



Ministry of Housing,
Communities &
Local Government



Department for Levelling Up,
Housing & Communities

Guidance

Investment Zone business rates relief: local authority guidance

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Applies to England

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About this guidance

1. At Spring Budget 2023, the government launched the refocussed Investment Zones programme. At the Autumn Statement 2023, the government announced it would extend the Investment Zones programme from 5 to 10 years. This guidance is intended to support local authorities in administering the Investment Zones business rates relief. This guidance applies to England only.
2. This guidance sets out the criteria for the Investment Zones business rates relief scheme. The guidance does not replace existing legislation.
3. Enquiries on this measure should be addressed to: NDR@levellingup.gov.uk.

Introduction

4. At Autumn Statement 2023, the government committed to creating 8 new Investment Zones sites in England, where businesses would benefit from more generous tax reliefs, including business rates relief.
5. The Investment Zone prospectus, published in March 2023, identified the following areas in England to begin discussions with government and co-develop proposals for an Investment Zone. The 8 places are those covered by:
 - The proposed East Midlands Mayoral Combined County Authority
 - Greater Manchester Mayoral Combined Authority
 - Liverpool City Region Mayoral Combined Authority
 - The proposed North East Mayoral Combined Authority
 - South Yorkshire Mayoral Combined Authority
 - Tees Valley Mayoral Combined Authority
 - West Midlands Mayoral Combined Authority
 - West Yorkshire Mayoral Combined Authority
6. Full business rates (100%) relief will be available to eligible businesses in these Investment Zone tax sites in England, once designated. Relief will be available to all newly occupied businesses, and certain existing businesses where they expand in Investment Zone tax sites, until 30 September 2034.
7. Relief will apply for 5 years from the point at which each beneficiary first receives relief. This means that if a business first received relief on 30 September 2034, the relief may be applied up to 29 September 2039.
8. This document provides guidance to authorities about the eligibility criteria, operation, and delivery of the policy.

Investment Zones business rates relief

How will the relief be provided?

9. The government is not changing the legislation relating to 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.

10. It will be for individual local authorities, which administer the Investment Zones business rates relief, to adopt a local scheme and determine in each individual case when, having regard to this guidance, to grant relief under section 47. The 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.

11. Central government will reimburse billing authorities and major precepting authorities for the actual cost to them under the rates retention scheme of the relief that falls within the definitions in this guidance. Local authorities have to provide an estimate of their likely cost for providing the relief annually in their National Non-Domestic Rate 1 (NNDR1) return. Central government will provide payments to authorities to cover the local share. Local authorities will also be asked to provide outturn data on the actual total annual cost for providing the relief, via the National Non-Domestic Rate 3 (NNDR3) forms. Any required reconciliations will then be conducted at these points.

12. Central government will not meet any new burdens costs associated with the implementation of this relief scheme.

Eligibility principles - which properties will benefit from relief?

1. Principles for the application of relief to new businesses

a. Investment Zones business rates relief is available to new businesses moving into the Investment Zone tax site after the date on which the relevant Investment Zone tax site has been formally designated (and on or before 30 September 2034) and occupying both existing and new hereditaments on the rating list.

- b. Investment Zones business rates relief is available for 5 years from the date it is first claimed. If, for example, a business first received relief on 30 September 2034, the relief may be applied up to 29 September 2039.
- c. New businesses which expand after moving into the Investment Zone (whether into new or existing buildings) will, in addition to any existing relief, be eligible for relief on any additional hereditaments they occupy in the relevant Investment Zone tax site.
- d. In considering what is a new business, local authorities should lift the corporate veil and consider groups of companies to be single businesses.
- e. Local authorities have discretion to apply additional tests for new business rate relief in order to avoid or not incentivise displacement of business activity from the surrounding area, or in order to further the objectives of the Investment Zone.

2. Principles for awarding Investment Zone relief for existing businesses

- a. Subject to (c) to (g) below, full relief is available on a hereditament where a person has occupied the property comprising that hereditament for the first time on or after the date on which the relevant Investment Zone tax site is designated (and on or before 30 September 2034). This, for example, would include existing businesses expanding into a further property.
- b. Subject to (c) to (g) below, partial relief is available on a hereditament where a person has occupied a room or similar within a hereditament for the first time on or after the date the relevant Investment Zone tax site is designated (and on or before 30 September 2034). For example, where an existing business builds an extension or takes on new rooms or floors in their building leading to an expansion of the hereditament.
- c. Ratepayers cannot generally claim Investment Zone relief merely by expanding their use of an existing room or similar within a hereditament. However, partial relief is available to a person in respect of part of a hereditament on which they were already the occupier or owner prior to the date on which the relevant Investment Zone tax site is designated, provided that the space is within an existing room of a building and has become useable for the first time following development commenced on or after the date on which the relevant Investment Zone tax site is designated (and on or before 30 September 2034). E.g. installation of a mezzanine or access/fire control improvements to bring an existing space into use.
- d. Improvements to space already or previously in use by the person prior to the date on which the relevant Investment Zone tax site is designated, are not eligible for Investment Zone relief (e.g. general refurbishment or improved services such as heating and aircon).

- e. Local authorities may refuse to award Investment Zone Rates Relief where the increase in rates bills attributable to these factors is not reasonably ascertainable by the local authority.
- f. Local authorities have discretion to apply additional tests for Investment Zone rates relief in order to avoid or not incentivise displacement of business activity from within the Investment Zone or the surrounding area, or in order to further the objectives of the Investment Zone. This may include reducing the award of relief in cases where a ratepayer's occupation of a space arises in whole or in part from them vacating another space in the Investment Zone or surrounding area.
- g. The Investment Zones business rates relief is available for 5 years from the date it is first claimed. Businesses will be able to claim the relief, where eligible, from the date the relevant Investment Zone tax site has been formally designated (and on or before 30 September 2034) until 29 September 2039 (where a business first received relief on 30 September 2034).

3. Principles for establishing the value of the Investment Zones business rates relief

- a. Subject to (c) below, the value of full relief for hereditaments falling within 2(a) above is 100% of the bill.
- b. Subject to (c) below, the value of partial relief should be 100% of that part of the rates bill attributable to the part of the hereditament falling within 2(b) and (c) above where that increase is reasonably ascertainable. In establishing the part of the rates bill attributable to the part of the hereditament falling within 2(b) and (c) above, authorities may have regard to:
 - i. the survey and rating valuation of the hereditament provided by the ratepayer if available (e.g., for hereditaments valued by area on the rental comparison basis).
 - ii. a change to the rateable value where it is clear that the change is solely due to the addition to the valuation of the parts of the hereditament falling within 2(b) and (c) above.
 - iii. any other information the authority deems appropriate to determine the extent of the parts of the hereditament falling within 2(b) and (c) above.
- c. Local authorities may withhold or reduce the Investment Zones Rates Relief in cases of displacement (see 2(f) above)

Sequence of reliefs

13. The relief should be applied after mandatory reliefs and other discretionary reliefs have been applied, excluding those where local authorities have used their wider discretionary relief powers introduced by the Localism Act 2011.

14. Where a hereditament is in both an Enterprise Zone and an Investment Zone area and would therefore be eligible for either relief, the local authority's scheme should provide that the business must decide which relief is to apply to the hereditament. If for example a ratepayer was eligible for Investment Zone Relief but was in receipt of Enterprise Zone relief, the ratepayer would first have to notify the local authority of its decision to refuse Enterprise Zone relief before Investment Zone Relief could be applied. It would not be eligible for both reliefs. Of course, billing authorities may wish to use their discretionary powers to offer further discounts outside this scheme. However, where an authority applies a locally funded relief, this must be applied after the Investment Zones relief scheme.

Subsidy control

15. Investment Zone business rates relief awards are likely to amount to subsidies. The government has created a subsidy scheme under the Subsidy Control Act 2022 for the [English Investment Zone programme](https://searchforuksubsidies.beis.gov.uk/scheme/?scheme=SC11088) (<https://searchforuksubsidies.beis.gov.uk/scheme/?scheme=SC11088>) ("the Scheme") and local authorities should utilise this when making business rates relief awards in accordance with this guidance. The Scheme was made on 25 April 2024. Most of the UK's domestic and international subsidy control obligations apply at scheme level (see the [UK subsidy control regime page](https://www.gov.uk/government/collections/subsidy-control-regime) (<https://www.gov.uk/government/collections/subsidy-control-regime>) which contains guidance and information on the UK subsidy control regime).

16. Under the Scheme, any business rates relief awards made in accordance with this guidance are judged to be consistent with the subsidy control principles. This means that local authorities who satisfy themselves that an award complies with this guidance are not required to conduct their own assessment of the award against the subsidy control principles. It also means that a subsidy awarded under the scheme that complies with this guidance is insulated from legal challenge under the Subsidy Control Act. There is no cap to the value of a business rates relief award that can be made under the Scheme. For the avoidance of doubt, subsidies awarded under the Scheme do not constitute nor contribute to Minimum Financial Assistance.

17. Local authorities awarding investment zone rates relief must put in place an appropriate mechanism to recover relief where it becomes necessary to do so.

18. Local authorities will also have an obligation to report individual subsidies awarded under the scheme. Subsidies above £100,000, including those awarded under the English Investment Zones subsidy scheme, are subject to

transparency requirements. This is not cumulated per beneficiary but applies per subsidy award. This means that for every individual subsidy provided of more than £100,000, the local authority needs to include details of the subsidy on the subsidy control database and link that award to the English Investment Zones subsidy scheme. Local authorities will need to create an account to use the [Manage UK Subsidies Portal \(https://manageuksubsidies.beis.gov.uk/\)](https://manageuksubsidies.beis.gov.uk/). This will enable users to upload subsidy schemes and awards. To gain access, users must email subsidydatabase@beis.gov.uk.

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