

Business Rates Policy 2020-21

The Award of Retail Discount

1 Introduction

- 1.1 The government in a Ministerial statement on 27 January 2020 stated that it 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.
- 1.2 The Government announced in the Budget on 29 October 2018 that it would provide a Business Rates Retail Discount, to apply in the years 2019/20 and 2020/21. In a Written Ministerial Statement on 27 January 2020 the Government announced that it would extend the value of the Retail Discount from one third of the bill to 50% in 2020/21. This discount will apply to occupied retail properties with a rateable value of less than £51,000 in the year 2020/21. Where an authority applies a locally funded relief under section 47 this is must be applied after the Retail Discount and, where appropriate, the 2020/21 pubs discount.
- 1.3 They have issued guidance on the implementation of the Retail Discount but on the basis that they have issued the changes under Section 47 of the Local Government Finance Act 1988 as amended; the local authority has to define a policy for the administration of the relief.
- 1.4 This policy therefore follows closely the government guidance for Retail Discount, to move away from this could potentially decrease the Section 31 grant paid to the authority.
- 1.5 This policy also takes into consideration the Council's local policies and procedures in relation to healthy eating.

2. How the relief will be provided?

- 2.1 As this is a measure for 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 2020/21 billing cycle.
- 2.2 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) and a further separate estimate for 2020-21. Central government will provide payments to authorities to cover the local share, as per the usual process.

- 2.3 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 2020-21. Any required reconciliations will then be conducted at these points.
- 2.4 It will be for individual local billing authorities to adopt a local scheme and decide in each individual case when to grant relief under section 47.
- 2.5 The Government expects local government to grant relief to qualifying ratepayers.

3. Who will be eligible for Relief

- 3.1 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, cinema's and live music venue's.

These include :

- Shops
(such as: florist, bakers, butchers, grocers, greengrocers, jewellers, stationers, 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)
- Hair and beauty services
(such as: hairdressers, nail bars, beauty salons, tanning shops, etc)
- 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
- Restaurants
- Sandwich shops
- Coffee shops
- Pubs
- Bars
- Cinema's
- Live Music Venue's

- 3.2 To qualify for the relief the hereditament should be wholly or mainly being used as a shop, restaurant, cafe or drinking establishment cinema or live music venue's . 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.
- 3.3 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.
- 3.4 As the grant of the relief is discretionary, authorities may choose not to grant the relief if they consider that appropriate, for example where granting the relief would go against the authority's wider objectives for the local area.
- 3.5. The list below sets out the types of uses that 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.
- Financial services
(e.g. banks, building societies, cash points, bureau 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 office
- 3.6 The government does not consider other assembly or leisure uses beyond those listed at paragraph 3.1 to be retail uses for the purpose of the discount. For example, theatres and museums are outside the scope of the scheme, as are nightclubs which are not similar in nature to the hereditaments described at paragraph 3.1 above. Hereditaments used for sport or physical recreation (e.g. gyms) are also outside the scope of the discount. Where there is doubt, Slough Borough Council will exercise their discretion with reference to the above and knowledge of their local tax base.

4. How much relief will be available?

- 4.1 The total amount of government-funded relief available for each property for 2020/21 under this scheme is 50% of the bill, after mandatory reliefs and with the exception of the 2020-21 Pub discount , 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 grants**. The 2020-21 pub discount should be applied after the retail discount. There is no relief available under this scheme for properties with a rateable value of £51,000 or more

- 4.2 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. (see Hardship Policy).
- 4.3 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 particular hereditament in the financial year 2020-21

$$\text{Amount of relief to be granted} = \frac{V}{3} \quad \text{where}$$

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

- 4.4 This should be calculated ignoring any prior year adjustments in liabilities which fall to be liable on the day.
- 4.5 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.
- 4.6 The relief must be applied to the new bills when they are dispatched and amendments made when the information is available to the Business Rates section as necessary.

5 State Aid

- 5.1 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).
- 5.2 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). Slough Borough Council is familiar 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 Euros. It is advised that businesses who receive a retail discount make themselves aware of the legislation also.

**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.

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- 5.3 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).
- 5.4 Whilst the UK is left the EU on 31 January 2020, the Withdrawal Agreement negotiated by the Government and the EU provides that during an implementation period State Aid rules will continue to apply as now and will be subject to control by the EU Commission as at present. Local authorities should therefore continue to apply State aid rules, including De Minimis, to the relief for during the implementation period.
- 5.5 Guidance on State Aid is available via the government web site at <https://www.gov.uk/government/publications/enterprise-zones-state-aid-and-business-rate-discounts>

6 Splits, mergers, and changes to existing hereditaments

- 6.1 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.

7 Administration

- 7.1 Slough Borough Council will administer the scheme under the guidelines set out by the Department for Communities and Local Government dated January 2020.
- 7.2 The Retail Discounts awarded will be administered by the Business Rates team who will provide monthly reports to the Section 151 officer for approval.
- 7.3 Slough Borough Council where possible will include details of the Retail Discount of the relief to be provided to eligible ratepayers for 2020-21 in their bills for the beginning of that year. There will be no need for an application if the above criteria is met.
- 7.4 It will be expected that companies who receive a Retail Discount and are aware that they are in excess of the State Aid Rules will inform the council as soon as possible.
- 7.5 The council will ensure where appropriate State Aid letters are dispatched if the council has the background information available to it.

Appendix A: Calculation examples for 2020/21

The retail discount (50%) is always calculated after mandatory relief and other discretionary reliefs funded by section 31 grant. The multiplier used here is provisional.

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

Gross rates (before any reliefs) = £40,000 x 0.499 =	£19,960
Retail discount (50%): =	-£9,980
Rates due (after retail discount): =	£9,980

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

Gross rates (before any reliefs) = £40,000 x 0.512 =	£20,480
Net rates after charity relief: =	£4,096
Retail discount (50%): =	-£2,048
Rates due (after charity relief and retail discount): =	£2,048

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 0.490 =	£6,737
Net rates after SBRR (50%): =	£3,368
Retail discount (50%): =	-£1,684
Rates due (after SBRR and retail discount): =	£1,684

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 0.499 =	£4,990
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 0.499 =	£19,960
Transitional Relief (say): =	-£1,500
Net rates after Transitional Relief: =	£18,460
Net rates after Revaluation Discretionary Relief (say): =	£15,460
Retail discount (50%): =	-£7,730
Rates due (after TR, revaluation relief and retail discount): =	£7,730

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 0.499 =	£8,982
Supporting Small Businesses Relief (say): =	-£6,582
Net rates after SSB: =	£2,400
Retail discount (50%): =	-£1200
Rates due (after SSB and retail discount): =	£1200

Example 7: A shop with a rateable value of £40,000 (example 1) but only occupied until 30 September 2020

Gross rates (before any reliefs) = £40,000 x 0.499 =	£19,960
Retail discount (50%): =	-£9,980
Rates due p.a. (after retail discount): =	£9,980
Daily charge while occupied (leap year): =	£27.34 per day
Occupied charge 1/4/20 to 30/9/20 (183 days): =	£4,976
Unoccupied property relief (1/10/20 to 1/1/21): =	£nil
Unoccupied property rates (1/1/21 to 31/3/21), £40,000 x 0.512 x 91/365 =	£5,106
Rates due for the year (after retail relief): =	£10,082

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 2020

Gross rates (before any reliefs) = £40,000 x 0.499 =	£19,960
Retail discount (50%): =	-£9,980
Rates due p.a. (after retail discount): =	£9,980
Daily charge while occupied (leap year): =	£27.34 per day
Charge 1/4/20 to 30/9/20 (182 days): =	£4,976
Daily charge on standard multiplier (1/10/20 to 31/3/21): (£60,000 x 0.512)/365 =	£84.16 per day
Charge 1/10/20 to 31/3/21 (183 days): =	£15,402
Rates due for the year (after retail relief): =	£20,378