

Business Rates – New Relief schemes		Agenda No: 6b
<p>Corporate Priority: Building a prosperous district – Boost employment skills and support businesses, Promoting and improving our town centre, Securing appropriate infrastructure and housing growth</p> <p>Portfolio Area: Performance and Efficiency</p> <p>Report presented by: Cllr David Bebb</p> <p>Report prepared by: Trevor Wilson, Head of Finance</p>		
<p>Background Papers:</p> <p>Business rates new build empty property – Guidance and Business rates: retail relief – Guidance issued by the Department for Communities and Local Government</p>		Public Report
<p>Options:</p> <p>To agree or not the introduction of three new discretionary rate relief schemes.</p>		Key Decision: No
<p>Executive Summary:</p> <p>The Government announced in the Autumn Statements on 5th December 2012 and 5th December 2013 that it would be introducing measures to help stimulate construction and to support town centres and in particular retailers.</p> <p>The Government will not however be changing the legislation around the reliefs available to properties. Instead the Government will reimburse local authorities that use their discretionary relief powers, introduced by the Localism Act (under section 47 of the Local Government Finance Act 1988, as amended) to grant relief in line with the eligibility criteria set out in guidance issued (or to be issued) by the Government.</p> <p>There are three distinct schemes, these are:</p> <p>Retail Relief - Properties that will benefit from the relief will be occupied hereditaments with a rateable value of £50,000 or less that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments. The relief is available in the years: 2014/15 and 2015/16.</p> <p>Re-occupation Relief - A discount of 50% for new occupants of previously empty retail premises. The discount will last for 18 months. The relief will be available to businesses moving in to properties between 1st April 2014 and 31st March 2016.</p>		

New Build Empty Property Relief - Properties that will benefit from the relief will be all unoccupied non domestic hereditaments that are wholly or mainly comprised of qualifying new structures, completed after 1 October 2013 and before 30 September 2016.

The proposals in this report take into account the guidance issued in September 2013 and January 2014 by the Department for Communities and Local Government (DCLG). Guidance from DCLG in respect of the Re-occupation relief is awaited.

The cost of awarding the relief will be fully reimbursed by Central Government to the Council and major precepting authorities within the business rates retention scheme.

Businesses identified as potentially being entitled to Retail Rate Relief will be contacted and invited to apply for the relief by completing an appropriate application form.

Administering the return of application forms and awarding relief will be an additional administrative burden that will need to be absorbed within existing resources.

The number of premises that potentially would qualify and estimate of the cost of awarding the Reliefs are:

Retail relief – 747 premises with an estimate of the cost of awards of £531,500;
Re-occupation relief – 75 premises with an estimate of the cost of awards of £333,592;
New Build Empty Property relief – 10 premises with an estimate of the cost of awards of £54,165;

As mentioned above the cost of the awards will be fully subsidised by Central Government.

Decision:

That Members agree that:

1. The Council extends its policy for discretionary business rate relief (under section 47 of the Local Government Finance Act 1988) to include three new schemes:
 - a) Retail Relief for 2014/15 and 2015/16 only;
 - b) Re-occupation of empty property formerly used for retail purposes during the period 1st April 2014 to 31st March 2016; and
 - c) New build empty property relief for new structures completed but unoccupied between 1st October 2013 and 30th September 2016.

with each scheme to be operated in accordance with the criteria as detailed in the report. The cost of the relief awarded will be fully subsidised by Central Government.

2. Authority to consider and make decisions on these discretionary rate relief applications is delegated to the Local Tax Manager.

Purpose of Decision:

To extend the Council's Business Rates discretionary relief policy to include three new relief schemes proposed by Central Government to help stimulate construction and to support town centres and in particular retailers.

Any Corporate implications in relation to the following should be explained in detail

Financial:	<p>Estimates of the cost of awarding the Reliefs are:</p> <p>Retail relief – 747 premises at an estimated cost of £531,500; Re-occupation relief – 75 premises at an estimated cost of £333,592; New Build Empty Property relief – 10 premises at an estimated cost of £54,165.</p> <p>The cost of the awards will be fully subsidised by Central Government.</p> <p>Administering the return of application forms and awarding relief will be an additional administrative burden that will need to be absorbed within existing resources.</p>
Legal:	<p>Extension to discretionary rate relief under powers introduced by the Localism Act (under section 47 of the Local Government Finance Act 1988, as amended).</p> <p>Businesses will be required to confirm that they are eligible to receive the relief and will not exceed the State Aid de minimus limit of £200,000 in a three year period.</p>
Safeguarding	Not applicable.
Equalities/Diversity	<p>The criteria on which the reliefs will be granted is clearly defined and unsuccessful applicants will be given reasons for any refusal to award a relief.</p> <p>The Council will review the decision if the ratepayer is dissatisfied with the outcome. This review will be carried out independently by the Head of Finance.</p>
Customer Impact:	Businesses will be requested to apply for the relevant relief by completing an application form.
Environment and Climate Change:	Not applicable.
Consultation/Community Engagement:	Not applicable.

Risks:	The work involved in processing the volume of applications results in other work in the Revenues section being delayed. The volume of applications will be closely monitored and overtime working authorised as appropriate.
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1. Introduction

- 1.1 The Government announced in the Autumn Statements on 5th December 2012 and 5th December 2013 that it would be introducing measures to help stimulate construction and to support town centres and in particular retailers.
- 1.2 The Government will not however be changing the legislation around the reliefs available to properties. Instead the Government will reimburse local authorities that use their discretionary relief powers, introduced by the Localism Act (under section 47 of the Local Government Finance Act 1988, as amended) to grant relief in line with the eligibility criteria set out in guidance issued (or to be issued) by the Government.
- 1.3 It is for individual local billing authorities to adopt a local scheme and decide in each individual case when to grant relief under section 47.

2. Discretionary Relief Schemes

- 2.1 There are three distinct schemes, these are:

2.2 Retail Relief

- 2.2.1 Properties that will benefit from the relief will be occupied hereditaments with a rateable value of £50,000 or less that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments. The relief is available in the years: 2014/15 and 2015/16.
- 2.2.2 To qualify for the relief the hereditament should be wholly or mainly being used as a shop, restaurant, cafe or drinking establishment. In a similar way to other reliefs (such as charity relief), this is a test on use rather than occupation. Therefore, hereditaments which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief.
- 2.2.3 The types of uses that will be considered to be retail for this purpose and the types of uses that will not be considered to meet the retail definition are provided at Appendix A. The lists are not intended to be exhaustive as it would be impossible to list the many and varied retail uses that exist. However, it is intended to be a guide as to the types of uses that the Council considers to be retail for the purpose of this policy.
- 2.2.4 On receipt of a completed application form, the Council will determine whether particular properties not listed are broadly similar in nature to those above and, if so, consider them eligible for the relief. Conversely, properties that are not broadly similar in nature to those listed above will not be eligible for relief.
- 2.2.5 The total amount of government-funded relief available for each property for each of the years under this scheme is £1,000. The amount does not vary with rateable value.
- 2.2.6 The eligibility for the relief and the relief itself will be assessed and calculated on a daily basis. The relief will be applied against the net bill after all other reliefs.

2.2.7 Ratepayers that occupy more than one property will be entitled to relief for each of their eligible properties, subject to State Aid de minimis limits (*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*).

2.3 **Re-occupation Relief**

2.3.1 A discount of 50% for new occupants of previously empty retail premises. The discount will last for 18 months. The relief will be available to businesses moving in to properties between 1st April 2014 and 31st March 2016.

2.3.2 At the time of writing the detailed guidance from the Government is awaited. However, it is believed that there will be no restrictions based on the type, or the size, of the business which takes the property on i.e. it will not be required to be a retail business.

2.4 **New Build Empty Property Relief**

2.4.1 Properties that will benefit from the relief will be all unoccupied non domestic hereditaments that are wholly or mainly comprised of qualifying new structures.

2.4.2 The Government guidance identifies “structures” as meaning:

- a) foundations and/or
- b) permanent walls and/ or
- c) permanent roofs

and “new” meaning:

- a) completed less than 18 months previously, and
- b) completed after 1 October 2013 and before 30 September 2016.

2.4.3 New structures are to be considered “completed” when the building or part of the building of which they form part is ready for occupation for the purpose it was constructed unless a completion notice has been served in respect of such a building or part of a building - in which case it would be the date specified in that notice.

2.4.4 In terms of considering whether a hereditament is *wholly or mainly* comprised of qualifying new structures, it is intended that “mainly” means more than half. As the test is made in regards to the composition of the structure, it will not be relevant to consider matters such as the rateable value or use of parts of the property. However, factors such as the area or volume of the property will be relevant. Whilst the policy is not intended to capture properties that have been refurbished, it is intended to capture those that have been the subject of substantial structural construction, so for example those properties that are built on existing foundations or built around a retained façade are likely to benefit from the relief.

2.4.5 The relief will run with the property rather than the owner. So if a developer initially owns a hereditament that qualifies for the relief he/she will be able to

sell/lease the property with the benefit of the remaining term of the relief, subject to the ratepayer's State Aid de minimis limits.

- 2.4.6 Properties that are completed before 1 October 2013 will not benefit from this relief.
- 2.4.7 The Government will fund authorities to provide 100% relief in the prescribed circumstances, up to State Aid de minimis limits.
- 2.4.8 The policy is for the new build empty property exemption to apply to unoccupied non domestic properties for the first 18 months following completion, if completed after 1 October 2013 and before 30 September 2016.
- 2.4.9 The Non-Domestic Rating (Unoccupied Property) (England) Regulations 2008 provide that empty property rates are not payable until a non-industrial property has been empty for 3 months or an industrial property has been empty for 6 months. So in practice, an unoccupied new build property would benefit from the relief for periods that rates are payable – i.e. once the initial 3 or 6 month rate free period has expired, subject to the State Aid de minimis limit.

3. Estimated Cost of Granting Discretionary Reliefs

- 3.1 As the costs of the reliefs granted will be reimbursed in full by the Government, by means of section 31 grant, estimates of the amount of reliefs awarded have been included in the Council's assessment of business rate income for 2014/15.
- 3.2 In summary the estimated amount of reliefs granted are: £531,500 for retail relief; £333,592 for re-occupation relief; and £54,165 for new build relief. Details of the calculations are provided at Appendix B.

4. Administration of Applications for Relief

- 4.1 For each of the reliefs a completed application form is required together with any evidence deemed necessary by the Council to assist in making a decision.
- 4.2 Authority to consider and make decisions on these discretionary rate relief applications is delegated to the Local Tax Manager.
- 4.3 Decisions regarding applications for discretionary rate reliefs will be notified to the ratepayer in writing as soon as reasonably practicable. Unsuccessful applicants will be given reasons for any refusal to award a relief.
- 4.4 Businesses identified as potentially being entitled to Retail Rate Relief will be contacted and invited to apply for the relief by completing an appropriate application form.
- 4.5 Administering the return of application forms and awarding reliefs will be an additional administrative burden that will need to be absorbed within existing resources.

5. Right of Appeal

- 5.1 There is no statutory right of appeal against a decision made by the Council in respect of discretionary rate reliefs. However, the Council will review the decision if the ratepayer is dissatisfied with the outcome. This review will be carried out independently by the Head of Finance.
- 5.2 If an unsuccessful applicant decides to request a review, they will still need to continue to pay their rates bill. Once the review has been conducted, the ratepayer will be informed in writing whether the original decision has been revised or upheld.
- 5.3 The right of appeal process does not affect a ratepayer's legal right to challenge the decision by way of a judicial review.

Retail Relief

Shops, restaurants, cafes and drinking establishments include the following:

i. Hereditaments that are being used for the sale of goods to visiting members of the public:

- Shops (such as: florist, bakers, butchers, grocers, greengrocers, jewellers, stationers, off- licence, chemists, newsagents, hardware stores, supermarkets, etc)
- Charity shops
- Opticians
- Post offices
- Furnishing shops/ display rooms (such as: carpet shops, double glazing, garage doors)
- Car/ caravan show rooms
- Second hand car lots
- Markets
- Petrol stations
- Garden centres
- Art galleries (where art is for sale/hire)

ii. Hereditaments that are being used for the provision of the following services to visiting members of the public:

- Hair and beauty services (such as: hairdressers, nail bars, beauty salons, tanning shops, etc)
- Shoe repairs/ key cutting
- Travel agents
- Ticket offices e.g. for theatre
- Dry cleaners
- Launderettes
- PC/ TV/ domestic appliance repair
- Funeral directors
- Photo processing
- DVD/ video rentals
- Tool hire
- Car hire

iii. Hereditaments that are being used for the sale of food and/ or drink to visiting members of the public:

- Restaurants
- Takeaways
- Sandwich shops
- Coffee shops
- Pubs
- Bars

The list below sets out the types of uses that are not considered to be retail use for the purpose of this relief.

i. Hereditaments that are being used for the provision of the following services to visiting members of the public:

- Financial services (e.g. banks, building societies, cash points, bureau de change, payday lenders, betting shops, pawn brokers)
- Other services (e.g. estate agents, letting agents, employment agencies)
- Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors)
- Professional services (e.g. solicitors, accountants, insurance agents/ financial advisers, tutors)
- Post office sorting office

ii. Hereditaments that are not reasonably accessible to visiting members of the public.

Estimated Costs of the New Discretionary Relief Schemes

Analysis of Impact of awarding £1,000 discount

Total Properties	4,467			
Less properties in excess of £50,000 RV	422			
	4,045			
Less Industrial, Advertising Rights etc	2,526			
Potential to qualify for £1,000			1,519	
Less SBRR on properties below £6,000	671			
Less Exempt properties eg 3mnths	15			
Less Charity Relief awarded	86		772	
Number to qualify for £1,000			747	
SBRR below £7,600	371			
RV below £2,500	60			
Total Receiving less than full £1,000 (i.e. net liability after other reliefs is less than £1,000)		431	@ £500	£215,500
Receiving Full Amount		316	@ £1000	£316,000
				£531,500

Analysis of Impact of 50%discount

Total Void Properties	525			
Less current exemptions	298			
Potential to Qualify for 50% Relief			227	
Less Properties Empty less than 1 year			101	
Receiving 50% Relief			126	
Of 126, number of accounts taking up discount			75	
Total RV for those 75 Properties	£1,416,525			
Multiplier for 2014/15	0.471			
Total Value			£667,183	
Total Relief Awarded at 50%			£333,592	

New build relief

Average RV (Total hereditaments divided by RV =	23000			
Multiplier for 2014/15	0.471			
Total value			£10,833	
Est new builds in 2014/15	10			
Relief awarded in year			£108,330	
Assume in occupation 50% of time			£54,165	