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**Chief Finance Officers of English Billing Authorities**

**FOR THE ATTENTION OF THE BUSINESS RATES SECTION**

Dear Chief Finance Officer

**Business Rates Information Letter (5/2012): Interest Rates for 2012/2013 and Discounts in Enterprise Zones**

This is the fifth business rates information letter to be issued by the Department of Communities and Local Government this year. Previous letters are available on the internet at:

<http://www.communities.gov.uk/localgovernment/localgovernmentfinance/businessrates/busratesinformationletters/>

This letter covers:

- **Interest Rate for 2012/2013**
- **Discounts in Enterprise Zones - The Non-Domestic Rating Contributions (England) (Amendment) Regulations 2012**

**Interest Rate for 2012/2013**

1. The Non-Domestic Rating (Payment of Interest) Regulations 1990 provide that the rate of interest payable on refunds of overpaid rates, arising from alterations to the rating list, should be set for any year at one percentage point below the standard rate at 15 March (or the next business day) in the preceding year.
2. I am writing to confirm that, on 15 March the standard rate was 0.5%, the rate of interest to be applied for 1 April 2012 to 31 March 2013 is 0%.

3. Local authorities should note that the Regulations only allow interest to be paid or credited and not for a charge to be imposed on over payments held.

### **Discounts in Enterprise Zones - The Non-Domestic Rating Contributions (England) (Amendment) Regulations 2012**

4. The above regulations were laid in Parliament on 7 March, will come into force on 31 March, and apply to the forthcoming financial year (2012/13). The statutory instrument can be found at the following link:

<http://www.legislation.gov.uk/ukxi/2012/664/made/data.pdf>

5. The Government has committed to fund a 100 per cent business rates discount for a five year period up to state aid de minimis levels for businesses that move into Enterprise Zones before April 2015.
6. Authorities will provide the discount using the new local discount powers contained in section 47 of the Local Government Finance Act 1988 as amended by Section 69 of the Localism Act 2011. Although the use of the power is entirely a matter for the relevant billing authority, we would encourage authorities to discuss this with the Local Enterprise Partnership that has overall responsibility for the zone. Relevant billing authorities will already have received a map(s) of the areas of the zone in which discounts will be centrally funded.
7. In 2012-13, the Government will fund discounts through the above amendment to the contribution regulations. The regulations provide for the costs of *any discount* under section 47 (i.e. including discounts to existing business and empty properties) granted in the zone, provided it complies with state aid de minimis limits, to be offset against the billing authority's contribution to the central pool.
8. Apart from the usual part funded relief, billing authorities will have to fund any use of the local discount powers outside of the zone.
9. For 2013-14 onwards, central Government will fund the discount under the new retention scheme. We will provide further details later in the year.
10. Billing authorities are responsible for managing state aid issues. However, a guidance note on this issue is attached.

### **Q and A**

*Q. How will authorities grant the discount?*

A. Authorities will use the new local discount powers contained in the Localism Act.

*Q. When does the funding of the discount start?*

A. From the 1<sup>st</sup> April 2012, or day the business enters the Zone if this is after the 1<sup>st</sup> April 2012 and before 1<sup>st</sup> April 2015.

*Q. What if the business enters the zone on 1 April 2015 or later?*

A. The business would not be eligible for a Government funded discount. However, the authority in question could still fund its own discount.

*Q. What if the business already receives relief?*

A. Existing reliefs will be applied to the bill first. The discount will be funded on the basis that it is applied after other reliefs have been deducted, e.g. if a business is entitled to 50% small business rate relief, the discount would be applied to cover the remaining 50% and funded accordingly.

*Q. Will the Government fund the discount for a business with more than one property?*

A. Yes, subject to state aid rules.

*Q. Will discounts for existing properties in the zone be funded?*

A. Yes. In the case of existing businesses the 5 years would start from 1 April 2012.

*Q. Can empty properties receive the discount?*

A. Yes, owners of empty properties can receive a discount and this will be funded in the same way.

*Q. How should state aid issues be managed?*

A. The billing authority is responsible for managing state aid issues. A guidance note on state aid and business rate discounts in Enterprise Zones is attached, but advice should be sought from the authority's legal advisers.