

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

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

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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