

Revenues Services



Gedling Borough Council

Retail Discount | Guidance

Retail Discount Guidance

1. Introduction

- 1.1 The Government announced in the Budget on 29th October 2018 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 years 2019-20 and 2020-21.

2. How will the discount be provided?

- 2.1 As this is a measure for 2019-20 and 2020-21 only, the Government is not changing the legislation around the reliefs available to properties.
- 2.2 Instead the Government will, in line with the eligibility criteria set out in its own guidance, reimburse Gedling Borough Council (the Council) where it exercises its discretionary relief powers, introduced by the Localism Act (under section 47 of the Local Government Finance Act 1988, as amended) to grant relief.
- 2.3 The Council will follow this guidance to decide in each individual case when to grant retail discount.
- 2.4 Central government will fully reimburse the Council for the local share of the discretionary discount (using a grant under section 31 of the Local Government Act 2003). The Government expects the Council to grant a discount to qualifying ratepayers.

3. Delegation

- 3.1 The authority to determine applications in the first instance for retail discount only is delegated to the Director responsible for Revenues Services.

4. Properties that will benefit from the discount

- 4.1 Properties that will benefit from the discount 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.
- 4.2 The Council considers shops, restaurants, cafes and drinking establishments 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 licences, 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: hair dressers, nail bars, beauty salons, tanning shops, etc)
- Shoe repairs/ key cutting
- Travel agents
- Ticket offices e.g. for 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

4.3 To qualify for the discount the hereditament should be wholly or mainly being used as a shop, restaurant, cafe or drinking establishment. In a similar way to other reliefs (such as charity relief), this is a test on use rather than occupation. Therefore, hereditaments which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the discount.

4.4 The list set out above is not intended to be exhaustive as it would be impossible to list the many and varied retail uses that exist. There will also be mixed uses. However, it is intended to be a guide as to the types of uses that the Council considers for this purpose to be retail. The Council will determine whether particular properties not listed are broadly similar in nature to those above and, if so, consider them eligible for the discount. Conversely, properties that are not broadly similar in nature to those listed above will not be eligible for the discount.

4.5 The list below sets out the types of uses that the Council does not consider to be retail use for the purpose of this discount. Again, the Council will determine

whether particular properties are broadly similar in nature to those below and, if so, consider them not eligible for the discount.

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 advisers, tutors)
- Post office sorting offices

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

4.6 Generally speaking, the Council also does not consider other assembly or leisure uses beyond those listed at paragraph 4.2 to be retail uses for the purpose of the discount. For example, cinemas, theatres and museums are outside the scope of the scheme, as are nightclubs and music venues which are not similar in nature to the hereditaments described at paragraph 4.2 (iii) above. Hereditaments used for sport or physical recreation (e.g. gyms) are also outside the scope of the discount. Where there is doubt, the Council will exercise its discretion with reference to the above and knowledge of the local tax base.

5. How much discount will be available?

5.1 The total amount of government-funded discount available for each property for 2019/20 and 2020/21 under this scheme is one third of the bill, after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied, excluding those where the Council has used its discretionary relief powers introduced by the Localism Act which are not funded by section 31 grants. There is no discount available under this scheme for properties with a rateable value of £51,000 or more. Of course, the Council may use its discretionary powers to offer further discounts outside this scheme. However, where the Council applies a locally funded relief, sometimes referred to as a hardship fund, under section 47 this will be applied after the Retail Discount.

5.2 The eligibility for the discount and the discount itself will be assessed and calculated on a daily basis. The following formula will be used to determine the amount of discount to be granted for a chargeable day for a particular hereditament in the financial year 2019-20:

5.3 Amount of relief to be granted =

$$\frac{V}{3}$$

Where V is the daily charge for the hereditament for the chargeable day after the application of any mandatory relief and any other discretionary reliefs,

excluding those where the Council has used its discretionary relief powers introduced by the Localism Act which are not funded by section 31 grants.

- 5.4 This will be calculated ignoring any prior year adjustments in liabilities which fall to be liable on the day.
- 5.5 Ratepayers that occupy more than one property will be entitled to the discount for each of their eligible properties, subject to State Aid De Minimis limits.
- 5.6 Annex A to this guidance provides a list potential discount scenarios and calculations. This list is not intended to be exhaustive.

6. State Aid

- 6.1 State Aid law is the means by which the European Union regulates state funded support to businesses. Providing discretionary relief to ratepayers is likely to amount to State Aid. However retail discount will be State Aid compliant where it is provided in accordance with the De Minimis Regulations (1407/2013).
- 6.2 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). The Council is familiar with the terms of this State Aid exemption, in particular the types of undertaking that are excluded from receiving De Minimis aid (Article 1), the relevant definition of undertaking (Article 2(2)) and the requirement to convert the aid into Euros.
- 6.3 To administer De Minimis it is necessary for the Council to establish that the award of aid will not result in the undertaking having received more than €200,000 of De Minimis aid. The Council will write to each person or undertaking to whom it grants a discount and request that they make a De Minimis declaration, to discharge this responsibility. Note that the threshold only relates to aid provided under the De Minimis Regulations (aid under other exemptions or outside the scope of State Aid is not relevant to the De Minimis calculation). Where the Council has further questions about De Minimis or other aspects of State Aid law, it will seek advice from its Legal Services team in the first instance.
- 6.4 The UK is scheduled to leave the EU on 29th March 2019. If there is an implementation period, the State Aid 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 EU State Aid rules into UK domestic legislation, with only technical modifications to correct deficiencies with the transposed EU law to ensure the regime operates effectively in a domestic context. The Council will therefore continue to apply State Aid rules, including De Minimis, to the discount for 2019/20 and 2020/21.

7. Splits, mergers, and changes to existing hereditaments

- 7.1 The discount will be applied on a day to day basis using the formula set out above. A new hereditament created as a result of a split or merger during the financial year, or where there is a change of use, will be considered afresh for the discount on that day.

Annex A | Calculation examples for 2019/20

The retail discount (one third) is always calculated after mandatory relief and other discretionary reliefs funded by section 31 grant.

Example 1: An occupied shop with a rateable value of £40,000

Gross rates (before any reliefs) = £40,000 x 0.491	= £19,640
Retail discount (1/3):	= -£6,547
Rates due (after retail discount):	= £13,093

Example 2: An occupied charity shop with a rateable value of £40,000

Gross rates (before any reliefs) = £40,000 x 0.491	= £19,640
Net rates after charity relief:	= <u>£3,928</u>
Retail discount (1/3):	= -£1,309
Rates due (after charity relief and retail discount):	= £2,619

Example 3: An occupied shop with a rateable value of £13,500 eligible for Small Business Rate Relief (SBRR)

Gross rates (before any reliefs) = £13,500 x 0.491	= £6,629
Net rates after SBRR (50%):	= <u>£3,314</u>
Retail discount (1/3):	= -£1,105
Rates due (after SBRR and retail discount):	= £2,210

Example 4: An occupied shop with a rateable value of £10,000 eligible for Small Business Rate Relief (SBRR)

Gross rates (before any reliefs) = £10,000 x 0.491	= £4,910
Net rates after SBRR (100%):	= £nil
Rates bill is nil and, therefore, no retail discount applies	

Example 5: An occupied shop with a rateable value of £40,000 eligible for Transitional Relief (TR) and receiving Revaluation Discretionary Relief

Gross rates (before any reliefs) = £40,000 x 0.491	= £19,640
Transitional Relief (say):	= -£1,500
Net rates after Transitional Relief:	= £18,140
Net rates after Revaluation Discretionary Relief (say):	= <u>£15,140</u>
Retail discount (1/3):	= -£5,047
Rates due (after TR, revaluation relief and retail discount):	= £10,093

Example 6: An occupied shop with a rateable value of £18,000 previously paying nothing prior to revaluation 2017 and eligible for Supporting Small Businesses Relief (SSB)

Gross rates (before any reliefs) = £18,000 x 0.491	= £8,838
Supporting Small Businesses Relief (say):	= -£7,038
Net rates after SSB:	= <u>£1,800</u>
Retail discount (1/3):	= -£600
Rates due (after SSB and retail discount):	= £1,200

Example 7: A shop with a rateable value of £40,000 (example 1) but only occupied until 30th September 2019

Gross rates (before any reliefs) = £40,000 x 0.491	= £19,640
Retail discount (1/3):	= -£6,547
Rates due p.a. (after retail discount):	= £13,093
Daily charge while occupied (leap year):	= £35.77 per day
Occupied charge 1/4/19 to 30/9/19 (183 days):	= £6,547
Unoccupied property relief (1/10/19 to 1/1/20):	= £nil
Unoccupied property rates (1/1/20 to 31/3/20), £19,640 x 91/366	= £4,883
Rates due for the year (after retail discount):	= £11,430

Example 8: A shop with a rateable value of £40,000 (example 1) with a rateable value increase to £60,000 with effect from 1st October 2019

Gross rates (before any reliefs) = £40,000 x 0.491	= £19,640
Retail discount (1/3):	= -£6,547
Rates due p.a. (after retail discount):	= £13,093
Daily charge while occupied (leap year):	= £35.77 per day
Charge 1/4/19 to 30/9/19 (183 days):	= £6,547
Daily charge on standard multiplier (1/10/19 to 1/1/20): (£60,000 x 0.504)/366	= £82.62 per day
Charge 1/10/19 to 31/3/20 (183 days):	= £15,120
Rates due for the year (after retail discount):	= £21,667

Author: Andrew Solley | January 2019

Last Review: None

Next Review Due: June 2019