

## Rate Relief for Charities and Not-for-profit Organisations

### 1. Introduction

The provision of rate relief for charities and not-for-profit organisations is determined by a mixture of statutory rules and local authority discretion. This note sets out the main principles of rate relief for charities, community amateur sports clubs (“CASCs”) and other organisations, as well as explaining how the relief is funded.

### 2. Charities and Community Amateur Sports Clubs

- 2.1 Charities (organisations which are either registered with the Charity Commission, or which otherwise qualify as charitable under English and Welsh law) and CASCs (clubs which are registered under as such under the Corporation Tax Act 2010), are eligible to receive two types of rate relief: mandatory relief, and discretionary relief.

#### *Mandatory relief*

- 2.2 Section 43(6) of the Local Government Finance Act 1988 (“LGFA”) provides that:

2.2.1 Charities must receive 80% relief on the rates for premises which are wholly or mainly used for charitable purposes; and

2.2.2 CASCs must receive 80% relief on the rates for premises which are wholly or mainly used for the purposes of the club itself, or for the purposes of the club and other CASCs.

#### *Discretionary relief*

- 2.3 A local authority may grant further ‘top-up’ relief at its discretion to a charity or CASC under Section 47 of the LGFA if the premises are either:

- (a) occupied for charitable purposes; or
- (b) used wholly or mainly for the purposes of recreation and all or part of the premises are occupied for the purposes of a charity or club.

If a local authority chooses to provide discretionary relief of 20%, a charity or CASC will receive total relief of 100%.

- 2.4 Similarly, in Scotland mandatory relief must be given to charities and CASCs if the premises are used wholly or mainly for charitable or club purposes, and local authorities may choose to top this up by 20% discretionary relief to reach 100% relief.

- 2.5 The combined effect of the mandatory and discretionary relief provisions is that a charity or CASC will never pay more than 20% of the rates for premises which they occupy for qualifying purposes, and will frequently pay less than 20% or nothing.

### 3. Other not-for-profit organisations

- 3.1 Not-for-profit organisations which are neither charities nor CASCs are not eligible to receive mandatory relief, but they are eligible to receive discretionary rate relief if they satisfy the



conditions set out in Section 47(5B) of the LGFA. The conditions are that either:

- (a) All or part of the premises are occupied for the purposes of one or more organisations which are not-for-profit, and whose objects are “*charitable or otherwise philanthropic or religious or concerned with education, social welfare, science, literature or the fine arts*”; or
  - (b) The premises are wholly or mainly used for the purposes of recreation, and all or part of the premises are occupied for the purposes of a not-for-profit organisation.
- 3.2 If an organisation’s occupation of premises comes within either 3.1(a) or 3.1(b), then a local authority can grant them up to 100% relief from rates.
- 3.3 The position in Scotland is the same – not-for-profit organisations who satisfy the above criteria are eligible to receive up to 100% rate relief.
- 3.4 However, unlike charities and CASCs, other not-for-profit organisations are not guaranteed to receive any rate relief – they must rely on the discretion of the relevant local authority. While some local authorities are generous in granting discretionary relief to not-for-profit organisations which are not charities or CASCs, others are not. This is partly because the different funding streams for discretionary and mandatory relief mean that the local authority incurs a cost in providing discretionary relief (see below).

#### **4. Funding of rate relief**

The funding of mandatory relief and discretionary relief differs as follows:

##### **4.1 Mandatory rate relief**

The cost of providing the entire 80% mandatory relief is met centrally - by the Treasury in England & Wales, and by the Scottish Government in Scotland. Local authorities do not incur any costs in providing mandatory relief.

##### **4.2 Discretionary rate relief**

###### **4.2.1 In England:**

- i. ‘Top-up’ relief of up to 20% for charities and CASCs: 25% is funded centrally by the Treasury, and 75% by the local authority.
- ii. Relief of up to 100% for other not-for-profit organisations: 75% of the relief is funded by the Treasury, and 25% by the local authority.

4.2.2 In Scotland, both the ‘top up’ relief and up to 100% relief for not-for-profit organisations are funded 75% by the Scottish Government, and 25% by the local authority.

4.2.3 In Wales, rate relief is devolved and funded by the Welsh Government and not the Treasury.

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