



MANCHESTER  
CITY COUNCIL

Business Rates Service  
Revenues and Benefits Unit

Write-Off Policy Document 2021/22

## **1. Purpose of document**

All Business Rates debt is considered recoverable and the Business Rates Service will make all necessary efforts to collect what is due. However, there will be limited circumstances when it is appropriate to either write off the debt or consider the write-off of monies owed to the Council. Some of this is covered by statute or an instruction by the courts and other areas are considered by local management in accordance with agreed policy.

This document outlines the Council's policy and approach to Business Rates debt for either remission or write-off.

This policy will ensure that the Council's approach to these processes is consistent and complies with relevant legislation.

## **2. Situations when write-off may be appropriate**

This document will cover the Council's policy and approach in the following areas:

- Remission by the Court
- Imprisonment (warrant of commitment issued)
- Bankruptcies/Insolvency/Dissolution
- Death of the ratepayer
- Absconder who cannot be traced
- Small balance/amount uneconomical to collect
- Court, enforcement agent and other costs
- Miscellaneous reasons
- Hardship

### **2.1 Remission by the Court**

If the magistrates' court finds that the failure to pay the amount due is not 'blameworthy' and the debtor is unable to pay the debt, it can remit the debt. Remission may be in part or in full of the total debt. Even though a debt(s) may be remitted, liability for subsequent years will continue. Following the decision of the court, we will process the write-off and store a copy of the Court Remission Sheet on our files.

### **2.2 Imprisonment (warrant of commitment issued)**

If a debtor is committed to prison for non-payment, the debt must be written off once the full term has been served. No further recovery action can be taken in relation to the relevant amount – the statutory enforcement process has come to an end. Liability for subsequent years and for any debts covered by separate Liability Orders will continue

### **2.3 Bankruptcies and liquidations**

In the event of a successful bankruptcy petition or successful winding-up proceedings for limited companies, when the court has made an order, no other recovery action can be taken. This covers the debts that are covered within the order only and ongoing subsequent Business Rates liability is unaffected from after the date of the orders.

These debts will then be subsequently written off, but only if the insolvency practitioners report that there are no assets out of which the creditors can be paid.

In most bankruptcy / insolvency cases where the Council has not instigated the action, there is little or no dividend payable to the Council. The statement of affairs from the Trustee / Liquidator, usually shows the amount, if any, that is available for creditors. The balance will be written off as irrecoverable.

Write-offs will also be processed where companies have been dissolved and no assets have been identified.

#### **2.4 Death of the ratepayer (where not limited company)**

In most cases the debt remains recoverable by law, either from a jointly liable person or from the estate of the deceased ratepayer. However, in certain circumstances it is not possible to collect and the debt will be written off, commonly where there are no assets or, in rare cases, where a debtor dies intestate or where we cannot trace who the legal executors are.

Where there are assets and the executors fail to make the necessary payment to clear any debt, the Council will take separate action to recover this debt (Administration of Estates Act 1925) where it is cost effective.

#### **2.5 Absconders who cannot be traced**

It is inevitable that some debtors abscond leaving debts. In all cases concerted efforts will be made to trace the debtor. This includes:

- An internal check using the Council's internal and external systems and other tracing tools;
- Passing the debt to an enforcement agency company to see if they can trace the debtor through their internal processes;
- Passing the debt through an external tracing agency for a thorough check of all commercially available databases that can be used to trace debtors.

If all these actions are unsuccessful then there is no alternative but to write off the debt. This activity is usually processed as a bulk exercise and a summary report passed to the City Treasurer for his signature. See Section 4.

If a debtor comes back into Manchester or is subsequently traced, the debt will be raised and recovery action will continue.

#### **2.6 Small balance/amount uneconomical to collect**

Legal enforcement proceedings will be taken for sums of money owing in excess of £25. On occasions where debtors have left the area, it is considered uneconomic to pursue these small balances beyond the issue of copy bills being sent. These debts are written off on an annual basis.

### **3. Other write-off situations**

#### **3.1 Summons costs**

Summons costs incurred in the recovery process are always written off separately for accounting purposes, when the debt is being written off for one of the reasons described above.

There will be occasional cases that are taken to court and subsequently issued to enforcement agents where the liability is incorrect, but the Council was unaware at the time the action was taken. In correcting the liability it is ethical to cancel the costs providing the Council is satisfied that the ratepayer is not 'blameworthy'.

### **3.2 Miscellaneous**

The Council will encounter debts from time to time that are simply not cost effective to pursue and will be written off. These will be in exceptional in nature and approved by the City Treasurer with full details held on file.

### **3.3 Hardship**

The Council has a discretionary power to remit all or part of any liability incurred for occupied or empty property rates on the grounds of hardship under Section 49 LGFA 1988. The power to remit on these grounds has been delegated to the City Treasurer.

## **4. Processing a write-off request**

This is covered by a separate staff procedure note using appropriate computer system transaction codes so that the reason for the write-off can be identified and monitored.

## **5. Management Checks**

The Business Rates Service has a range of management controls to ensure that debt is only written off in accordance with this policy document. The controls and management checks include:

- A schedule of all write-offs is produced periodically. This gives details of every individual debt written off.
- To ensure the write-off procedure has been properly applied, the Technical Officer checks all cases for errors in classification and samples at least 10% of this schedule for correctness/accuracy.
- The City Treasurer then checks and signs off this schedule.

## **6. Policy Review**

This procedure will be reviewed on an annual basis in order to ensure it remains valid, effective and relevant.