



Factsheet: 100% Rural Rate Relief (Clause 7)

What is 100% rural rate relief?

The Government intends to double the level of rural rate relief available to eligible businesses from 50% to 100%. This is because, under the current legislation, eligibility for 50% rural rate relief prevents some rural businesses from benefitting from 100% small business rates relief. Eligible businesses can qualify for rural rate relief if their business is in a rural area with a population below 3,000; they are the only village shop or post office, with a rateable value of up to £8,500, or the only public house or petrol station, with a rateable value of up to £12,500.

Local councils can also give relief of up to 100% to other rural businesses (for properties with a rateable value under £16,500).

What is the policy hoping to achieve and where are we now?

This measure is intended to ensure that small businesses in rural areas enjoy the same level of business rate reliefs as those in urban areas. The Government is committed to supporting small businesses, which is why the Chancellor's Budget in March 2016 announced that small business rate relief would be permanently doubled to 100%. This permanent doubling of small business rate relief has created an anomaly within the existing legislation, where applying the existing hierarchy of reliefs will lead to cases where rural rate relief (at a mandatory level of 50%) is applied rather than the more generous 100% small business rate relief. This measure would correct this position.

Why is legislation needed?

The formula for calculating rural rate relief (including the existing level of 50%) is provided in section 43 of the Local Government Finance Act 1988. Primary legislation is required to change the level of relief set out in the 1988 Act.

How do we see this working in practice?

Local authorities will be able to provide 100% rural rate relief from 1 April 2017 and receive compensation through a grant from central government. Once this legislation is in force, 100% relief will become mandatory in respect of eligible businesses and local authorities will be automatically compensated for the additional loss of income.

Businesses which consider that they may be eligible for rural rate relief will continue to apply for relief to their local billing authority.

Key questions & answers:

Why not apply rural rate relief to all small businesses in rural areas?

- Rural rate relief applies to certain types of small businesses in rural areas. It aims to ensure that key amenities continue to be available in those rural areas. Other small businesses in rural areas can receive small business rate relief if they meet the eligibility requirements (i.e. their rateable value is within the eligible thresholds and they have no more than one property). This measure ensures that the 100% support is available in both cases.

Why did this inconsistency exist in the first place?

- Current legislation sets out a hierarchy of reliefs which means that a business that qualifies for rural rate relief cannot also receive small business rate relief. This was introduced at a time when both small business rate relief and rural rate relief were set at 50% to prevent a



business from combining reliefs to receive 100% relief. Since small business rate relief was doubled, this resulted in the inconsistency.

Is the Government planning to introduce relief from business rates for other businesses?

- The Government announced a £6.7 billion business rates reduction package at Budget 2016, focusing support at key areas that reduce the burden for all ratepayers – with particular support for small businesses. Local authorities have powers to introduce discretionary reliefs to support specific businesses or sectors in their areas. In addition, this Bill introduces new flexibility for authorities to reduce business rates across their areas. The change in indexation represents a rate cut every year from 2020 worth £370 million in 2020-21.

How are charities supported in relation to business rates?

- We certainly recognise the good work and important role charities play in our communities which is why they receive a range of tax reliefs other businesses do not. This includes 80% relief from business rates. Local authorities can also use their discretionary powers to top up any charity relief to 100%; where they decide to do so, central government funds 50% of the costs.

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