EXPLANATORY MEMORANDUM TO

THE LOCAL GOVERNMENT FINANCE ACT 1988 (NON-DOMESTIC RATING MULTIPLIER) (ENGLAND) ORDER 2017

2017 No. 0000

1. Introduction

1.1 This explanatory memorandum has been prepared by HM Treasury and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

2.1 These Regulations make an order in exercise of the powers conferred by paragraph 5(3) of Schedule 7 to the Local Government Finance Act 1988(1).

2.2 The instrument changes the annual indexation of the non-domestic multiplier used to calculate business rates from the retail prices index to the consumer prices index for 2018-19.

3. Matters of special interest to Parliament

Matters of special interest to the Select Committee on Statutory Instruments

3.1 None.

Other matters of interest to the House of Commons

3.2 This entire instrument applies only to England.

3.3 In the view of the Department, for the purposes of House of Commons Standing Order 83P the subject-matter of this entire instrument would be within the devolved legislative competence of the Northern Ireland Assembly if equivalent provision in relation to Northern Ireland were included in an Act of the Northern Ireland Assembly as a transferred matter and the Scottish Parliament if equivalent provision in relation to Scotland were included in an Act of the Scottish Parliament and the National Assembly for Wales if equivalent provision in relation to Wales were included in an Act of the National Assembly for Wales.

4. Legislative Context

4.1 Schedule 7 to the Local Government Finance Act 1988 establishes a procedure to determine the non-domestic rating multiplier for each chargeable financial year. This procedure includes a calculation, set out in paragraph 3, with a variable referred to as "B". Unless a Treasury order is issued that says otherwise, B is the retail prices index for September of the financial year preceding the year concerned. If the government was not switching to the consumer price index, for the financial year beginning on 1st April 2018 B would be the retail prices index for September 2017, which is 275.1.

4.2 Paragraph 5(3) of Schedule 7 to the Local Government Finance Act 1988 establishes that if the Treasury so provide by order in relation to the year concerned, then B shall

(**1**) 1988 c.41.

equal a figure which is less than that index and which is specified in the order, in place of that index.

4.3 The Local Government Finance Act 1988 (Non-Domestic Rating Multipliers) (England) Order sets out that for the purposes of paragraph 3 of Schedule 7 to the Local Government Finance Act 1988, in the financial year beginning on 1st April 2018, B is specified as 272.8.

5. Extent and Territorial Application

5.1 The extent of this instrument is England and Wales.

5.2 The territorial application of this instrument is England.

6. European Convention on Human Rights

6.1 The Financial Secretary to the Treasury has made the following statement regarding Human Rights:

"In my view the provisions of the Local Government Finance Act 1988 (Non-Domestic Rating Multipliers) (England) Order 2017 are compatible with the Convention rights."

7. Policy background

What is being done and why

7.1 National non-domestic rates are calculated as the product of a hereditament's rateable value, as determined independently by the Valuation Office Agency, and the non-domestic rating multiplier. A hereditament is a taxable unit of property.

7.2. Unless HM Treasury exercises its Order making power, the non-domestic multiplier will be adjusted each year by the 12 month percentage change in the retail prices index for the preceding September. For the financial year beginning on 1st April 2018 this figure would have been 3.9%.

7.3 In light of the recent rise in inflation, the planned switch in the annual increase of the non-domestic rating multiplier from the retail price index to the consumer price index will be brought forwards by two years to 1st April 2018. This was announced by the Chancellor of the Exchequer at Autumn Budget 2017. The consumer price index that will be used is 3%.

7.4 These regulations set out the figures to be used to set the non-domestic rating multiplier for the financial year beginning on 1st April 2018.

7.5 The business rates non-domestic rating multiplier is the small business non-domestic multiplier plus an adjustment to fund a proportion of the estimated cost of the small business rate relief scheme. The Secretary of State for Communities and Local Government has estimated that the supplement to fund small business rate relief should be 1.3p for 2018-19.

7.6 Given that the consumer prices index is lower than the retail prices index, the change means that the non-domestic rates multiplier will increase by a lower amount than expected. Therefore all ratepayers will benefit from the change.

Consolidation

7.7 Not applicable.

8. Consultation outcome

8.1 No consultation has been carried out prior to this Treasury Order being made.

9. Guidance

9.1 Guidance on business rates in general can be found on gov.uk (https://www.gov.uk/introduction-to-business-rates).

10. Impact

10.1 All businesses, charities and voluntary bodies that pay non-domestic rates will benefit from the non-domestic rates multiplier increasing by a lower amount than expected.

10.2 All public sector organisations that pay non-domestic rates will benefit from the non-domestic rates multiplier increasing by a lower amount than expected.

10.3 An Impact Assessment has not been prepared for this instrument as it amends a local tax regime.

11. Regulating small business

11.1 The legislation applies to activities that are undertaken by small businesses.

11.2 No specific action is proposed to apply these regulations differently to small businesses as the impact is positive.

12. Monitoring & review

12.1 The operation of these Regulations will be monitored and reviewed as part of the operation of the national non-domestic rates system as a whole.

13. Contact

13.1 Deborah De Beukelaer at HM Treasury Telephone: 0207 270 1798 or email: deborah.debeukelaer@hmtreasury.gsi.gov.uk can answer any queries regarding the instrument.