



Department for
Communities and
Local Government

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3 February 2015

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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 (2/2015)

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/>.

- **Summary of responses and the government's response to the technical consultation on business rates retention and shale gas**
- **Amendments to the Council Tax and Non-Domestic Rating Demand Notice (England) Regulations 2003**

Summary of responses and the government's response to the technical consultation on business rates retention and shale gas

1. Shale oil and gas will help to improve energy security, create jobs and meet carbon targets benefitting the UK through improved energy security and economic prospects. Local councils and communities have an important part

to play in securing those improvements and the Government believes they should also share in the economic opportunities and benefits of shale oil and gas. Currently, local councils retain 50% of the business rates paid in their area. To support shale oil and gas, the Government intends to allow local councils to retain 100% of the business rates on such developments.

2. In October we published a technical consultation on draft regulations to implement this measure. We received 25 responses and a majority of those supported 100% retention of business rates on shale oil and gas by local government. Having considered the responses the Government have decided to continue with the proposals as set out in the technical consultation. A summary of the responses to the consultation together with the Government's response is attached and is also available at:

<https://www.gov.uk/government/consultations/business-rates-retention-and-shale-oil-and-gas-technical-consultation>

3. On 23 January we laid the Draft Non-Domestic Rating (Shale Oil and Gas and Miscellaneous Amendments) Regulations 2015 which will implement this measure. This policy will ensure that local councils that host shale oil or gas sites can benefit from millions of pounds in business rates paid. The measure could be worth up to £1.7 million for a typical site and will be funded by Central Government.

Amendments to the Council Tax and Non-Domestic Rating Demand Notice (England) Regulations 2003

4. 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.

5. The revisions are being made to reflect the changes announced in the Autumn Statement

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/382327/44695_Accessible.pdf)

6. We are conscious that authorities will be keen to finalise billing arrangements and therefore attached at Annex A 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.

7. There are two separate Parts:

- Part 1 of Schedule 2 to the 2003 Regulations - Explanatory Notes to be served by billing authorities other than the Common Council. (Rural settlement authorities must supply these notes with the addition of the paragraph in Part 2 of Schedule 2 to the 2003 Regulations.)
- Part 3 of Schedule 2 to the 2003 Regulations - Explanatory Notes to be served by the Common Council

8. You should note that technically the text remains draft, but we do not anticipate it changing substantially before the amending regulations are laid in Parliament.

9. You will be aware 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.

DRAFT TEXT

THE COUNCIL TAX AND NON-DOMESTIC RATING (DEMAND NOTICES)

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 1st 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 local authorities in your area. Further information about the business rates system, including transitional and other reliefs, may be obtained at 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 at www.gov.uk/government/organisations/valuation-office-agency. 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. The Government has announced there will be limits on the backdating of changes to rating assessments with effect from 1st April 2015. If the Valuation Office Agency receive your appeal on or after 1st April 2015 then the earliest they can back date any changes is that date. Your billing authority can only back-date any business rates rebate to that same date. You will continue to have your full legal rights to appeal your rating assessment.

The Valuation Office Agency will continue to fulfil their legal obligations to alter rating assessments if new information comes to light indicating the valuation is inaccurate. Any alterations they make on or after 1st April 2016 can only be backdated to 1st April 2015.

Further information about the grounds on which appeals may be made and the process for doing so can be found on the www.gov.uk website or obtained 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 generally change each year in line with the Retail Price Index in September of the previous year and to take account of the cost of small business rate relief. The calculation of the multipliers has taken account of the Government's decision in the Autumn Statement 2014 to cap the inflation increase to 2% in 2015-16. The current multipliers are shown on the front of this bill.

Business Rates Instalments

Payment of business rate bills is automatically set on a 10-monthly cycle. However, the Government has put in place regulations that allow businesses to require their local authority to enable payments to be made through 12 monthly instalments. If you wish to take up this offer, you should contact the local authority as soon as possible.

Revaluation 2017

All rateable values are reassessed 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. This helps maintain fairness in the rating system by updating valuations in line with changes in the market. The current rating list is based on the 2010 revaluation. The Government has confirmed that the next revaluation will take place in 2017 based on rental values at 1st April 2015. More information on revaluation 2017 can be found at: www.gov.uk/government/organisations/valuation-office-agency.

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. Similarly, the change in the revaluation date to 2017 has no effect on the total amount of revenue raised from business rates.

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 your 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 has introduced a 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 1st October 2013 and 30th 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. The Government has announced, in the Autumn Statement 2014, that the doubling of the usual level of relief - to a maximum of 100% - will continue for a further year, until 31st March 2016.

Generally, 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.

The Government has introduced additional support to small businesses. For those businesses that take on an additional property which would normally have meant

the loss of small business rate relief, the Government has confirmed that they will be allowed to keep that relief for a period of 12 months.

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.

Retail Discounts

The Government is giving funding to local authorities so that they can provide a discount worth up to £1,000 in 2014-15 and up to £1,500 in 2015-16 - to retail premises with a rateable value of up to £50,000. This will provide support to premises including pubs, cafes, restaurants and shops. Full details can be obtained from the local authority.

The Government is also giving funding to local authorities so that they can provide a 50% discount for 18 months for those businesses that move into retail premises that have been empty for a year or more. This is available for businesses which move into empty premises between 1st April 2014 and 31st March 2016. 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.

State Aid

The award of such discounts is considered likely to amount to state aid. However it will be state aid compliant where it is provided in accordance with the De Minimis Regulations EC 1407/2013. The De Minimis Regulations allow an undertaking to receive up to €200,000 'de minimis' aid over a rolling three year period. If you are

receiving, or have received, any 'de minimis' aid granted during the current or two previous financial years (from any source), you should inform the local authority immediately with details of the aid received.

Hardship Relief

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

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) and the Institute of Revenues, Rating and Valuation (IRRV - website 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***].”.

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 1st 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 local authorities in your area. Further information about the business rates system, including transitional and other reliefs, may be obtained at www.gov.uk.

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Further information about the grounds on which appeals may be made and the process for doing so can be found on the www.gov.uk website or obtained from your local valuation office.

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.

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