

RATE RELIEF FOR HORSE ENTERPRISES ON FARMS

1 SUMMARY

- 1.1 Following the Government's published "Action Plan for Farming" issued on 30 March 2000 the Head of Service now reports receipt of a "Consultation Paper" from the Department of the Environment Transport and the Regions setting out proposals for Rate Relief for horse enterprises linked to farm premises.
- 1.2 This consultation paper sets out proposals for a new Rate Relief scheme and seeks views on the scope and extent of Rate Relief which should be granted. Views expressed in response to this consultation will help decide the type of scheme needed. Implementation will require primary legislation that will apply to both England and Wales.
- 1.3 The Action Plan identified small farm based horse enterprises as a relatively easily accessible way in which some farmers could diversify to make their businesses more viable. As well as Rate Relief, the Government is also considering whether land use planning arrangements can be simplified to help such diversification.
- 1.4 This consultation paper seeks views on:
 - the types of horse related enterprises that should be eligible for Rate Relief
 - whether the Relief should be Mandatory or Discretionary or both;
 - the Rate of Relief
 - thresholds governing qualification for Relief; and
 - the period over which Relief should be given.

2 ENTERPRISES ELIGIBLE FOR RELIEF

- 2.1 The purpose behind the introduction of the new Rate Relief Scheme is not to subsidise existing ventures, but to help farmers to diversify into small horse-related businesses whilst continuing to be employed in farming.

- 2.2 It is proposed that only newly established horse-related enterprises located on the operator's own or tenanted working farm will be eligible for Rate Relief. It will not apply to off farm horse enterprises or those established prior to the scheme coming into effect. The new scheme will only cover enterprises directly involving horses, such as riding schools, livery stables and pony trekking.
- 2.3 The purpose of the new scheme is to help farmers to diversify into activities other than core agriculture by easing the setting up of a horse-related enterprise in addition to their core business. This will treat off-farm and existing horse enterprises differently from new enterprises on farms, in the short term. To avoid unfairness to these businesses, the Relief for new farm based horse enterprises will be time limited, to aid their establishment but not provide continuing subsidy.
- 2.4 It is proposed that only genuinely new enterprises on working farms receive relief.
- 2.5 Properties used for the breeding and rearing of horses or ponies (i.e. stud farms) which are linked to agricultural land or buildings already benefit from relief from rates. They receive a reduction in their rateable value of £2,500 (worth just over £1,000 off the rates bill for 2000/01). This reduction was originally introduced in 1990, at the same time as the national non-domestic rating system. For premises where the rateable value without the concession would be less than £2,500, this amounts to a complete exemption from the rates.
- 2.6 No change to this existing scheme for stud farms is proposed. Properties receiving this relief, both now and in the future, would not be eligible for the new Rate Relief for other horse enterprises.

3 MANDATORY AND/OR DISCRETIONARY RELIEF

- 3.1 Other existing Rate Relief's are granted either on a Mandatory basis (mainly to registered charities) or on a Discretionary basis.
- 3.2 Mandatory Relief's are granted automatically, under the Corporate Director's delegated powers to qualifying properties at no cost to the General Fund. Discretionary Relief's are awarded after consideration by Members with 25% of the cost being funded from the Council's General Fund.
- 3.3 It is proposed in this Consultation Paper that Relief for farm based horse enterprises should receive both Mandatory and Discretionary relief similar to that in operation for village shops.

- 3.4 Each qualifying premises will be entitled to Mandatory Relief for part of its Rates bill with Discretionary powers being given to Councils to top up this Relief for the remainder of the bill.

4 LEVEL OF RATE RELIEF

- 4.1 The scheme is designed to encourage farmers wishing to diversify into horse related activities, by reducing the size of their rates bills. But it is not meant to remove them entirely from making a rate contribution where they are undertaking a business for non-agricultural purposes.
- 4.2 It is proposed that Mandatory Rate Relief should be 50% of the Rates Charge.
- 4.3 However, it is recognised that there may be some cases where this level of relief is insufficient to meet the needs of the individual farmer and additional assistance may be required.
- 4.4 It is also proposed to give Local Authorities a discretionary power to top up the relief up to 100% of the rates bill for those receiving Mandatory Relief.

5 THRESHOLDS

- 5.1 The new scheme is intended to assist farmers to set up new small horse-related businesses to help supplement their income from agriculture. Therefore, the new scheme will be targeted at small enterprises and will be subject to qualifying Rateable Value thresholds.
- 5.2 It is proposed that Relief will only be available to properties occupied by qualifying horse enterprises that have a Rateable Value of less than £6,000. It will be the task of the Valuation Agency to assess the Rateable Value of such qualifying enterprises once it is established that these farmers wish to diversify their activities

6 TIME PERIOD FOR RELIEF

- 6.1 Because the Government wishes the new scheme to aid the establishment of new horse-related businesses, only those premises occupied by businesses that come into existence after the scheme comes into effect will qualify. The Government sees no need to extend the scheme to existing businesses, as they are already established
- 6.2 The Government also does not wish the scheme to be a continuing subsidy to horse-related businesses on farms. This would be unfair to those rural horse businesses that are not located on farms or were established prior to the scheme coming into effect.

- 6.3 It is therefore proposed that any qualifying horse enterprise will be able to receive Rate Relief for a "five year period" commencing on the day the property became liable for non-domestic rates.

7 COST TO THE EXCHEQUER AND LOCAL AUTHORITIES

- 7.1 The introduction of a new Rate Relief scheme will be at a cost to the Exchequer, which will have to meet the reduction in the rate yield of all of the Mandatory Relief and 75% of the discretionary top up relief. There will also be a cost to Local Authorities, which will meet 25% of the top up relief. There will also be some administrative costs. But it is very difficult to say precisely what these costs will be as there is very little information on the likely number of new enterprises that will qualify for the Relief.
- 7.2 It is difficult to estimate the likely number of farms that may develop horse enterprises and therefore it is difficult to estimate the cost to this Council if the Discretionary Scheme is adopted.

8 CONCLUSION

- 8.1 The Head of Service feels that this Rate Relief Scheme should be endorsed but has reservations as to whether the Scheme should include only *New Enterprises* albeit only for a period of five years. There are possibly existing similar enterprises, for example, the many existing riding establishments and livery stables, that could justify receipt of this Relief but would not be eligible to apply.
- 8.2 Whilst recognising that if accepted the scheme would give members further opportunities to use their Discretionary Powers to grant Relief from the Business Rate Liability, it is considered overall that the Relief should be available on a Mandatory Basis only. Particularly as the Authority may not wish to get involved in exercising Discretionary Relief powers for new Businesses over existing ones..
- 8.3 Currently Agricultural Land and Buildings are exempt from Business Rate Assessment with Stud Farms receiving Rateable Value Reductions, (see Para 2.5). The Head of Service feels that similar reductions in Assessment could be granted and dealt with by the Valuation Office Agency.

9 RESOURCE IMPLICATIONS

The Financial implications are unknown at present. However there is a Current Budget provision covering all Relief's totalling £30,900 which hopefully would cover any costs if the scheme was implemented during the current year.

10 LEGAL IMPLICATIONS

None at present as reference is only to a Consultation Paper

11 PARISH IMPLICATIONS

Any Relief granted will help the local Farming Enterprises in the Parish Communities

12 RECOMMENDATION

It is proposed that the Committee **RESOLVES**

Its response to the Consultation Paper. (HRHM)

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Background Papers:

Consultation Paper from DETR

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