

These notes refer to the Rating (Former Farm Premises and Rural Shops) Act 2001 (c.14) which received Royal Assent on 11 May 2001

RATING (FORMER FARM PREMISES AND RURAL SHOPS) ACT 2001

EXPLANATORY NOTES

INTRODUCTION

1. These explanatory notes relate to the Rating (Former Agricultural Premises and Rural Shops) Act 2001 which received Royal Assent on 11th May 2001. They have been prepared by the Department of the Environment, Transport and the Regions in order to assist the reader in understanding the Act. They do not form part of the Act and have not been endorsed by Parliament.
2. The notes need to be read in conjunction with the Act. They are not, and are not meant to be, a comprehensive description of the Act. So where a section or part of a section does not seem to require any explanation or comment, none is given.

SUMMARY

Non-agricultural premises on what had previously been agricultural land and buildings

3. The Act establishes a 50% mandatory rate relief scheme for land and buildings used for non-agricultural purposes on what had been agricultural land and buildings for at least 183 days during the year prior to the date on which the provisions come into force. The mandatory relief will not be available to stud farms, which already benefit from an existing concession that reduces their rateable value. Local authorities will have a discretionary power to increase the relief to 100% where they feel the changed use will be of benefit to the wider community – new stud farms on previously agricultural land will also be able to qualify for this discretionary relief.
4. Both mandatory and discretionary relief will initially be limited to a maximum of 5 years, with a provision for this to be extended by Order made by the Secretary of State. However, premises that include land and buildings already qualifying for relief prior to any extension will only receive relief for a maximum of 5 years from the date the original land and buildings first qualified for relief. It is intended that relief will be limited to properties with rateable values of less than £6,000.

Extension of mandatory 50% rate relief to village food shops

5. The Act also extends mandatory 50% rural rate relief, currently only available to the sole village general store and post office, to all village shops that sell mainly food for human consumption, excluding the provision of catering and confectionery. The shops must have a rateable value of not more than £6,000, the same as the existing threshold for general stores and post offices, and be situated in a qualifying settlement. Food shops receiving mandatory relief will also be eligible for top-up relief of up to 100% at the discretion of the local authority.

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6. The Act will extend to both England and Wales but allows for separate commencement powers to be exercised by the National Assembly for Wales and for the power to make orders in relation to Wales to be exercised by the Assembly.

BACKGROUND

Non-agricultural premises on what had previously been agricultural land and buildings

7. Land and buildings used in connection with agricultural operations on the owner's own farm are exempt from non-domestic rates, but non-agricultural activities are rateable. Therefore, farmers face a new rate liability when moving any of their property from agricultural to non-agricultural uses. This is perceived as a barrier to diversification into non-agricultural activities.
8. On 30 March 2000 the Prime Minister announced the Government's *Action Plan for Farming* in which commitment was given to consult on extending rate relief to new horse enterprises linked to farms to assist farmers to diversify. A consultation paper *Rate Relief for Horse enterprises on Farms* was issued on 25 August 2000 but was not well received by the farming community who perceived the proposals as not providing sufficient help to farmers. A further consultation paper *Rate Relief for Farm Diversification enterprises* was issued on 28 November 2000 proposing to extend the relief to all new small non-agricultural enterprises on farms for a 5 year period. This Act implements the proposed relief, as revised in the light of consultation responses.

Extension of mandatory 50% rate relief to village food shops

9. The village shop rate relief scheme was introduced by the Local Government and Rating Act 1997, which effected the new relief scheme by amendments to the Local Government Finance Act 1988. The provisions came into force on 1 April 1998 and are designed to help rural communities by sustaining rural shops and post offices, which supply essential goods and services and provide a focal point for village life.
10. Under the scheme, the sole general store and/or post office in a rural settlement of no more than 3,000 is entitled to 50% mandatory relief. Local authorities have the power to top this up to 100%. They also have discretionary powers to grant up to 100% rate relief to any other business in a qualifying rural settlement where they are satisfied that the business is of benefit to the rural community and the cost to the council taxpayer is justified. Local authorities have to meet 25% of the costs of discretionary relief from their own funds. Mandatory relief is subject to a rateable value limit of £6,000. Discretionary relief is subject to a rateable value limit of £12,000.
11. It is for local authorities to decide which of their communities located in a designated rural area meet the qualifying criteria and to place them on a rural settlement list. The rural areas themselves are designated centrally by the Secretary of State. They are areas that are predominately non-urban and are not part of, or near (within 200 metres), of a larger urban area. They are usually based on parishes, or unparished areas of similar scale. The scheme was originally based on those areas designated by the Housing Right to Acquire or Enfranchise Orders. Since then the Secretary of State has designated a further 115 areas as being rural for the purposes of the rate relief scheme

THE ACT

12. The relevant legislation is in sections 43 and 47 of the Local Government Finance Act 1988 as amended by the Local Government and Housing Act 1989, the Local Government Finance Act 1992, the Local Government and Rating Act 1997, the Greater London Authority Act 1999 and the Postal Services Act 2000.
13. *Section 1* amends section 43 of the 1988 Act to provide the mandatory 50% relief for former agricultural premises.

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14. *Subsection (3)* inserts a new subsection (6F) into section 43 setting out the conditions a hereditament must meet if it is to qualify for the 50% mandatory rate relief. These are:
 - its rateable value shown in the rating list at the beginning of the financial year is not more than the amount prescribed by the Secretary of State;
 - that land and buildings contained within the hereditament must have been wholly or mainly agricultural (disregarding domestic property) for at least 183 days in the year preceding the commencement of the Act;
 - on the relevant day for which rates are chargeable some land or buildings which were agricultural on 183 days during that period are not agricultural; and
 - the hereditament does not qualify for stud farm relief on the relevant day.
15. This section also :
 - places a 5 year limit on the relief from the date the provisions of the Act come into effect;
 - gives the Secretary of State the power to extend the life of the relief for a further period or periods; and
 - if the period is extended, limits mandatory relief for hereditaments that include land and buildings already qualifying for relief as part of an earlier hereditament, to a 5 year period commencing on the day that earlier hereditament first qualified for rate relief.
16. *Subsection (4)* provides that if a hereditament qualifies for relief under both section 43(5) of the 1988 Act (use for charitable purposes) and section 43(6A) (certain premises in rural settlements, including qualifying food stores), it receives the greater relief under section 43(5), which is worth 80% rather than 50% of the rates Bill.
17. *Section 2* enables the local authority to determine the daily rate liability of a hereditament that qualifies for the 50% mandatory relief for former agricultural premises instead of the formula set out in section 43 of the 1988 Act. This enables local authorities to top-up the mandatory relief with discretionary relief up to 100%. Hereditaments which receive the existing stud farms relief, but would otherwise be eligible for mandatory relief under section 1, will qualify for this discretionary relief under section 2.
18. *Section 3* adds village food stores to the list of other hereditaments that can qualify for mandatory 50% village shop rate relief.
19. *Subsection (3)* defines a village food store as one that is wholly or mainly selling food on a retail basis for human consumption. The supply of confectionery and of food in the course of catering is excluded. Catering is defined as the supply of food for consumption on the premises or of hot food that is eaten off the premises. This excludes such establishments as restaurants, cafes, tea-rooms and fast food shops but not food shops that only sell small amounts of such items.
20. *Section 4* enables the National Assembly for Wales to make separate orders for hereditaments in Wales.
21. *Section 6(2)* contains the commencement provision. The Act is to be brought into force on such day or days as the Secretary of State or (in Wales) the National Assembly for Wales by order appoints.

COMMENCEMENT

22. It is proposed that the Act be brought into force as soon as is practicable but no later than 1 April 2002 in England. Separate commencement powers are provided for Wales, exercisable by the National Assembly for Wales.

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PASSAGE THROUGH PARLIAMENT

Stage	Date	Hansard Reference
House of Commons		
First Reading	16 March 2001	Vol 364 Col 1294
Second Reading	30 April 2001	Vol 367 Cols 647-718
Committee	8 May 2001	Hansard Standing Committee B
Report	9 May 2001	Vol 368 Cols 222-239
Third Reading	9 May 2001	Vol 368 Cols 222-239
House of Lords		
First Reading	10 May 2001	Vol 624 Cols 2247-2267
Second Reading	10 May 2001	Vol 624 Cols 2247-2267
Committee	10 May 2001	Vol 624 Cols 2247-2267
Report	10 May 2001	Vol 624 Cols 2247-2267
Third Reading	10 May 2001	Vol 624 Cols 2247-2267
Royal Assent	11 May 2001	Vol 624 Col 2282