**EXPLANATORY MEMORANDUM TO**

**THE NON-DOMESTIC RATING (SMALL BUSINESS RATE RELIEF) (ENGLAND) (AMENDMENT) ORDER 2015**

**2015 No. 106**

**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 further temporary extension to the increase in small business rate relief in England until 31st March 2016.

## 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]. Where the eligibility criteria are satisfied a non-domestic 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 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 days falling between 1st April 2012 and 31st March 2015. Article 3 of the 2012 Order prescribes the amount of E for subsequent financial years.

4.2 This instrument amends the 2012 Order to apply article 4 of the 2012 Order to the financial year beginning on 1st April 2015. The effect of this amendment is to extend 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.

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 on and after 1st April 2012.

## 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 business compared with larger concerns. Relief is available under the scheme to businesses that generally occupy a single property below a rateable value threshold. The relief is funded by a supplement on the rates bills of higher value properties.

7.2 To help fledgling businesses, as well as existing ones, 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 2015.

7.3 The Chancellor announced in the Autumn Statement 2014 a further one-year extension of the scheme so the higher level of relief will apply throughout the 2015-16 financial year.

7.4 The extra costs of the relief (the doubling effect) 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 billing authorities on the delivery of policy changes through the regular issue of Business Rate Information Letters. These letters can be found at:

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

## 10. Impact

10.1 An impact assessment has not been produced for this instrument because it amends an existing local tax regime. Publication of a full impact assessment is not necessary for such legislation.

## 11. Regulating small business

11.1 The legislative changes contained in this instrument are intended to benefit small business.

## 12. Monitoring & review

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

## 13. Contact

Paulette McGhan at the Department for Communities and Local Government (Tel: 030 344 41360 or email: paulette.mcghan@communities.gsi.gov.uk) can answer any queries regarding the instrument.