

## Business Rates Information Letter

### **(9/2010): Business Information Letter**

This is the ninth business rates information letter to be issued by the Department this year. Previous letters are available on the internet at:

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

#### **This letter covers:**

- **The Small Business Rate Relief Scheme**

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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 (9/2010): Budget Announcement – Changes to the Small Business Rate Relief Scheme**

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#### **This letter covers:**

- **Temporary increase in Small Business Rate Relief**

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##### **Background**

The 22 June Budget announced that the Government would make Small Business Rate Relief more generous for one year, starting from 1 October 2010. Eligible ratepayers will receive relief at 100 per cent on properties with rateable values of not more than £6,000 with a tapered relief of between 100 per cent and 0 per cent for properties with rateable values between £6,001 and £12,000. Ministers have a clear policy intention – zero or reduced rates for eligible ratepayers from 1 October 2010 to 30 September 2011 – and therefore the extra relief should be reflected in instalments for the period in question.

## Legislation

The relevant statutory instruments are:

- The Non-Domestic Rating (Small Business Rate Relief) (Amendment) (England) Order (SI 2010/1655), and the
- The Non-Domestic (Collection and Enforcement) (Local Lists) (England) (Amendment) (No.2) Regulations (SI 2010/1656)

The instruments can be found at:

<http://www.opsi.gov.uk/si/si201016>

## Aims of this note

The purpose of this note is to set out for local authorities and other practitioners the policy intention behind the statutory instruments. This note does not take precedence over the statutory instruments. Authorities should also be aware that this note does not constitute legal advice and local authorities should consult their own legal advisers if they are in any doubt over their legal obligations or any aspect of the statutory instruments.

## General principle

A general principle behind the policy is that the usual rules should apply where possible. Therefore, the changes contained in the instruments are largely restricted to changes to the rate of relief for the period in question and to the statutory instalment plan for 2011-12. The amending statutory instruments make no changes to the eligibility criteria for Small Business Rate Relief.

## Level of relief

The policy intention is to provide for the period from 1 October 2010 to 30 September 2011, 100 per cent relief for rateable values below £6,000, and tapered relief from 100 per cent to zero for rateable values between £6,000 and £12,000.

The small business rate relief discount is calculated by reference to the value of E. For properties with a rateable value of not more than £6,000, the value of E is currently “2” which provides the 50 per cent discount. It is mathematically not possible to amend the value of E to produce a zero rating. Therefore, the order sets the value of E at 5,000,000 and provides that the resulting amount should be calculated to three decimal places. This is intended to provide the 100 per cent relief as desired.

The formula used to achieve the taper is  $E = 6,000 / (RV - 6,000)$ .

Some examples of calculations are attached at Annex A.

## **Billing in 2010-11**

The intention is that for those ratepayers in the statutory instalment scheme, the new rates should be reflected in instalments due in October 2010 and onwards, i.e. there should be no changes to the number or timing of instalments, the bill should simply be amended to take account of the increased level of relief.

The new rates of relief also apply to those not in the statutory instalment scheme but the instruments do not make any changes to billing in such circumstances.

## **Billing in 2011-12**

All bills should be calculated based on the chargeable amount for each remaining day for the coming year, i.e. the total of the bill should take account of both the higher and lower levels of relief. An amendment has been made to regulation 6 of the Collection and Enforcement Regulations so that authorities are able to take account of the changes in relief in their estimate.

The instruments amend the usual statutory instalment scheme for rateable values of not more than £12,000 in order to achieve the policy intention of no or reduced rates for the period in question as follows.

Where the bill is issued before the end of September 2011:

- Any amount due up to the end of September should be paid in instalments due in that period.
- Any amount due after the end of September should be paid in instalments due in that period.

Where the bill is issued after the end of September 2011 the usual statutory scheme applies.

The instruments make no changes to the number or timing of instalments.

Where the rateable value ("RV") of a property is amended before the end of September 2011 the instalment plan given should be amended to reflect the amended RV. Therefore:

- Where the RV was previously below £12,000 but is increased to above £12,000 the usual equal instalments statutory scheme should apply.
- Where the RV was previously above £12,000 but is reduced to below £12,000 the amended statutory scheme should apply

Bills should show instalments in the usual way.

As with 2010-11, the new rates of relief also apply to those not on the statutory scheme but the instruments do not make any changes to billing in such circumstances.

## **Deferral scheme repayments**

The deferral scheme allowed ratepayers to defer some of their 2009-10 liability until 2010-11 and 2011-12. The statutory instruments make no changes to the way in which deferral repayments are collected.

## **Refunds**

The intention is that where the increased rates of relief result in overpayments in 2010-11, the usual rules on refunds should apply, i.e. ratepayers should receive the refund on request or it should be offset against future liabilities (including subsequent deferred payment instalments).

## **NNDR2**

The usual rules on the circumstances in which an NNDR2 form is able to be submitted are suspended for the period 1 October 2010 until the end of that financial year. Local authorities will therefore be able to submit revised NNDR2's for that period as desired.

## **Enforcement**

The statutory instruments make no changes to enforcement procedures.

## Calculating the increased level of relief

Section 61 of the Local Government Act 2003 provides that the chargeable amount for a chargeable day shall be calculated using the following formula:

$$\frac{A \times D}{C \times E}$$

Where A = RV

D = SBRR multiplier

C = the number of days in the financial year

E = the amount calculated in accordance with article 6 of the SBRR Order

### Value of E (1 October 2010 to 30 September 2011)

For hereditaments on the taper, the value of E is calculated using the formula  $6000/RV-6000$ .

Examples:

RV - £7,000	Value of E = 6
RV - £8,000	Value of E = 3
RV - £9,000	Value of E = 2
RV - £10,000	Value of E = 1.5

### Calculation of SBRR (based on the 2010-11 small business rate relief multiplier)

Using the same examples as those above, the daily chargeable amount (rounded for illustrative purposes) would be:

$$\frac{\pounds 7,000 \times 0.407}{365 \times 6} = 1.301$$

$$\frac{\pounds 8,000 \times 0.407}{365 \times 3} = 2.974$$

$$\frac{\pounds 9,000 \times 0.407}{365 \times 2} = 5.018$$

$$\frac{\pounds 10,000 \times 0.407}{365 \times 1.5} = 7.434$$