

Business Rates Information Letter

(9/2009): Business Information Letter

This is the ninth Business Rates Information Letter to be issued by the Department this year. Previous letters are available on the internet at:

<http://www.local.communities.gov.uk/finance/busrats1.htm>

This letter covers:

- ♣ **Progress report on business rates deferral scheme announced by the chancellor on 31 March 2009**

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Chief Finance Officers of English Billing Authorities

FOR THE ATTENTION OF THE BUSINESS RATES SECTION

Dear Chief Finance Officer

Business Rates Information Letter (9/2009): Progress report on the implementation of the business rates deferral scheme announced by the Chancellor on 31 March 2009

This is the ninth business rates information letter to be issued by Communities and Local Government this year. Previous letters are available on the internet at:

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This letter provides a progress report on the development of the business rates deferral scheme announced on 31 March.

1. As you know, on 31 March the Chancellor announced that the Government will enable businesses to defer payment of a proportion of their 2009/10 business rates bills.
2. The original announcement was re-confirmed and clarified further in the Budget on 22 April 2009. Our previous information letter from 12 May 2009 referred to this Budget statement, stating that the deferral scheme was designed to provide relief to ratepayers facing the higher-than-normal inflation-adjustment in their 2009-10 bills and for those affected by the end of the 2005 transitional relief scheme.
3. This letter provides a further description of key elements of the scheme as it has developed through close consultation with local government and business stakeholders. It also sets out the expected timetable for implementation by billing authorities.

Scheme design: eligibility and calculation

4. In designing the detail of the deferral scheme we are working to ensure that it is:

- Simple for billing authorities and their software suppliers to implement and administer; and
- Transparent and easy for businesses to take up.

5. Providing a clear basis to determine eligibility and calculate the amount ratepayers can defer is important in delivering these design principles.

6. With this in mind, the deferral scheme will be available for all 2009-10 ratepayers, including any new ratepayers entering rateable properties in-year, except those who are in default and have lost their right to pay by installments under the existing installment scheme. All 2009-10 ratepayers face the 5% inflation-adjustment, so it is considered fair that all ratepayers this year have the option of deferral against it.¹

7. As announced on 31 March 2009 and confirmed at Budget, ratepayers will be able to defer 60% of the annual RPI increase in their 2009-10 bill. This is equivalent to 3% of the total 2009-10 bill; this simple calculation will be used to revise the bills of those ratepayers who take up the option of deferral.

8. Properties receiving transitional relief in 2008-9 could face significant increases in 2009-10 rates bills due to the end of the 2005 transitional relief scheme. For this reason, all 2009-10 ratepayers in such properties will be allowed to defer an additional amount on top of the 3% of their overall bill (after factoring in other reliefs). This additional amount will be **60% of the amount of transitional relief the property received in 2008-09** (reduced in proportion to other reliefs they are benefiting from this year). For instance, if a deferring ratepayer was in a property that received £1,000 transitional relief in 2008-09 they would ordinarily be able to defer 60% of that amount (£600) from their 2009-10 bill. However, if their 2009-10 bill was reduced by 50% small business rate relief, the additional amount they could defer would also need to be reduced by 50%, to £300.

Scheme design: in-year adjustments

9. There are a number of circumstances in which in-year adjustments are normally made to rates bills. We intend that the business rates deferral scheme should accommodate the following changes in circumstances, building on normal rating practice wherever possible:

- ***the rateable occupier of the property changes in-year.*** Under the normal operation of the rating system, occupiers who vacate a property in-year are given a final demand notice requiring they pay the outstanding liability in total, even if they were on an instalment plan. We

¹ Ratepayers who are in default and have already lost the right to pay by instalments as part of recovery action.

intend to build on this established practice so that billing authorities have the power to require ratepayers to pay their whole outstanding liability, including any deferred amount, when they terminate occupation. As set out above, given that the bills of new occupiers are affected by the multiplier increase regardless of the period of occupation, we propose that they should have the option of deferring the relevant proportion of their bill (pro-rata to the period of occupation).

- ***the rateable value of the property changes in-year.*** In the normal operation of the rating system, if the rateable value of a property changes in-year (for instance as the result of an appeal) the rateable occupier is issued an adjustment notice, adapting their bill to their new value of the property. In such cases, we intend that the deferred amount should be recalculated as part of the adjusted bill.
- ***the property becomes partially occupied in-year.*** In the normal operation of the rating system, if a property becomes partially occupied the rateable occupier can ask the billing authority to recommend that the VOA apportion the rateable value of the property so that the empty part is liable for empty property rates and the occupied part is liable for occupied business rates – and their bill would be recalculated accordingly. In these circumstances, we intend that the deferred amount should also be recalculated and reflected in the revised bill.
- ***the property enters the rating list in-year*** (e.g. because of a split or merger of existing property, or it is a new or refurbished building). In these circumstances, given that the liability of the rateable occupier of the property is affected by the multiplier increase regardless of the time that the property entered the rating list, we propose that they should have the option of deferring the relevant proportion of their bill and should be invited by the billing authority to make an application. Billing authorities would be asked to send out the flyer advertising the scheme and application form with all new bills issued in-year.

Timetable and application

10. Further details of the scheme will be set out in the regulations, which are due to be laid in Parliament by the end of this month. The Government also plans to publish guidance to aid billing authorities with implementing the scheme. This guidance will offer further administrative details and case examples before the regulations come into force this summer.

11. To provide real help to businesses and other ratepayers at the earliest opportunity, the Government is working to implement the scheme by the end of July. The Government wants to make the scheme as simple as possible for ratepayers to access, and will therefore be providing your authority with a flyer advertising the scheme and an application form. **Billing authorities will be**

expected to send the flyer and application form to all ratepayers in their area immediately after the regulations come into force (end July). As set out above, where the occupier changes in year, the new ratepayer will have the option of deferral and we would therefore also expect billing authorities to send new ratepayers the flyer communicating the scheme and the application form along with their first bill.

12. Ratepayers will need to send back a signed application form to be granted deferral and will be encouraged to do this as soon as possible to ensure they can benefit from the scheme. For ratepayers with multiple hereditaments in a single billing authority, provision should be made for them to make a single application for all their hereditaments. **Billing authorities will be expected to recalculate, amend direct debits and send out new demand notices to deferring ratepayers within 14 calendar days of receiving the application.** This is to enable, where practicable, ratepayers to be able to begin to pay the re-calculated payments for their next installment (so by their 1st September installment if applied for in early August).

13. Meeting these milestones will certainly require a quick turnaround time and the Government recognises in advance the hard work this will entail from billing authority personnel. Your efforts will help to deliver real help to businesses in your local area that are struggling during the economic downturn. The Government will continue to work closely with the local government sector in developing further details of the deferral scheme, and communicate that detail through regular BRILs, to help billing authorities implement the scheme smoothly and successfully from the end of July.

Changes to demand notices

14. Implementation of the scheme will require changes to bills – including to new demand notices in 2009-10 and future year bills in 2010-11 and 2011-12. **New 2009-10 bills will need to show the new schedule of payment for the year (factoring in the deferred amount) and the overall amount deferred,** which will be paid back in future years.

15. Deferring ratepayers will have to pay back the deferred amount during the next two tax years in equal portions: 50% in 2010-11 and 50% in 2011-12. **But as these deferred payments stem from an outstanding liability they will need to be shown separately in future year bills.** Payment of 2009-10 liabilities should be made alongside payments against future year liabilities where practicable and consistent with existing regulation.

16. Officials have been discussing potential changes to billing software with IT suppliers and local government representatives to ensure they understand what is needed and can deliver necessary rewrites in time. The Government has made clear that the net additional costs of the scheme to local government as a whole will

be fully funded and as part of our assessment of the net additional costs we will consider software changes.

Further engagement

17. Close engagement with the local government sector, software suppliers and business stakeholders will continue in advance of the publication of regulations and the scheme's implementation at the end of July.

18. Officials here are of course available to discuss the scheme at any time. A dedicated email address has been established at bizrates_deferral@communities.gsi.gov.uk. Please feel free to contact officials via that address or through your local government stakeholder bodies.