



Ministry of Housing,
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Non-Domestic Rates
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Chief Finance Officers of English Billing Authorities

FOR THE ATTENTION OF THE BUSINESS RATES SECTION

Dear Chief Finance Officer

Business Rates Information Letter (1/2020): Rate Reliefs and Provisional 2020-21 Business Rates Multipliers

This is the first business rates information letter to be issued by the Ministry of Housing, Communities and Local Government this year. Previous letters are available on the internet at:

<https://www.gov.uk/government/collections/business-rates-information-letters>

or for archived letters:

<http://webarchive.nationalarchives.gov.uk/20120919132719/http://www.communities.gov.uk/localgovernment/localgovernmentfinance/businessrates/busratesinformationletters/>.

This letter covers:

- **Provisional 2020-21 Business Rates Multipliers**
- **Changes to Rate Reliefs and Discounts for 2020/21**
- **New Burdens**
- **Rural Rate Relief**
- **Explanatory Notes: Amendments to the Council Tax and Non-Domestic Rating Demand Notice (England) Regulations 2003**

Provisional Non-Domestic Rating Multipliers for 2020/2021

Under Schedule 7 to the Local Government Finance Act 1988 (as amended) there are two multipliers. The small business non-domestic rating multiplier which is used for those properties with a rateable value below £51,000; and the non-domestic rating multiplier, paid by properties with a rateable value above this.

The small business non-domestic multiplier is determined in accordance with Schedule 7 to the 1988 Act. These rules require that the small business multiplier in 2020/21 is based on the 2019/20 multiplier adjusted in accordance with the Retail Prices Index for September 2019 unless HM Treasury exercises its power to provide for a lower increase by order.

At Autumn Budget 2017 the Government confirmed that the adjustment of business rates would in future be based on the main measure of inflation (currently the Consumer Prices Index) rather than the Retail Prices Index from April 2018. Treasury has laid an order in Parliament to provide for this arrangement to continue for 2020/21.

This results in a provisional small business non-domestic rating multiplier of **49.9p** (0.499). The provisional non-domestic rating multiplier is **51.2p** (0.512).

In accordance with Schedule 7 to the 1988 Act, the multipliers will be confirmed after the Local Government Finance Report for 2020-21 has been approved by the House of Commons.

Changes to Rate Reliefs and Discounts for 2020/21

On Monday 27 January 2020, the Financial Secretary to the Treasury made a Written Ministerial Statement announcing additional business rates measures that will apply from 1 April 2020. The text of the statement is reproduced below.

“The Government will increase the retail discount from one-third to 50 per cent, extend that discount to cinemas and music venues, extend the duration of the local newspapers office space discount, and introduce an additional discount for pubs.

The increase in the level of the retail discount from one-third to 50 per cent will apply in 2020/21 for eligible retail businesses occupying a property with a rateable value less than £51,000.

The extension of the retail discount is to those eligible music venues and cinemas with a rateable value of less than £51,000.

The extension of the £1,500 business rates discount for office space occupied by local newspapers will apply for an additional 5 years until 31 March 2025.

The pubs discount will provide a £1,000 discount to eligible pubs with a rateable value of less than £100,000 in 2020/21. This is in addition to the retail discount and will apply after the retail discount.

All reliefs are subject to state aid rules and apply in England only. The Government confirms that it will fully fund local authorities for awarding these reliefs and provide new burdens funding to local authorities for administrative and IT costs.

Local authorities should start preparations to include these changes now, and act promptly to ensure eligible business receive the increased support in their rates bills at the start of the financial year.

The Government expects local authorities to ensure these changes are applied for the start of the 2020/21 billing period. The Government will publish amended guidance for the retail discount reflecting these changes as well as refreshed pubs relief guidance for local authorities.

The Barnett formula will be applied in the usual way. Consequentials for the devolved administrations will be confirmed at the Budget.”

The definition of retail properties eligible for the relief was set out in guidance published by MHCLG last year. The same definition of retail properties will apply for the relief in 2020/21, and the scheme will additionally now apply to cinemas and live music venues. A definition of live music venues is included in updated guidance available at:

www.gov.uk/government/publications/business-rates-retail-discount-guidance.

Guidance on the operation of the pubs discount for 2020/21 is available at:

www.gov.uk/government/publications/business-rates-pubs-discount-2020-to-2021-local-authority-guidance

The £1,500 discount for local newspapers' office space continue to apply in the financial years 2020/21 to 2024/25. Guidance on local newspaper discount can be found at:

www.gov.uk/government/consultations/the-case-for-a-business-rates-relief-for-local-newspapers.

New Burdens

MHCLG recognises that implementing the new pub discount and retail discount schemes will place some additional burden on billing authorities. In accordance with the New Burdens doctrine and following practice in previous years, the Department will conduct an assessment of the expected reasonable additional costs of new software and staffing/administration and provide funding to meet these costs. The Department will engage with relevant stakeholders as part of this assessment.

Rural Rate Relief

The 2016 Autumn Statement confirmed the doubling of rural rate relief from 50% to 100% from 1st April 2017. Local authorities are expected to continue to use their local discount powers to grant 100% rural rate relief to eligible ratepayers.

Local authorities will be compensated in full for their loss of income as a result of this measure. This compensation will be paid by section 31 grant and calculated on the basis of individual council NNDR returns under the rates retention scheme.

Explanatory Notes: Amendments to the Council Tax and Non-Domestic Rating Demand Notice (England) Regulations 2003

The Department will shortly be amending the Council Tax and Non-Domestic Rating (Demand Notices) (England) Regulations 2003 to provide revised text for explanatory notes, to reflect relevant policy changes.

We are conscious that authorities will be keen to finalise billing arrangements and therefore attached at **Annex A** to this letter is the revised draft text of the explanatory notes that we intend to include in amending regulations.

You should note that technically the text remains **draft**, but we do not anticipate it changing substantially before the amending regulations are laid in Parliament. The 2003 Regulations allow the text in the explanatory notes provided with demand notices to be in substantially similar terms to that contained in the regulations.

Draft text of 2020-21 Explanatory Notes

GENERAL EXPLANATORY NOTES

Non-Domestic Rates

Non-Domestic Rates, or business rates, collected by local authorities are the way that those who occupy non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced from 1st April 2013, authorities keep a proportion of the business rates paid locally. The money, together with revenue from council taxpayers, locally generated income and grants from central government, is used to pay for the services provided by local authorities in your area. Further information about the business rates system, may be obtained at: <https://www.gov.uk/introduction-to-business-rates> and at the website of your local council which is normally shown on your rate bill.

Business Rates Instalments

Payment of business rate bills is automatically set on a 10-monthly cycle. However, the Government has put in place regulations that allow ratepayers to require their local authority to enable payments to be made through 12 monthly instalments. If you wish to take up this offer, you should contact your local authority as soon as possible.

National Non-Domestic Rating Multiplier

The local authority works out the business rates bill for a property by multiplying the rateable value of the property by the appropriate non-domestic multiplier. There are two multipliers: the national non-domestic rating multiplier and the small business non-domestic rating multiplier. The Government sets the multipliers for each financial year, except in the City of London where special arrangements apply.

Ratepayers who occupy a property with a rateable value which does not exceed £50,999 (and who are not entitled to certain other mandatory relief[s] or are liable for unoccupied property rates) will have their bills calculated using the lower small business non-domestic rating multiplier, rather than the national non-domestic rating multiplier.

The multiplier for a financial year is based on the previous year's multiplier adjusted to reflect the Consumer Price Index (CPI) inflation figure for the September prior to the billing year. The current multipliers are shown on the front of your bill.

Rateable Value

Apart from properties that are exempt from business rates, each non-domestic property has a rateable value which is set by the Valuation Office Agency (VOA), an agency of Her Majesty's Revenue and Customs. They compile and maintain a full list of all rateable values, available at www.gov.uk/voa. The rateable value of your property is shown on the front of your bill. This broadly represents the yearly rent the property could have been let for on the open market on a particular date specified in legislation. For the current rating list, this date was set as 1st April 2015.

The Valuation Office Agency may alter the valuation if circumstances change. The ratepayer (and certain others who have an interest in the property) can also check and challenge the valuation shown in the list if they believe it is wrong.

Further information about the grounds on which challenges may be made and the process for doing so can be found on the VOA website: www.gov.uk/guidance/how-to-check-your-rateable-value-is-correct.

Revaluations

All non-domestic property rateable values are reassessed at revaluations. The most recent revaluation took effect from 1st April 2017. Revaluations ensure that business rates bills are up-to-date, more accurately reflect current rental values and relative changes in rents. Frequent revaluations ensure the system continues to be responsive to changing economic conditions.

Business Rate Reliefs

Depending on individual circumstances, a ratepayer may be eligible for a rate relief (i.e. a reduction in your business rates bill). There are a range of available reliefs. Some of the permanent reliefs are set out below but temporary reliefs are often introduced by the Government at Budgets. You should contact your local authority for details on the latest availability of business rates reliefs and advice on whether you may qualify. Further detail on reliefs is also provided at www.gov.uk/introduction-to-business-rates or at the website of your local council which is normally shown on your rate bill.

Small Business Rates Relief

If a ratepayer's sole or main property has a rateable value which does not exceed an amount set out in regulations, the ratepayer may receive a percentage reduction in their rates bill for this property of up to a maximum of 100%. The level of reduction will depend on the rateable value of the property – for example eligible properties below a specified lower threshold will receive 100% relief, and you may receive partial tapered relief up to a specified upper threshold. The relevant thresholds for relief are set out in regulations and can be obtained from your local authority or at www.gov.uk/introduction-to-business-rates.

Generally, this percentage reduction (relief) is only available to ratepayers who occupy either—

- (a) one property, or
- (b) one main property and other additional properties providing those additional properties each have a rateable value which does not exceed the limit set in regulations.

The aggregate rateable value of all the properties mentioned in (b), must also not exceed an amount set in regulations. For those businesses that take on an additional property which would normally have meant the loss of small business rate relief, they will be allowed to keep that relief for a fixed additional period. Full details on the relevant limits in relation to second properties and the current period for which a ratepayer may continue to receive relief after taking on an additional property can be obtained from your local authority or at www.gov.uk/introduction-to-business-rates.

Certain changes in circumstances will need to be notified to the local authority by the ratepayer who is in receipt of relief (other changes will be picked up by the local authority). The changes which should be notified are—

- (a) the property falls vacant,
- (b) the ratepayer taking up occupation of an additional property, and
- (c) an increase in the rateable value of a property occupied by the ratepayer in an area other than the area of the local authority which granted the relief.

Charity and Community Amateur Sports Club Relief

Charities and registered Community Amateur Sports Clubs are entitled to 80% relief where the property is occupied by the charity or the club and is wholly or mainly used for the charitable purposes of the charity (or of that and other charities), or for the purposes of the club (or of that and other clubs).

The local authority has discretion to give further relief on the remaining bill. Full details can be obtained from the local authority.

Unoccupied Property Rate Relief

Business rates are generally payable in respect of unoccupied non-domestic property. However, they are generally not payable for the first three months that a property is empty. This is extended to six months in the case of certain other properties (for example industrial premises). Full details on exemptions can be obtained from your local authority or from gov.uk at <https://www.gov.uk/apply-for-business-rate-relief>.

Transitional Rate Relief

At a revaluation, some ratepayers will see reductions or no change in their bill whereas some ratepayers will see increases.

Transitional relief schemes are introduced at each revaluation to help those facing increases. This relief has been funded by limiting the reduction in bills for those who have benefitted from the revaluation. Transitional relief is applied automatically to bills. Further information about transitional arrangements and other reliefs may be obtained from the local authority or the website www.gov.uk/introduction-to-business-rates.

Local Discounts

Local authorities have a general power to grant discretionary local discounts and to give hardship relief in specific circumstances. Full details can be obtained from the local authority.

State Aid

The award of discretionary reliefs is considered likely to amount to State aid. However, it will be state aid compliant where it is provided in accordance with the De Minimis Regulations EC 1407/2013. The De Minimis Regulations allow an undertaking to receive up to EUR 200,000 'de minimis' aid over a rolling three-year period. If you are receiving, or have received, any 'de minimis' aid granted during the current or two previous financial years (from any source), you should inform the local authority immediately with details of the aid received.

Rating Advisers

Ratepayers do not have to be represented in discussions about their rateable value or their rates bill. However, ratepayers who do wish to be represented should be aware that members of the Royal Institution of Chartered Surveyors (RICS - website www.rics.org) and the Institute of Revenues, Rating and Valuation (IRRV - website www.irrv.org.uk) are qualified and are regulated by rules of professional conduct designed to protect the public from misconduct. Before you employ a rating adviser or company you should check that they have the necessary knowledge and expertise, as well as appropriate indemnity insurance. Take great care and, if necessary, seek further advice before entering into any contract.

Information Supplied with Demand Notices

Information relating to the relevant and previous financial years in regard to the gross expenditure of the local authority is available at [website address of local authority where information is published]. A hard copy is available on request by writing to the council or at [telephone number].

EXPLANATORY NOTES – RURAL SETTLEMENT AUTHORITIES ONLY

Rate Relief for Businesses in Rural Areas

Certain types of properties in a rural settlement with a population below 3,000 may be entitled to relief. The property must be the only general store, the only post office or a food shop and have a rateable value of less than £8,500, or the only public house or the only petrol station and have a rateable value of less than £12,500. The property has to be occupied. An eligible ratepayer is entitled to relief at 100% of the full charge (50% being mandatory relief and 50% centrally funded discretionary relief).

EXPLANATORY NOTES – BUSINESS RATE SUPPLEMENTS AUTHORITIES ONLY (EXCLUDING COMMON COUNCIL)

Business Rate Supplements

The Business Rate Supplements Act 2009 enables levying authorities - county councils, unitary district councils and, in London, the Greater London Authority - to levy a supplement on the business rate to support additional projects aimed at economic development of the area. This power has also been extended to the mayors of Cambridgeshire and Peterborough, Liverpool City Region, West of England, and West Midlands combined authorities. Business Rate Supplements (BRS) are not applicable to properties with a rateable value of £50,000 or below, and authorities have discretion to increase that threshold. The total maximum BRS which may be levied by a levying authority is 2p per pound of rateable value. Levying authorities have the power to apply such reliefs to the BRS as they think appropriate and, in such cases, must include an explanation of the rules for the application of those reliefs in the final prospectus for the BRS.

The business rate supplement/s as shown on your bill is / are being levied by [insert name of levying authority] in relation to [insert name of project/s to which BRS relates] project/s. Further information may be found in the BRS project prospectus, [title of final prospectus] which you can also obtain from [insert name of levying authority].

EXPLANATORY NOTES – COMMON COUNCIL

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Non-Domestic Rates, or business rates, collected by local authorities are the way that those who occupy non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced from 1st April 2013, authorities keep a proportion of the business rates paid locally. The money, together with revenue from council tax payers, locally generated income and grants from central government, is used to pay for the services provided by local authorities in your area. Further information about the business rates system, may be obtained at: <https://www.gov.uk/introduction-to-business-rates> and at the website of your local council which is normally shown on your rate bill.

Business Rates Instalments

Payment of business rate bills is automatically set on a 10-monthly cycle. However, the Government has put in place regulations that allow ratepayers to require their local authority to enable payments

to be made through 12 monthly instalments. If you wish to take up this offer, you should contact your local authority as soon as possible.

The City of London Rating Multiplier

The local authority works out the business rates bill for a property by multiplying the rateable value of the property by the appropriate non-domestic multiplier. There are two multipliers: the standard non-domestic rating multiplier and the small business non-domestic rating multiplier. Because of its special circumstances—notably its very small resident population—the Common Council of the City of London can set its own rate—or multiplier—and retain part of the proceeds to help pay for the services it provides. It may set this rate, subject to certain constraints, at a higher or lower level than the rate which applies outside the City of London. The City sets the multipliers for each financial year according to formulae set by legislation.

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