

Broadclyst Parish Council

Business Rates 2017/18

CLERKS REPORT

BACKGROUND

Non-domestic rates, or ‘business rates’, are a tax on non-domestic property. Rates have been in existence in some form since the Poor Law of 1601, though a standardised system of non-domestic rating dates to the Rating and Valuation Act 1925. The current system dates from the [Local Government Finance Act 1988](#)¹. Rates are levied on business properties on the basis of their rateable value and the national multiplier, and the amount payable may then be subject to a number of reliefs or exemptions.

How are rates bills calculated?

The **rateable value** (RV) of a property is the first element in the calculation of the rates bill. Rateable values in England, Wales and Scotland are assessed on a five-yearly basis by the [Valuation Office Agency](#) (VOA), which is an executive agency of HM Revenue and Customs.

The second element in the rates bill is the **multiplier**, which is normally expressed in pence per pound. This is set by the UK Government for England, the Scottish Parliament for Scotland, and the National Assembly for Wales. In Northern Ireland, district councils set one multiplier and a further one is set by the Northern Ireland Executive. Before the introduction of the 1988 Act, the billing authorities in England, Scotland and Wales set the multiplier locally.

In England, Scotland and Wales, in each financial year, the multiplier may be raised by a maximum of the inflation rate of the Retail Price Index (RPI) from the previous September². This would be changed by clause 5 of the Local Government Finance Bill 2016-17.

The basic business rate liability for a property is calculated by multiplying the rateable value of a property by the multiplier. Hence, a property with a rateable value of £100,000, where the multiplier was 49.3 pence in the pound, would have an annual business rate liability of £49,300.

Collection of rates

Bills are sent out and rates collected by **billing authorities**. These are district councils (in two-tier areas), unitary councils, metropolitan borough and London borough councils. In Wales, the unitary local councils are the billing authorities; in Scotland, the unitary councils are the ‘levying authorities’; and in Northern Ireland, the task falls to the district councils. Ratepayers may pay in monthly instalments, as with council tax.

¹ Technically, the 1988 Act introduced the ‘National Non-Domestic Rate’ (NNDR) in place of local business rating. However, the phrase ‘business rates’ remained in use throughout.

² See DCLG, [Business Rates Information Letter 3/2015](#). The multiplier has always risen by this amount, until 2014-15 and 2015-16, when a 2% cap was applied in England, and matched in Scotland and Wales.

RELIEFS AND DISCOUNTS FROM BUSINESS RATES

The billing authorities are responsible for deciding whether to apply any exemptions or reliefs to individual businesses or properties. Some reliefs are mandatory, whilst others are given at the discretion of the billing authority.

Various reductions in liability for business rates are available. A relief does not change the rateable value of a non-domestic property: it is a discount from the payment owed by the liable business. If the occupier of the property changes, the business rates liability may also change. Separately, certain types of property are exempt from business rates.

Some reliefs are mandatory, whereas others are given at the discretion of the billing authority. It is for the billing authority to interpret the law when applying mandatory reliefs in their area, in the light of case law, and to make decisions on discretionary relief.

This section sets out the available reliefs, dividing them into reliefs that are permanent parts of the business rates system and temporary reliefs introduced to address short-term issues.

Permanent reliefs

Relief for small businesses in England

As of 1 April 2017³, permanent changes will be introduced to the Small Business Rate Relief system. The relief is only available on the main property, not on any smaller properties that the business occupies.

- Properties with a rateable value of £12,000 or less are entitled to 100% business rates relief;
- Properties with a rateable value of £12,001 to £15,000 are entitled to a tapering discount from 0% to 100%, on the basis of 1% relief for every £30 of rateable value;
- Properties with a rateable value of £15,001 to £50,999 will be subject to the small business multiplier⁴.

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 £2,900, **and** the total rateable value of all their properties does not exceed £19,999 (£27,499 in London).⁵

Charitable relief

Properties which are occupied by charities and wholly or mainly used for charitable purposes are entitled to a mandatory reduction of 80% in business rates, as are community amateur sports clubs (CASCs)⁶.

³ DCLG, [Business Rates Information Letter 1/2017, 24 January 2017](#): see also the [Non-Domestic Rating \(Reliefs, Thresholds and Amendment\) \(England\) Order 2017 \(SI 2017/102\)](#).

⁴ The small business multiplier has existed since 2003-04. The standard multiplier must be set taking into account the loss of revenue resulting from the existence of the small business multiplier.

⁵ [Non-Domestic Rating \(Small Business Rate Relief\) \(England\) Order 2012 \(SI 2012/148\)](#)

⁶ A list of registered CASCs is available at <http://www.hmrc.gov.uk/casc/clubs.htm>. For a definition of the category, see the [Community Amateur Sports Clubs Regulations 2015 \(SI 2015/725\)](#).

Billing authorities have the discretion to increase this to 100%⁷ It is for the billing authority to determine whether a property is 'wholly or mainly used for charitable purposes'. Case law establishes that the use of the property, not merely whether the occupant is a charity, is key⁸.

Discretionary relief

Section 69 of the [Localism Act 2011](#) provides a discretionary power for billing authorities in England and Wales to reduce the business rates of any local ratepayer. The Government has not issued guidance on how this power might be used, though councils must ensure that the reliefs they allow do not transgress state aid rules.⁹ Billing authorities cannot give themselves rate relief under this provision, nor can they give relief to precepting authorities or London functional bodies.¹⁰ A Written Answer¹¹ in October 2013 provided figures for the amount of business rate relief granted under this power.

A power also exists to grant relief if a business would suffer 'hardship' if they had to pay their full business rates liability. There is no definition of 'hardship' in legislation, though relevant case law exists. The billing authority must take into account the interests of council tax-payers in their area before granting hardship relief. This power has largely fallen into disuse since the introduction of discretionary relief.

Enterprise zones

Businesses moving into Enterprise Zones (EZs) before April 2015 are entitled to a 100% discount for five years. This is awarded at the discretion of the billing authority, but will be funded by the Government. The Government will also fund any existing discounts that are being awarded in the zone:

The regulations provide for the costs of any discount under section 47 (i.e. including discounts to existing business and empty properties) granted in the zone, provided it complies with state aid de minimis limits, to be offset against the billing authority's contribution to the central pool.¹²

⁷ [Local Government Finance Act 1988](#), sections 43 and 47.

⁸ [Public Safety Charitable Trust v Milton Keynes](#) (2013); see also the Government's 2015 paper [Business rates avoidance: summary of responses](#).

⁹ For further information see DCLG, [Business Rates Information Letter](#) 6/2012. Some guidance on the state aid rules is available at DCLG, [Enterprise zones: state aid and business rate discounts](#), February 2012.

¹⁰ [Local Government Finance Act 1998](#), s47 (8A-9)

¹¹ See [HCDeb](#) 31 Oct 2013 c567-8W

¹² See the [Non-Domestic Rating Contributions \(England\) \(Amendment\) Regulations 2012](#); also DCLG, Business Rates Information Letter 5/2012. The Government will provide a grant equal to the revenue foregone by the local authority, thus avoiding the 50/50 split under the [Business Rates Retention Scheme](#).

REVALUATIONS

Non-domestic properties in England, Scotland and Wales are normally revalued every five years. The next revaluation in each country came into effect on 1 April 2017 (see the Library briefing [Business rates: the 2017 revaluation](#)).

Revaluations are based on rental values at a specific date (the 'antecedent valuation date' or AVD) two years before the revaluation applies; the 2017 one is based on rental values at 1 April 2015.

Sections 29-30 of the [Growth and Infrastructure Act 2013](#) delayed the 2015 revaluation until 2017 in England. The next English and Welsh revaluations will take place in 2022 (i.e. the five-year cycle has been permanently moved).

A rise in rateable value at a revaluation does not lead to a rise in overall revenue from business rates. The multiplier must be adjusted to ensure that the overall yield from rates remains the same. To ensure overall revenue neutrality, the multiplier was reduced by several pence in the pound at the 2000 and 2005 revaluations, offsetting an overall rise in rateable value. In 2017-18, the standard multiplier fell from 49.4p to 47.9p, and the small business multiplier from 48.4p to 46.6p.¹³ As revaluations are required to be revenue-neutral overall, a fall in rateable value may not necessarily translate into a fall in business rates liability for an individual property.

Transitional Relief

In 2017, England and Wales will operate transitional schemes to phase in substantial increases or decreases in a ratepayer's bill following a revaluation. Details are available in the Library briefing paper [Business rates: the 2017 revaluation](#). Any changes to the property after April 2017 will be outside the transitional scheme.

¹³ See DCLG, [Business Rates Information Letter](#) 3/2016, p.3

BROADCLYST PARISH COUNCIL

The table below shows Council's assets/responsibilities in 2017/18 and the 2017 rateable value / rate relief for each property.

2016/17 figures are listed in Appendix A for comparison.

2017/18 Broadclyst Parish Council Non-domestic rates

	Rateable value	100% of rates invoice (46.6p in the £)	Rates relief	Type of relief	Current bill 17/18	Suggested budget For 18/19
Clyst room	£405	£188.73	Yes	Transitional Relief (-£30.36)	£158.10	£200
Toilets	£4,850	£2,395 (calculated at standard 0.479)	Month 1 only	Small Business Rate Relief ends 30/04/17 (-£185.76) Months 2-12 no relief applies	£2,074.34	£2,600
Office	£3,800	£1,770.80	Yes	Transitional Relief (-£215.71)	£1,555.09	£2,000
Pavilions	£5,000	£2,395	Yes	Mandatory charitable relief £1,916 Discretionary charitable relief £479	£0 (100% combined relief)	£1,200 (to build Pavilion rates reserves)
Total		£6,871.33			£3,787.19	£6,000

Rateable value

Rates bills are calculated by multiplying the rateable value of the property by either the standard multiplier (47.9p) or the small business multiplier (46.6p)

The multipliers are set by the government each year; the multipliers usually change 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 the rateable value and to ensure that the revaluation does not raise extra money for the government.

Ratepayers of occupied property (who are not entitled to mandatory relief) with a rateable value that does not exceed £50,999 have their bill calculated using the lower small business non-domestic rating multiplier.

Small business rates relief

You can get small business rate relief if:

- you only use one property
- your property's rateable value is less than £12,000

Small business rate relief is administered by the District Council. It comprises 100% relief (doubled from the usual rate of 50%) until 31 March 2017 for properties with a rateable value of £6,000 or less.

This means business rates are not payable on properties with a rateable value of £6,000 or less. The rate of relief will gradually decrease from 100% to 0% for properties with a rateable value between £6,001 and £12,000.

Broadclyst Parish Council does not meet this criteria for small business rates relief.

Additional properties

If you have more than one property, you can get small business rate relief if the rateable value of each of your other properties is less than £2,600.

The rateable values of the properties are added together and the relief applied to the main property.

Existing relief continues for the remainder of the year in which you get additional properties.

Since taking out the lease on the office, Broadclyst Parish Council no longer falls below the threshold within this criterion to receive small business rates relief.

Additional Points for consideration

- The Sports Pavilions is entitled to claim charitable rates relief as it is managed by a management committee which is a separate legal entity in its own right.
- Management structures which have their own legal identity (i.e. constitution, Articles of Association, etc.) can apply for small business rates relief for the property which it manages. This applies to Community Interest Companies (see Appendix A).
- When the Council considers taking on additional properties, the total rateable value of council's total assets will increase which means Council will not meet the criteria for small business rates relief.

Budgetary considerations for 18/19

It is recommended the following points are taken into consideration when setting the 2018/19 budget in Autumn 2017:

- Rateable value for 17/18 is currently calculated at 46.6p in the £; this was RPI linked from 9/10 thru to 12/13 but in 13/14 was capped at 2%.
- 2017 is a revaluation year and so many of the 'normal' rules have been overridden for this year and there is possibility of change for 2018. When Council sets its 18/19 budget it will not have been decided if business rates will continue to be RPI linked, or will be capped should the RPI rise above 2%.
- Where rates changes are RPI-linked, the previous September's Index is used.
- The doubling of any rates relief to 100% is only guaranteed til 31 March 17; there is no guarantee the doubling of rates relief will continue thereafter.

RECOMMENDATION:

It is recommended the following allocations are made in respect of the Council's Business rates when setting the 2018/19 budget in Autumn 2017:

	Rateable value	Rates bill 17/18	Suggested budget For 18/19
Clyst room	£405	£158.10	£200
Toilets	£4,850	£2,074.34	£2,600
Office	£3,800	£1,555.09	£2,000
Pavilions	£5,000	£0 (100% combined relief)	£1,200 (to build Pavilion rates reserves)
Total		£3,787.19	£6,000

Notate Bene:

- The above rates include an allowance for the removal of any transitional relief applied in 2017 to the Clyst Room and the Office.
- The rules which govern how business rates for the next financial year will be calculated are not published until after the Parish Council sets its budget. In order that the Council has sufficient funds available to meet its rates obligations should all grants/reliefs cease, it should be presumed that no rates relief will be awarded for the purposes of budgeting.
- It is further advised Council begins to build a reserves fund for 100% of business rates for the Sports Pavilions should either/both of its relief grants be discontinued in the future.

This concludes my report
Angie Hurren
Broadclyst Parish Clerk/RFO
13/04/2017

Appendix A

2016/17 rates

	Rateable value	100% of rates invoice (47.1p in the £)	Rates relief	Type of relief	Current bill 16/17	Projected For 17/18
Clyst room	£305	£147.62	No		£147.62	£150
Toilets	£5,200	£2,516.80	Yes	small business – can claim for 1 year following taking on office – ends 30/04/17	£0 (100% relief)	£2,600
Office	£3,000	£1,452	No	Not in 16/17	£1,331	c.£1,500
Pavilions	£4, 550	£2,261.35	Yes	Mandatory charitable relief £1,809.08 Discretionary charitable relief £452.27	£0 (100% combined relief)	£0
Total		£6,377.77			£1,287.62	£4,250