

## Transitional Rate Relief Scheme 2017 - 2021

The government has put in place a transitional rate relief scheme to limit the impact to changes in rate liabilities as a result of the general revaluation in April 2017, and this will be shown automatically on your bill.

The scheme caps increases to bills over five years from April 2017, so that significant increases and decreases are phased in gradually each year until the actual rate figure is reached. A ratepayer facing a larger bill in 2017/18 compared to 2016/17 is described as being in **upwards transition**. Some properties benefit from new valuations that would lead to a 2017/18 bill lower than in 2016/17. These bills are capped too and these properties are described as being in **downward transition**. The capping of properties in upwards transition is funded from the capping of properties in downwards transition.

Property Size	2017/18	2018/19	2019/20	2020/21	2021/22
Small	5.0%	7.5%	10.0%	15.0%	15.0%
Upwards Transition Medium	12.5%	17.5%	20.0%	25.0%	25.0%
Large	42.0%	32.0%	49.0%	16.0%	6.0%
Small	20.0%	30.0%	35.0%	55.0%	55.0%
Downwards Transition Medium	10.0%	15.0%	20.0%	25.0%	25.0%
Large	4.1%	4.6%	5.9%	5.8%	4.8%

- The definition of a small property after 1 April 2017 is one with a rateable value (RV) less than £20,000.
- The definition of a medium property after 1 April 2017 is one with a rateable value (RV) over £20,000
- The definition of a large property after 1 April 2017 is one with a rateable value (RV) of £100,000

To calculate transitional relief or surcharge there are some other terms that need to be identified and explained:

**Base Liability (BL):** this is your rateable value at 31/3/2017 multiplied by the small business rate multiplier for 2016/17 (0.484). If your rateable value on 31/3/2017 was £95,000, then your base liability would be £95,000 x 0.484 = £45,980.00.

**Inflation Factor (Q):** this figure is based on a comparison of the retail price index each September, compared to the September of the year before. For the year commencing 1<sup>st</sup> April 2017 this is 1.02.

**Appropriate Fraction (AF):** this is calculated by referring to the table above. For example, a small property (RV less than £20,000) facing a bill increase (in upward transition) has a cap of +5% (which as a decimal is 1.05). This figure

multiplied by the inflation factor gives the appropriate fraction. In this example  
 $AF = 1.050 \times 1.02 = 1.071$

**Small Business Rate Supplement:** all calculations for transition are based on the lower of the two government set multipliers. The supplement is the difference between the two multipliers, multiplied by the rateable value. This year the standard multiplier is 0.479 and the small business rate multiplier is .0466. The difference (0.479-.0466) is 0.013. If the 2017 Rateable value is £81,000, then the supplement is £81,000 x 0.013 = £1,053.00. Ratepayers who do not qualify for small business rate multiplier (RV over 51,000) will have the supplement added to their bill after the calculation of transitional relief has been completed.

**Notional chargeable amount (NCA):** this is the 2017 rateable value multiplied by the 2017/18 small business rate multiplier. So for a property with a 2017 rateable value of £81,000, the NCA = £81,000 x 0.466 = £37,746.00.

**Transitional relief/surcharge:** is the difference between BL (Base Liability) multiplied by AF (Appropriate Fraction) and the NCA ( Notional charge amount)

In this example where the 2010 rateable value of £95,000 decreased in the 2017 rating list to £81,000 the **Transitional Calculation** would look like this:

Base Liability (BL) = 95,000 x 0.484 = 45,980.00  
Appropriate Fraction (AF) = 1.02(Q) x 0.900 = 0.918 (AF)  
BL x AF = 42,209.64  
Notional Charge Amount (NCA) = 81,000 x 0.466 = 37,746.00  
Supplement (If RV is over 51,000) = 81,000 x 0.013 = 1,053.00

**Transitional Surcharge = (BL x AF) – NCA = (45,980.00 x 0.918) – 37,746.00 = 4,463.64**

Charge due for 2017/18 = 37,746.00 + 4,463.64 + 1,053.00 = £ 43,262.64

In this example where the 2010 rateable value of £80,000 increased in the 2017 rating list to £95,500 the **Transitional Calculation** would look like this:

Base Liability (BL) = 80,000 x 0.484 = £ 38,720.00  
Appropriate Fraction (AF) = 1.02(Q) x 1.125 = 1.1475 (AF)  
BL x AF = £44,431.20  
Notional Charge Amount (NCA) = £ 95,500 x 0.466 = 44,503.00  
Supplement (If RV is over 51,000) = 95,500 x 0.013 = 1,241.50

**Transitional Relief = (BL x AF) – NCA = (38,720.00 x 1.1475) - 44,503.00 = 71.80**

Charge due for 2017/18 = 44,503.00 – 71.80 + 1,241.50 = £ 45,672.70