

Strategy to assist Rural Businesses

Ways of alleviating the burden of Business Rates.

Local authorities collect Business Rate on behalf of central government; all business rates collected are paid into a central pool with local authorities paid a proportion of the total “pooled” amount based on a prescribed formula.

A business rate bill is based on the rateable value (RV) which is determined by the Valuation Office Agency and the multiplier which is set by central government. The local council then works out the Business Rates due to be paid by multiplying the rateable value of the property by the multiplier and taking into account any reliefs or exemptions to which the business ratepayer may be entitled.

Local authorities can grant relief to some organisations that meet certain prescribed criteria. The circumstances and outline criteria are shown below. It should be noted that the reliefs are not given automatically in all cases ratepayers must complete and submit an application to the local authority for consideration.

Small Business Rate relief

Small Business Rates Relief was introduced to provide some limited relief to ratepayers that occupy a single property in England with a rateable value up to £15,000. A ratepayer occupying more than one property can still qualify for relief providing the rateable value of the additional properties is less than £2,500.

The relief is as follows:

- For properties with a rateable value of less than £5,000 a 50% reduction is given.
- Properties with a rateable value between £5,000 and £9,999 relief is given on a decreasing sliding scale.
- For properties with a rateable value between £10,000 and £15,000 the rate bill is calculated using the small business rate multiplier which for 2009/10 is XX less than the full multiplier.

There is no cost to the local authority for this relief.

Rural Settlement Relief.

Business rates legislation provides for 50% mandatory relief to be given to business rate payers if they occupy specified types of property situated within a qualifying rural settlement. A qualifying rural settlement must have a population of no more than 3,000 and will usually be a small village or a hamlet. Peterborough City Council have 26 designated Rural Settlement areas.

The additional qualifying criteria are as follows:

- A post office or general store used as such that is the only post office or general store in the rural settlement and the rateable value is no more than £7,000.
- A petrol filling station or public house used as such that is the only petrol station or public house in the rural settlement and the rateable value is no more than £10,500.
- A village shop selling mainly food (excluding confectionery sales and catering establishments such as restaurants, tea rooms and take-aways) where the rateable value is no more than £7,000.

A Council may also grant up to 50% Discretionary Relief in respect of any property which qualifies for 50% Mandatory Relief and up to 100% Discretionary Relief to any rural business provided that it meets all the following criteria:-

- The property is located in a qualifying Rural Settlement.
- The Rateable Value of the property does not exceed £14,000
- The property is occupied by a business that benefits the local community
- It is reasonable for the Council to grant relief having regard to the interests of persons liable to pay the Council Tax set by it.

The cost to the local authority is as follows:

- Mandatory relief no cost
- Discretionary relief 25% of any relief granted

Relief for Charitable and Not for Profit Organisations.

Where the ratepayer of a property is a charity and the property is wholly or mainly used for charitable purposes 80% mandatory relief is given.

The Business Rate legislation also provides for local authorities to grant discretionary rate relief of up to 100% of the rates payable providing the ratepayer is:

- A charity and the property is wholly or mainly used for charitable purposes.
- All or part of the property is occupied by an organisation not established or conducted for profit and whose main objectives are charitable or philanthropic or religious or concerned with education, social welfare, science, literature or the arts.
- The property is wholly or mainly used for purposes of recreation, and occupied by a club, society or other organisation not established or conducted for profit.

The majority of rate relief applications that are received fall into this category. Each application for discretionary relief is dealt with on an individual basis and reviewed against certain criteria which look at a variety of aspects including the benefit of the organisation to the residents of PCC, the financial standing of the organisation and in the case of clubs and other similar organisations whether the membership is drawn mainly from the residents of Peterborough CC area, that no groups are excluded from membership and that any membership fees are set at a reasonable level that does not deter membership.

The cost to the authority is:

- Mandatory relief - 25% of relief granted
- Discretionary relief where this is additional to mandatory relief - 75% of relief
- Discretionary relief only - 25% of relief

Relief on the grounds of hardship.

Under business rate legislation the local authority is given discretionary powers to reduce or remit the amount a ratepayer is required to pay in respect of either an occupied or unoccupied hereditament where the authority is satisfied that:

- The ratepayer would sustain hardship and;
- It is reasonable for the authority to do so having regard to the interests of the persons subject to council tax in its area.

Unfortunately there is no statutory definition of hardship and therefore the individual authority must arrive at its own decision in relation to any application. Guidance was provided by the Government as to the considerations that authorities might apply when exercising their discretion in determining applications for hardship relief and applications received by PCC for relief on these grounds are assessed using these criteria.

The cost to the authority is 25% of relief granted.

Rate Deferral Scheme

In April 2009, the government announced a relief package to help firms with their business rates, and the measures came into effect on 31 July 2009.

The scheme allows businesses to spread the payment of increases in their 2009/10 bill over three years. Up to three per cent of the 2009/2010 bill can be deferred interest-free, as long as at least that amount is still outstanding.

If a business has less than three per cent left to pay, they can postpone paying the remaining balance. If the whole bill has been paid, deferment will not be possible. Half the amount deferred will be added to the business rate bill for 2010/11 and the remainder will be added to the balance for 2011/12.

In addition businesses that have experienced an increase in their bill due to the ending of the transitional relief scheme on 31 March 2009 may also be able to defer up to 60 per cent of this increase.

Applications for deferral can be made up to 31 March 2010.