



Ministry of Housing,
Communities &
Local Government

Business Rates

Pubs Discount 2020/21 – Local Authority Guidance



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About this guidance

1. This guidance is intended to support local authorities in administering the business “Pubs Discount 2020/21” scheme announced in a Written Ministerial Statement on 27 January 2020.
2. The guidance sets out how the scheme should operate and the eligibility criteria that should apply. This Guidance applies to England only.
3. Enquiries on this measure should be addressed to:
ndr@communities.gov.uk

Introduction

4. The Government recognises the important role that pubs play in urban and rural communities across the country. In a Written Ministerial Statement on 27 January 2020, the Financial Secretary to the Treasury announced a £1,000 business rate discount for public houses with a rateable value of less than £100,000 for one year from 1 April 2020.

How will the relief be provided?

5. As this is a measure for 2020-21 only, the Government is not changing the legislation around the reliefs available to properties. Instead the Government will, in line with the eligibility criteria set out in this guidance, reimburse local authorities that use their discretionary relief powers under section 47 of the Local Government Finance Act 1988 (as amended) to grant relief. It will be for individual local billing authorities to adopt a local scheme and determine in each individual case when, having regard to this guidance, to grant relief under section 47.
6. Central government will fully reimburse local authorities for the local share of the discretionary relief (using a grant under section 31 of the Local Government Act 2003). The Government expects local government to apply and grant relief to qualifying ratepayers from the start of the 2020/21 billing cycle.
7. Local authorities will be asked to provide an estimate of their likely total cost for providing the relief in a supplementary return for 2020/21. Central government will provide payments to authorities to cover the local share, as per the usual process.
8. Local authorities will also be asked to provide outturn data on the actual total cost for providing the relief, as per the usual process, via the National Non-Domestic Rate 3 (NNDR3) forms for 2020-21. Any required reconciliations will then be conducted at these points.¹

¹ As required in the NNDR3 guidance notes, the former categories of discretionary relief prior to the Localism Act (i.e. charitable/CASC/rural etc. top up and not for profit) should be applied first in the sequence of discretionary reliefs and before the retail discount. This pubs discount should be applied after all other reliefs, including the retail discount, except for locally funded section 47 reliefs.

Eligibility criteria - which properties will benefit from relief?

9. This section describes in principle the Pubs Discount 2020/21 scheme. Local authorities should use this section to determine eligibility for the relief. The scheme will be available to eligible occupied properties with a rateable value of less than £100,000. The majority of pubs are independently owned or managed and will not be part of chains. Where pubs are part of a chain, relief will be available for each eligible property in the chain, subject to meeting State Aid requirements.
10. There is no definitive description of a traditional pub or public house in law which could be readily used by local authorities to determine eligibility. The objective has been to adopt an approach that makes the design and eligibility of the scheme easy to implement by local authorities in a clear and consistent way, is widely accepted by the industry and which is consistent with the Government's policy intention as set out in this section.
11. The Government's policy intention is that eligible pubs should:
 - be open to the general public
 - allow free entry other than when occasional entertainment is provided
 - allow drinking without requiring food to be consumed
 - permit drinks to be purchased at a bar.
12. For these purposes, it should exclude:
 - restaurants
 - cafes
 - nightclubs
 - hotels
 - snack bars
 - guesthouses
 - boarding houses
 - sporting venues
 - music venues
 - festival sites
 - theatres
 - museums
 - exhibition halls
 - cinemas
 - concert halls
 - casinos
13. The proposed exclusions in the list at paragraph 12 is not intended to be exhaustive and it will be for the local authority to determine those cases where eligibility is unclear. We believe that billing authorities will already have a good understanding of the licensed premises in their areas and will be able to readily form a view on eligibility in the majority of cases. We expect local authorities to deliver the scheme using their knowledge of their business rates base and existing collection practices.

14. Where eligibility is unclear authorities should also consider broader factors in their considerations – i.e., in meeting the stated intent of policy that it demonstrates the characteristics that would lead it to be classified as a pub, for example being owned and operated by a brewery. Additionally, local authorities may also wish to consider other methods of classification, such as the planning system and the use classes order to help them decide whether a property is a pub or not. However, permission for a particular use class will not necessarily mean that the property meets the definition of a pub.

How much relief will be available?

15. The total amount of government-funded relief available in the year 2020/21 under this scheme is £1,000 per eligible property. There is no relief available under this scheme for properties with a rateable value of £100,000 or more. Eligibility for the relief and the relief itself will be assessed and calculated on a daily basis.
16. This relief should be applied to bills after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied, including the retail discount, but excluding those where local authorities have used their discretionary relief powers under section 47 which are not funded by section 31 grants.² Of course, councils may use their discretionary powers to offer further discounts outside this scheme. However, where an authority applies a locally funded relief under section 47 this must also be applied after the pubs discount.
17. Ratepayers that occupy more than one property will be entitled to relief for each of their eligible properties, subject to State Aid De Minimis limits.

State Aid

18. State Aid law is the means by which the European Union regulates state funded support to businesses. Providing discretionary relief to ratepayers is likely to amount to State Aid. However, pubs discount will be State Aid compliant where it is provided in accordance with the De Minimis Regulations (1407/2013).³
19. The De Minimis Regulations allow an undertaking to receive up to €200,000 of De Minimis aid in a three-year period (consisting of the current financial year and the two previous financial years). Local authorities should familiarise themselves with the terms of this State Aid exemption, in particular the types of undertaking that are excluded from receiving De Minimis aid (Article 1), the relevant definition of undertaking (Article 2(2))⁴ and the requirement to convert the aid into Euros.⁵

² As required in the NNDR3 guidance notes, the former categories of discretionary relief prior to the Localism Act (i.e. charitable/CASC/rural etc. top up and not for profit) should be applied first in the sequence of discretionary reliefs and before the retail discount. This pubs discount should be applied after all other reliefs, including the retail discount, except for locally funded section 47 reliefs.

³ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:352:0001:0008:EN:PDF>

⁴ The 'New SME Definition user guide and model declaration' provides further guidance: http://ec.europa.eu/enterprise/policies/sme/files/sme_definition/sme_user_guide_en.pdf

⁵ http://ec.europa.eu/budget/contracts_grants/info_contracts/infoeuro/infoeuro_en.cfm

20. To administer De Minimis it is necessary for the local authority to establish that the award of aid will not result in the undertaking having received more than €200,000 of De Minimis aid. Note that the threshold only relates to aid provided under the De Minimis Regulations (aid under other exemptions or outside the scope of State Aid is not relevant to the De Minimis calculation). Annex B of this guidance contains a sample De Minimis declaration which local authorities may wish to use, to discharge this responsibility. Where local authorities have further questions about De Minimis or other aspects of State Aid law, they should seek advice from their legal department in the first instance.⁶
21. Whilst the UK is scheduled to leave the EU on 31 January 2020, the Withdrawal Agreement negotiated by the Government and the EU provides that during an implementation period State aid rules will continue to apply as now and will be subject to control by the EU Commission as at present. Local authorities should therefore continue to apply State aid rules, including De Minimis, to the relief during the implementation period.

Splits, mergers, and changes to existing hereditaments

22. The pubs discount should be applied on a day-to-day basis using the formula set out above. A new hereditament created as a result of a split or merger during the financial year, or where there is a change of use, should be considered afresh for the relief on that day.

⁶ Detailed State Aid guidance can also be found at:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/15277/National_State_Aid_Law_Requirements.pdf

Annex A: Calculation examples for 2020/21

The retail discount (one third) is always calculated after mandatory relief and other discretionary reliefs funded by section 31 grant. The multiplier used here is provisional.

Example 1: An occupied pub with a rateable value of £40,000

Gross rates (before any reliefs) = £40,000 x 0.499 = £19,960
Retail discount (50%):= -£9,980
Pubs discount (-£1,000):= -£1,000
Rates due (after retail discount and pub discount): = £8,980

Example 2: An occupied pub with a rateable value of £70,000

Gross rates (before any reliefs) = £70,000 x 0.512= £35,840
Pub discount (-£1,000):= -£1,000
Rates due (after pub discount):= £34,840

Annex B: Sample paragraphs that could be included in letters to ratepayers about Pubs Discount for 2020/21

In a Written Ministerial Statement on 27 January 2020 the Government announced that eligible pubs will receive a £1,000 discount on their business rates bills for one year from April 2020.

Relief will be provided to eligible occupied pubs with a rateable value of less than £100,000 in 2020/21. Your current rates bill includes this pubs discount.

Awards such as pubs discount are required to comply with the EU law on State Aid.⁷ In this case, this involves returning the attached declaration to this authority if you have received any other *de minimis* State Aid, including any other pub relief you are being granted for premises other than the one to which this bill and letter relates, and confirming that the award of pub relief does not exceed the €200,000 an undertaking⁸ can receive under the *de minimis* Regulations EC 1407/2013.

Please complete the declaration and return it to the address above. In terms of declaring previous *de minimis* aid, we are only interested in public support which is *de minimis* aid (State Aid received under other exemptions or public support which is not State Aid does not need to be declared).

If you have not received any other *de minimis* State Aid, including any other pubs discount you are being granted for premises other than the one to which this bill and letter relates, you do not need to complete or return the declaration.

If you wish to refuse to receive the pubs discount granted in relation to the premises to which this bill and letter relates, please complete the attached form and return it to the address above. You do not need to complete the declaration. This may be particularly relevant to those premises that are part of a large pub chain, where the cumulative total of pubs discount received could exceed €200,000.

Under the European Commission rules, you must retain this letter for three years from the date on this letter and produce it on any request by the UK public authorities or the European Commission. (You may need to keep this letter longer than three years for other purposes). Furthermore, information on this aid must be supplied to any other public authority or agency asking for information on '*de minimis*' aid for the next three years.

⁷ Further information on State Aid law can be found at <https://www.gov.uk/state-aid>

⁸ An undertaking is an entity which is engaged in economic activity. This means that it puts goods or services on a given market. The important thing is what the entity does, not its status. Therefore, a charity or not for profit company can be undertakings if they are involved in economic activities. A single undertaking will normally encompass the business group rather than a single company within a group. Article 2.2 of the *de minimis* Regulations (Commission Regulation EC/ 1407/2013) defines the meaning of 'single undertaking'.

‘De minimis’ declaration

Dear []

NON-DOMESTIC RATES ACCOUNT NUMBER: _____

The value of the non-domestic rates pubs discount to be provided to [name of undertaking] by [name of local authority] is £ [] (Euros []).

This award shall comply with the EU law on State Aid on the basis that, including this award, [name of undertaking] shall not receive more than €200,000 in total of *De minimis* aid within the current financial year or the previous two financial years). The *de minimis* Regulations 1407/2013 (as published in the Official Journal of the European Union L352 24.12.2013) can be found at:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:352:0001:0008:EN:PDF> .

Amount of <i>de minimis</i> aid	Date of aid	Organisation providing aid	Nature of aid

I confirm that:

1) I am authorised to sign on behalf of _____ [name of undertaking]; and

2) _____ [name of undertaking] shall not exceed its *De minimis* threshold by accepting this pubs discount.

SIGNATURE:

NAME:

POSITION:

BUSINESS:

ADDRESS:

DATE:

Refusal of Pubs Discount form

Name and address of premises	Non-domestic rates account number	Amount of Pubs Discount

I confirm that I wish to refuse pubs discount in relation to the above premises.

I confirm that I am authorised to sign on behalf of _____ [name of undertaking].

SIGNATURE:

NAME:

POSITION:

BUSINESS:

ADDRESS:

DATE: