but not be limited to having sufficient capacity in place to deal with enquiries from ratepayers in a timely fashion, and well as directing ratepayers to appropriate online resources in any communications.

DCLG will work with local government to implement the new reliefs as quickly as possible. ***As part of this, we would be grateful if billing authorities could provide the following key information on local arrangements to implement the schemes:***

1. What initial estimates you have made of the number of ratepayers that will be eligible for the small business scheme and pubs scheme in your area

2. Whether your authority has already issued 2017/18 bills (and will therefore be re-issuing bills as necessary)
3. When you intend to issue amended bills, if applicable

Please send responses to [NDR@communities.gsi.gov.uk](mailto:NDR@communities.gsi.gov.uk) by 20 March 2017.

### **Government Response on Check, Challenge, Appeal**

The government has now published the summary of responses and government response to the consultation on the statutory implementation of the reforms to business rate appeals. The response confirms the government's plan to introduce the new 'check, challenge, appeal' framework from April 2017:

<https://www.gov.uk/government/consultations/reforming-business-rates-appeals-draft-regulations>

## Annex A

### **Initial Guidance on Supporting Small Businesses Relief**

#### **Introduction**

1. For 2016/17, eligible ratepayers<sup>3</sup> with a rateable value less than or equal to £6,000 are entitled to 100% small business rate relief. Those with a rateable value of between £6,000 and £12,000 enjoy tapered relief from 100% to 0%. Following the measures in the 2016 Budget, we are increasing these thresholds from 1 April 2017 to £12,000 for the 100% relief and £15,000 for the tapered relief. This ensures that most ratepayers currently entitled to small business rate relief will pay less or nothing following the revaluation. However, some ratepayers that are facing large increases in their rateable value will lose some or all of their small business rate relief.
2. For 2016/17 the sole post office, general store, pub or petrol station in rural settlements are (subject to rateable value thresholds) entitled to 50% rate relief. This is increasing to 100% relief from 1 April 2017. However, some ratepayers currently eligible for rural rate relief may lose that entitlement if their rateable value increases above the threshold due to the revaluation.
3. The transitional relief scheme does not provide support in respect of changes in reliefs. Therefore, those ratepayers who are losing some or all of their small business or rural rate relief may be facing very large percentage increases in bills from 1 April 2017.
4. In the Spring Budget the Chancellor announced that a new scheme of relief would be made available to those ratepayers facing large increases as a result of the loss of small business or rural rate relief.
5. This note provides initial guidance to authorities about the operation and delivery of this policy. It is concerned with simple cases in 2017/18 only allowing local authorities to quickly start the process of identifying those who stand to benefit. The number of ratepayers affected in each local authority is likely to be small and authorities are encouraged to inform the ratepayers affected that relief will be forthcoming.
6. Formal guidance on the operation of the scheme including more complex cases and future years will follow. The government recognises it will take time to implement this measure and will require software changes. The government will work with local government to implement this measure and undertake a new burdens' assessment of the associated additional costs.

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<sup>3</sup> Businesses with more than one property are only eligible for small business rate relief if their additional property or properties all have rateable values of under £2,600, and the total rateable value of all their properties are below £18,000 (£25,500 in London).

## How the relief will be provided?

7. The government is not changing the legislation around transitional relief<sup>4</sup>. Instead the government will, in line with the eligibility criteria for the scheme, reimburse billing authorities that use their discretionary relief powers, under section 47 of the Local Government Finance Act 1988, as amended<sup>5</sup>, to grant relief. Central government will fully reimburse local authorities for the local share of the additional transitional 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 billing authorities to grant supporting small businesses 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.

## Who is eligible for the relief and how much relief will be available?

9. The supporting small businesses relief will help those ratepayers who as a result of the change in their rateable value at the revaluation are losing some or all of their small business or rural rate relief and, as a result, are facing large increases in their bills.
10. To support these ratepayers, the supporting small businesses relief will ensure that the increase per year in the bills<sup>6</sup> of these ratepayers is limited to the greater of:
  - a. a cash value of £600 per year (£50 per month). This cash minimum increase ensures that those ratepayers currently paying nothing or very small amounts are brought into paying something, or
  - b. the matching cap on increases for small properties in the transitional relief scheme<sup>7</sup>.
11. In the first 2 years of the scheme, this means all ratepayers losing some or all of their small business rate relief or rural rate relief will see the increase in their bill capped at £600. The cash minimum increase will continue to stay flat in each year. This means that ratepayers who are currently paying nothing under small business rate relief and are losing all of their entitlement to relief (i.e. moving from £6,000 rateable value or less to more than £15,000) would under this scheme be paying £3,000 by year 5.

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<sup>4</sup> The Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016 No. 1265

<sup>5</sup> Section 47 was amended by the Localism Act 2011

<sup>6</sup> Prior to the Business Rates Supplement (2p for properties in London with a rateable value of more than £70,000) and City of London multiplier (which is 0.5p higher for all properties in London). The level of these supplements are unchanged at the revaluation but changes in the amounts paid through the supplements are outside the transitional relief scheme.

<sup>7</sup> 5%, 7.5%, 10%, 15% and 15% 2017/18 to 2021/22 all plus inflation.

12. Those on the supporting small businesses relief scheme whose 2017 rateable values are £51,000 or more will not be liable to pay the supplement (1.3p) to fund small business rate relief while they are eligible for the supporting small businesses relief scheme.
13. Ratepayers remain in the supporting small businesses relief scheme for either 5 years or until they reach the bill they would have paid without the scheme<sup>8</sup>. A change of ratepayers will not affect eligibility for the supporting small businesses relief but eligibility will be lost if the property falls vacant or becomes occupied by a charity or Community Amateur Sports Club.
14. There will be no 2nd property test for eligibility for the supporting small businesses relief scheme. However, those ratepayers who during 2016/17 lost entitlement to small business rate relief because they failed the 2nd property test but have, under the rules for small business rate relief, been given a 12 month period of grace before their relief ended can continue on the scheme for the remainder of their 12 month period of grace.
15. More detail on eligibility and the value of the supporting small businesses relief is below.

### **Eligibility for additional transitional relief**

16. The supporting small businesses relief scheme applies to hereditaments for which:
  - a. the chargeable amount for 31 March 2017 is calculated in accordance with section 43(4B) or (6B),
  - b. in relation to 43(4B) the value of E is greater than 1,
  - c. the chargeable amount for 1 April 2017 is found in accordance with section 43(4), 43(4B), 43(6A) of the Local Government Finance Act 1988 or where regulations 12(3), 12(7) or 12(9) of the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016 No. 1265 applies, and
  - d. the chargeable amount for 1 April 2017 is more than (£600/365) higher than the chargeable amount for 31 March 2017.
17. Where for 31 March 2017 the chargeable amount has been found under section 47, then eligibility should be determined as if section 47 did not apply.
18. Where the hereditament is shown in a local list for the area of a special authority (i.e. the City of London), then eligibility should be determined

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<sup>8</sup> This will be the bill in the main transitional relief scheme.

as if the special authority's small business non-domestic rating multiplier was 48.4p for 2016/17 and 46.6p for 2017/18.

### **Value of the relief**

19. Where the supporting small businesses relief scheme applies then DCLG will fund local authorities to award discretionary relief under section 47 of the 1988 Act in order to ensure the chargeable amount for 1 April 2017 and each day thereafter in 2017/18 (subject to any changes to the hereditament in the year) is:

a. chargeable amount for 31 March 2017

plus

b.  $(£600/365)$

20. Where hereditament is shown in a local list for the area of a special authority (i.e. the City of London) then the chargeable amount for 1 April 2017 and each day thereafter in 2017/18 (subject to any changes to the hereditament in the year) is:

a. chargeable amount for 31 March 2017 (on the assumption that the special authority's small business non-domestic rating multiplier was 48.4p for 2016/17)

plus

b.  $(£600/365)$

plus

c.  $((D_{sa} - D) \times N)/C$

where:

$D_{sa}$  is the small business non-domestic rating multiplier of the special authority for 2017/18;

$D$  is 0.466;

$N$  is the rateable value shown for the hereditament in a local list for the relevant day; and

$C$  is 365.

21. Further guidance will follow for circumstances where the rateable value or the hereditament changes with effect from after 1 April 2017 and for later years.