

**Finance Circular No 8/2009**  
**By Email**

Chief Executives, Scottish Local Authorities  
Copy to: Directors of Finance  
Heads of Revenue  
COSLA

Our ref: B2984018  
15 June 2009

Dear Sir/Madam

**THE NON-DOMESTIC RATING DEFERRAL SCHEME 2009-10**

1. In light of the current economic downturn, The Scottish Government and all 32 Scottish Local Authorities have introduced a non-domestic (business) rate deferral scheme. Under this scheme businesses in Scotland will be able to defer payment of 60% of the increase in their 2009-10 business rates bills as a result of the 5% increase in the poundage until 2010-11 and 2011-12. In practice this deferred amount is equal to 3% of the 2009-10 bill, repaid half in 2010-11 and half in 2011-12.
2. In Scotland legislative competence to implement the option to defer exists under 1975 Local Government (Scotland) Act.
3. The Scottish Government (SG) will adjust its funding to local government in 2009-10 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 will write out to businesses in June with a leaflet informing them of the scheme and an application form. After processing applications, local authorities will begin from August onwards to re-issue bills to businesses who apply.
5. The scheme is intended to help all rate paying businesses in the current economic climate. Every single business property in Scotland qualifies as long as it pays non-domestic rates, including public sector.
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 60% of the 5% poundage increase in the non-domestic (business) rates bill for 2009-10 into 2010-11 and 2011-12. This equates to 3% of each bill for 2009-10.

8. In order to make the scheme as simple as possible the amount which can be deferred will be calculated as being 3% of each non-domestic rate bill at 1<sup>st</sup> April 2009 or any subsequent bill issued for 2009-10, regardless of whether or not the bill has actually increased. Instances where the bill has decreased - for example where a property has received increased relief under the small business bonus scheme will still have had the underlying 5% 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 2009-10.
11. Where a rates bill increases or decreases during 2009-10 e.g. as a result of an appeal, becoming empty or changing relief entitlement the deferral will be recalculated as 3% of the new bill. Retrospective bills issued for 2009-10 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. In late June 2009, Local Authorities should begin to write to every business in Scotland, except those whose rates are zero in 2009-10, enclosing an information leaflet and application form. If a ratepayer has already paid in full they should also be excluded where possible. If a business has more than one property this should be sent (where possible) solely to the main address.
14. Businesses which have made some payments should be able to apply for deferral for 2009-10, provided there is still a sufficient amount outstanding on the bill of at least 3% at the point of application.
15. Upon receipt of the application form, the LA should arrange to defer payment of a fixed amount of 3% of the 2009-10 bill, rounding where necessary.
16. Provided the business has not received a Final Notice for 2009-10, a 2009-10 bill should 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. 2010-11 and 2011-12 bills should show the bill for the relevant year and additionally add on 50% of the amount deferred from 2009-10. 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 2009-10 or in the 2 forward years. Entitlement to relief will be calculated on the liability for the 2009-10 bill and not on the payment due after deferral.

## Recovery

19. Under the scheme liability has not been deferred only payment terms have been amended. Therefore if a ratepayer receives a final notice for 2009-10 they will become liable for the entire 2009-10 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 2009-10 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 2009-10 bill.
22. If a business receives a Final Notice in either 2010-11 or 2011-12 normal recovery procedures will commence, including recovery of any amount deferred from 2009-10. 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 2009-10. In the case where a business receives a final notice in 2010-11 recovery will be for the 2010-11 bill and additionally any deferred 2009-10 amounts from both 2010-11 and 2011-12.
23. A leaflet to business will be distributed to local authorities in late June, along with a separate model application form, which can be adapted for local use.

## 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

25. This Circular has been copied to your Director of Finance, Head of Revenue (or equivalent) and COSLA.
26. Any enquiries about this Circular should be directed to me at the above address.

Yours faithfully,

**Marianne Cook**