

Business Rates Information Letter

(14/2009): Business Rates Information Letter

This is the fourteenth business rates information letter to be issued by the Department this year. Previous letters are available on the internet at:

<http://www.communities.gov.uk/localgovernment/localgovernmentfinance/businessrates/busratesinformationletters/>

This letter covers:

- ♣ 2010 Revaluation
- ♣ Provisional Multipliers

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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 (14/2009): 2010 Revaluation and the Provisional Multipliers

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This letter covers:

2010 REVALUATION - TRANSITIONAL RELIEF SCHEME

1. The five-yearly business rates revaluations make sure each business pays its fair contribution and no more by ensuring the share of the national rates bill paid by any one business reflects changes over time in the value of their property relative to others. The 2010 revaluation will not raise a single extra penny for Government.
2. Over a million properties will see their business rate liabilities come down as a result of revaluation. The Government intends to put in place a £2 billion relief scheme to limit the impact on the minority with bill increases. This is on top of the wider support available to help ease business pressures including discounted rate bills for small businesses and deferring tax payments
3. The Government consulted in July on proposals for the transitional relief scheme for the 2010 revaluation, inviting views on four options:
4. Option 1: annual caps on both increases and reductions over 4 years with different caps for small and large properties

5. Option 2: the same caps on increases as option 1, but funded from a supplement on all other rate bills
6. Option 3: annual caps on both increases and reductions over 5 years, with different caps for small and large properties
7. Option 4: the same caps on increases as option 3. but funded from a supplement on all other rate bills.
8. The responses to the consultation have been considered and the transitional arrangements for 2010-2015 have now been finalised.
9. The scheme will cap increases to rates bills over a five-year period and will be funded by capping reductions in other rates bills (option 3). The caps will be structured as follows:

| | | Option 3 | | | | |
|---|---------------------------------|----------|---------|---------|---------|---------|
| | | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
| Option 3 | upward cap (small properties) | 5% | 7.5% | 10% | 15% | 15% |
| | upward cap (large properties) | 12.5% | 17.5% | 20% | 25% | 25% |
| Option 3 | downward cap (small properties) | 20% | 30% | 35% | 55% | 55% |
| | downward cap (large properties) | 4.6% | 6.7% | 7% | 13% | 13% |
| Note: there are year on year caps on increases. For instance, the maximum increase for small properties over 5 years would be 64%. But a small property with an increase of 7% would reach their full bill in year 2. | | | | | | |

10. The Government's response to the consultation exercise, which includes a summary of the responses is available from <http://www.communities.gov.uk/publications/localgovernment/nndrr/evaluation2010responses>. The final impact assessment will be published shortly on the Department's web site at <http://www.communities.gov.uk/corporate/publications/impact-assessments/>.
11. The Chargeable Amounts Regulations giving effect to these arrangements will be laid shortly and, subject to Parliamentary approval, will come into force before the end of December.

The Provisional Multipliers

12. Under Schedule 7 to the Local Government Finance Act 1988 (the 1988 Act) as amended there are two multipliers.

13. The small business non-domestic rating multiplier, which is applicable to those that qualify and successfully apply for the small business relief, and the non-domestic rating multiplier, which includes the supplement to pay for the small business rate relief scheme.

14. The small business non-domestic multiplier is determined by Schedule 7 to the 1988 Act. These rules ensure that the Government does not raise extra revenue, before inflation, as a result of revaluation. The small business multiplier in 2010/11 is based on the 2009/10 multiplier adjusted for:

- The change in total rateable value between the 2005 and 2010 rating lists (after allowing for losses in rateable value for appeals), and
- Inflation for September 2009 (-1.4%)

15. This provides a provisional small business non-domestic multiplier for 2010/11 of 40.7p.

16. Schedule 7 of the 1988 Act also provides that the non-domestic rating multiplier is the small business non-domestic multiplier plus an adjustment to fund the estimated cost of the small business rate relief scheme.

17. The Secretary of State has estimated that the supplement to fund small business rate relief should be at 0.7p for 2010/11.

18. The provisional non-domestic multiplier will therefore be 41.4p in 2010/11.

19. In accordance with Schedule 7 to the 1988 Act, the provisional multipliers will be confirmed after either the local government finance report for 2010/11 has been approved by Parliament or 1st March 2010.