

**REPORT TO:** FINANCE COMMITTEE – 16 OCTOBER 2006  
**REPORT ON:** POLICY ON RELIEF OF RATES FOR CHARITY SHOPS  
**REPORT BY:** DEPUTE CHIEF EXECUTIVE (FINANCE)  
**REPORT NO:** 564-2006

## **1.0 PURPOSE OF REPORT**

1.1 The purpose of this report is to seek authorisation from the Committee to amend the policy on granting Charity Relief in respect of charity shops. Appendix A summarises the legislative requirements for awarding mandatory and discretionary relief to charitable organisations.

## **2.0 RECOMMENDATION**

2.1 That the Council agrees to the revised policy as detailed in section 6.2.3 below.

## **3.0 FINANCIAL IMPLICATIONS**

3.1 This Council directly incurs the cost of 25% of the maximum amount granted as Discretionary Relief (being 20% of the total rates liability), so the cost to Council is 5% of the total rates liability.

## **4.0 SUSTAINABILITY POLICY IMPLICATIONS**

4.1 None

## **5.0 EQUAL OPPORTUNITIES IMPLICATIONS**

5.1 None

## **6.0 MAIN TEXT**

6.1 In the case of charity shops, the Council grants Mandatory Relief of 80% where more than 51% of the shop's turnover was produced from the goods sold that were donated to the charity.

When the procedures were set for the consideration of Discretionary Relief for charity shops in addition to their mandatory relief the following points were considered.

6.1.1 Is the property being used in direct competition to other commercial organisations or businesses in the area? If they were granted further relief, they could lower their prices, etc thereby competing against other similar businesses who require to pay their rates in full which could result in financial hardship.

6.1.2 Would the granting of the relief be in the interest of Council Tax payers and Business Rate payers in the area bearing in mind that the Council has to directly fund 25% of any Discretionary Relief.

6.1.3 Have other organisations with similar aims and objectives applied for and been granted or refused relief of rates.

Considering all of the above Dundee City Council's current policy is NOT to recommend the granting of 20% Discretionary Relief to charity shops as these shops are trading operations.

6.2 Several charity shops have now set up in non or less commercial areas within the city boundaries so a review of the current policy was requested by elected members.

As these charity shops are unlikely to be in competition with similar businesses consideration will be given to granting the 20% Discretionary Relief and the following procedures will be put in place.

- 6.2.1 A request for the 20% Discretionary Relief must be made in writing clearly stating type/variety of goods sold by the shop – this can be added to current application for remission
- 6.2.2 A visit to the premises and general location will be undertaken by a member of the Revenues Division to confirm that the criteria detailed in 6.2.3 below points a) to b) is met.
- 6.2.3 On receipt of the above, a recommendation as to whether to grant or refuse the 20% Discretionary Relief will be made to Committee.

Where the following criteria is met it will be recommended that the 20% Discretionary Relief be awarded:-

- a) The charity shop is in a non or less commercial area
- b) The good or variety of goods differs from that sold by other businesses in the area
- c) The granting of the relief will not have a detrimental impact on other commercial organisations or businesses in the area

## **7.0 CONSULTATION**

The Chief Executive and Depute Chief Executive (Support Services) have been consulted in the preparation of this report.

## **8.0 BACKGROUND PAPERS**

None

David K Dorward  
Depute Chief Executive (Finance)

Date: 6 October 2006

## RELIEF FROM RATES

Relief or Remission of rates can be split into two separate categories:-

- 1) Mandatory Remission
- 2) Discretionary Remission

**Mandatory Remission** - this remission is given where any lands and heritages

- a) are occupied by, or by trustees for, a charity and are wholly or mainly used for charitable purposes; or
- b) are held on trust for use as an almshouse; or
- c) are within any such category as the Secretary of State may by order specify, being a category of lands and heritages which are not used for profit making purposes, which are solely or mainly used as residential accommodation for persons living separately from any family and in which certain facilities are shared by those persons.

In the case of a) and b) above, any rate levied shall not exceed 1/5th, i.e. 80% remission of rates is granted.

In the case of paragraph c) above, any rate levied shall not exceed such fraction (and different fractions may be specified for different cases) as the Secretary of State may by order specify. As no such fraction has been specified, again the percentage of remission granted is 80%.

This Mandatory Remission will continue to be given until such time as lands and heritages cease to be within the above categories.

Charity is defined as an institution or other organisation established for charitable purpose only. Charitable purposes may be divided into 4 groups -

- |                             |  |
|-----------------------------|--|
| i) Relief of poverty        | iii) Advancement of education                  |
| ii) Advancement of religion | iv) Other purposes beneficial to the community |

**Discretionary Remission** - The Rating Authority have powers to reduce or remit any rate leviable in respect of:-

- d) Any lands and heritages in the categories a), b) or c) above.
- e) Any lands and heritages occupied for the purpose of one or more institutions or other organisations (whether corporate or incorporate) which are not established or conducted for profit and whose main objects are charitable or are otherwise philanthropic or religious or concerned with education, social welfare, science, literature or fine arts. If any lands and heritages occupied for the purpose of a club, society or other organisation not established or conducted for profit and which are wholly or mainly used for purposes of recreation. Any remission of rate determined at the discretion of the Council may be granted:
  - i) for the year in which, or the year next following that in which, the determination to grant it is made; or
  - ii) for a specified term of the year, not exceeding 5, beginning not earlier than the year in which the determination is made, not more than 24 months after the date of determination; or
  - iii) for an indefinite period beginning not earlier than the year in which the determination is made. However, it should be noted that where remission is granted for an indefinite period, the Rating Authority may, by not less than 12 months notice in writing given to the occupier of the lands and heritages, terminate or modify the remission as from end of a year specified in the notice.

The above legislation does not apply to lands and heritages occupied by a Local Authority, other than as a trustee.

Under the above regulations, a charity means an institution or other organisation established for charitable purposes only, organisation includes any persons administering a trust, and charitable is to be construed in the same way as if it were contained in the Income Tax Acts.

In the case of charity shops, the shops must satisfy two criteria which are:-

- a) their use wholly or mainly for the sale of goods donated to a charity; and
- b) the proceeds of sale (after any deduction of expenses) are applied for the purpose of a charity. In such circumstances, 80% Mandatory Remission would be granted.

### **Financial Implications**

The Council directly incurs the cost of 25% of the amount granted as Discretionary Relief apart from that which is granted to sports clubs.