



# *Small Business Rate Relief*

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A summary of consultation responses



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On 5th May 2006 the responsibilities of the Office of the Deputy Prime Minister (ODPM) transferred to the Department for Communities and Local Government (DCLG)

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# Introduction

## Overview

In January 2005 the Chancellor announced the Government's intention to reduce the burden of form filling on businesses. In his pre-budget report the Chancellor said:

“Already the Government has started to reduce the burden of form filling ahead of new principles to be published next year on shortening forms and greater data sharing between regulations, for instance by abolishing a requirement for 400,000 small businesses to reapply for small business rate relief every year”.

Under the original arrangements for applying for SBRR ratepayers were required to re-apply annually for the relief, which placed a burden on the ratepayer in filling out the application form and also on the billing authority in processing the applications. In light of this the Department issued a consultation paper on 22 May 2006 proposing new arrangements where ratepayers would only have to apply once for small business rate relief, for a period of up to five years between revaluations, provided the ratepayer's circumstances did not change in this period.

The consultation paper also proposed other minor changes to the scheme that would help to clarify specific provisions which had caused some confusion to practitioners and ratepayers alike.

Below is a summary of responses to the main questions posed in the consultation paper. This is followed by a summary of other general comments received.

There were 56 responses to the consultation of which 49 agreed with the main proposal that ratepayers should only apply once for small business rate relief, provided their circumstances do not change within the five years between revaluations.

## Response to main consultation questions

### **1. Should ratepayers be able to apply for small business rate relief (SBRR) just once during the five-year lifetime of a rating list, provided their circumstances remain unchanged?**

49 of the 56 respondents agreed with this proposal. These included the Confederation of British Industry (CBI), Federation of Small Business (FSB), Forum for Private Business (FPB) and local billing authorities. In support of this proposal FSB said;

*“In our view, removing the requirement to reapply on a yearly basis will make a considerable difference to ratepayers”.*

FPB surveyed 140 of their members and found that 83% of respondents were in favour of this proposal with only 4.4% against the idea.

Two respondents disagreed that ratepayers should be able to apply once. One local billing authority respondent felt that yearly applications helped local authorities to keep track of ratepayers' entitlement to the relief and to take this requirement away would result in ratepayers incorrectly receiving relief for up to five years after a change of circumstances had occurred. Notwithstanding the additional proposals for ratepayers to notify billing authorities of changes, they went on to say that diligent billing authorities would have to undertake their own annual reviews of SBRR to ensure that it was appropriate for relief to continue to be granted.

An independent rating consultant raised concerns that a move to five-yearly applications could result in billing authorities failing to promote the SBRR scheme.

### **2. Do you agree that changes in circumstances should be notified to the billing authority at the time they happen rather than at revaluation?**

It was proposed that as a condition of entitlement for SBRR, changes in circumstances must be notified to the billing authority. Failure to adhere to this requirement would result in a loss of relief until such time as the notification was made.

41 respondents were in favour of this proposal with only CBI against this idea. CBI felt notification of “minor” changes was unnecessary.

Many of those in favour of this proposal thought that the mechanics of this requirement would need to be clearly explained to ratepayers.

### **3. Do you agree with the proposals regarding changes to the rateable values of hereditaments that might affect a ratepayer's entitlement to small business rate relief?**

The consultation paper proposed that any changes in the rateable value of hereditaments occupied by the ratepayer outside of the billing authority area granting SBRR should be notified to the billing authority granting the relief. 41 respondents agreed with this proposal while 5 disagreed.

A small number of billing authorities felt that even where the ratepayer occupied more than one property in a single billing authority area, ratepayers should still be required

to notify changes in the rateable value of the additional properties. This was because without manually cross-referencing properties with ratepayers, their current software systems were unable to link additional properties to the ratepayer in receipt of SBRR.

A very small number of local billing authority respondents felt the requirement to notify changes in rateable values of properties should apply to all hereditaments occupied by the ratepayer regardless of where the hereditament was located.

**4. Where ratepayers are required to notify the billing authority of rateable value changes, should the ratepayer make a fresh application if they wish to continue receiving the relief, or should this requirement be met through the ratepayer simply informing the billing authority in writing?**

The majority (29) of the respondents that commented (39) thought the notification of changes in rateable values should be in writing rather than by way of a re-application.

**5. Do you agree with the proposed arrangements for notifying changes in occupation?**

The consultation paper proposed that ratepayers should be required to notify the billing authority granting SBRR when they vacated a property and when they occupied an additional property.

46 respondents agreed with the proposals for notifying changes in occupation.

In response to questions 3 and 5 a small number of respondents raised concerns that ratepayers may not completely understand the circumstances under which they would be required to notify the billing authority of changes. In light of these concerns, the amended legislation requires ratepayers to notify the billing authority of changes only where the rateable value of properties occupied by the ratepayer in a different billing authority area increases. Similarly, only where a ratepayer takes up occupation of a new property in a different billing authority area will they be required to notify the billing authority granting the relief.

**6. Do you agree that those ratepayers who want to continue to receive relief should be required to make a new application to the billing authority?**

35 respondents felt that where there are changes in occupation the ratepayer should be required to make a fresh application for SBRR. 3 respondents felt that the ratepayer could notify the authority in writing.

**7. Should those ratepayers no longer wanting to receive relief be required to notify the billing authority on a prescribed form or simply in writing?**

The majority (38) felt that written notification was sufficient for ratepayers who no longer want to receive SBRR. 2 respondents felt a telephone call would be sufficient and 1 local authority respondent felt there was no need to prescribe a method of notification.

**8. Should ratepayers be given a “grace period” after a change in circumstances in which they may notify the billing authority of that change without losing their entitlement to the relief? If so, do you agree that four weeks would be reasonable?**

The majority (32) of those who commented (38) on this matter agreed with a 4 week grace period in which ratepayers could notify the billing authority of a change in circumstance without losing entitlement to SBRR. Of the 32 respondents in agreement, which included FSB, FPB and the Royal Institute for Chartered Surveyors, two respondents felt the period should be for 2 months and three respondents felt the period should be 6 months. CBI felt the period should be 56 days.

### **Other comments**

The main additional comments from some of the respondents were about the criterion which requires the ratepayer’s property to be on local rating list on the 1st April in order for the ratepayer to qualify for SBRR in that financial year. Some respondents were disappointed that this criterion had not been removed as it was seen as unfairly penalising ratepayers.