



Department
for Culture
Media & Sport



Department for
Communities and
Local Government

The case for a Business Rates Relief for local newspapers

Government Response

December 2016

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Business rates relief for local newspapers

Introduction

1. This Government is committed to supporting a strong and vibrant local press. Local newspapers are at the heart of civic life for communities and they remain an important source of information and a vital part of a healthy democracy. Local journalists, by attending council meetings and reporting on key local issues, are vital to ensuring those in positions of power are held to account.
2. After fulfilling our manifesto promise to consult on the introduction of a business rates relief for local newspapers in England, the government announced in March 2016 that, from April 2017, property used for the publication of local newspapers will be eligible for a business rates discount.
3. Given the numerous challenges faced by the industry in recent decades - particularly with regard to the steady migration of services from print to digital - it was important to seek the views of a wide range of stakeholders with an interest in local newspapers before bringing in this change. The responses have given us a better understanding of the challenges and indicated that a relief on business rates bills would support publishers occupying property in their local areas.
4. We are confident that this will help local newspapers adapt to new technology and changing circumstances.

Background

5. In the Conservative Party Manifesto, the government committed to consider the case for a tax relief for local newspapers. As with all decisions on tax, the benefits and impacts of such a change required careful consideration, taking into account value for money and any consequential administrative burdens.
6. In order to understand how a business rates relief could help local newspapers, a joint consultation, led by the Department for Culture, Media and Sport (DCMS) and the Department for Communities and Local Government (DCLG), was launched in July 2015.

7. The consultation sought to identify:
 - the nature of the challenges facing the local newspapers
 - the type of property occupied by local newspapers
 - the eligibility preferences of a wide range of stakeholders who would be affected by the granting of a discount.

Government response

8. The responses to the consultation indicated that a relief on business rates bills would generally be welcomed by the industry, and help publishers occupy property in their local areas. As a result, a discount was announced at the March 2016 Budget, on the following terms:
9. *The government will introduce a £1,500 business rates discount for office space occupied by local newspapers in England, up to a maximum of one discount per local newspaper title and per hereditament, and up to state aid limits, for 2 years from 1 April 2017.”*
10. When the consultation was launched we indicated that the purpose of any relief would be to help local newspaper publishers as they adapt to industry changes and put themselves on a long-term sustainable financial footing. It is for this reason that we made it clear that any relief would be on a temporary basis.
11. Furthermore, the consultation document stated that any relief would likely be targeted at what most people would understand to be a traditional local newspaper. Local councils that publish a local newspaper will not be eligible, nor will online-only publications and local magazines. Question 5 sets out the eligibility criteria in more detail.
12. The government is reducing the business rates burden by £6.7 billion over the next 5 years - the biggest ever reduction in business rates. This is against the background of tough decisions to reduce the deficit.
13. The discount will be delivered through local authority local discount powers in the same way as the government has supported shops, pubs and cafes on high streets. Central government will fully reimburse councils for any relief they grant to eligible properties. More information on this can be found in the guidance accompanying this consultation response.

14. The relief will be limited to state aid de minimis levels and it is the responsibility of each applicant to ensure that any business rates relief will fall within such levels.

Summary of responses

15. The consultation received 20 responses, 10 of which were from media groups and local newspapers, seven from local authorities, two from academics, and one from radio.
16. 12 responses were, to varying degrees, in favour of the introduction of business rates relief, and seven responses were, to varying degrees, against it. Two responses expressed support for business rates relief but wanted it to extend to local radio and local magazines.
17. Media groups and newspapers tended to respond positively to the consultation, with several suggesting that business rates relief may help publishers to remain in local newspaper offices. A number of respondents, however, highlighted: (i) the additional administrative burden that local authorities would incur, and (ii) the perceived risk of setting a precedent for other sectors.
18. The policy we have developed has taken these concerns into account and we are confident that the measure introduced is the fairest way to support local newspapers whilst minimising the risk of unintended consequences for those administering the relief.

Responses to Consultation Questions

- 1. What do you see as the current main technological and other challenges facing the local newspaper industry and how do those challenges relate to the property held and business rates paid by local newspapers?**

Newspapers and media groups highlighted the speed of shift from print to digital requiring papers to change business model by increasing investment into the digital product. Digital products increasingly compete for advertising revenues which would otherwise be spent on print.

Other areas of concern included competition from the BBC and the perceived threat to statutory notices.

A number of the responses indicated that a discount on business rates could be used to help ensure that local and district offices are kept open and re-opened to maintain a physical presence in the heart of the communities.

2. What property is currently used / occupied by local newspapers?

A range of responses were submitted to reflect the different circumstances of publishers: high street/town centre offices; regional offices; larger newspaper groups, local authorities and trade bodies stated that the type of office depends on the publisher, and that some have less than five offices whereas others have 80.

3. How should the rules around any business rates relief reflect the nature and extent of the property occupied by local newspapers? Are there some types of property used by local newspapers that you think need more or less support with business rates than others? What are they? Should we differentiate between different sizes of firm?

Press groups generally suggested that relief should be granted for property that is concerned with the creation and production of local newspapers. Others stressed the need not to discriminate based on type, size or ownership of any building used for producing or creating any part of local newspapers.

A small number of local newspapers and local authorities underlined the need to aim relief at truly “local” titles rather than producers of national newspapers in order to give greater support for those who print within town’s locality. A number of local authorities suggested that this could be based on (i) hereditaments’ rateable value or (ii) newspaper circulation, on the basis that a localised newspaper would have a much lower circulation than a county wide publication.

Government decision: the government will not discriminate based on size of any hereditament providing it is occupied by a local newspaper and wholly or mainly used as office premises for journalists and reporters (see Question 5 for more information). As set out in the guidance, recipients of the relief will be subject to state aid rules **at group level** and should ensure that they do not breach the de minimis threshold.

4. Do you agree that any business rates relief should be restricted to property occupied by the publisher of the local newspaper and not extend to any supplier?

Respondents generally felt that relief should be restricted to property occupied by the publisher and not extend to suppliers.

Government decision: in line with consultation responses, the government will offer the relief to properties occupied by a local newspaper. This will not extend to suppliers.

5. How should “local newspaper” be defined in any relief guidance? Are there other issues around the definition of local newspaper of which we should be aware?

This question received a range of different responses:

A number of respondents agreed that beneficiaries of business rates relief should be traditional local newspapers publishers. Others developed this further by suggesting that the relief should consider any publication in written form on newsprint or electronic or a similar medium, published in the British Isles at regular intervals and available regionally rather than nationally.

Smaller newspapers wanted a discount to favour publications produced and printed in the immediate local area, and containing a minimum percentage of local news.

Some local authorities indicated they would rather limit the scope for business rates relief to: (i) premises occupied mainly for the purposes of producing a traditional chargeable local newspaper circulating at least weekly; (ii) premises owned and run by companies whose management live in the local area; (iii) newspapers with an upper circulation limit; and (iv) newspapers identifiable with a particular community.

One response suggested that relief could be conditional on membership of a press regulator, and another urged the government to widen the scope of the proposed relief to include local magazines as well as newspapers.

Government decision: newspapers are defined in different ways for different purposes and there is no single statutory or common law definition of a newspaper. The original consultation document indicated that any rates relief would likely be targeted at ‘what most people would understand to be traditional local newspapers’.

As set out in Question 3, the government will not discriminate based on size of any hereditament providing it is occupied by a local newspaper and wholly or mainly

used as office premises for journalists and reporters. Furthermore, the relief will not be subject to a minimum or maximum circulation threshold and will include both chargeable and free publications. Magazines and online-only publications will not be in scope. We believe this is a fair way of granting a relief which takes all views into account, including the concerns of local authorities.

6. Should the relief be limited according to the degree of use of the property for local newspaper production? How could that be achieved?

Local authorities all agreed that, if a business rates relief was to be introduced, only space used for the production of newspapers should be considered, and that there would need to be a degree of assurance provided. There was no clear methodology proposed by the respondents.

Local papers and media groups generally suggested that relief should cover all functional local newspaper activity.

Government decision: the government has decided that the discount will be available to properties wholly or mainly used as office premises for journalists and reporters. This will help to support the aims of the relief, as set out in the original consultation document, in helping local newspapers to maintain a physical presence on the high street.

7. How long should any period of business rates relief last?

Local authorities agreed that, if granted, a business rates relief should be limited to 1 or 2 years to avoid dependency and administrative burden on councils.

Local papers/media groups wanted to see a discount for a longer period of time. Responses ranged from 5 years to indefinitely.

Government decision: the government made it clear that purpose of any relief would be to help local newspaper publishers as they adapt to industry changes. It is for this reason that we have decided that relief would be granted on a 2 year temporary basis.

Annex A

Business Rates Relief for Local Newspapers –

Guidance

About this guidance

1. This guidance is intended to support local authorities in administering the relief for local newspapers announced in the Budget on 16 March 2016. This Guidance applies to England only.
2. This guidance sets out the detailed criteria to be used to determine business rates relief for local newspapers.
3. Local authorities may use their discretionary powers (under section 47(3) of the Local Government Finance Act 1988 to grant relief in line with the eligibility criteria set out in this guidance.
4. The Guidance does not replace existing legislation on any other discretionary relief.
5. Enquiries on this relief should be addressed to ndr@communities.gsi.gov.uk Introduction
6. In the manifesto the Government committed to support local newspapers as they adapt to new technology and changing circumstances. As part of this, we consulted in July 2015 on the introduction of a business rates relief for local newspapers in England. This was in order to understand better the challenges currently faced by local newspapers occupying property in their local areas and whether a relief on their business rates bills could help support them.
7. On 16 March 2016 the Chancellor announced at the Budget that the Government will introduce a £1,500 business rates discount for office space occupied by local newspapers, up to a maximum of one discount per local newspaper title and per hereditament, and up to state aid limits, for 2 years from 1 April 2017.
8. This is a temporary measure to support local newspapers adapt to technological changes within the industry. The relief is intended to be specifically for local newspapers and will be delivered through local authority discretionary discount powers (under section 47(3) of the Local Government Finance Act. The relief will be limited by state aid rules.
9. This document provides guidance to authorities about the operation and delivery of the relief policy.

The Relief

How will the relief be provided?

10. As this is a temporary relief for 2017-18 and 2018-19, the Government is not changing the legislation around the reliefs available to properties. Instead the Government will reimburse local authorities that use their discretionary relief powers (under section 47(3) of the Local Government Finance Act 1988) to grant relief in line with the eligibility criteria set out in this guidance.

11. Central Government will reimburse billing authorities for the actual cost to them under the rates retention scheme of granting relief that falls within the definitions in this guidance.

12. Local authorities will be able to provide an estimate of their likely total cost for providing the relief in their National Non Domestic Rate Return 1 (NNDR1) for 2017-18 and 2018-19. A reconciliation exercise will be conducted based on NNDR 3 returns in the usual way.

13. It would be open to authorities to provide additional relief if they so wish but central Government will only fully reimburse local authorities for any relief they grant in accordance with this guidance. Relief will be provided up to state aid de minimis levels for each business entity.

Eligibility criteria

14. The relief will provide:

A £1,500 relief for office space occupied by local newspapers up to a maximum of one discount per local newspaper title and per hereditament, for two years from 1 April 2017.

Local Newspapers

15. The relief is to be specifically for local newspapers and by that we mean what would be considered to be a “traditional local newspaper.” The relief will not be available to magazines.

Office Space

16. The hereditament must be occupied by a local newspaper and wholly or mainly used as office premises for journalists and reporters.

Amount of Relief

17. The amount of relief is limited to a maximum of one discount:

- per newspaper title (e.g. per newspaper name)

AND

- per hereditament

Examples

18. The below shows a couple of worked examples of how the relief will work.

- A local newspaper with two offices would be able to claim a discount for only one of them

- An office shared by three separate local newspaper titles would only be eligible for a single discount

19. The total amount of government-funded relief available for each newspaper title and hereditament for 2017-18 and 2018-19 under this scheme is £1,500. The amount does not vary with rateable value. The eligibility for the relief and the relief itself will be assessed and calculated on a daily basis. The following formula should be used to determine the amount of relief to be granted for a particular hereditament:

Amount of relief to be granted = £1500 x 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.

20. Councils may use their discretionary powers in section 47(3) of the Local Government Finance Act 1988 to offer further discounts outside this scheme (and under the rates retention scheme, 50 % of the cost would be locally funded and 50 % funded by central Government).

State Aid

21. The relief available is up to state aid de minimis levels for each business entity.



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