# DISCRETIONARY BUSINESS RATE RELIEF POLICY (RETAIL DISCOUNT)

## Background

* 1. In the Autumn Statement 2018, Government announced its intention that for 2019-20 and 2020-21, occupiers of retail properties with a rateable value below £51,000 should receive a discount of one third of their chargeable amount on their rates bills.
  2. On 27 January 2020, the Financial Secretary to the Treasury made a Written Ministerial Statement announcing that from 1 April 2020 the discount would be increased to 50% and the definition of qualifying properties would be extended to include cinemas and live music venues.
  3. As this is a temporary measure, Government is not changing the rules on when a property becomes entitled to relief. Instead they are providing the relief by reimbursing local authorities that use their discretionary relief powers (under section 47 of the Local Government Finance Act 1988) to grant relief in prescribed circumstances.
  4. Government issued a guidance note intended to support local authorities in administering the ‘Retail Relief’.

## Properties to benefit from relief

* 1. To qualify for retail relief, properties must be occupied with a rateable value below £51,000 and be used wholly or mainly as shops, restaurants, cafes, drinking establishments, cinemas and live music venues.
  2. Shops, restaurants, cafes, drinking establishments, cinemas and live music venues are defined as:

1. hereditaments that are being used for the sale of goods to visiting members of the public:

* shops (such as: florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licences, 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 showrooms
* second hard car lots
* markets
* petrol stations
* garden centres
* art galleries (where art is for sale/hire)

1. hereditaments that are being used for the provision of the following services to visiting members of the public:

* 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
* DVD/ video rentals
* tool hire
* car hire

1. hereditaments that are being used for the sale of food and/or drink to visiting members of the public:

* restaurants
* takeaways
* sandwich shops
* coffee shops
* pubs
* bars

1. hereditaments which are being used as cinemas
2. hereditaments that are being used as live music venues:

− live music venues are hereditaments wholly or mainly used for the performance of live music for the purpose of entertaining an audience. Hereditaments cannot be considered a live music venue for the purpose of business rates relief where a venue is wholly or mainly used as a nightclub or a theatre, for the purposes of the Town and Country Planning (Use Classes) Order 1987 (as amended).

− hereditaments can be live music venues even if used for other activities,but only if those other activities (i) are merely ancillary or incidental to the performance of live music (e.g. the sale/supply of alcohol to audience members) or (ii) do not affect the fact that the primary activity for the premises is the performance of live music (e.g. because those other activities are insufficiently regular or frequent, such as a polling station or a fortnightly community event).

− there may be circumstances in which it is difficult to tell whether an activity is a performance of live music or, instead, the playing of recorded music. Although the government expect this would be clear in most circumstances, guidance on this may be found in Chapter 16 of the statutory guidance issued in April 2018 under section 182 of the Licensing Act 2003.

* 1. The following business usages are considered to be broadly similar in nature to 2.2 above:
* MOT stations/vehicle repair workshops/garages
* hand car washes
* scrapyards
* guest/boarding houses
* hostels/hotels
* caravan sites
* daycare nurseries and playgroups
* drop-in centres (advice and meetings)
* cattery/kennels
* riding schools
* land used for car boot sales
* tattoo studios
  1. The following types of use are not considered to be retail and as such would not qualify for relief:

1. Hereditaments that are being used for the provision of the following services to visiting members of the public:

* financial services (e.g. banks, building societies, cash points, bureaux 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 offices

1. Hereditaments that are not reasonably accessible to visiting members of the public
   1. Other assembly or leisure uses beyond those listed at 2.2 above are not considered 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. Hereditaments used for sport or physical recreation (e.g. gyms) are also outside the scope of the discount.
   2. The following business usages are considered comparable to 2.4 and 2.5 above or not compatible with the authority’s wider objectives for the area:

* social clubs
* snooker clubs
* amusement arcades
* massage parlour
* sex shops licensed under Local Government (Miscellaneous Provisions) Act 1982
  1. Where there is doubt over whether the property qualifies, discretion will be used with reference to the above and knowledge of Medway’s local tax base.

## Amount of relief to be awarded

* 1. The total amount of relief available under this scheme for each property for 2019-20 is one third and for 2020-21 is 50% after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied, excluding those where the council has used their discretionary relief powers introduced by the Localism Act which are not funded by section 31 grants. There is no relief available under this scheme for properties with a rateable value of £51,000 or more.
  2. The eligibility for the relief and the relief itself will be assessed and calculated on a daily basis. The following formula will be used to determine the amount of relief to be granted for a chargeable day for a particular hereditament in the financial year:

Amount of relief to be granted for 2019/20 = V/3 and for 2020/21 = V/2 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 which are not funded by section 31 grants.

* 1. This will be calculated ignoring any prior year adjustments in liabilities which fall to be liable on the day.
  2. Examples of how the relief will be calculated are shown at Appendix 1.
  3. 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 (see section 5 below).
  4. A ratepayer has a right of appeal to the authority against any decision. Appeals against a refusal to grant relief will be dealt with as follows:
* Initial review by the Head of Revenues and Benefits
* Second stage review by the Chief Finance Officer

## Splits, Mergers and Changes to Existing Properties

* 1. The relief should be applied on a day to day basis using the formula set out in 3.3 above. A new property 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.

## State Aid Relief

* 1. State Aid is support from public bodies which has the potential to distort competition and effect trade between member states of the European Union.
  2. Any form of discretionary rate relief may amount to State Aid. State Aid is generally prohibited, but there are exceptions and aid is allowed under the De Minimis Regulations which allow a business to receive up to €200,000 of aid over a three-year period.
  3. The council is required to establish that the award of relief will not exceed the de minimis limit. Any ratepayer receiving the relief will therefore be informed of the De Minimis Regulation and asked to declare if they consider that the award of relief will breach the relevant limit.
  4. Although the UK has now left theEU, during the Implementation Period, the State Aid rules will continue to apply as now and will be subject to control by the EU Commission as at present. State Aid rules will therefore continue to apply, including De Minimis, to the relief for 2019/20 and 2020/21.

### Retail Rate Relief Calculation Examples for 2019/20

The retail discount (one third) is always calculated after mandatory relief and other discretionary reliefs funded by section 31 grant.

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

Gross rates (before any reliefs) = £40,000 x 0.491 = £19,640

Retail discount (1/3): = -£6,547

Rates due (after retail discount): = £13,093

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

Gross rates (before any reliefs) = £40,000 x 0.491 = £19,640

Net rates after charity relief (80%): = £3,928

Retail discount (1/3): = -£1,309

Rates due (after charity relief & retail discount): = £2,619

**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 0.491 = £6,629

Net rates after SBRR (50%): = £3,314

Retail discount (1/3): = -£1,105

Rates due (after SBRR & retail discount): = £2,210

**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 0.491 = £4,910

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 0.491 = £19,640

Transitional Relief (say): = -£1,500

Net rates after Transitional Relief: = £18,140

Net rates after Revaluation Relief (say): = £15,140

Retail discount (1/3): = -£5,047

Rates due (after TR, revaluation relief & retail discount): = £10,093

**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 0.491 = £8,838

Supporting Small Businesses Relief (say): = -£7,038

Net rates after SSB: = £1,800

Retail discount (1/3): = -£600

Rates due (after SSB & retail discount): = £1,200

**Example 7**: A shop with a rateable value of £40,000 (example 1) but only occupied until 30 September 2019

Gross rates (before any reliefs) = £40,000 x 0.491 = £19,640

Retail discount (1/3): = -£6,547

Rates due p.a. (after retail discount): = £13,093

Daily charge while occupied (leap year): = £35.77 per day

Occupied charge 1/4/19 to 30/9/19 i.e. (183 days): = £6,547

Unoccupied property relief (1/10/19 to 1/1/20): = £nil

Unoccupied property rates (1/1/20 to 31/3/20), £19,640 x 91/366 days = £4,883 Rates due for the year (after retail relief): = £11,430

**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 2019

Gross rates (before any reliefs) = £40,000 x 0.491 = £19,640

Retail discount (1/3): = -£6,547

Rates due p.a. (after retail discount): = £13,093

Daily charge while occupied (leap year): = £35.77 per day

Charge 1/4/19 to 30/9/19 (183 days): = £6,547

Daily charge on standard multiplier (1/10/19 to 1/1/20): (£60,000 x 0.504)/366 = £82.62 per day

Charge 1/10/19 to 31/3/20 (183 days): = £15,120 Rates due for the year (after retail relief): = £21,667