

Gloucester City Council

Business Rates – Retail Discount

Background

The Government made an announcement in the October 2018 budget that it will provide a business rates Retail Discount scheme for occupied retail properties with a rateable value of less than £51,000 in each of the two years 2019-20 and 2020-21. The discount applied will be one third of the bill.

Central Government is not changing the legislation surrounding reliefs available to properties as the measure is a temporary one for 2019-20 and 2020-21 only. Instead the Government will reimburse local authorities that use their discretionary relief powers to grant Retail Discount relief, and will fully reimburse local authorities .

Legal Provision

Section 47 of the Local Government Finance Act 1988 (as amended by the Localism Act 2011) gives discretionary powers to Local Authorities to grant relief to reduce business rates bills. The cost of relief to the Local Authority can be recovered from the Government by way of grant under section 31 of the Local Government Act 2003.

To access the funding, the Local Authority is required to establish a discretionary scheme for administering the relief under Section 47.

Providing discretionary relief is likely to amount to State Aid and as such any decision is subject to the European rules on State Aid. The relief should be awarded in accordance with the De Minimis Regulations, allowing an undertaking to receive a maximum of €200,000 De Minimis aid in a three year period.

Eligibility Criteria

Properties that will benefit from the retail discount 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, which are considered 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 licenses, 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.f or 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

To qualify for the relief the hereditament should be wholly or mainly being used as a shop, restaurant, café or drinking establishment. The relief is based on use of the premises, rather than occupation of the premises.

The preceding lists are not exhaustive as it is impossible to list the many varied retail uses in existence, but is a guide and any retail business considered by Gloucester City Council as broadly similar in nature to those listed above will be considered as eligible for the Retail Discount.

Ineligibility Criteria

The Government has given a list of types of uses that it does not consider to be retail and thus, these properties will not benefit from the retail discount relief

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, 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 advisors, tutors)
- Post office sorting offices

The list of ineligible properties is also not exhaustive and Gloucester City Council will consider any properties offering services broadly similar to those listed above to be not eligible for retail discount relief.

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

It is salient to note that the Government does not consider other assembly or leisure uses (other than those specifically listed in the eligible criteria category) to be 'retail' for the purpose of the retail discount relief. For example, cinemas, theatres and museums are not eligible, nor are nightclubs and music venues which are not similar in nature to the hereditaments listed under eligibility criteria (iii). Hereditaments used for sport or physical recreation (e.g. gyms) are also not eligible for the retail discount relief.

Business Rates Retail Discount

The Business Rates Retail Discount is effective from 01 April 2019

Businesses that meet the eligibility criteria will automatically be awarded the Retail Discount relief AFTER mandatory reliefs and other discretionary reliefs have been applied to the account

The only exception to this is if a locally relevant hardship payment is made. In these cases Retail Discount will be applied BEFORE the hardship payment.

Ratepayers that occupy more than one property will be entitled to Retail Discount Relief for each of their properties subject to State Aid De Minimis limits. State Aid law is the means by which the European Union regulates state funded support to businesses. The De Minimis Regulations currently allow a business to receive up to €200.000 of De Minimis aid in a three year period (consisting of current financial year and the two previous financial years)

Gloucester City Council will discharge this responsibility by issuing a 'De Minimis declaration' to all businesses who are eligible for the Retail Discount Relief.

The UK is scheduled to leave the EU on 29 March 2019 – if there is an implementation period then the State Rules will continue to apply as now and will be subject to control by the EU Commission as at present. If the UK leaves the EU without a negotiated Withdrawal Agreement, the Government has announced its intention to transpose the EU State Aid rules into UK domestic legislation. Local Authorities should therefore continue to apply State Aid rules, including De Minimis for the relief for 2019/20 and 2020/21.

Application Process and Administration

Civica Revenues and Benefits on behalf of Gloucester City Council will identify qualifying businesses using the criteria as set out above. Where there is a clear eligibility to Retail Discount Relief it will be applied to eligible business's rates bill. When the annual bills are issued the qualifying business will also be sent the 'State Aid' declaration letter. Any businesses over which there may be an uncertainty about eligibility will be issued with an application to apply for the Retail Discount Relief and a State Aid declaration form.

Review of Decision / Appeals

Should there be any dispute over eligibility then an appeal can be made to the Section 151 Officer at Gloucester City Council. The appealing business must clearly outline their reasons for the appeal and supply any documentation in support of their appeal.

The decision on eligibility and Retail Discount Relief will be made by the Section 151 officer within 14 days of any appeal and the business will be notified in writing of the decision.