



Department for  
Communities and  
Local Government

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8 February 2013

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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 (2/2013); Demand Notice Regulations**

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/business-rates-information-letters>,

or for archived letters:

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

**This letter covers:**

- **Demand Notice Regulations**

**Demand Notice Regulations**

1. The Department will be amending The Council Tax and Non-Domestic Rating (Demand Notices) (England) Regulations 2003 to provide revised text for the explanatory notes that authorities are required to send with demand notices. The revisions are being made to reflect recent legislative changes.

2. We are conscious that authorities will be keen to finalize billing arrangements and therefore attached to this letter is the revised draft text of the explanatory notes that we will be proposing for inclusion in demand notices under the amending regulations. There are three separate attachments to this letter which provide:

- Part 1 of Schedule 2 to the 2003 Regulations - Explanatory Notes to be served by billing authorities other than the Common Council or a rural settlement authority
- Part 2 of Schedule 2 to the 2003 Regulations – Modification of the Part 1 Explanatory Notes where served by rural settlement authorities
- Part 3 of Schedule 2 to the 2003 Regulations - Explanatory Notes to be served by the Common Council

3. You should note that technically this remains a draft but we do not anticipate the text changing substantially before the amending regulations are laid in Parliament. You will wish to note that the 2003 Regulations allow the text in the explanatory notes provided with demand notices to be in substantially similar terms to that contained in the regulations.

# Part 1 Explanatory Notes

## **Non-Domestic Rates**

Non-Domestic Rates, or business rates, collected by local authorities are the way that those who occupy non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced from 1 April 2013, authorities keep a proportion of the business rates paid locally. This provides a direct financial incentive for authorities to work with local businesses to create a favourable local environment for growth since authorities will benefit from growth in business rates revenues. The money, together with revenue from council tax payers, revenue support grant provided by the Government and certain other sums, is used to pay for the services provided by your local authority and other local authorities in your area. Further information about the business rates system, including transitional and other reliefs, may be obtained at [www.gov.uk](http://www.gov.uk).

## **Rateable Value**

Apart from properties that are exempt from business rates, each non-domestic property has a rateable value which is set by the valuation officers of the Valuation Office Agency (VOA), an agency of Her Majesty's Revenue and Customs. They draw up and maintain a full list of all rateable values, available on their website at [www.voa.gov.uk](http://www.voa.gov.uk). The rateable value of your property is shown on the front of this bill. This broadly represents the yearly rent the property could have been let for on the open market on a particular date. For the revaluation that came into effect on 1st April 2010, this date was set as 1st April 2008.

The valuation officer may alter the value if circumstances change. The ratepayer (and certain others who have an interest in the property) can appeal against the value shown in the list if they believe it is wrong. Further information about the grounds on which appeals may be made and the process for doing so can be found on the VOA website or from your local valuation office.

## **National Non-Domestic Rating Multiplier**

The local authority works out the business rates bill by multiplying the rateable value of the property by the appropriate multiplier. There are two multipliers; the standard non-domestic rating multiplier and the small business non-domestic rating multiplier. The former is higher to pay for small business rate relief. Except in the City of London where special arrangements apply, the Government sets the multipliers for each financial year for the whole of England according to formulae set by legislation. Between revaluations the multipliers change each year in line with inflation and to take account of the cost of small business rate relief. In the year of revaluation the multipliers are rebased to account for overall changes to total rateable value and to ensure that the revaluation does not raise extra money for Government. The current multipliers are shown on the front of this bill.

## **Revaluation 2010 and Transitional Arrangements**

All rateable values are generally reassessed every five years at a general revaluation to ensure bills paid by any one ratepayer reflect changes over time in the value of their property relative to others. The current rating list is based on the 2010 revaluation. Subject to royal assent being granted to the Growth and Infrastructure Bill, the next revaluation will be postponed until 2017 to provide greater stability for businesses to encourage economic growth. Five yearly revaluations will continue from 2017. Revaluation does not raise extra money for Government. The Government's Written Ministerial Statement on the postponement can be found at the following link:

<http://www.publications.parliament.uk/pa/cm201213/cmhansrd/cm121112/wmstext/121112m0001.htm>

For those ratepayers who would otherwise have seen significant increases in their rates liability, the Government has put in place a £2 billion transitional relief scheme to limit and phase in changes in rate bills as a result of the 2010 revaluation. To help pay for the limits on increases in bills, there were also limits on reductions in bills. Under the transition scheme, limits continue to apply to yearly increases and decreases until the full amount is due (rateable value times the appropriate multiplier). The scheme applies only to the bill based on a property at the time of the revaluation. If there are any changes to the property after 1st April 2010, transitional arrangements will not normally apply to the part of a bill that relates to any increase in rateable value due to those changes. Changes to your bill as a result of other reasons (such as because of changes to the amount of small business rate relief) are not covered by the transitional arrangements.

The transitional arrangements are applied automatically and are shown on the front of this bill.

More information on revaluation 2010 can be found at [www.voa.gov.uk](http://www.voa.gov.uk).

## **Unoccupied Property Rating**

Business rates will not be payable in the first three months that a property is empty. This is extended to six months in the case of certain industrial properties. After this period rates are payable in full unless the unoccupied property rate has been reduced by the Government by order. In most cases the unoccupied property rate is zero for properties owned by charities and community amateur sports clubs. In addition, there are a number of exemptions from the unoccupied property rate. Full details on exemptions can be obtained from the local authority. If the unoccupied property rate for the financial year has been reduced by order, it will be shown on the front of this bill.

The Government is introducing a new temporary measure for unoccupied new builds from October 2013. Unoccupied new builds will be exempt from unoccupied property rates for up to 18 months (up to state aid limits) where the property comes on to the list between 1 October 2013 and 30 September 2016. The 18 month period includes the initial 3 or 6 month exemption and so properties may, if unoccupied, be exempt from non-domestic rates for up to an extra 15 or 12 months.

## **Partly Occupied Property Relief**

A ratepayer is liable for the full non-domestic rate whether a property is wholly occupied or only partly occupied. Where a property is partly occupied for a short time, the local authority has discretion in certain cases to award relief in respect of the unoccupied part. Full details can be obtained from the local authority.

## **Small Business Rate Relief**

Ratepayers who are not entitled to another mandatory relief or are liable for unoccupied property rates and occupy a property with a rateable value which does not exceed £17,999 outside London or £25,499 in London will have their bill calculated using the lower small business non-domestic rating multiplier, rather than the national non-domestic rating multiplier.

In addition, generally, if the sole or main property is shown on the rating list with a rateable value which does not exceed £12,000, the ratepayer will receive a percentage reduction in their rates bill for this property of up to a maximum of 50% for a property with a rateable value of not more than £6,000. However, until 31 March 2014 the Government has doubled the usual level of relief.

This percentage reduction (relief) is only available to ratepayers who occupy either--

- (a) one property, or
- (b) one main property and other additional properties providing those additional properties each have a rateable value which does not exceed £2,599.

The rateable value of the property mentioned in (a), or the aggregate rateable value of all the properties mentioned in (b), must not exceed £17,999 outside London or £25,499 in London on each day for which relief is being sought. If the rateable value, or aggregate rateable value, increases above those levels, relief will cease from the day of the increase.

An application for Small Business Rate Relief is not required. Where a ratepayer meets the eligibility criteria and has not received the relief they should contact their local authority. Provided the ratepayer continues to satisfy the conditions for relief which apply at the relevant time as regards the property and the ratepayer, they will automatically continue to receive relief in each new valuation period.

Certain changes in circumstances will need to be notified to the local authority by a ratepayer who is in receipt of relief (other changes will be picked up by the local authority). The changes which should be notified are--

- (a) the ratepayer taking up occupation of an additional property, and
- (b) an increase in the rateable value of a property occupied by the ratepayer in an area other than the area of the local authority which granted the relief.

## **Charity and Community Amateur Sports Club Relief**

Charities and registered Community Amateur Sports Clubs are entitled to 80% relief where the property is occupied by the charity or the club, and is wholly or mainly used for the charitable purposes of the charity (or of that and other charities), or for the purposes of the club (or of that and other clubs).

The local authority has discretion to give further relief on the remaining bill. Full details can be obtained from the local authority.

## **Local Discounts**

Local authorities have a general power to grant discretionary local discounts. Full details can be obtained from the local authority.

## **Hardship Relief**

The local authority has discretion to give hardship relief in specific circumstances. Full details can be obtained from the local authority.

## **Cancellation of Backdated Rates Liabilities**

The Government has put in place regulations to allow for the cancellation of certain backdated business rates liabilities. The relevant regulations, the Non-Domestic Rating (Cancellation of Backdated Liabilities) Regulations 2012 (SI 2012/ 537), can be found on the [www.legislation.gov.uk](http://www.legislation.gov.uk) website.

Information on the type of backdated rates liability that can be cancelled is available with Business Rates Information Letter titled Cancellation of Backdated Rates:

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## **Rating advisers**

Ratepayers do not have to be represented in discussions about their rateable value or their rates bill. Appeals against rateable values can be made free of charge. However, ratepayers who do wish to be represented should be aware that members of the Royal Institution of Chartered Surveyors (RICS--website [www.rics.org](http://www.rics.org)) and the Institute of Revenues, Rating and Valuation (IRRV--website [www.irrv.org.uk](http://www.irrv.org.uk)) are qualified and are regulated by rules of professional conduct designed to protect the public from misconduct. Before you employ a rating adviser, you should check that they have the necessary knowledge and expertise, as well as appropriate indemnity insurance. Take great care and, if necessary, seek further advice before entering into any contract.

## **Information Supplied with Demand Notices**

Information relating to the relevant and previous financial years in regard to the gross expenditure of the local authority is available at (website address of local authority where information is published). A hard copy is available on request by writing to the council or at (telephone number).

## **Modification of Part 1 Explanatory Notes in Relation to Rural Settlement Authorities**

"Rate relief for businesses in rural areas

Certain types of properties in a rural settlement with a population below 3,000 may be entitled to relief. The property must be the only general store, the only post office or a food shop and have a rateable value of less than £8,500, or the only public house or the only petrol station and have a rateable value of less than £12,500. The property has to be occupied. An eligible ratepayer is entitled to relief at 50% of the full charge whilst the local authority also has discretion to give further relief on the remaining bill.

Full details can be obtained from the local authority."

# Part 3 Explanatory Notes for Special Authorities

## **Non-Domestic Rates**

Non-Domestic Rates, or business rates, collected by local authorities are the way that those who occupy non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced from 1 April 2013, authorities keep a proportion of the business rates paid locally. This provides a direct financial incentive for authorities to work with local businesses to create a favourable local environment for growth since authorities will benefit from growth in business rates revenues. The money, together with revenue from council tax payers, revenue support grant provided by the Government and certain other sums, is used to pay for the services provided by your local authority and other local authorities in your area. Further information about the business rates system, including transitional and other reliefs, may be obtained at [www.gov.uk](http://www.gov.uk).

## **Rateable Value**

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## **Special arrangements for the City of London**

Because of its special circumstances - notably its very small resident population--the Common Council of the City of London can set its own rate--or multiplier--and retain part of the proceeds to help pay for the services it provides. It may set this rate, subject to certain constraints, at a higher or lower level than the rate which applies outside the City of London. The proportion of business rates it keeps under the business rate arrangements is supplemented by an additional amount, thereby ensuring that the City of London's council tax payers do not bear a disproportionate share of the cost of providing the services which benefit them.

## **The City of London Rating Multiplier**

There are two multipliers; the standard non-domestic rating multiplier and the small business non-domestic rating multiplier. The former is higher to pay for small business rate relief. The City sets the multipliers for each financial year according to formulae set by legislation.

## **National Non-Domestic Rating Multiplier**

The local authority works out the business rates bill by multiplying the rateable value of the property by the appropriate multiplier. There are two multipliers; the standard non-domestic rating multiplier and the small business non-domestic rating multiplier. The former is higher to pay for small business rate relief. Except in the City of London where special arrangements apply, the Government sets the multipliers for each financial year for the whole of England according to formulae set by legislation. Between revaluations the multipliers change each year in line with inflation and to take account of the cost of small business rate relief. In the year of revaluation the multipliers are rebased to account for overall changes to total rateable value and to ensure that the revaluation does not raise extra money for Government. The current multipliers are shown on the front of this bill.

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