

Non-Domestic Rates Branch
LGF - BRV
Zone 5/D2
Eland House
Bressenden Place
London SW1E 5DU

Email: ndr@communities.gov.uk

Chief Finance Officers of English Billing Authorities

FOR THE ATTENTION OF THE BUSINESS RATES SECTION

Dear Chief Finance Officer

Business Rates Information Letter (2/2012): Amendments to Regulations

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:

- **The Non-Domestic Rating (Small Business Rate Relief)(England) Order 2012**
- **Demand Notices**

The Non-Domestic Rating (Small Business Rate Relief)(England) Order 2012/148

1. The above regulations were laid in Parliament on the 26 January, will come into force on 25 February, and apply to the forthcoming financial year (2012/13) and subsequent financial years. The statutory instrument can be found at the following link:

<http://www.legislation.gov.uk/ukSI/2012/148/contents/made;>

2. The Order gives effect to:

- the further six month increase (1 October 2012 - 31 March 2013) in Small Business Rate Relief announced in the Autumn Statement;

- the commitment to allow all eligible ratepayers - regardless of the number of properties that they occupy - to have their bills calculated using the Small Business Rate Relief multiplier; and
- the removal of the requirement for ratepayers to submit an application form to claim the relief. The removal of the requirement for ratepayers to submit an application form to claim the relief with effect from 1 April 2012.

3. As mentioned in Business Rates Information Letter 1/2012. The Non-Domestic Rating (Collection and Enforcement) (Amendment)(England) Regulations 2012, amongst other things, remove the instalment plan put in place to deal with what would have been (without the Chancellor's November announcement) an uneven level of Small Business Rate Relief in 2012-13. Authorities will therefore be able to bill using the usual instalment plan. Those regulations can be found at the following link:

<http://www.legislation.gov.uk/ukSI/2012/24/contents/made>

4. Further details are set out in Business Rates Information Letter 9/2011.

Demand Notices

5. The Department is finalising the regulations required to cancel certain backdated rates bills. Work on these is in hand and will be laid in Parliament shortly to ensure that the reforms will take effect prior to 1 April 2012.

6. We are conscious however that many authorities are in the process of finalising their billing processes for non-domestic properties, and are making final arrangements for printing etc, and are eager to know what account they will need to make of any changes that might apply as a result of amendments that are being made to the demand notices regulations as a consequence of the changes mentioned above.

7. The amending regulations are not yet available - this will be notified to authorities as soon as possible (alongside notification that the cancellation of backdated rates bills regulations have been published).

8. However, we are attaching to this letter the revised draft text of the explanatory notes to be contained in demand notices from the draft of the amending Regulations prior to them being laid in Parliament. You should note that technically, this remains a draft, but we do not anticipate the text changing substantially between this version and that being considered by Parliament. Also you will note that the regulations allow the text to be in substantially similar terms. We trust that you will find this text helpful in informing the finalisation of your non-domestic billing processes.

9. Information about how to communicate the proposed deferral scheme (please see Business Rate Information Letter 7/2011) will follow shortly.

TEXT

Explanatory notes either in the following terms or substantially similar terms--

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. Except in the City of London, where special arrangements apply, the rates are pooled by central government and redistributed to local authorities as part of the annual formula grant settlement. The money, together with revenue from council tax payers, revenue support grant provided by the Government and certain other sums, is used to pay for the services provided by your local authority and other local authorities in your area. Further information about the business rates system, including transitional and other reliefs, may be obtained at <http://www.businesslink.gov.uk>.

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 officers of the Valuation Office Agency (VOA), an agency of Her Majesty's Revenue and Customs. They draw up and maintain a full list of all rateable values, available on their website at www.voa.gov.uk. The rateable value of your property is shown on the front of this bill. This broadly represents the yearly rent the property could have been let for on the open market on a particular date. For the revaluation that came into effect on 1st April 2010, this date was set as 1st April 2008.

The valuation officer may alter the value if circumstances change. The ratepayer (and certain others who have an interest in the property) can appeal against the value shown in the list if they believe it is wrong. Further information about the grounds on which appeals may be made and the process for doing so can be found on the VOA website or from your local valuation office.

National Non-Domestic Rating Multiplier

The local authority works out the business rates bill by multiplying the rateable value of the property by the appropriate multiplier. There are two multipliers; the standard non-domestic rating multiplier and the small business non-domestic rating multiplier. The former is higher to pay for small business rate relief. Except in the City of London where special arrangements apply, the Government sets the multipliers for each financial year for the whole of England according to formulae set by legislation. Between revaluations the multipliers change each year in line with inflation and to take account of the cost of small business rate relief. In the year of

revaluation the multipliers are rebased to account for overall changes to total rateable value and to ensure that the revaluation does not raise extra money for Government. The current multipliers are shown on the front of this bill.

Revaluation 2010 and Transitional Arrangements

All rateable values are reassessed every five years at a general revaluation. The current rating list is based on the 2010 revaluation. Five-yearly revaluations make sure each ratepayer pays their fair contribution and no more, by ensuring that the share of the national rates bill paid by any one ratepayer reflects changes over time in the value of their property relative to others. Revaluation does not raise extra money for Government.

For those ratepayers who would otherwise have seen significant increases in their rates liability, the Government has put in place a £2 billion transitional relief scheme to limit and phase in changes in rate bills as a result of the 2010 revaluation. To help pay for the limits on increases in bills, there were also limits on reductions in bills. Under the transition scheme, limits continue to apply to yearly increases and decreases until the full amount is due (rateable value times the appropriate multiplier). The scheme applies only to the bill based on a property at the time of the revaluation. If there are any changes to the property after 1st April 2010, transitional arrangements will not normally apply to the part of a bill that relates to any increase in rateable value due to those changes. Changes to your bill as a result of other reasons (such as because of changes to the amount of small business rate relief) are not covered by the transitional arrangements.

The transitional arrangements are applied automatically and are shown on the front of this bill.

More information on revaluation 2010 can be found at www.voa.gov.uk.

Unoccupied Property Rating

Business rates will not be payable in the first three months that a property is empty. This is extended to six months in the case of certain industrial properties. After this period rates are payable in full unless the unoccupied property rate has been reduced by the Government by order. In most cases the unoccupied property rate is zero for properties owned by charities and community amateur sports clubs. In addition, there are a number of exemptions from the unoccupied property rate. Full details on exemptions can be obtained from the local authority. If the unoccupied property rate for the financial year has been reduced by order, it will be shown on the front of this bill.

Partly Occupied Property Relief

A ratepayer is liable for the full non-domestic rate whether a property is wholly occupied or only partly occupied. Where a property is partly occupied for a short time, the local authority has discretion in certain cases

to award relief in respect of the unoccupied part. Full details can be obtained from the local authority.

Small Business Rate Relief

Ratepayers who are not entitled to another mandatory relief or are liable for unoccupied property rates and occupy a property with a rateable value which does not exceed £17,999 outside London or £25,499 in London will have their bill calculated using the lower small business non-domestic rating multiplier, rather than the national non-domestic rating multiplier.

In addition, if the sole or main property is shown on the rating list with a rateable value which does not exceed £12,000, the ratepayer will receive a percentage reduction in their rates bill for this property of up to a maximum of 50% for a property with a rateable value of not more than £6,000.

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 £2,599.

The rateable value of the property mentioned in (a), or the aggregate rateable value of all the properties mentioned in (b), must not exceed £17,999 outside London or £25,499 in London on each day for which relief is being sought. If the rateable value, or aggregate rateable value, increases above those levels, relief will cease from the day of the increase.

An application for Small Business Rate Relief is not required. Where a ratepayer meets the eligibility criteria and has not received the relief they should contact their local authority.. Provided the ratepayer continues to satisfy the conditions for relief which apply at the relevant time as regards the property and the ratepayer, they will automatically continue to receive relief in each new valuation period.

Certain changes in circumstances will need to be notified to the local authority by a 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 ratepayer taking up occupation of an additional property, and
- (b) 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.

Non-Profit Making Organisation Relief

The local authority has discretion to give relief to non-profit making organisations. Full details can be obtained from the local authority.

Local Discounts and Hardship Relief

The local authority has discretion to give relief in specific circumstances. Full details can be obtained from the local authority.

Cancellation of Backdated Rates Liabilities

The Government has through the Localism Act 2011 taken a power to allow for the cancellation of certain backdated rates bills that accrued on the 2005 rating list only. Information on the type of backdated rates liability that can be cancelled is available with Business Rates Information letter titled Cancellation of Backdated Rates

www.communities.gov.uk/localgovernment/localgovernmentfinance/businessrates/busratesinformationletters/

Rating advisers

Ratepayers do not have to be represented in discussions about their rateable value or their rates bill. Appeals against rateable values can be made free of charge. 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, 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 on local authority where information is published). A hard copy is available on request by writing to the council or at (telephone number).