

Discretionary funding for businesses – the expected scheme

Businesses which missed out in first round of the Business Rates Grants may be eligible for a new Discretionary Grant Fund. Local authorities are being provided with additional funding to target small businesses with high fixed property-related costs' but which have not been eligible for the current grant scheme. The scheme still applies for Businesses whose rateable value is below £51,000 and therefore those in excess of £51,000 remain 'out of scope' for consideration of any discretionary grant award.

The current estimated level of grant is the projected underspend and potentially a further 5% on top of the existing allocation. Our understanding is that the maximum amount we will be able to pay out will be capped at 5% therefore £0.987m is expected.

The grants are capped at £25,000 with other grants of £10,000 or under available at the discretion of Local Authorities. The £25,000 applies had they been eligible under the Retail, Hospitality and Leisure scheme, e.g. that the fixed costs are commensurate with those borne by a business with a property rateable value of over £15,000 and below £51,000.

Payments of £10,000 should be made where the Local Authority judges that the business would have received a payment of £10,000 had they been eligible under the Small Business Grant Fund or the Retail, Hospitality and Leisure Scheme e.g. that the fixed costs are commensurate with those borne by a business with a property rateable value up to £15,000

Local Authorities have discretion to make payments of any amount under £10,000. It will be for Local Authorities to adapt this approach to local circumstances, such as providing support for micro-businesses with fixed costs or support for businesses that are crucial for their local economies. Local Authorities will exercise their local knowledge and discretion to determine which businesses to support.

The Government has suggested the following businesses should be given priority:

1. Small businesses in shared offices or other flexible work spaces e.g: industrial parks, science parks, incubators which do not have their own business rates assessments
2. Regular market traders who do not have their own business rates assessments
3. B and Bs (Bed and Breakfasts) which pay Council Tax instead of business rates

4. Charity properties in receipt of charitable business rates relief which would otherwise have been eligible for Small Business Rates Relief or Rural Rate Relief

Thereafter any other business similar in nature at the discretion of the Local Authority.

Consideration should be given to working across local economic areas.

National criteria to qualify for grants from this Fund include:

1. Businesses with ongoing fixed building-related costs
2. Business which can demonstrate that they have suffered a significant fall in income due to Covid 19
3. Businesses with fewer than 50 employees
4. Businesses that were trading before 11 March 2020

Businesses which are eligible for the existing grant scheme of Self-employed Income Support scheme **are ineligible**. As the fund is discretionary the local authority may wish to introduce an application system which will slow the process down but they are expected to make every effort to be effective and quick in their decision making.

More information is expected to be made available from the Government over the next few days. Further guidance will follow shortly on how to apply for this 'discretionary' business grant.

Will these grant schemes be subject to tax and State Aid?

Grant income received by a business is taxable therefore the Small Business Grants, and Retail, Hospitality and Leisure Grants will be subject to tax.

Only businesses which make an overall profit once grant income is included will be subject to tax.

State Aid rules also apply so de minimis limits should not be breached (will apply to larger/national businesses) and considered low risk for this scheme.