

Eden District Council

Cabinet

22 February 2022

Business Rates Relief 2022/23

Portfolio:	Resources Portfolio
Report from:	Interim Director of Resources
Wards:	All Wards
OPEN PUBLIC ITEM	

1 Purpose

- 1.1 The purpose of this report is advise Members of the two rate relief schemes that come into effect on 1 April 2022; the Retail, Hospitality and Leisure Relief Scheme and the extension of Transitional Relief and Supporting Small Business scheme.

2 Recommendation

It is recommended that:

- 2.1 approval be given to the use of discretionary powers by the Council under Section 47 of the Local Government Act 1988 (as amended) to award Retail Discounts for Business Rates for the financial years 2022-2023; and
- 2.2 it be agreed that determination by the Council of awards of the Retail, Hospitality and Leisure Relief Scheme and the extension of Transitional Relief and Supporting Small Business scheme be made having regard to the Guidance published by the Department for Levelling Up, Housing & Communities in December 2021 (attached at Appendix 1 and Appendix 2 in this report).

3 Report Details

- 3.1 At the Budget on 27 October the Chancellor announced the introduction of a new business rates relief scheme for retail, hospitality and leisure properties worth almost £1.7 billion in 2022/23. This will support the businesses that make our high streets and town centres a success and help them to evolve and adapt to changing consumer demands.
- 3.2 The 2022/23 Retail, Hospitality and Leisure Business Rates Relief scheme will provide eligible, occupied, retail, hospitality and leisure properties with a 50% relief, up to a cash cap limit of £110,000 per business.
- 3.3 The Transitional Relief scheme was introduced in 2017 to help those ratepayers who were faced with higher bills as a result of the revaluation. The scheme ends on 31 March 2022. At the Budget on 27 October 2021 the government therefore announced that it would extend the current transitional relief scheme and the supporting small business scheme for one year to the end of the current revaluation cycle. The scheme will restrict increases in bills

to 15% for businesses with small properties (up to and including £20,000 rateable value) and 25% for medium properties (up to and including £100,000 rateable value).

- 3.4 For both schemes this is a temporary measure for 2022/23, the government is not changing the legislation around transitional relief or those relating to properties. Instead, the government will, in line with the eligibility criteria set out in this guidance, reimburse billing authorities that use their discretionary relief powers, under section 47 of the Local Government Finance Act 1988, to grant relief. It will be for individual 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. The government will fully reimburse billing authorities and major precepting authorities for their loss of income under the rates retention scheme as a result of awarding the relief that falls within the definitions in this guidance, using a grant under section 31 of the Local Government Act 2003.
- 3.5 The scheme does not require an application from individual businesses. The Council will be able to determine from information held on the Business Rates records whether the criteria set out in the Guidance have been met.
- 3.6 In those cases where it is clear that the ratepayer is likely to breach the cash cap or the Small Amounts of Financial Assistance limit then we will automatically withhold the relief. Ratepayers who are awarded the relief automatically will be sent a covering letter with their annual bill and asked to confirm that they are not in breach of the cash caps or Small Amounts of Financial Assistance limit. Any ratepayers who are not awarded the relief automatically, can apply for the relief at a later date and it will be awarded retrospectively providing they meet the qualifying criteria.
- 3.7 Both schemes will be administered in line with the guidance issued from the Department for Levelling Up, Housing & Communities in December 2021, and attached at appendices A and B, along with 3.6 above.

4 Policy Framework

4.1 The Council has four corporate priorities which are:

- Sustainable;
- Healthy, safe and secure;
- Connected; and
- Creative

4.2 This report meets Sustainable corporate priority.

5 Consultation

5.1 The portfolio holders for Resources, and Economy and Enterprise have been consulted in the drafting of this report.

6 Implications

6.1 Financial and Resources

6.1.1 Any decision to reduce or increase resources or alternatively increase income must be made within the context of the Council's stated priorities, as set out in its Council Plan 2019-2023 as agreed at Council on 7 November 2019.

6.1.2 There are no financial implications arising from the adoption of the scheme, as set out in the Guidance, as the cost of relief will be reimbursed by Central Government. There are no financial implications arising from the adoption of the scheme, as set out.

6.2 Legal

6.2.1 The Council has powers to award this relief under the Local Government Finance Act.

6.2.2 Any relief provided under these schemes will need to comply with the UK's domestic and international subsidy control obligations. See appendices for further detail.

6.3 Human Resources

6.3.1 There are no Human Resources implications.

6.4 Environmental

6.4.1 There are no Environmental implications or significant effects on carbon emissions and ecosystems.

6.5 Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	No implications
Health, Social Environmental and Economic Impact	The relief will provide an economic benefit for the eligible businesses
Crime and Disorder	No implications
Children and Safeguarding	No implications

6.6 Risk Management

Risk	Consequence	Controls Required
Reputational damage due to non-introduction of the relief Local business will struggle to pay business rates	The Council is criticised by ratepayers and Central Government. Less income for the Council.	Relief schemes are approved and introduced.

7 Other Options Considered

7.1 There are no other viable alternatives to what has been recommended.

8 Reasons for the Decision/Recommendation

8.1 Business Rates are often seen as a disproportionate overhead for ratepayers, especially those in the retail sector and those not eligible for full Small Business Rate Relief. This relief will provide financial assistance to ratepayers at no cost to the Council.

Tracking Information

Governance Check	Date Considered
Chief Finance Officer (or Deputy)	9/2/22 (Deputy)
Monitoring Officer (or Deputy)	10/02/2022
Relevant Assistant Director	N/A

Background Papers:

Appendices:

Appendix A: 2022/23 Retail, Hospitality and Leisure Relief Scheme: local authority guidance

Appendix B: Extension of Transitional Relief and Supporting Small Business Relief for small and medium properties

Contact Officer:

Amanda Yellowley, Assistant Director of Customers & Performance

Guidance

2022/23 Retail, Hospitality and Leisure Relief Scheme: local authority guidance

Published 20 December 2021

Part 1: Guidance to local government

About this guidance

1. This guidance is intended to support billing authorities in administering the 2022/23 Retail, Hospitality and Leisure Business Rates Relief Scheme, announced in the Budget on 27 October 2021. This guidance applies to England only.
2. This guidance sets out the eligibility criteria for the scheme. The guidance does not replace existing legislation.
3. Enquiries on this measure should be addressed to: ndr@communities.gov.uk.

Introduction

4. At the Budget on 27 October the Chancellor announced the introduction of a new business rates relief scheme for retail, hospitality and leisure properties worth almost £1.7 billion in 2022/23. This will support the businesses that make our high streets and town centres a success and help them to evolve and adapt to changing consumer demands.
5. The 2022/23 Retail, Hospitality and Leisure Business Rates Relief scheme will provide eligible, occupied, retail, hospitality and leisure properties with a 50% relief, up to a cash cap limit of £110,000 per business.
6. This document provides guidance to authorities about the operation and delivery of the policy. The government anticipates that local authorities will include details of the relief to be provided to eligible ratepayers for 2022/23 in their bills for the beginning of the 2022/23 billing cycle.

How will the relief be provided?

7. As this is a temporary measure for 2022/23 only, the government is not changing the legislation relating to 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 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.
8. The government will fully reimburse billing authorities and major precepting authorities for their loss of income under the rates retention scheme as a result of awarding the relief that falls within the definitions in this guidance, using a grant under section 31 of the Local Government Act 2003.
9. 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) for 2022/23. Central government will provide payments to authorities to cover the local share. Local authorities will also be asked to provide outturn data on the actual total cost for providing the relief, via the National Non-Domestic Rate 3 (NNDR3) forms. Any required reconciliations will then be conducted at these points.

10. The government expects billing authorities to apply and grant relief to qualifying ratepayers from the start of the 2022/23 billing year. The Department for Levelling Up, Housing and Communities will undertake a regular DELTA collection exercise. This will be used to monitor implementation progress. Authorities should therefore ensure they put in place arrangements to support this data collection process. Billing authorities should ensure that they are able to monitor and report the take-up of the scheme at Parliamentary constituency level and local authority level.

Which properties will benefit from relief?

11. Hereditaments which benefit from the relief will be those which for a chargeable day in 2022/23:

a. meet the eligibility criteria at Part 2,

and

b. the ratepayer for that chargeable day has not refused the relief for the eligible hereditament. The ratepayer may refuse the relief for each eligible hereditament anytime up to 30 April 2023. The ratepayer cannot withdraw their refusal for either all or part of the financial year.

12. Local authorities should make it clear in their approved scheme that, for the purposes of section 47 of the 1988 Act, hereditaments where the ratepayer has refused the relief are outside of the scheme and outside of the scope of the decision of which hereditaments qualify for the discount and are therefore ineligible for the relief.

13. In line with the legal restrictions in section 47(8A) of the Local Government Finance Act 1988, billing authorities may not grant the discount to themselves certain precepting authorities (e.g. a parish or county council) or a functional body, within the meaning of the Greater London Authority Act 1999.

How much relief will be available?

14. Subject to the £110,000 cash cap per business, the total amount of government-funded relief available for each property for 2022/23 under this scheme is:

a. For chargeable days from 1 April 2022 to 31 March 2023, 50% of the chargeable amount.

15. The relief should be applied after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied, but before those where local authorities have used their wider discretionary relief powers introduced by the Localism Act 2011, which are not funded by section 31 grants. However, as required in the NNDR3 guidance notes, the former categories of discretionary relief available prior to the Localism Act 2011 (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 Retail, Hospitality and Leisure relief. Authorities may use their discretionary powers to offer further discounts outside this scheme or additional relief to hereditaments within the scheme. However, where an authority applies a locally funded relief under section 47, this should be applied after the Retail, Hospitality and Leisure relief.

16. Subject to the cash cap, the eligibility for the discount 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 chargeable day for a particular hereditament in the financial year 2022/23:

Amount of relief to be granted = $V \times 0.5$ where:

V is the daily charge for the hereditament for the chargeable day after the application of any mandatory relief and any certain other discretionary reliefs in line with the guidance in paragraph 15 above.

17. This should be calculated ignoring any prior year adjustments in liabilities which fall to be liable on the day.

18. Ratepayers that occupy more than one property will be entitled to relief for each of their eligible properties up to the maximum £110,000 cash cap, per business.

The cash cap and subsidy control

19. Under the cash cap, no ratepayer can in any circumstances exceed the £110,000 cash cap across all of their hereditaments in England.

20. Where a ratepayer has a qualifying connection with another ratepayer then those ratepayers should be considered as one ratepayer for the purposes of the cash caps. A ratepayer shall be treated as having a qualifying connection with another:

a. where both ratepayers are companies, and

i. one is a subsidiary of the other, or

ii. both are subsidiaries of the same company; or

b. where only one ratepayer is a company, the other ratepayer (the “second ratepayer”) has such an interest in that company as would, if the second ratepayer were a company, result in its being the holding company of the other.

21. Furthermore, the Retail Hospitality and Leisure Scheme is likely to amount to subsidy. Any relief provided by local authorities under this scheme will need to comply with the UK’s domestic and international subsidy control obligations (See the [BEIS guidance for public authorities](#) which explains the subsidies chapter of the UK-EU Trade and Cooperation Agreement (TCA), World Trade Organisation rules on subsidies, and other international subsidy control commitments).

22. To the extent that a local authority is seeking to provide relief that falls within the Small Amounts of Financial Assistance Allowance, Article 364 of the TCA allows an economic actor (e.g. a holding company and its subsidiaries) to receive up to 325,000 Special Drawing Rights (£343,000 as at 9 December 2021) in a three-year period (consisting of the 2022/23 year and the two previous financial years). Expanded Retail Discount granted in either 2020/21 or 2021/22 does not count towards the £343,000 allowance but BEIS business grants (throughout the 3 years) and any other subsidies claimed under the Small Amounts of Financial Assistance limit should be counted.

23. In those cases where it is clear to the local authority that the ratepayer is likely to breach the cash cap or the Small Amounts of Financial Assistance limit then the authority should automatically withhold the relief. Otherwise, local authorities may include the relief in bills and ask the ratepayers, on a self-assessment basis, to inform the authority if they are in breach of the cash caps or Small Amounts of Financial Assistance limit. Part 4 of this guidance contains a sample ratepayer declaration, which local authorities may wish to use to discharge this responsibility.

Splits, mergers, and changes to existing hereditaments

24. 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.

Recalculations of relief

25. The amount of relief awarded should be recalculated in the event of a change of circumstances. This could include, for example, a backdated change to the rateable value or the hereditament. This change of circumstances could arise during the year in question or during a later year.

26. Under regulations made under section 47 of the Local Government Finance Act 1988 authorities must give at least 12 months' notice of a revocation or variation of a rate relief scheme the effect of which would be to increase rate bills. Such a revocation or variation can only take effect at the end of a financial year (other than to comply with international agreements). But within these regulations, local authorities may still make decisions which are conditional upon eligibility criteria. If a change in circumstances renders a property ineligible, the relevant bill can be amended in the year to reflect the loss of the relief.

27. Therefore, when making an award for the RHL scheme, local authorities should ensure in the conditions of the award that the relief are subject to the property's continuing eligibility.

Part 2: Eligibility for the Retail, Hospitality and Leisure Relief Scheme

1. Hereditaments that meet the eligibility for Retail, Hospitality and Leisure scheme will be occupied hereditaments which meet all of the following conditions for the chargeable day:

a. they are wholly or mainly being used:

- i. as shops, restaurants, cafes, drinking establishments, cinemas or live music venues
- ii. for assembly and leisure; or
- iii. as hotels, guest & boarding premises or self-catering accommodation

2. We consider shops, restaurants, cafes, drinking establishments, cinemas and live music venues to mean:

i. 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 show rooms
- Second-hand car lots
- Markets
- Petrol stations
- Garden centres
- Art galleries (where art is for sale/hire)

ii. 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
- Tool hire
- Car hire

iii. 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

iv. Hereditaments which are being used as cinemas

v. 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 a live music venue 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 we would 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.

3. We consider assembly and leisure to mean:

i. Hereditaments that are being used for the provision of sport, leisure and facilities to visiting members of the public (including for the viewing of such activities):

- Sports grounds and clubs
- Museums and art galleries

- Nightclubs
- Sport and leisure facilities
- Stately homes and historic houses
- Theatres
- Tourist attractions
- Gyms
- Wellness centres, spas, massage parlours
- Casinos, gambling clubs and bingo halls

ii. Hereditaments that are being used for the assembly of visiting members of the public:

- Public halls
- Clubhouses, clubs and institutions

4. We consider hotels, guest & boarding premises and self-catering accommodation to mean:

i. Hereditaments where the non-domestic part is being used for the provision of living accommodation as a business:

- Hotels, guest and boarding houses
- Holiday homes
- Caravan parks and sites

5. To qualify for the relief the hereditament should be wholly or mainly being used for the above qualifying purposes. 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.

6. The list set out above is not intended to be exhaustive as it would be impossible to list the many and varied uses that exist within the qualifying purposes. However, it is intended to be a guide for authorities as to the types of uses that the government considers for this purpose to be eligible for relief. Authorities should determine for themselves whether particular properties not listed are broadly similar in nature to those above and, if so, to consider them eligible for the relief. Conversely, properties that are not broadly similar in nature to those listed above should not be eligible for the relief.

7. The list below sets out the types of uses that the government does not consider to be an eligible use for the purpose of this discount. 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 discount under their local scheme.

i. 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, short-term loan providers, betting shops)
- Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors)
- Professional services (e.g. solicitors, accountants, insurance agents/ financial advisers, employment agencies, estate agents, letting agents)
- Post office sorting offices

ii. Hereditaments that are not reasonably accessible to visiting members of the public

Part 3: Calculation examples for 2022/23

The Retail, Hospitality and Leisure scheme is always calculated after mandatory relief and other discretionary reliefs funded by section 31 grant. Ignoring cash caps.

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

Gross rates (before any reliefs) = £40,000 x 0.499: = £19,960

RHL Relief Discount (50%), £19,960 x 0.5 = -£9,980

Rates due (after RHL Relief Discount): = £9,980

Example 2: An occupied shop with a rateable value of £100,000

Gross rates (before any reliefs) = £100,000 x 0.512: = £51,200

RHL Relief Discount (50%), £51,200 x 0.5 = -£25,600

Rates due (after RHL Relief Discount): = £25,600

Example 3: An occupied charity shop with a rateable value of £40,000

Gross rates (before any reliefs) = £40,000 x 0.512 = £19,960

Net rates after charity relief (80% discount): = £4,096

RHL Relief Discount (50%), £4,096 x 0.5 = -£2,048

Rates due (after charity relief and RHL Relief Discount): = £2,048

Example 4: 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 0.499 = £6,737

Net rates after SBRR (50%): = £3,368

RHL Relief Discount (50%), £3,368 x 0.5 = -£1,684

Rates due (after SBRR and RHL Relief Discount): = £1,684

Example 5: 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 RHL Relief Discount applies.

Example 6: A shop with a rateable value of £40,000 (example 1) but only occupied until 30 September 2022

Gross rates while occupied (before any reliefs) = £40,000 x 0.499 x 183/365	=	£10,007
RHL Relief Discount (50% from 01/04/22 to 30/09/22), £10,007 x 0.5	=	-£5,004
Net rates while occupied	=	£5,004
Gross rates while unoccupied (before any reliefs) = £40,000 x 0.512 x 182/365	=	£10,212
Unoccupied property relief (100% from 01/10/22 to 31/12/22), £10,212 x 92/182:	=	-£5,162
Net rates while unoccupied	=	£5,050
Rates due for the year (after empty property relief and RHL Relief Discount):	=	£10,054

Part 4: Sample paragraphs that could be included in letters to ratepayers about the 2022/23 RHL relief scheme and £110,000 cash cap/ Small Amounts of Financial Assistance subsidy

At the Budget on 27 October 2021, the Chancellor announced that eligible ratepayers will receive 50% relief on their business rates bills for the year 2022/23 up to a maximum cash cap of £110,000.

Relief will be provided to eligible occupied retail, hospitality and leisure properties in 2022/23. Your current rates bill includes this discount.

In line with the conditions set by the government, a ratepayer may only claim up to £110,000 of support under the 2022/23 Retail, Hospitality and Leisure Relief Scheme for all of their eligible hereditaments. This cash cap applies at a Group company level (so holding companies and subsidiaries cannot claim up to the cash cap for each company) and also to organisations which, although not a company, have such an interest in a company that they would, if they were a company, result in its being the holding company.

Furthermore, the Retail, Hospitality and Leisure Relief Scheme is subject to the subsidies chapter within the UK-EU Trade and Cooperation Agreement (TCA). The subsidies chapter within the TCA only applies to subsidies over the value of approximately £343,000 per beneficiary over a 3-year period (consisting of the current financial year and the two previous financial years) (the Small Amounts of Financial Assistance limit). Extended Retail Discounts granted in 2020/21 or 2021/22 do not count towards the limit. Covid business grants received from local government and any other subsidy claimed under the Small Amounts of Financial Assistance limit over the 3 year period should be counted.

Therefore, to claim the Retail, Hospitality and Leisure relief you must not have exceeded either the £110,000 cash cap for 2022/23 or the Small Amounts of Financial Assistance limit of £343,000 over 3 years (including 2022/23).

You do not need to take any further action if you have not received any other 2022/23 Retail, Hospitality and Leisure Relief for premises other than the one to which this bill

relates and you have not received more than the Small Amounts of Financial Assistance of £343,000 over 3 years (including 2022/23).

If the following applies to you, please complete the declaration at Form A (accepting the relief and declaring that you comply with the cash cap and exemption threshold) and return it to the address above:

- you (or if appropriate a company in your Group) have received the 2022/23 Retail, Hospitality and Leisure Relief Scheme support on any other property but to a level below the £110,000 cash cap. You should list the other Retail, Hospitality and Leisure Relief being granted for premises other than the one to which this bill relates, and
- you (or if appropriate a company in your Group) have not received more than the Small Amounts of Financial Assistance limit of £343,000 over three years (including 2022/23). If appropriate you should list the other subsidies you have received

If the follow applies to you, please complete the attached Form B (refusing the relief) and return it to the address above:

- you have exceeded the cash cap on other properties, or
- you have received more than the Small Amounts of Financial Assistance limit of £343,000 over three years (including 2022/23)

The government and [name of local authority] will not tolerate any business falsifying their records or providing false evidence to gain this discount, including claiming support above the cash cap or the exemption threshold. A ratepayer who falsely applies for any relief, or provides false information or makes false representation in order to gain relief may be guilty of fraud under the Fraud Act 2006.

Guidance

Extension of Transitional Relief and Supporting Small Business Relief for small and medium properties

Published 20 December 2021

About this guidance

1. This guidance is intended to support local authorities in administering the Extension of Transitional Relief and Supporting Small Business (SSB) relief for small and medium properties announced at the Budget on 27 October 2021. This guidance applies to England only.
2. This guidance sets out the detailed criteria which central government will use to determine relief for properties coming out of transition to higher bills. The guidance does not replace existing legislation on any other relief.
3. Enquiries on this measure should be addressed to: ndr@communities.gov.uk

Introduction

4. The transitional relief scheme was introduced in 2017 to help those ratepayers who were faced with higher bills as a result of the revaluation. The scheme ends on 31 March 2022, as a result a small number of ratepayers would face a jump to their full rates bill from 1 April 2022.
5. At the Budget on 27 October 2021 the government therefore announced that it would extend the current transitional relief scheme and the supporting small business scheme for one year to the end of the current revaluation cycle. The scheme will restrict increases in bills to 15% for businesses with small properties (up to and including £20,000 rateable value) and 25% for medium properties (up to and including £100,000 rateable value).
6. This document provides guidance to authorities about the operation and delivery of the policy. The government anticipates that billing authorities will include details of the relief to be provided to eligible ratepayers for 2022/23 in their bills for the beginning of the 2022/23 billing cycle.

Section 1: Extension of Transitional Relief and Supporting Small Business

How will the relief be provided?

7. As this is a temporary measure for 2022/23, the government is not changing the legislation around transitional relief. Instead, the government will, in line with the eligibility criteria set out in this guidance, reimburse billing authorities that use their discretionary relief powers, under section 47 of the Local Government Finance Act 1988, to grant relief. It will be for individual 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.
8. The government will fully reimburse billing authorities and major precepting authorities for their loss of income under the rates retention scheme as a result of awarding the relief that falls within the definitions in this guidance, using a grant under Section 31 of the Local Government Act 2003.
9. 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) for 2022/23. Central government will provide payments to authorities to cover the local share. Local

authorities will also be asked to provide outturn data on the actual total cost for providing the relief, via the National Non-Domestic Rate 3 (NNDR3) forms. Any required reconciliations will then be conducted at these points.

Which properties will benefit from relief?

10. Properties that will benefit are those with a rateable value up to and including £100,000 who would have received transitional relief and/or SSB in 2022/23. In line with the existing thresholds in the transitional relief scheme, the £100,000 rateable value threshold should be based on the rateable value shown for 1 April 2017 or the substituted day in the cases of splits and mergers.

11. This policy does not apply to those in downward transition to lower bills – they will fall to their full bill on 1 April 2022.

How much relief will be available?

12. The government will fund discretionary relief to ensure eligible properties receive the same level of protection they would have received had the statutory transitional relief scheme and SSB scheme extended into 2022/23.

13. The practical effects of the transitional relief scheme should be assumed to remain as it is in the current statutory scheme (As prescribed in the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016 No. 1265) except that:

a. the cap on increases for small properties (with a rateable value of less than or equal to £20,000/£28,000 in London) in 2022/23 should be assumed to be 15% (before the increase for the change in the multiplier). Specifically, X in regulation 10(6) for the year commencing 1 April 2022 should be assumed to be 115. Q in regulation 10(12) should be assumed to be 1, and

b. the cap on increases for other properties (up to and including £100,000 rateable value) in 2022/23 should be assumed to be 25% (before the increase for the change in the multiplier). Specifically, X in regulation 10(4) for year commencing 1 April 2022 should be assumed to be 125. Q should be assumed to be 1.

14. As explained above, the scheme applies only to properties up to and including £100,000 rateable value based on the value shown for 1 April 2017 or the substituted day in the cases of splits and mergers. Changes in rateable value which take effect from a later date should be calculated using the normal rules in the transitional relief scheme (i.e., “N over J” for reductions or “N minus J” for increases). For the avoidance of doubt, properties whose rateable value is £100,000 or less on 1 April 2017 (or the day of merger) but increase above £100,000 from a later date will still be eligible for the relief. Where necessary the Valuation Office Agency will continue to issue certificates for the value at 31 March 2017 (regulation 17, SI 2016 No. 1265) or 1 April 2017 (regulations 16 and 18 SI 2016 No.1265). The relief should be calculated on a daily basis.

15. The SSB scheme should be assumed to remain as it is in the current non-statutory scheme (Found in Annex A of the Business Rates Information Letter 4/2017.) with a percentage cap in 2022/23 of 15% plus inflation (or a cash value increase of £600 if greater).

16. A detailed explanation and illustration of how the relief (and the associated section 31 grant) should be calculated is at Section 2

17. As illustrated in Section 2 in cases where a ratepayer would have been in receipt of both transitional relief and SSB in respect of 2022/23, this guidance (and the resulting section 31 grant in respect of that account) will generate a single award of section 47 relief resulting in a chargeable amount equivalent to that had the original transitional relief and

SSB schemes continued. Nevertheless, local authorities and their software providers may wish to consider whether to continue to show TR and SSB separately on the bill for information.

Subsidy control

18. The extension of transitional relief and Supporting Small Business (SSB) relief scheme is likely to amount to subsidy. Any relief provided by Local Authorities under this scheme will need to comply with the UK's domestic and international subsidy control obligations (See the BEIS guidance for public authorities which explains the subsidies chapter of the UK-EU Trade and Cooperation Agreement (TCA), World Trade Organisation rules on subsidies, and other international subsidy control commitments).

19. To the extent that a Local Authority is seeking to provide relief that falls within the Small Amounts of Financial Assistance Allowance, Article 364 of the TCA allows an economic actor (e.g. a holding company and its subsidiaries) to receive up to 325,000 Special Drawing Rights (£343,000 as at 9 December 2021) in a three-year period (consisting of the 2022/23 financial year and the two previous financial years) Expanded Retail Discount granted in either 2020/21 or 2021/22 does not count towards the £343,000 allowance but BEIS business grants (throughout the 3 years) and any other subsidies claimed under the Small Amounts of Financial Assistance limit, should be counted.

20. In those cases where it is clear to the local authority that the ratepayer is likely to breach the Small Amounts of Financial Assistance Allowance then the authority should automatically withhold the relief.

Recalculations of relief

21. As with the current transitional relief scheme, the amount of relief awarded should be recalculated in the event of a change of circumstances. This could include, for example, a backdated change to the rateable value or to the hereditament. This change of circumstances could arise during the year in question or during a later year.

22. Under regulations made under section 47 of the Local Government Finance Act 1988 authorities must give at least 12 months' notice of a revocation or variation of a rate relief scheme the effect of which would be to increase rate bills. Such a revocation or variation can only take effect at the end of a financial year (other than to comply with international agreements). But within these regulations, local authorities may still make decisions which are conditional upon eligibility criteria. If a change in circumstances renders a property ineligible, the relevant bill can be amended in the year to reflect the loss of the relief.

23. Therefore, when making an award for the extension of transitional relief, local authorities should ensure in the conditions of the award that the relief are subject to the property's continuing eligibility. If the property's rateable value changes so that it is no longer eligible, the relevant chargeable amount must be recalculated to reflect that fact. This includes where the change in the rateable value is backdated.

Section 2: Calculation for the extension of transitional relief and SSB

Calculating the extension of transitional relief and SSB where other reliefs apply

Under the existing statutory transition scheme which ends on 31 March 2022, transitional relief is measured before all other reliefs. But the extension of transitional relief and SSB into 2022/23 will be delivered via section 47 of the Local Government Finance Act 1988 which will be measured after other reliefs (including other funded reliefs granted under section 47 such as RHL relief).

Therefore, for the purposes of awarding relief and claiming section 31 grant, authorities should measure the extension of transitional relief and SSB after all other reliefs. To do this authorities will need to:

Step 1: identify those eligible properties which would have qualified for transitional relief and/or SSB in 2022/23,

Step 2: calculate the actual rates bill for those properties in 2022/23 after all other reliefs assuming transitional relief and SSB has ended,

Step 3: calculate the rates bill for those properties in 2022/23 after all other reliefs assuming transitional relief and SSB continued (in line with the assumptions in this guidance), and

Step 4: calculate the difference between stage 2 and 3 and award a section 47 discount to that value.

Authorities will be asked to report the cost of extending the transitional relief scheme and SSB using this methodology from which the associated single section 31 grant will be calculated (using the appropriate local share). In practice authorities may wish to consider with their software providers whether a separate amount for TR and SSB is shown on bills.

Examples

If a ratepayer would have been eligible for transitional relief of 15% cap in 2022/23 and not eligible for SSB then their bill is calculated as follows (ignoring inflation):

	Step 1	Step 2	Step 3	Step 4
	2021/22	2022/23	2022/23	2022/23
Bill before any reliefs	9,980	9,980	9,980	9,980
Transitional relief (had the original schemes continued)	-4,772	n/a	-3,990	n/a
Net bill before section 47 discount	5,208	9,980	5,990	9,980
SSB (had the original scheme continued)	n/a	n/a	n/a	n/a
Combined section 47 discount (to give effect to extension of transitional relief/SSB)	n/a	n/a	n/a	-3,990
Net rates bill	5,208	9,980	5,990	5,990

For illustration. Based on a hereditament whose rateable value increased from £6,000 to £20,000 at the 2017 revaluation and the hereditament was not eligible for SBRR.

This is the simple case. The value of the transitional relief had the scheme continued is £3,990. In practice extending transitional relief will be achieved by awarding a section 47 discount which is calculated at the end of the bill. But because there are no other reliefs the value of the discount to ensure in practice transitional relief continues is also £3,990.

But if, for example, the same ratepayer would otherwise have fallen out of transitional relief in 2022/23 and also receives 80% charitable mandatory relief then their bill is calculated as follows (ignoring inflation):

	Step 1	Step 2	Step 3	Step 4
	2021/22	2022/23	2022/23	2022/23
Bill before any reliefs	9,980	9,980	9,980	9,980
Transitional relief (had the original schemes continued)	-4,772	n/a	-3,990	n/a
Net bill before charitable relief or section 47 discount	5,208	9,980	5,990	9,980
Charitable Relief	-4,167	-7,984	-4,792	-7,984
Combined section 47 discount (to give effect to extension of transitional relief/SSB)	n/a	n/a	n/a	-798
Net rates bill	1,042	1,996	1,198	1,198

For illustration. Based on a hereditament whose rateable value increased from £6,000 to £20,000 at the 2017 revaluation and the hereditament is eligible for charity relief

In the above example, whilst the reported cost of transitional relief in 2022/23 would still have been £3,990 had the scheme continued in its current form as this is measured before all other reliefs (step 3). In practice extending transitional relief will be achieved by awarding a section 47 discount which is calculated after all other reliefs. So the value of the discount to ensure in practice transitional relief continues is £798 (step 4).

Finally, if the ratepayer in the first example had also in 2017 lost SBRR (and the same could apply to rural rate relief relief) and was therefore eligible for both transitional relief and SSB then their bill is calculated as follows (ignoring inflation):

	Step 1	Step 2	Step 3	Step 4
	2021/22	2022/23	2022/23	2022/23
Bill before any reliefs	9,980	9,980	9,980	9,980
Transitional relief (had the original schemes continued)	-4,772	n/a	-3,990	n/a
Net bill before charitable relief or section 47 discount	5,208	9,980	5,990	9,980
SSB (had the original scheme continued)	-2,208	n/a	-2,390	n/a
Combined section 47 discount (to give effect to extension of transitional relief/SSB)	n/a	n/a	n/a	-6,380
Net rates bill	3,000	9,980	3,600	3,600

For illustration. Based on a hereditament whose rateable value increased from £6,000 to £20,000 at the 2017 revaluation and the hereditament was previously eligible for SBRR.

In the above example, the reported cost of transitional relief in 2022/23 would still have been £3,990 had the scheme continued in its current form as this is measured before all

other reliefs (step 3). The reported cost of SSB in 2022/23 would have been £2,390 again had the TR and SSB schemes continued in their current form (step 3). In practice extending transitional relief and SSB will be achieved by awarding a single section 47 discount which is calculated after all other reliefs. So the value of the discount to ensure in practice transitional relief and SSB continues is £6,380 (step 4).

As discussed above, local authorities and software providers may wish to consider for transparency whether on the face of the bill this single award of section 47 relief is shown as separate amounts for TR (£3,990) and SSB (£2,390).