

LOCAL GOVERNMENT ACT 2003

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 5: Non-Domestic Rates

Section 65: Transitional relief

115. Transition schemes were established at the 1990, 1995 and 2000 revaluations to allow ratepayers time to adjust to changes in their bills, with both significant increases and decreases resulting from changes in rateable values being phased in by annual stages. This section provides that in future in England there always must be a transition scheme established at a revaluation: the current provision, section 58 of the Local Government Finance Act 1988 confers a power on the Secretary of State to establish a scheme, but does not impose a duty on him to do so. As a result of subsection (2) of the section, section 58 will in future apply in Wales only. The 1988 Act originally required transition schemes to be self-financing: the amount of rate income lost in any year through phasing in increases in bills had to be off-set by the rate income gained from phasing in decreases. The Act was however subsequently amended to allow the Exchequer, i.e. the general taxpayer, to contribute to the cost of transition schemes. Under both the 1990 and 1995 schemes there was a net loss in rate income which the Exchequer made good so that local authorities did not lose out.
116. This section imposes the requirement for future transition schemes in England to be self-financing. It allows for this to be achieved by adjusting the chargeable amount or the component elements through which the chargeable amount is calculated. The methods likely to be used include making a transition scheme which balances the rates lost through phasing in increases in bills against the rates gained by phasing in decreases, or meeting the costs of phasing in increases through what in effect amounts to a supplement on the multiplier. This section allows for either approach or a combination.
117. The details of future transition schemes in England - the maximum annual increases allowed in bills and whether they are to be funded by the phasing of decreases or through what in effect amounts to a supplement on the multiplier - will be decided in the light of the outcome of each revaluation, during the year before it takes effect. Section 65 accordingly provides for the details of schemes to be prescribed in regulations.