

## Transitional Rate Relief

Further information about transitional arrangements may be obtained from the Council's website: [www.kingston.gov.uk](http://www.kingston.gov.uk)

The government has put in place a transitional rate relief scheme to limit the impact on changes in rates liabilities as a result of the general revaluation and the introduction of the 2010 rating list on 1 April 2010.

The scheme caps changes to bills over the five years 2010/11 to 2014/15. Some properties have had revaluations that have led to bills in 2010/11 being higher than they were in 2009/10, these properties are described as being in upward transition. The revaluation has also resulted in some bills for 2010/11 being lower than in 2009/10. These bills are capped too and these properties are described as being in downward transition. The capping of properties in upward transition is funded from the capping of properties in downward transition.

	Small property* in upward transition	Large property* in upward transition	Small property* in downward transition	Large property* in downward transition
Limit to increase or decrease of 2011/12 compared to 2010/12.	+7.5% (=1.075)	+17.5% (=1.175)	-30% (=0.7)	-6.7% (=0.933)

\*The definition of a small property after 1 April 2010 is one with a rateable value (RV) less than £25,500. A large property will have a rateable value of £25,500 or more. Figures for all five years have been published and can be found on the Council's website: [www.kingston.gov.uk](http://www.kingston.gov.uk)

On your enclosed bill, you will have an information box which is titled "**Transitional Calculation (if applicable)**". This box will only contain information if you qualify.

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

**Inflation factor (Q)**, this figure is based on a comparison of the retail price index of September 2010, compared to that of September 2009. Retail price index for September 2010 was 4.7%. **Q = 1.047**.

**Appropriate fraction (AF)**, this is calculated by referring to the table above. For example, a small property (RV less than £25,500) facing a bill increase (in upward transition) has a cap of +7.5% (which as a decimal is 1.075). This figure multiplied by the inflation factor gives the appropriate fraction. In this example  $AF = 1.075 \times 1.047 = 1.12553$ .

**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 £0.433 and the small business rate multiplier is £0.426. The difference (£0.433 - £0.426) is £0.007. If the rateable value is £8,000, then the supplement is  $£8,000 \times 0.007 = £56.00$ . Ratepayers who do not qualify for small business rate relief will have the supplement added to their bill after the calculation of transitional relief has been completed.

**Notional chargeable amount (NCA)**, this represents what your rates bill for 2011/12 would be if there were no transitional scheme and you did not qualify for any other type of reduction on your bill and were not charged the small business rate supplement. It is the rateable value multiplied by the 2011/12 small business rate multiplier. So for a property with a rateable value of £8,000, the  $NCA = £8,000 \times 0.426 = £3,408.00$ .

**Base liability (BL)**, this is your yearly charge for 2010/11, this does not include the small business rate supplement for 2010/11, but does include the transitional relief for 2010/11.

**Example:** the 2005 rateable value of £5,300 increased in the 2010 rating list to £8,000. This resulted in the bill for 2010/11 being for a sum of £2,695.29. This includes transitional relief for 2010/11 of -£616.71.

The Base Liability (BL) =  $£2,695.29 - (£8,000 \times £.007) = £2,695.29 - £56.00 = £2,639.29$

The **Transitional Calculation (if applicable)** box would look like this:

BASE LIABILITY(BL) = £2,639.29
APPROPRIATE FRACTION (AF) = $1.047 \times 1.07500 = 1.12553$
BL X AF = £2,970.55
SUPPLEMENT = £56.00



**Transitional relief** is the difference between BL multiplied by AF and the NCA.

Transitional Relief =  $(BL \times AF) - NCA = (2,639.29 \times 1.12553) - £3,408.00 = -£437.40$