

## Local Government Finance Circular No. 2/2012

Available on Scottish Government Website at:  
<http://www.scotland.gov.uk/Topics/Government/local-government/17999/11203/LGFC-2-2012>



Our ref: A2177100  
9 February 2012

Dear Sir/Madam

### THE NON-DOMESTIC RATES DEFERRAL SCHEME 2012-13

1. The Scottish Government has introduced an opt-in non-domestic (business) rate deferral scheme for 2012-13. Under this scheme rate paying businesses in Scotland will be able to defer payment of part of the increase in their 2012-13 business rates bills as a result of the 5.6% increase in the poundage until 2013-14 and 2014-15. In practice this deferred amount is equal to 3.2% of the 2012-13 bill, which will be repaid half in 2013-14 and half in 2014-15.
2. In Scotland legislative competence to implement the option to defer exists under 1975 Local Government (Scotland) Act, so no additional legislation is required.
3. The Scottish Government (SG) will adjust its funding to local government in 2012-13 and in the following 2 years so that local authority budgets over the period are unaffected.
4. While the administration of business rates is a matter for each local authority the information below provides further explanation of how the scheme is expected to operate. Local authorities are encouraged to add details on the scheme to local websites and make application forms available to download.
5. Every single business property in Scotland qualifies as long as it pays non-domestic rates, including the public sector. Those with a zero rates bill (for example if in receipt of 100% relief under SBBS) have no amounts to defer.
6. The general principle is that the scheme should be as simple as possible to administer and local authorities should follow normal practice as far as is possible.

### Operation of the scheme/ calculation of payment

7. Businesses can apply to defer payment of part of the 5.6% poundage increase in the non-domestic (business) rates bill for 2012-13 into the two forward years. This equates to 3.2% of the total bill for 2012-13, including any supplements such as the large business supplement.

8. In order to make the scheme as simple as possible the amount which can be deferred will be calculated as being 3.2% of each non-domestic rate bill at 1<sup>st</sup> April 2012 or any subsequent bill issued for 2012-13, regardless of whether or not the bill has actually increased. Instances where the bill has decreased, for example where a property sees rateable value fall as a result of a valuation appeal or newly qualifies for relief under the small business bonus scheme will still have had the underlying 5.6% poundage increase applied.

9. There should be no minimum qualification, other than where the rates bill is zero (either because the property is exempt or in receipt of 100% relief). In these cases businesses will not be invited to defer (as they have no amount available to defer). However, if their status changes in year and they become eligible to pay rates they will be able to apply to defer.

10. The scheme will be open to new businesses starting up in 2012-13.

11. Where a rates bill increases or decreases during 2012-13 e.g. as a result of an appeal, becoming empty or changing relief entitlement the deferral will be recalculated as 3.2% of the new bill. Retrospective bills issued for 2012-13 should also be considered by local authority as eligible for deferral.

#### **Timetable for administration of scheme**

12. A business will have to apply to the Local Authority if it wishes to defer and a sample application form will be circulated to Local Authorities to adapt and use. The form allows a business with multiple properties to submit a single application form for all its properties by annotating the appropriate section of the application form.

13. The scheme is opt in and each business must apply if it wished to defer.

14. Businesses which apply in-year and have made some payments should be able to apply for deferral for 2012-13, provided there is still a sufficient amount outstanding on the bill of at least 3.2% at the point of application.

15. Upon receipt of the application form, the Local Authority should arrange to defer payment of a fixed amount of 3.2% of the 2012-13 bill, rounding where necessary.

16. Provided the business has not received a Final Notice for 2012-13, a 2012-13 bill may be re-issued showing the total liability as the original amount, the deferred amount subtracted off and recalculated payment terms reduced by the deferred amount. Until receipt of this new recalculated bill businesses should keep paying the original bill.

17. Repayment of the deferred amount will be split 50/50 into each of the next 2 years. 2013-14 and 2014-15 bills should show the bill for the relevant year and additionally add on 50% of the amount deferred from 2012-13. For recovery purposes it is important that deferred amounts are detailed separately.

18. The amount deferred should not be taken into account when calculating relief entitlement in 2012-13 or in the 2 forward years. Entitlement to relief will be calculated on the liability for the 2012-13 bill and not on the payment due after deferral.

## **Recovery**

19. Under the scheme liability has not been deferred and only payment terms have been amended. Therefore if a ratepayer receives a final notice for 2012-13 they will become liable for the entire 2012-13 bill including any deferred amount. Normal recovery procedures apply.

20. If a business is already at final notice stage at time of deferral application they are not eligible to apply for deferral.

21. In the case of a ratepayer's liability ending during 2012-13 they will become liable for the full rates bill, including any deferred amount. However, if they move into new premises they will be eligible to apply to defer on the new 2012-13 bill.

22. If a business receives a Final Notice in either 2013-14 or 2014-15 normal recovery procedures will commence, including recovery of any amount deferred from 2012-13. When issuing a final notice in either of these 2 years the Local Authority should clearly state amounts due for the current financial year and separately detail any due amount deferred from 2012-13. In the case where a business receives a final notice in 2013-14 recovery will be for the 2013-14 bill and additionally any deferred 2012-13 amounts from both 2013-14 and 2014-15.

23. Summary information will be published on the Scottish Government Website at [www.scotland.gov.uk/businessrates](http://www.scotland.gov.uk/businessrates) along with a separate model application form. These can be adapted for local use and must be returned by businesses to their local authority.

## **Monitoring**

24. Returns for the 3 year period will include deferral amounts on the standard templates issued by Scottish Government to Local Authorities on relief schemes. This will show total cost to each authority and number of properties that applied.

## **Distribution and further information**

26. Any enquiries about this Circular should be directed to me at the above address.

Yours faithfully,  
**MARIANNE COOK**