

**Retail Relief for Business Rates for 2014/15 and 2015/16**

Portfolio:	Finance
Ward(s) Affected:	All

**Purpose:**

To approve the granting of Retail Relief for Business Rates for 2014/15 and 2015/16 in accordance with the Chancellor of the Exchequer's Autumn Statement on the 5th December 2013.

**1. Background**

- 1.1. The retail sector is changing, particularly due to internet shopping, and many high streets are experiencing challenges as they look to adapt to changing consumer preferences in how people shop. The Government wishes to support town centres in their response by providing particular support to retailers.
- 1.2. The Government announced in the Autumn Statement on 5 December 2013 that it will provide a relief of up to £1,000 to all occupied retail properties with a rateable value of £50,000 or less in each of the years 2014-15 and 2015-16.
- 1.3. This paper sets out how this relief is to be delivered in time for the 2014/15 annual billing. A document providing guidance to authorities about the operation and delivery of the policy has been produced by the Government and it is intended that local authorities will include details of the relief to be provided to eligible ratepayers for 2014-15 in their bills at the beginning of that year.

**How will the relief be provided?**

- 1.4. As this is a measure for 2014-15 and 2015-16 only, the Government is not changing the legislation around the reliefs available to properties. Instead it will, in line with the eligibility criteria set out in this guidance, 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. Each individual local billing authority will need to adopt its own local scheme and decide in each individual case when to grant relief under section 47. The Government will fully reimburse local authorities for their local share of the discretionary relief (using a grant under section 31 of the Local Government Act 2003) provided it falls within the definitions of the scheme as set by the Chancellor. The Government expects local government to grant relief to qualifying ratepayers in line with the scheme but has not mandated it.
- 1.5. Under section 47 of the Local Government Finance Act 1988 the Council can decide to widen the relief given but this will be at the Council's own expense and not be reimbursed by Government.

**Which properties will benefit from relief?**

- 1.6. The Government is proposing that properties that are 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 will benefit from the relief. A list of types of property the Government considers should qualify is shown in Annex A.

- 1.7. 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.
- 1.8. The list set out in Annex A is not intended to be exhaustive as it would be impossible to list the many and varied retail uses that exist. There will also be mixed uses. However, it is intended to be a guide for Councils as to the types of uses that government considers for this purpose to be retail. It will be up to Councils to determine for themselves whether particular properties not listed are broadly similar in nature to those in Annex A and, if so, to consider them eligible for the relief.
- 1.9. Annex B sets out the types of uses that Government does not consider to be retail use for the purpose of this relief. It will be for each council to determine for themselves whether particular properties are broadly similar in nature to those below and, if so, to consider them not eligible for the relief under their local scheme. The Council may decide to extend the discount scheme to cover properties on Annex B but the cost of this would have to be met by the local taxpayer rather than the Government.

## **2. Supporting Information**

- 2.1. Business Rates Retail Relief Guidance – published by DCLG in January 2014 and available on their website.

## **3. Corporate Objectives and Key Priorities**

- 3.1. The introduction of a retail relief scheme fulfils the key objective of supporting a vibrant local economy.

## **4. Legal Issues**

- 4.1. The Council has statutory authority under the Local Government Finance Act 1988 as amended to introduce discretionary rate relief. The Council must also ensure that any relief does not break EU state aid rules by performing the “de minimus” check as explained earlier in this paper.

## **5. Risk Management**

- 5.1. Adopting a scheme based on the Government framework minimises the risk of the cost falling on local taxpayers and for any misunderstanding as regards eligibility with local ratepayers.

## **6. PR and Marketing**

- 6.1. The introduction of this relief will show to local businesses that the Council is supporting them.

## **7. Resource Implications**

- 7.1. 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

and there is no taper. There is no relief available under this scheme for properties with a rateable value of more than £50,000.

- 7.2. It is estimated that there would be 530 properties eligible for this relief under the Government scheme which would cost £530,000 per year. This would be fully reimbursed by Government.
- 7.3. If the Council decided to offer a higher discount or widen the eligibility then the additional cost would fall on local ratepayers. For example if the Council decided to offer £2,000 relief rather than £1,000 then the additional £530k cost would not be reimbursed. As is the case for any local discount under the Business Rates retention scheme 50% would be paid by the Government, 10% by the County and 40% by the Borough.
- 7.4. The eligibility for the relief and the relief itself will be assessed and calculated on a daily basis based on the number of days eligible in each individual year the scheme operates.
- 7.5. The relief will be applied against the net bill after all other reliefs, for example Charitable relief, have been deducted.
- 7.6. It is not allowed for a negative liability to be created by the application of this relief. The retail relief is restricted to give a liability of zero.

#### **Ratepayers with more than one eligible property and State Aid**

- 7.7. Ratepayers that occupy more than one property will be entitled to relief for each of their eligible properties in England, subject to State Aid de minimis limits.
- 7.8. State Aid law is the means by which the European Union regulates state funded support to businesses. Providing discretionary rate relief to ratepayers is likely to amount to State Aid. However Retail Relief will be State Aid compliant where it is provided in accordance with the De Minimis Regulations (1407/2013)<sup>1</sup>.
- 7.9. 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).
- 7.10. 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 across England. This limit 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). The Government has provided a specimen letter which can be used to ensure compliance and this is included within the guidance.
- 7.11. These rules would in reality only apply for say small rateable value businesses, such as chains of coffee shops, which have a presence in more than 200 locations.

#### **Other Reliefs announced in the Chancellor's Autumn statement**

- 7.12. The Chancellor announced a package of business rates measures as follows:
  - the Retail Price Index increase in 2014-15 will be capped at 2% instead of 3.2%;

- the doubling of the Small Business Rate Relief will be extended for a further 12 months until 31 March 2015;
- ratepayers receiving Small Business Rate Relief that take on an additional property which would currently disqualify them from receiving relief will continue to receive their existing relief for 12 months;
- a 50 per cent business rates relief for 18 months - between 1 April 2014 and 31 March 2016 - for businesses that move into retail premises that have been empty for a year or more

7.13. All of these measures will be introduced by national legislation and are to be fully reimbursed by Government. Full details are still awaited.

## 8. Options

8.1. Members have the option of rejecting, amending or accepting the recommendation.

8.2. If the Members decide they do not wish to implement such a scheme and reject the recommendation the Council will not be eligible for any additional grant. In addition they may be required to explain to local businesses why they have taken this approach.

8.3. If Members decide to amend the recommendation and hence the scheme it may depart from the one recommended by Government. There is a risk that part of the cost of the scheme could fall on local taxpayers as it may not be eligible for government funding

## 9. Recommendation

9.1. Members are asked to resolve:

- 1) for 2014/15 and 2015/16 only, using the powers given under section 47 of the Local Government Finance Act 1988 as amended, to create a "Business Rates Retail Relief Scheme" which would grant a reduction of £1,000 in each year to properties where:
  - i) the rateable value of the property is less than £50,000 and;
  - ii) the property is occupied and;
  - iii) the property is wholly or mainly being used as a shop, restaurant, café or drinking establishment and falls within one of the occupancy types listed in Annex C.
- 2) the relief is to be granted on a daily basis according to the formula

$$\text{Amount of relief to be granted} = \text{£}1000 \times A/B$$

Where A is the number of days in the financial year that the hereditament is eligible for relief; and B is the number of days in the financial year

- 3) that the relief is to be granted after all other reliefs and cannot result in the outstanding liability being less than zero; and
- 4) that the Executive Head of Finance be authorised

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- i) to determine whether a property is eligible or not for the “Business Rates Relief Scheme”;
- ii) to make amendments to the scheme as required in consultation with the Portfolio holder for Finance.

<b>Annex</b>	Annex A – Types of property eligible for the relief Annex B – Types of property ineligible for the relief Annex C – Property types eligible for the relief
<b>Background papers</b>	None
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<b>Executive Head of Service</b>	As above

**Properties where the cost of relief given will be reimbursed by the Government**

The Government has defined shops, restaurants, cafes and drinking establishments to mean:

(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: hair dressers, 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

**Properties where the cost of relief given would NOT be reimbursed by the Government**

- (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) Any hereditaments that are not reasonably accessible to visiting members of the public

**Classes of property which prima facie will fulfill the requirements for the Government Scheme depending on their use.**

<b>Class</b>	<b>Code</b>
Petrol Filling Station	CG
Car Showroom	CG3
Car Showroom, Workshop and Pre	CG3W
Public House	CL
Club	CL2
Restaurant	CR
Cafe	CR1
Shop	CS
Retail Warehouse	CS10
Hairdressing Salon	CS3
Post Office	CS6
Showroom	CS7
Showroom, Office and Premises	CS7O
Superstore	CS9
Shop, Office and Premises	CSO
Shop, Store and Premises	CSS