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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 (2/2011): information from Budget announcement 2011

This is the second business rates information letter to be issued by the Department for Communities and Local Government this year. Previous letters are available on the internet at:

<http://www.communities.gov.uk/localgovernment/localgovernmentfinance/businessrates/Busratesinformationletters/>

This letter covers:

- **Budget announcements**
 - **Further one-year increase of Small Business Rate Relief**
 - **Discounts for Enterprise Zones**
- **The Local Government Resource Review**
- **Interest rate for 2011-2012**

Further one-year increase of Small Business Rate Relief

1. The Chancellor announced at the Budget that the current temporary increase in Small Business Rate Relief, which started on 1 October 2010 and was due to end on 30 September 2011, will continue for a further year (1 October 2011 to 30 September 2012).

2. The measure doubles the usual rate of relief so that ratepayers with rateable values below £6,000 pay no rates at all for the period, while ratepayers with rateable values between £6,000 and not more than £12,000 receive tapered relief from 100% – 0%. The additional costs arising from the increased relief will be met by the Government. There will be no adjustment to the multiplier.

3. This is important news for eligible ratepayers. We would urge local authorities to send a copy of the enclosed letter to ratepayers claiming Small Business Rate Relief with rateable values of not more than £12,000 as soon as possible, to tell them of the change and to advise them to keep paying at their current rate until they receive an amended bill.

4. The Government is aiming to make the necessary changes to secondary legislation by the summer. Once the legislation is in force, billing authorities will need to adjust the bills of eligible ratepayers.

5. The net additional costs to local government as a whole associated with implementing the scheme will be funded in accordance with the policy on new burdens.

6. The Department for Communities and Local Government will work closely with the Local Government Association, Institute of Revenues Rating and Valuation, and the Chartered Institute of Public Finance and Accountancy, on the implementation of the scheme.

Discounts for Enterprise Zones

7. The Chancellor also announced that the Government will introduce 21 new Enterprise Zones, to be established across Local Enterprise Partnership areas in England. All Enterprise Zones, and the businesses that locate within them, will benefit from a business rate discount. Local Enterprise Partnerships will be provided with further information shortly.

The Local Government Resource Review

8. On 17 March, the Secretary of State confirmed, in a Written Ministerial Statement, the Terms of Reference for the Local Government Resource Review. Phase 1 of the Review will consider options to allow the local retention of business rates, and the introduction of Tax Increment Financing, taking account of changes to the business rates system recommended by the Review. It will deliver proposals by July 2011. The Terms of Reference for the Review are available here:

<http://www.communities.gov.uk/documents/newsroom/word/1866550.doc>

Interest Rate for 2011-2012

9. The Non-Domestic Rating (Payment of Interest) Regulations 1990 provide that the rate of interest payable on refunds of overpaid rates, arising from alterations to the rating list, should be set for any year at one percentage point below the standard rate at 15 March (or the next business day) in the preceding year.

10. I am writing to confirm that, on 15 March the standard rate was 0.5%, the rate of interest to be applied for 1 April 2011 to 31 March 2012 is 0%.

11. Local authorities should note that the Regulations only allow interest to be paid or credited and not for a charge to be imposed on over payments held.