



Ministry of Housing,
Communities &
Local Government

Business Rates

Retail Discount – Guidance



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About this guidance

1. This guidance is intended to support local authorities in administering the “Retail Discount” announced in the Budget on 29 October 2018. This Guidance applies to England only.
2. This guidance sets out the criteria which central Government considers for this purpose to be retail and eligible for this discount. The guidance does not replace existing legislation.
3. Enquiries on this measure should be addressed to:
ndr@communities.gov.uk

Introduction

4. The Government recognises that changing consumer behaviour presents a significant challenge for retailers in our town centres and is taking action to help the high street evolve.
5. The Government announced in the Budget on 29 October 2018 that it will provide a business rates Retail Discount scheme for occupied retail properties with a rateable value of less than £51,000 in each of the years 2019-20 and 2020-21. The value of discount should be one third of the bill, and must be applied after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied. Where an authority applies a locally funded relief, for instance a hardship fund, under section 47 this must be applied after the Retail Discount.
6. This document provides guidance to authorities about the operation and delivery of the policy. The Government anticipates that local authorities will include details of the relief to be provided to eligible ratepayers for 2019-20 in their bills for the beginning of that year.

Retail Discount

How will the relief be provided?

7. As this is a measure for 2019-20 and 2020-21 only, the Government is not changing the legislation around the reliefs available to properties. Instead the Government 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. It will be for individual local billing authorities to adopt a local scheme and determine in each individual case when, having regard to this guidance, to grant relief under section 47. Central government will fully reimburse local authorities for the local share of the discretionary relief (using a grant under section 31 of the Local Government Act 2003). The Government expects local government to apply and grant relief to qualifying ratepayers from the start of the 2019/20 billing cycle.

8. Central government will reimburse billing authorities and those major precepting authorities for the actual cost to them under the rates retention scheme of the relief that falls within the definitions in this guidance. Local authorities will be asked to provide an estimate of their likely total cost for providing the relief in their National Non-Domestic Rate Return 1 (NNDR1) for 2019-20 and 2020-21. Central government will provide payments to authorities to cover the local share, as per the usual process.
9. Local authorities will also be asked to provide outturn data on the actual total cost for providing the relief, as per the usual process via the National Non-Domestic Rate 3 (NNDR3) forms for 2019-20 and 2020-21. Any required reconciliations will then be conducted at these points.¹

Which properties will benefit from relief?

10. Properties that will benefit from the relief will be occupied hereditaments with a rateable value of less than £51,000, that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments.
11. We consider 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: florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licences, 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)

¹ As required in the NNDR3 guidance notes, the former categories of discretionary relief prior to the localism act (i.e. charitable/CASC/rural etc. top up and not for profit) should be applied first in the sequence of discretionary reliefs and, therefore, before the retail discount.

- Shoe repairs/ key cutting
- Travel agents
- Ticket offices e.g. for theatre
- Dry cleaners
- Launderettes
- PC/ TV/ domestic appliance repair
- Funeral directors
- Photo processing
- 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

12. 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.
13. The list set out above 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 authorities as to the types of uses that Government considers for this purpose to be retail. Authorities should determine for themselves whether particular properties not listed are broadly similar in nature to those above and, if so, to consider them eligible for the relief. Conversely, properties that are not broadly similar in nature to those listed above should not be eligible for the relief.
14. The list below sets out the types of uses that the Government does not consider to be retail use for the purpose of this relief. Again, it is for local authorities 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.

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, bureaux 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 offices

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

15. Generally speaking, the government also does not consider other assembly or leisure uses beyond those listed at paragraph 11 to be retail uses for the purpose of the discount. For example, cinemas, theatres and museums are outside the scope of the scheme, as are nightclubs and music venues which are not similar in nature to the hereditaments described at paragraph 11(iii) above. Hereditaments used for sport or physical recreation (e.g. gyms) are also outside the scope of the discount. Where there is doubt, the local authority should exercise their discretion with reference to the above and knowledge of their local tax base.

How much relief will be available?

16. The total amount of government-funded relief available for each property for 2019-20 and 2020/21 under this scheme is one third of the bill, after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied, excluding those where local authorities have used their discretionary relief powers introduced by the Localism Act which are not funded by section 31 grants². There is no relief available under this scheme for properties with a rateable value of £51,000 or more. Of course, councils may use their discretionary powers to offer further discounts outside this scheme. However, where an authority applies a locally funded relief, sometimes referred to as a hardship fund, under section 47 this is must be applied after the Retail Discount.
17. 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 chargeable day for particular hereditament in the financial year 2019-20:

Amount of relief to be granted =

$$\frac{V}{3} \text{ where}$$

V is the daily charge for the hereditament for the chargeable day after the application of any mandatory relief and any other discretionary reliefs, excluding those where local authorities have used their discretionary relief

² As required in the NNDR3 guidance notes, the former categories of discretionary relief prior to the localism act (i.e. charitable/CASC/rural etc. top up and not for profit) should be applied first in the sequence of discretionary reliefs and, therefore, before the retail discount.

powers introduced by the Localism Act which are not funded by section 31 grants³.

18. This should be calculated ignoring any prior year adjustments in liabilities which fall to be liable on the day.
19. 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.

State Aid

20. State Aid law is the means by which the European Union regulates state funded support to businesses. Providing discretionary 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)⁴.
21. 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). Local authorities should familiarise themselves with the terms of this State Aid exemption, in particular the types of undertaking that are excluded from receiving De Minimis aid (Article 1), the relevant definition of undertaking (Article 2(2)⁵) and the requirement to convert the aid into Euros⁶.
22. 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. Note that the threshold 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). Annex B of this guidance contains a sample De Minimis declaration which local authorities may wish to use, to discharge this responsibility. Where local authorities have further questions about De Minimis or other aspects of State Aid law, they should seek advice from their legal department in the first instance⁷.
23. The UK is scheduled to leave the EU on 29 March 2019. If there is an Implementation Period, the State Aid rules will continue to apply as now and will be subject to control by the EU Commission as at present. If the UK leaves the EU without a negotiated Withdrawal Agreement, the Government has announced its intention to transpose EU State Aid rules into UK domestic legislation, with only technical modifications to correct deficiencies with the transposed EU law to ensure

³ As required in the NNDR3 guidance notes, the former categories of discretionary relief prior to the localism act (i.e. charitable/CASC/rural etc. top up and not for profit) should be applied first in the sequence of discretionary reliefs and, therefore, before the retail discount.

⁴ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:352:0001:0008:EN:PDF>

⁵ The 'New SME Definition user guide and model declaration' provides further guidance:

http://ec.europa.eu/enterprise/policies/sme/files/sme_definition/sme_user_guide_en.pdf

⁶ http://ec.europa.eu/budget/contracts_grants/info_contracts/infoeuro/infoeuro_en.cfm

⁷ Detailed State Aid guidance can also be found at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/15277/National_State_Aid_Law_Requirements.pdf

the regime operates effectively in a domestic context⁸. Local authorities should therefore continue to apply State Aid rules, including De Minimis, to the relief for 2019/20 and 2020/21.

Splits, mergers, and changes to existing hereditaments

24. The relief should be applied on a day to day basis using the formula set out above. A new hereditament created as a result of a split or merger during the financial year, or where there is a change of use, should be considered afresh for the relief on that day.

⁸ <https://www.gov.uk/government/publications/state-aid-if-theres-no-brex-it-deal/state-aid-if-theres-no-brex-it-deal>

Annex A: Calculation examples for 2019/20

The retail discount (one third) is always calculated after mandatory relief and other discretionary reliefs funded by section 31 grant.

Example 1: An occupied shop with a rateable value of £40,000

| | |
|--|-----------|
| Gross rates (before any reliefs) = £40,000 x 0.491 | = £19,640 |
| Retail discount (1/3): | = -£6,547 |
| Rates due (after retail discount): | = £13,093 |

Example 2: An occupied charity shop with a rateable value of £40,000

| | |
|---|-----------------|
| Gross rates (before any reliefs) = £40,000 x 0.504 | = £20,160 |
| Net rates after charity relief: | = <u>£4,032</u> |
| Retail discount (1/3): | = -£1,344 |
| Rates due (after charity relief and retail discount): | = £2,688 |

Example 3: An occupied shop with a rateable value of £13,500 eligible for Small Business Rate Relief (SBRR)

| | |
|--|-----------------|
| Gross rates (before any reliefs) = £13,500 x 0.491 | = £6,629 |
| Net rates after SBRR (50%): | = <u>£3,314</u> |
| Retail discount (1/3): | = -£1,105 |
| Rates due (after SBRR and retail discount): | = £2,210 |

Example 4: An occupied shop with a rateable value of £10,000 eligible for Small Business Rate Relief (SBRR)

| | |
|--|----------|
| Gross rates (before any reliefs) = £10,000 x 0.491 | = £4,910 |
| Net rates after SBRR (100%): | = £nil |
| Rates bill is nil and, therefore, no retail discount applies | |

Example 5: An occupied shop with a rateable value of £40,000 eligible for Transitional Relief (TR) and receiving Revaluation Discretionary Relief

| | |
|---|------------------|
| Gross rates (before any reliefs) = £40,000 x 0.491 | = £19,640 |
| Transitional Relief (say): | = -£1,500 |
| Net rates after Transitional Relief: | = £18,140 |
| Net rates after Revaluation Discretionary Relief (say): | = <u>£15,140</u> |
| Retail discount (1/3): | = -£5,047 |
| Rates due (after TR, revaluation relief and retail discount): | = £10,093 |

Example 6: An occupied shop with a rateable value of £18,000 previously paying nothing prior to revaluation 2017 and eligible for Supporting Small Businesses Relief (SSB)

| | |
|--|-----------|
| Gross rates (before any reliefs) = £18,000 x 0.491 | = £8,838 |
| Supporting Small Businesses Relief (say): | = -£7,038 |

| | |
|--|----------|
| Net rates after SSB: | = £1,800 |
| Retail discount (1/3): | = -£600 |
| Rates due (after SSB and retail discount): | = £1,200 |

Example 7: A shop with a rateable value of £40,000 (example 1) but only occupied until 30 September 2019

| | |
|--|------------------|
| Gross rates (before any reliefs) = £40,000 x 0.491 | = £19,640 |
| Retail discount (1/3): | = -£6,547 |
| Rates due p.a. (after retail discount): | = £13,093 |
| Daily charge while occupied (leap year): | = £35.77 per day |
| Occupied charge 1/4/19 to 30/9/19 (183 days): | = £6,547 |
| Unoccupied property relief (1/10/19 to 1/1/20): | = £nil |
| Unoccupied property rates (1/1/20 to 31/3/20), = £40,000 x 0.504 x 91/366 | = £5,012 |
| Rates due for the year (after retail relief): | = £11,559 |

Example 8: A shop with a rateable value of £40,000 (example 1) with a rateable value increase to £60,000 with effect from 1 October 2019

| | |
|--|------------------|
| Gross rates (before any reliefs) = £40,000 x 0.491 | = £19,640 |
| Retail discount (1/3): | = -£6,547 |
| Rates due p.a. (after retail discount): | = £13,093 |
| Daily charge while occupied (leap year): | = £35.77 per day |
| Charge 1/4/19 to 30/9/19 (183 days): | = £6,547 |
| Daily charge on standard multiplier (1/10/19 to 31/3/20): (£60,000 x 0.504)/366 | = £82.62 per day |
| Charge 1/10/19 to 31/3/20 (183 days): | = £15,120 |
| Rates due for the year (after retail relief): | = £21,667 |

Annex B: Sample paragraphs that could be included in letters to ratepayers about Retail Discount for 2019/20 and 2020/21

At Autumn Budget 2018, the Chancellor announced that eligible retailers will receive a one third discount on their business rates bills for two years from April 2019.

Relief will be provided to eligible occupied retail properties with a rateable value of less than £51,000 in 2019/20 and 2020/21. Your current rates bill includes this Retail Discount.

Awards such as Retail Discount are required to comply with the EU law on State Aid⁹. In this case, this involves returning the attached declaration to this authority if you have received any other *de minimis* State Aid, including any other Retail Discount you are being granted for premises other than the one to which this bill and letter relates, and confirming that the award of Retail Discount does not exceed the €200,000 an undertaking¹⁰ can receive under the *de minimis* Regulations EC 1407/2013.

Please complete the declaration and return it to the address above. In terms of declaring previous *de minimis* aid, we are only interested in public support which is *de minimis* aid (State Aid received under other exemptions or public support which is not State Aid does not need to be declared).

If you have not received any other *de minimis* State Aid, including any other Retail Discount you are being granted for premises other than the one to which this bill and letter relates, you do not need to complete or return the declaration.

If you wish to refuse to receive the Retail Discount granted in relation to the premises to which this bill and letter relates, please complete the attached form and return it to the address above. You do not need to complete the declaration. This may be particularly relevant to those premises that are part of a large retail chain, where the cumulative total of Retail Discount received could exceed €200,000.

Under the European Commission rules, you must retain this letter for three years from the date on this letter and produce it on any request by the UK public authorities or the European Commission. (You may need to keep this letter longer than three years for other purposes). Furthermore, information on this aid must be supplied to any other public authority or agency asking for information on '*de minimis*' aid for the next three years.

⁹ Further information on State Aid law can be found at <https://www.gov.uk/state-aid>

¹⁰ An undertaking is an entity which is engaged in economic activity. This means that it puts goods or services on a given market. The important thing is what the entity does, not its status. Therefore, a charity or not for profit company can be undertakings if they are involved in economic activities. A single undertaking will normally encompass the business group rather than a single company within a group. Article 2.2 of the *de minimis* Regulations (Commission Regulation EC/ 1407/2013) defines the meaning of 'single undertaking'.

‘De minimis’ declaration

Dear []

NON-DOMESTIC RATES ACCOUNT NUMBER: _____

The value of the non-domestic rates Retail Discount to be provided to [name of undertaking] by [name of local authority] is £ [] (Euros []).

This award shall comply with the EU law on State Aid on the basis that, including this award, [name of undertaking] shall not receive more than €200,000 in total of *De minimis* aid within the current financial year or the previous two financial years). The *de minimis* Regulations 1407/2013 (as published in the Official Journal of the European Union L352 24.12.2013) can be found at:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:352:0001:0008:EN:PDF> .

| Amount of <i>de minimis</i> aid | Date of aid | Organisation providing aid | Nature of aid |
|--|--------------------|-----------------------------------|----------------------|
| | | | |
| | | | |
| | | | |
| | | | |

I confirm that:

1) I am authorised to sign on behalf of _____ [name of undertaking]; and

2) _____ [name of undertaking] shall not exceed its *De minimis* threshold by accepting this Retail Discount.

SIGNATURE:

NAME:

POSITION:

BUSINESS:

ADDRESS:

DATE:

Refusal of Retail Discount form

| Name and address of premises | Non-domestic rates account number | Amount of Retail Discount |
|------------------------------|-----------------------------------|---------------------------|
| | | |

I confirm that I wish to refuse Retail Discount in relation to the above premises.

I confirm that I am authorised to sign on behalf of _____ [name of undertaking].

SIGNATURE:

NAME:

POSITION:

BUSINESS:

ADDRESS:

DATE: