

To: Finance Panel (Panel of the Scrutiny Committee)

Date: 7th April 2016

Report of: Head of Financial Services

Title of Report: Council Tax Exemptions and Discounts, National Non Domestic Rates Exemptions and Discounts

Summary

Purpose of report: To give the Panel an overview of the types of discounts and exemptions available for Business Ratepayers and Council Tax payers, how we manage and review these, and the financial implications for the Council

Key decision *No*

Executive lead member: Ed Turner, Board Member for Finance, Asset Management and Public Health

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Appendices

Appendix A: Funding of Business Rates Reliefs

Appendix B: Numbers and Values of National Non-Domestic Rates Reliefs granted for the last 3 years

Appendix C: Council Tax Exemption Classes, numbers and value of Reliefs granted as at 31 January 2016

Appendix D: Council Tax Discount Classes, numbers and values of Reliefs granted as at 31 January 2016

Appendix E: Council Tax Discretionary Discounts and premiums

Appendix F: Numbers and Values of Council Tax Exemptions and Discounts granted for the last 3 years

Appendix G: Review timetable for National Non-Domestic Rates 2016/17

Appendix H: Review timetable for Council Tax discounts and exemptions 2016/17

Appendix I: Overall map of empty properties- 6 months or more

Appendix J: Overall map of empty properties

Background

1. The Finance Panel has requested this report to understand the types of discounts and exemptions available to both the Business Rate payers (National Non Domestic Rates [NNDR]) and Council Tax payers of Oxford City Council.
2. Legislation covering both Council Tax and Business Rates can be found in the Local Government Finance Acts of 1988 and 1992, and the Localism Act 2011.

National Non-Domestic Rates (NNDR- also known as Business Rates)

3. The net annual collectable debit for Business Rates is c£88m, which can fluctuate due to changes in Rateable Values, Reliefs etc.
4. Within Business Rates legislation, there are both Mandatory and Discretionary Reliefs available to Ratepayers.

Mandatory Rate Relief

5. Mandatory Rate Relief of 80% can be awarded to charitable bodies and Community Amateur Sports Clubs (CASC), it can also be awarded to businesses in Rural Settlements (we don't have any). It is awarded for properties that are occupied.
6. For unoccupied properties, if it appears that when next in use the property will be wholly or mainly used for charitable purposes, or for a CASC, the property will be zero-rated.
7. Costs of granting Mandatory Rate Relief are split between Central Government (50%), the County Council (10%) and the City Council (40%) as shown at Appendix A.

Discretionary Rate Relief

8. Prior to the introduction of the Localism Act, Discretionary Rate Relief could only be awarded to charities (usually as a top-up to the Mandatory Relief), and to prescribed organisations (known as non-profit making organisations). From April 2012 these restrictions were removed, and a billing authority can now award Discretionary Rate Relief to any business if it is satisfied that it would be in the interest of local taxpayers to do so, and within the limits of the primary legislation and European rules on state aid. We have received some enquiries for this Relief but these have been due to the Westgate Shopping Centre redevelopment. In these cases we have suggested that they apply to the Valuation Office for a temporary reduction in Business Rates due to the car park closure which were successful, and a number are outstanding in relation to the actual closure of the centre.
9. Heat maps of empty properties in the area are shown at Appendix I and J.
10. The amount of Relief can be anything between 0% -100%.

11. These powers can be used to encourage new business and investment, regeneration projects, as well as to support local shops or community services and can be awarded for both occupied and unoccupied properties. There are already a number of other Reliefs available to businesses which may be why take up has been low in this area.

12. There are 2 specific categories of property for which 100% Discretionary Relief can be awarded on a time limited basis:

- **New Build Empty Property** (for properties built by 30/9/2016) The Chancellor announced in his Autumn Statement on 5 December 2012 that the Government will exempt all newly built commercial property completed between 1 October 2013 and 30 September 2016 from empty property rates for the first 18 months, up to the state aids limits. We currently grant Relief of £32k.

- **Reoccupation Relief** (applies where a Long Term Empty Property (12 months or more) is reoccupied. The government announced in the Autumn Statement on 5 December 2013 that it would provide a 50% Business Rates discount for 18 months for businesses moving into previously empty retail premises between 1 April 2014 and 31 March 2016, up to State Aid De Minimis limits. The government wants to encourage thriving and diverse town centres and wants to see the number of vacant shops decrease. This Relief is intended to encourage reoccupation of shops that have been empty for a long period of time and reward businesses that make this happen. We currently grant Relief of £101k

13. The City Council grants such Reliefs under its discretionary powers. The costs of granting Discretionary Rate Relief are split between Central Government (50%), the County Council (10%) and the City Council (40%) as shown at Appendix A.

Transitional Business Rate Relief Scheme

14. Transitional Relief was introduced in 2010 to help those ratepayers who were faced with higher bills. The scheme was due to end on 31 March 2015 and as a result a small number of ratepayers faced an increase to their full rates bill from 1 April 2015. The Government funded 100% of this scheme. The government announced in the Autumn Statement on 3 December 2014 that it would extend to March 2017 the current transitional Relief scheme for properties with a rateable value up to and including £50,000, due to the delay in the Revaluation of properties until 1 April 2017.

Other Business Rates Reliefs

Flood Relief

15. Businesses that were affected by flooding between 1 April 2013 and 31 March 2014 qualified for 100 per cent business rate Relief for three months (subject to state aid regulations); regardless of how long they were flooded. Under a scheme that was fully funded by the Government the Council awarded £11k of Business Rates Relief.

Retail Property Relief

16. The Government announced in the Autumn Statement on 5 December 2013 that it would provide a Relief of up to £1,000 to all occupied retail properties with a rateable

value of £50,000 or less in each of the years 2014-15 and 2015-16. In the Autumn Statement on 3 December 2014 the government announced that for 2015-16 the amount of Retail Relief for all occupied retail properties with a rateable value of £50,000 or less would be increased up to £1500. There is no extension of this Relief for 2016/17 and the scheme has now ended.

Hardship Relief

17. Hardship Relief gives the authority the power to remit or reduce the amount someone has to pay if it is satisfied that it is in the interests of the taxpayers to do so and that the ratepayer would sustain hardship if it did not do so.
18. It should only be granted for short fixed-term periods.

Relief for partly occupied hereditaments (Section 44A)

19. The Council has discretion to award Rate Relief where part of a property is unoccupied for a temporary period. The definition of 'temporary period' is not prescribed within the law and therefore Oxford City Council has the discretion to decide the period for which Relief should be awarded.

Small Business Rate Relief (SBRR)

20. Eligible properties with a rateable value of £6,000 or less receive 100% SBRR, decreasing to zero on a sliding scale up to a threshold of not more than £12,000. There are other conditions attached to this Relief in relation to additional properties the ratepayer may have.
21. In his recent Budget Announcement the Chancellor announced a number of changes to Small Business Rates Relief from 1 April 2017. These are:
 - A) Permanently doubling the Small Business Rate Relief from 50% to 100% for properties with a rateable value of £12,000.
 - B) Tapered Relief for properties with a rateable value of between £12,000 and £15,000
 - C) An increase in the threshold for the standard Business Rate multiplier to a rateable value of £51,000
 - D) From April 2020 indexation of Business Rates will be cut from RPI top CPI
 - E) More frequent revaluations
 - F) Local Government will be compensated for the loss of income as a result of these measures

Empty Property Relief

22. There is no liability for rates on an unoccupied property for a period of 3 months for commercial property, and 6 months for industrial property from the date the property becomes empty.

Exemptions from Business Rates

23. There are a number of occasions when a property is exempt from paying Business Rates.

These are:

 - Where occupation is prohibited by law
 - Action taken to prohibit occupation or acquire the hereditament

- Listed buildings
- Ancient monuments
- Minimum rateable value (£2,600)
- Personal representatives of a deceased person
- Insolvency and debt administration

24. Appendix B shows the numbers of Reliefs granted, values and trend data for the previous 3 years in detail.

25. The table below gives a brief overview of Reliefs numbers and values for the period 1/4/15-31/1/16. Further detail is shown in the appendices.

Table 1: Business Rate Reliefs		
Type of Relief	Numbers	Value £,000
Mandatory Charitable Relief	520	20,500
Empty Property Relief	296	1,282
Hardship Relief	0	0
Partly Occupied (Section 44a) Relief	1	20
Small Business Rate Relief	1,721	1,207
Local Discretionary Discounts (Flooding Relief, Retail Relief, New Build Relief and Reoccupation Relief)	845	1,324
Discretionary (Non Profit Making) Rate Relief	8	46
Totals	3,391	24,379

Council Tax

26. The net annual collectable debit for Council Tax is c£74m, which can fluctuate due to changes in property bands, discounts and exemptions etc.

27. Within Council Tax legislation there are also a number of discounts, exemptions, and reduction schemes available for the Council Tax payer to apply for. These are explained in more detail below.

Exemptions

28. Council Tax is not payable on exempt dwellings. Exemptions are prescribed by the Secretary of State.

29. The list of classes of exempt dwellings is listed at Appendix C.

Statutory Discounts

30. Council Tax is fundamentally a property tax, but there are a number of discounts available that could reduce the charge by 25% or 50%.

31. Any property that has only one adult resident can receive a 25% discount on their Council Tax, often referred to as the 'single person discount'.
32. There may be two or more persons in occupation eligible for a discount thus reducing the charge by 50%.
33. A list of the classes of discounts available is shown in Appendix D.

Discretionary Discounts and Premiums

34. A billing authority may reduce the liability of a Council Tax payer to such an extent as it sees fit (0-100%). This is known as a discretionary discount and can be for individual cases, or by determining a class of case.
35. Long term empty properties can have their charge increased by 50% after the property has been empty for more than 2 years. This is referred to as the Long Term Empty Premium.
36. The Council is at liberty to set its own Discretionary Discounts and Premiums. Those set by the Council are shown at Appendix E.

Reduction Schemes

37. In certain prescribed circumstances an eligible person can qualify for a one band reduction in their liability due to a disability. This is known as Disabled Band Reduction.
38. The Council Tax Reduction Scheme replaced the abolished Council Tax Benefit in 2013. The Council has retained its original Scheme which gives a reduction of up to 100% to those eligible for the past three years and will shortly be reviewing the scheme to ensure it remains fit for purpose.

Costs of Discounts and Exemptions

39. Adjustments are made to the Council Tax Base calculations to take into account the numbers of discounts and exemptions anticipated in each financial year to arrive at the number of Band D equivalent properties in the City Council area.

Table 2 : Council Tax exemptions and discounts		
Type of reduction	Numbers	£000
Exemption Classes	5,723	10,152
Single Person Discounts	16,939	6,676
Discount Disregards	1,420	662
Discretionary discounts (Old exemption class A & C)	113	113
Disabled Band Reduction	224	56
Empty Property Discounts	n/a	244
Council Tax reduction scheme	9,242	9,561
Totals	33,661	27,220

40. The table above gives a brief overview of Reliefs, numbers and values. Further detail is shown in the appendices.

41. Appendix F shows the numbers of discounts and exemptions granted, values and trend data for the previous 3 years.

Reviewing Discounts and Exemptions

42. Given that the value of Business Rates Relief and council tax exemptions and discounts reduces council tax income and Business Rates income by an estimated £27,220m and £24,379m per annum respectively, the Financial Services Team undertake detailed reviews based on a risk analysis. The reviews of each area are detailed as follows :

- a) Appendix G shows the review timetable for NNDR (Business Rates)
- b) Appendix H shows the review timetable for Council Tax discounts and exemptions

43. All Council Tax properties that are empty for more than 6 months are referred to the Empty Homes Officer for action

Fraud Investigation

44. Since February 2015 the Councils Fraud Investigation Team has deployed resources to assist with the review of discounts and exemptions. During this period the team have recovered £508,480 and saved £21,053 as follows:

- Council Tax Reduction Scheme (CTRS) overpayments identified for recovery - £72,182
- CTRS weekly incorrect benefit savings - £21,053
- Council Tax revenue increase from discounts / exemption removals - £51,970
- Value of National Non-Domestic Rates identified for collection through detection of unregistered businesses and Relief / exemption removals - £384,328

45. The team will continue to work with the Revenues Team in this area.

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