

EXPLANATORY MEMORANDUM TO
THE NON-DOMESTIC RATING (SMALL BUSINESS RATE RELIEF)
(ENGLAND) (AMENDMENT) ORDER 2013

2013 No. 15

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 2014.

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 hereditaments¹. 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 $(A \times D)$ divided by $(C \times E)$ where: A is the rateable value of the hereditament²; D is the small business non-domestic rating multiplier for the financial year³; 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 the financial year beginning on 1st April 2012 and 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 2013. 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 year which started on 1st April 2012.

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.

5. Territorial Extent and Application

5.1 This instrument applies to England.

6. European Convention on Human Rights

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

7. Policy background

- What is being done and why

7.1 The Small Business Rate Relief (SBRR) 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 a rateable value threshold. The relief is funded by a supplement on the rates bills of higher value properties.

7.2 To help fledging businesses set up, 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 was due to end on the 31 March 2013. The extra costs of the relief are being met by central Government rather than being funded by the supplement.

7.3 In the Autumn Statement 2012 the Chancellor announced that, to provide further help to businesses, the doubled level of small business rate relief would be extended for a further year to cover the period 1 April 2013 to 31 March 2014. The extra costs will continue to be met by central Government.

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/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.

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.