

Business Rates Growth Incentive Relief

**Policy Guidelines for the granting
of Discretionary Rate Relief**



Introduction

If Rushmoor is to continue to grow and prosper the council needs to take away barriers that might stifle business growth so our communities can all share the benefits of sustainable economic growth.

We recognise that a period of growth in a business can cause uncertainty and many businesses are naturally concerned that they do not over stretch themselves.

To help businesses achieve their growth potential the council has introduced a new scheme to give discretionary rate relief to help businesses with high potential to grow, bring empty buildings with significant economic value back into use and to attract inward investment and economic growth.

This new policy allows the council to use its discretionary powers to award temporary discretionary rate relief to support its growth aims. This supports one of the council's aims, which is to support local business and to help sustain a thriving economy in Rushmoor.

The aim of these guidelines is to set out the policy for awarding this relief to certain types of business rates payers within Rushmoor.

Localism Act 2011

Prior to the Localism Act 2011, Section 47 of the Local Government Finance Act 1988 (LGFA 1988), Councils were able to grant discretionary rate relief only in certain specified circumstances. They could top up the 80% mandatory relief available on premises occupied by charities and Community Amateur Sports Clubs and they could award up to 100% relief to non-profit making bodies.

Section 69 of the Localism Act 2011 amended Section 47 of the LGFA 1988, and came into effect on 1 April 2012. The purposes of that Act allowed for an extension of the existing provisions in that discretionary rate relief may be granted in any circumstances where a local authority sees fit, having regard to the effect on Council Tax payers in the area.

The amendments also require billing authorities to have regard to any relevant guidance issued by the secretary of state when deciding whether to grant relief under S47 of the LGFA 1988.

Government has not issued any further guidance in respect of how this power might be used.

The English Guide to the Act addresses this as follows:-

“The Localism Act gives councils more freedom to offer business rates discounts – to help attract firms, investment and jobs. Whilst the local authority would need to meet the cost of any discount from local resources, it may be decided that the immediate cost of the discount is outweighed by the long-term benefit of attracting growth and jobs to their area”.

Rushmoor Borough Council's Growth Incentive Policy

Any ratepayer applying for relief under these provisions and who does not meet the criteria for existing relief (charities, CASC's and not for profit making organisations), must meet all of the following criteria and the amount of relief granted will be dependent on the following key factors:

- The ratepayer must not be entitled to mandatory or 100% small business rate relief;
- The ratepayer must not be an organisation that could receive relief as a non-profit making organisation or as a sports club or similar;
- The premises and organisation must be of significant benefit to the residents of the borough;

The ratepayer must also demonstrate that they satisfy as much of the following criteria as possible:

- The award relates to business rates payable in respect of a new hereditament or an increase in rateable value of an existing hereditament and as a result of the new or extended hereditament the following benefits will be derived:
 - New employment opportunities will be created;
 - The organisation must bring social, environmental or economic benefit to the community; or
 - Contribute to the sustainable development of the borough;

- The applicant must prove economic value of bringing empty commercial properties back into use and the following benefits derived (The property must have been vacant for a minimum of 12 months):
 - New employment opportunities will be created;
 - The organisation must bring social, environmental or economic benefit to the community; or
 - Contribute to the sustainable development of the borough;
- Provide the resident of the borough with such services, opportunities or facilities that cannot be obtained locally or are not provided locally by another organisation;
- The ratepayer must demonstrate that assistance (provided by the discretionary rate relief) will be for a short time only and that any business/operation is financially viable in the medium and long term;
- The ratepayer must show that the activities of the organisation are consistent with the Council plan.

Where a ratepayer can demonstrate that the criteria is met, the period and value of relief granted will be solely at the discretion of the Council.

A formal application from the ratepayer will be required in each case and any relief granted, will be in line with State Aid requirements.

Excepted organisations

Relief cannot be granted to excepted properties, i.e. one where all or part of the property is occupied by any of the following:

- A billing authority, such as Rushmoor Borough Council, or
- A precepting authority such as Hampshire County Council, Police and Crime Commissioner and Hampshire Fire and Rescue Authority.

Cost of awarding relief

The cost of awarding all forms of rate relief is split between central government, billing authorities and major preceptors on a fixed percentage basis.

Central Government bears 50% of the cost, the county 9%, the fire authority 1% and billing authorities the remaining 40%.

In regard to discretionary rate relief, if the relevant conditions are satisfied, the local authority has the discretion to award or refuse the application. When making their decision the local authority must consider the guidelines and appendices in this document and take into account the impact that such awards might have on local authority tax payers in the area, as 40% of the cost is borne by the local authority.

State aid

The issue of some rating reliefs being considered as qualifying as state aid is now of some significance and is briefly explained in the “Rate Relief for Charities and other Non-Profit Making Organisations” guidance note issued by the Office of the Deputy Prime Minister in December 2002.

Broadly, any award of discretionary rate relief is subject to State Aid De Minimis limits. The De Minimis regulations allow an undertaking to receive up to €200,000 of De Minimis Aid in a three-year period (consisting of the current financial year and the two previous financial years).