**EXPLANATORY MEMORANDUM TO**

**THE NON-DOMESTIC RATING (SMALL BUSINESS RATE RELIEF) (ENGLAND) (AMENDMENT) ORDER 2014**

**2014 No. 43**

**1.** This explanatory memorandum has been prepared by the Department for Communities and Local Government and is laid before Parliament by Command of Her Majesty.

## 2. Purpose of the instrument

2.1 This instrument amends the Non-Domestic Rating (Small Business Rate Relief) (England) Order 2012 ("the 2012 Order") to provide for a temporary extension to the increase in small business rates relief in England until 31st March 2015 and to extend the scope of the relief where small businesses expand.

## 3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None

## 4. Legislative Context

4.1 The 2012 Order prescribes the conditions for eligibility for small business rate relief and the rates of relief in relation to eligible hereditaments[1]. A hereditament is only eligible where it is the sole hereditament occupied by the ratepayer, but additional hereditaments are disregarded where their rateable value is not more than £2,599 and the aggregate rateable value of all hereditaments occupied by the ratepayer does not exceed £25,499 if situated in Greater London or £17,999 if situated outside Greater London. This instrument substitutes new provisions for articles 3(6) and 4(7) of the 2012 Order so that where a ratepayer starts to occupy an additional hereditament, the ratepayer does not lose the benefit of the relief for the first 12 months of occupation.

4.2 Where the eligibility criteria are satisfied a ratepayer's daily liability for non-domestic rates in respect of that hereditament is determined under section 43(4A) of the Local Government Finance Act 1988. Section 43(4A) provides for the calculation in accordance with the formula (A x D) divided by (C x E) where: A is the rateable value of the hereditament[2]; D is the small business non-domestic rating multiplier for the financial year[3]; C is the

[1] A hereditament is the unit of property which is the subject of rating.
[2] The rateable value of the hereditament (the measure of liability for rating) is the notional annual rent at which it is estimated the hereditament might reasonably be expected to let.
[3] The small business non-domestic rating multiplier for a financial year is determined by the Secretary of State in accordance with the provisions contained in Schedule 7 to the 1988 Act.

number of days in the financial year; and E is such amount as is prescribed in relation to the hereditament by the Secretary of State by order. Article 4 of the 2012 Order prescribes the amount of E for the financial years beginning on 1st April 2012 and 2013 and article 3 of the 2012 Order prescribes the amount of E for subsequent financial years.

4.3 This instrument amends the 2012 Order to apply article 4 of the 2012 Order to the financial year beginning on 1st April 2014. The effect of this amendment is to extend the temporary doubling of the level of small business rate relief for a further year. Article 4 will also continue to apply in respect of days falling within the financial years which started on 1st April 2012 and 1st April 2013.

## 5. Territorial Extent and Application

5.1 This instrument applies to England.

## 6. European Convention on Human Rights

6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

## 7. Policy background

7.1 The Small Business Rate Relief scheme, which was introduced in 2005, addresses the disproportionate burden that business rates place on small businesses compared with larger concerns. Relief is available under the scheme to businesses that generally occupy a single property below rateable value threshold. The relief is funded by a supplement on the rates bills of higher value properties.

7.2 To help fledging businesses, as well as existing ones, during the prevailing economic climate, it was announced in the March 2010 Budget that the level of Small Business Rate Relief would be temporarily doubled for one year. That doubling was subsequently extended and is due to end on the 31st March 2014.

7.3 However, the Chancellor announced in the Autumn Statement 2013 a further one year extension of the scheme so the higher level of relief will apply throughout the 2014-15 billing year.

7.4 The Chancellor also announced at the Autumn Statement that, to remove a disincentive to growth, ratepayers would continue to receive Small Business Rate Relief for a further 12 months where they take on an additional property. Current rules mean that generally a ratepayer can only receive relief if they occupy one property (although additional hereditaments are disregarded where their rateable value is not more than £2,599 and the aggregate rateable value of all hereditaments occupied by the ratepayer does not exceed £25,499 if situated in Greater London or £17,999 if situated outside Greater London).

7.5 The extra costs of the relief are being met by central government rather than being funded by the supplement on other ratepayers.

## 8. Consultation outcome

8.1 As this is an Autumn Statement measure, no consultation was entered into.

## 9. Guidance

9.1 The Government provides information to authorities on the delivery of the policy changes through the usual method of Business Rates Information Letters which can be found at:

**https://www.gov.uk/government/collections/business-rates-information-letters**

## 10. Impact

10.1 An Impact Assessment has not been prepared for this instrument as there will be no new impact on the private or voluntary sector. The measure simply extends the existing temporary measure for another financial year and makes a minor amendment to allow ratepayers continue to receive Small Business Rate Relief for a further 12 months where they take on an additional property.

## 11. Regulating small business

11.1 The legislative changes contained in this Order are intended to benefit small businesses.

## 12. Monitoring & review

12.1 The Government will monitor and review the impact of the measure in the usual course of business.

## 13. Contact

Junaid Azam at the Department for Communities and Local Government - Tel: 030344 – 43598 or email: Junaid.azam@communities.gsi.gov.uk who can answer any queries regarding the instrument.