



BRIEFING PAPER

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Business rates

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Inside:

1. Non-domestic rates
2. Reliefs and discounts from business rates
3. Additional levies on business rates
4. Revaluations
5. Scotland, Wales and Northern Ireland
6. Alternative calculations of rateable value
7. Appeals
8. Frequently asked questions



Contents

Summary	4
1. Non-domestic rates	5
1.1 Background	5
1.2 How are rates bills calculated?	5
1.3 Collection of rates	6
1.4 The central list	7
2. Reliefs and discounts from business rates	8
2.1 Permanent reliefs	8
Relief for small businesses in England	8
Charitable relief	9
Rural rate relief	9
Discretionary relief	10
2.2 Temporary reliefs	10
Additional reliefs in the October 2018 Budget	10
Additional reliefs in the March 2017 Budget	11
Enterprise zones	12
Local newspaper relief	12
Telecommunications relief	12
2.3 Empty property	13
3. Additional levies on business rates	14
3.1 Business Improvement Districts	14
3.2 Business Rate Supplements	14
4. Revaluations	16
5. Scotland, Wales and Northern Ireland	17
5.1 Northern Ireland	17
Small business rate relief	17
5.2 Wales	18
Small business rate relief	18
5.3 Scotland	19
Small Business Bonus Scheme	19
Business rate supplements	20
Empty property relief	20
6. Alternative calculations of rateable value	21
6.1 Receipts and expenditure valuation	21
7. Appeals	23
7.1 How do I challenge my rateable value?	23
7.2 How do I challenge my bill?	23
7.3 Appeals: England - new system	23
Check	23
Challenge	24
Appeal	25
Statistics	26
7.4 Appeals: Wales	26

8. Frequently asked questions	28
8.1 When do I pay business rates?	28
8.2 Why don't online businesses pay rates?	28
8.3 Working from home	28
8.4 Self-catering holiday lets	28
8.5 ATMs	30
8.6 Music festivals	31
8.7 The 'staircase tax'	31
8.8 Plant nurseries	32
8.9 Day nurseries (childcare)	32
8.10 Public toilets	33
8.11 Student accommodation	34
8.12 How can my council introduce a supermarket levy?	34

Summary

This note provides a brief guide to the system of non-domestic rating, better known as 'business rates'.

Business rates are a property tax paid by occupants of non-domestic properties. The basic rates bill is determined by multiplying the rateable value of a property (a 'hereditament') by the 'multiplier'. A property's rateable value is set by the Valuation Office Agency in England and Wales, the Assessors in Scotland, and Land and Property Services in Northern Ireland.

The multiplier is expressed in pence per pound of rateable value. It is set by the UK Government in England and by the Scottish and Welsh Governments in Scotland and Wales. In Northern Ireland, both the Northern Ireland Executive and the district councils set separate rating multipliers, with the full rate liability collected by Land and Property Services.

Billing authorities (district and unitary councils) collect business rates. In England, the revenue is partly pooled at central government level and redistributed, and part is retained locally. In Scotland and Wales, the rates collected are pooled at the devolved level and redistributed to the billing authorities via a needs-based formula.

Various reliefs, both mandatory and discretionary, are available from full business rates liability. Limited powers also exist for local authorities to set supplementary business rates.

Business rates are devolved to Scotland, Wales and Northern Ireland. This note focuses on the operation of the business rates system in England.

Additional detail on the revaluation of business rates coming into effect on 1 April 2017 can be found in the Library briefing [Business rates: the 2017 revaluation](#). Details of the Business Rate Retention Scheme, and associated plans to reform local government finance, can be found in the Library briefing [Reviewing and reforming local government finance](#).

1. Non-domestic rates

1.1 Background

Non-domestic rates, or 'business rates', are a tax on non-domestic property. Rates have been in existence in some form since the Poor Law of 1601, though a standardised system of non-domestic rating dates to the *Rating and Valuation Act 1925*. The current system in England, Wales and Scotland dates from the [Local Government Finance Act 1988](#).¹ In Northern Ireland the [Rates \(Northern Ireland\) Order 1977](#), as amended, provides the statutory basis for levying non-domestic rates.

Rates are levied on business properties on the basis of their **rateable value** and the national **multiplier**, and the amount payable may then be subject to a number of **reliefs** or **exemptions**.

1.2 How are rates bills calculated?

The **rateable value** (RV) of a property is the first element in the calculation of the rates bill. Rateable values in England, Wales and Scotland are regularly reassessed by the [Valuation Office Agency](#) (VOA), which is an executive agency of HM Revenue and Customs. In Scotland this task falls to the [Scottish Assessors](#), and in Northern Ireland to [Land and Property Services](#) (see section 4). Normally the RV of a property reflects the annual rent that it could have been let for on the open market (though see section 6 below).

The second element in the rates bill is the **multiplier**, which is normally expressed in pence per pound. This is set by the UK Government for England, the Scottish Parliament for Scotland, and the National Assembly for Wales. In Northern Ireland, district councils set one multiplier and a further one is set by the Northern Ireland Executive. Before the introduction of the 1988 Act, the billing authorities in England, Scotland and Wales set the multiplier locally. The multipliers for 2018-19 are shown in the table below.

The basic business rate liability for a property is calculated by multiplying the rateable value of a property by the multiplier. Hence, a property with a rateable value of £100,000, where the multiplier was 49.3 pence in the pound, would have an annual business rate liability of £49,300.

In November 2018, the UK Government announced provisional multipliers for 2019-20 in England: a standard multiplier of 50.4p, and a small business multiplier of 49.1p.²

In England and Wales, in each financial year, the multiplier may be raised by a maximum of the inflation rate of the Retail Price Index (RPI)

¹ Technically, the 1988 Act introduced the 'National Non-Domestic Rate' (NNDR) in place of local business rating. However, the phrase 'business rates' remained in use throughout.

² MHCLG, [Business Rate Information Letter 4/2018](#), 2 Nov 2018

from the previous September. This is not a legal requirement in Scotland.³

In England, the Government's policy from 2018-19 is to use the Consumer Price Index (CPI) for this purpose instead.⁴ The CPI rate is normally lower than that of the RPI. The Government has said that local government will be "fully compensated for the loss of income as a result of these measures", though it does not say how many years this compensation will last.⁵ The Welsh Government has made the same change from 2018-19.⁶

Table: business rate multipliers, 2018-19

Location	Multiplier	Small business multiplier	Supplementary multipliers
England	49.3p	48.0p	
Scotland	48.0p		50.6p (large business)
Wales	51.4p		
Northern Ireland	33.41p		District council multipliers ranging from 21.33p to 30.04p, hence a cumulative multiplier of 54.74p to 63.45p. ⁷

1.3 Collection of rates

Bills are sent out and rates collected by **billing authorities**. These are district councils (in two-tier areas), unitary councils, metropolitan borough and London borough councils. In Wales, the unitary local councils are the billing authorities; in Scotland, the unitary councils are the 'levying authorities'; and in Northern Ireland, the task falls to Land and Property Services (a business group within the Department of Finance). Ratepayers may pay in monthly instalments, as with council tax.

The billing authorities are responsible for deciding whether to apply any exemptions or reliefs to individual businesses or properties. Some reliefs

³ See Scottish Parliament Information Centre, [Non-domestic rates and the 2017 Revaluation](#), 2017

⁴ HM Treasury, [Budget 2017](#), p34. This will be done via the capping provision in the *Local Government Finance Act 1988*.

⁵ Ibid.

⁶ Welsh Government, [Non-domestic Rates](#), 11 April 2018

⁷ See [the full list of district council rates](#) on the website of the Department of Finance and Personnel. The 2018-19 regional rate was set by section 2 of the *Northern Ireland (Ministerial Appointments and Regional Rates) Act 2017*, due to the lack of an executive in Northern Ireland in March-April 2017.

are mandatory, whilst others are given at the discretion of the billing authority.

Unlike property taxation in many other states, the **occupier** of the property is liable for business rates. In most cases, owners become liable where a property is unoccupied.

1.4 The central list

A small number of properties are subject to rating via the 'central rating list'. These are mostly very extensive property holdings of former nationalised industries. Each company or group of companies is given a single rateable value, and the revenue collected goes to the Consolidated Fund, not to local government. Central list properties can be viewed in the [Central Rating List \(England\) Regulations 2005](#) (SI 2005/551) and the [Central Rating List \(Wales\) Regulations 2005](#) (SI 2005/422). Both lists have been subject to numerous amendments since their initial publication. Revenue from the central list must be redistributed to local government via grants.

Proposals have appeared in the 2010s to transfer properties, or classes of properties, between the central list and local lists.⁸ A discussion paper, published in July 2018 by an MHCLG-LGA working group on business rate reform, proposed that some movement between central and local lists could take place around the introduction of 75% retention in 2020.⁹ Criteria for change were published in December 2018 in a Government consultation on business rate retention:

- a. The nature and use of the property;
- b. The size and geographical spread of the property; and
- c. The suitability or otherwise for assessment of the property on local non-domestic rating lists.¹⁰

The consultation also noted that the Government was unconvinced by a further criterion proposed by the working group. This was to propose that high value properties that posed a threat to a local authority's financial stability might be moved on to the central list.

The consultation requested views on whether any properties should be moved between lists in the light of those principles.

⁸ See for instance London Councils, [written evidence to Communities and Local Government Committee \[BUR-07\]](#), February 2016

⁹ Business Rates Retention Steering Group, [Criteria in consideration for the listing of a hereditament in the central nondomestic rating list](#), 23 July 2018

¹⁰ MHCLG, *Business Rate Retention Reform*, December 2018, pp35-36

2. Reliefs and discounts from business rates

Various reductions in liability for business rates are available. A relief does not change the rateable value of a non-domestic property: it is a discount from the payment owed by the liable business. If the occupier of the property changes, the business rates liability may also change. Separately, certain types of property are exempt from business rates.

Some reliefs are mandatory, whereas others are given at the discretion of the billing authority. It is for the billing authority to interpret the law when applying mandatory reliefs in their area, in the light of case law, and to make decisions on discretionary relief. Ratepayers can appeal both against their rateable value and their rate bill: see section 7.

This section sets out the available reliefs, dividing them into reliefs that are permanent parts of the business rates system and temporary reliefs introduced to address short-term issues.

2.1 Permanent reliefs

Relief for small businesses in England

As of 1 April 2017, small business relief is available as follows:

- Properties with a rateable value of £12,000 or below are entitled to 100% business rates relief;
- Properties with a rateable value of £12,001 to £15,000 are entitled to a tapering discount from 0% to 100%, on the basis of 1% relief for every £30 of rateable value;
- Properties with a rateable value of £15,001 to £50,999 are subject to the small business multiplier.¹¹

Businesses with more than one property are only eligible for small business rate relief if their additional property or properties all have rateable values of under £2,900, **and** the total rateable value of all their properties does not exceed £19,999 (£27,999 in London).¹² The relief is only available on the main property, not on any smaller properties that the business occupies.

English local authorities will be compensated in full for reductions in revenue caused by the changes to small business rate relief in April 2017. This was confirmed by [a letter on 22 March 2016 from the Secretary of State](#) to Clive Betts MP, chair of the Communities and Local Government Committee. However, it is not clear for how many years this compensation will remain in place.

¹¹ For the system before 2017, see DCLG, [Business rates information letter 9/2011](#), 22 December 2011.

¹² DCLG, [Business Rates Information Letter 1/2017](#), 24 January 2017: see also the [Non-Domestic Rating \(Reliefs, Thresholds and Amendment\) \(England\) Order 2017](#) (SI 2017/102).

The 2013 Autumn Statement introduced a year's grace for businesses which take on any additional properties which would make them ineligible for small business relief.

The Government has a long-term policy commitment to replace small business rate relief with an allowance system:

The Government is committed to considering the feasibility of replacing small business rate relief with a business rates allowance for small businesses once local authority and HMRC systems are linked in line with our planned digitalisation of business rates.¹³

Charitable relief

Properties which are occupied by charities and wholly or mainly used for charitable purposes are entitled to a mandatory reduction of 80% in business rates, as are community amateur sports clubs (CASCs).¹⁴ Billing authorities have the discretion to increase this to 100%.¹⁵ It is for the billing authority to determine whether a property is 'wholly or mainly used for charitable purposes'. Case law establishes that the use of the property, not merely whether the occupant is a charity, is critical to the decision.¹⁶

Independent schools and private hospitals that are run by charitable bodies can benefit from charitable relief. The Scottish Government has committed to removing relief for (most) independent schools from 2020.¹⁷

A group of some 20 NHS trusts launched a court case in April 2018 seeking backdated charitable relief, on the grounds that the properties that they used were occupied by their charitable arms. If the case is successful, it could lead to substantial financial losses for local authorities.¹⁸

Rural rate relief

In England, 100% rural rate relief is available to public houses or petrol stations which are the only such business in a rural settlement, and which have a rateable value of less than £12,500; and to sole shops, general stores or post offices with a rateable value of less than £8,500.¹⁹

In law, the entitlement is to 50% mandatory rate relief. However, the Government has agreed to fund 100% rural rate relief from 2017-18 onwards. It will compensate authorities for revenue foregone via a section 31 grant.²⁰ This is because of an anomaly in England, whereby the law provides that Rural Rate Relief takes precedence over Small

¹³ [PO 176219 2017-19](#), 16 Oct 2018

¹⁴ A list of registered CASCs is available at <http://www.hmrc.gov.uk/casc/clubs.htm>. For a definition of the category, see the [Community Amateur Sports Clubs Regulations 2015](#) (SI 2015/725).

¹⁵ See the *Local Government Finance Act 1988*, sections 43 and 47.

¹⁶ See, for instance, *Public Safety Charitable Trust v Milton Keynes* (2013); see also the Government's 2015 paper [Business rates avoidance: summary of responses](#).

¹⁷ Scottish Government, [Barclay Implementation: A Consultation on Non-Domestic Rates Reform](#), June 2018, paragraph 56

¹⁸ Jon Bunn, ["Warning over 'corrosive' NHS trusts' business rates challenge"](#), *Local Government Chronicle*, 10 April 2018

¹⁹ See the *Local Government Finance Act 1988*, section 43

²⁰ DCLG, [Business Rates Information Letter 1/2017](#), 24 January 2017

Business Rate Relief. It was therefore possible for a property to attract a 50% mandatory discount under the former, in place of a 100% mandatory discount under the latter – meaning that some rural properties were entitled to *less* relief due to their rural location.²¹

Discretionary relief

Section 69 of the [Localism Act 2011](#) provides a discretionary power for billing authorities in England and Wales to reduce the business rates of any local ratepayer. The Government has not issued guidance on how this power might be used, though councils must ensure that the reliefs they allow do not transgress state aid rules.²² Billing authorities cannot give themselves rate relief under this provision, nor can they give relief to precepting authorities or London functional bodies.²³

A power also exists to grant relief if a business would suffer ‘hardship’ if they had to pay their full business rates liability. There is no definition of ‘hardship’ in legislation, though relevant case law exists. The billing authority must take into account the interests of council tax-payers in their area before granting hardship relief. This power has fallen into disuse since the introduction of discretionary relief.

2.2 Temporary reliefs

Additional reliefs in the October 2018 Budget

The October 2018 Budget announced a discount of one third off all business rates bills for retail properties with a rateable value of £51,000 and under. The Government will compensate local authorities fully for any foregone revenue. A Business Rate Information Letter provided further detail on the scheme:

The definition of retail properties will follow that adopted from the previous retail relief scheme in 2014/15 and 2015/16. MHCLG plans to publish guidance on the operation of the relief scheme for retail shortly. However, local authorities should begin preparations for implementation on the basis of the definition of retail in the previous retail relief scheme. The relief will have effect for 2019/20 and 2020/21 and should be applied from the start of the billing cycle.²⁴

Budget documents estimate the cost of this commitment at £490 million in 2019-20 and £450 million in 2020-21.²⁵ Government guidance provides definitions of properties that are (and are not) defined as ‘retail’, and which would thus attract Government reimbursement of relief.²⁶

The Government also committed to extending local newspaper relief (see below) to 2019-20. It also committed to introducing 100% business rate relief on all public toilets from 2020-21 (see section 8.9

²¹ [HCDeb 23 Nov 2016](#) c907

²² For further information see DCLG, [Business Rates Information Letter 6/2012](#). Some guidance on the state aid rules is available at DCLG, [Enterprise zones: state aid and business rate discounts](#), February 2012.

²³ [Local Government Finance Act 1998](#), s47 (8A-9)

²⁴ MHCLG, [Business Rate Information Letter 4/2018](#), 2 Nov 2018

²⁵ HM Treasury, [Budget 2018](#), p37, line 44

²⁶ MHCLG, [Business rates: retail discount – guidance](#), 30 November 2018

below). The 2018 Budget did not, however, mention any extension of business rate relief on pubs (see below).

Additional reliefs in the March 2017 Budget

The March 2017 Budget announced three additional measures to address disquiet caused by the 2017 revaluation of business rates:

- Businesses that no longer receive small business rate relief or rural rate relief after the 2017 revaluation, but which did receive either relief before, will be subject to a limit on the amount by which their rate bills can rise. This limit goes beyond the standard transitional relief scheme (see the Library briefing [Business rates: the 2017 revaluation](#)) and is known as the 'Supporting Small Businesses scheme'.

Eligible businesses' business rates bills were to rise by a minimum of £50 per month, or 5% in 2017-18, **whichever is the greater**, until they reach their full liability. The minimum percentage is 7.5% in 2018-19, 10% in 2019-20, and 15% in 2020-21 and 2021-22.²⁷ Where a new ratepayer occupies an eligible property, the property will remain eligible for this relief.

Businesses that have seen their rateable value rise above the threshold for the small business multiplier (£51,000) will be able to continue to use the small business multiplier if they are eligible for this scheme.²⁸

Billing authorities will be fully reimbursed by the Government for revenue foregone as a result of this relief. The Budget 2017 document costs this at £25 million in 2017-18, then £20 million in 2018-19 and in 2019-20, then £25 million in 2020-21 and 2021-22.²⁹

- A new £300 million fund will be made available to local authorities to enable them to apply further discretionary relief to 'hard cases'. This will be made up of £180 million in 2017-18, followed by £85 million, £35 million and £5 million in the ensuing years, with no additional money in 2021-22.³⁰

The criteria for eligibility for the fund were set out in a Government consultation, published on 9 March 2017. A related document fixes a maximum sum that each local authority will be able to claim back from the Government. These allocations were confirmed on 21 April 2017.³¹

The availability of relief will be subject to State Aid provisions. This means that no company can receive more than €200,000 of relief during any three-year period.

- All pubs with a rateable value of under £100,000 were entitled to a flat-rate £1000 discount from their business rate bills in 2017-

²⁷ DCLG, [Business Rates Information Letter 2017/4](#), paragraph 11

²⁸ Ibid. See this document for further details on eligibility.

²⁹ HM Treasury, [Budget 2017](#), p. 26

³⁰ HM Treasury, [Budget 2017](#), p. 26

³¹ See DCLG, [Distribution of £300 million discretionary pot](#), March 2017; DCLG, [Business Rates Information Letter 2017/4](#), p. 3

19. This was expected to cost some £25 million nationally.³² Billing authorities were reimbursed by the Government for revenue foregone.

The DCLG's *Business Rates Information Letter 2017/4* provides details on how to define eligible pubs. There is no fixed definition of a 'pub' in law: thus the DCLG suggests a range of types of property that would (and would not) be eligible. This relief should be applied after the discretionary relief noted above.

These reliefs attract a New Burdens assessment, meaning that billing authorities can anticipate assistance from Government with the costs of implementation.³³

Enterprise zones

Businesses moving into Enterprise Zones (EZs) are entitled to a 100% discount for five years. This applies to enterprise zones designated up until March 2017.³⁴ This is awarded at the discretion of the billing authority, but will be funded by the Government. The Government will also fund any existing discounts that are being awarded in the zone.³⁵

Local newspaper relief

At the July 2015 budget, a consultation was published on introducing business rate relief for local newspapers.³⁶ The 2016 Budget then committed to introducing a discount on business rate bills for local newspapers:

The government will introduce a £1,500 business rates discount for office space occupied by local newspapers in England, up to a maximum of one discount per local newspaper title and per hereditament, and up to state aid limits, for 2 years from 1 April 2017.³⁷

The Autumn 2018 Budget extended this relief to 2019-20.

Telecommunications relief

In the 2016 Autumn Statement, the Chancellor announced a new relief on business rates for telecommunications infrastructure:

... from April [2017] we will introduce 100% business rates relief for a 5 year period on new fibre infrastructure, supporting further roll out of fibre to homes and businesses.³⁸

This was implemented by the [Telecommunications Infrastructure \(Relief from Non-Domestic Rates\) Act 2017-18](#). This Act also gives powers to implement the relief to the Welsh Government.

³² HM Treasury, [Budget 2017](#), p. 26

³³ DCLG, [Business Rates Information Letter 2017/4](#), page 3

³⁴ See the [Non-Domestic Rating \(Rates Retention and Levy and Safety Net\) \(Amendment\) Regulations 2018](#) (SI 2018/436), regulation 7

³⁵ See the [Non-Domestic Rating Contributions \(England\) \(Amendment\) Regulations 2012](#); also DCLG, [Business Rates Information Letter 5/2012](#). The Government will provide a grant equal to the revenue foregone by the local authority, thus avoiding the 50/50 split under the Business Rates Retention Scheme referred to in section 2 above.

³⁶ See DCMS/DCLG, [The case for a Business Rates Relief for local newspapers](#), July 2015

³⁷ Ibid.

³⁸ [HCDeb 23 November 2016 c903](#)

The Autumn Statement documentation estimated that this, together with the changes to rural rate relief (see section 2.1 above), would reduce business rate revenue by £10 million in 2017-18, and by £25 million per annum by 2021-22.³⁹

2.3 Empty property

Since 1 April 2008, owners of empty property in England and Wales have been liable to pay the full business rate (subject to any other reliefs that they might be entitled to). Empty property is exempt for a three-month period from the date on which the property became empty (six months for industrial and storage premises).⁴⁰ Empty properties with a rateable value of under £2,900 are entirely exempt from business rates.⁴¹

Empty properties held by charities and companies in administration are exempt from business rates. Empty listed properties are exempt from business rates.⁴²

The empty property must be occupied for at least six weeks before a further three / six-month exemption period can begin. If there has been less than six weeks' occupation, the exemption period does not re-start: only the **remainder** of the **original** three-month exemption period is available.

Some companies have occupied very small parts of industrial premises for just over six weeks, in order to trigger a further six-month exemption and minimise their liability for business rates. A court case in July 2012, [Makro Properties v Nuneaton and Bedworth District Council](#), upheld the occupier's claim to a further six-month exemption in such a scenario.

A property that is only partially occupied, or minimally occupied, is likely to be defined as occupied for business rates purposes, under the principle 'occupation of part is occupation of the whole', which originates in business rate case law.

³⁹ HM Treasury, [Autumn Statement](#), 2016, p23

⁴⁰ The changes were made via the [Non-Domestic Rating \(Unoccupied Property\) \(England\) Regulations 2008](#), (SI 2008/836). Prior to the 2007 Act, industrial and storage premises enjoyed indefinite exemption from business rates.

⁴¹ See the [Non-Domestic Rating \(Unoccupied Property\) \(England\) \(Amendment\) Regulations 2010](#) (SI 2010/408); and the [Non-Domestic Rating \(Unoccupied Property\) \(Wales\) \(Amendment\) Regulations 2011](#) (SI 2011/197). This figure was temporarily raised to £15,000 for 2009-10 and £18,000 for 2010-11 in the light of economic conditions: see [HCDeb 13 Dec 2010 c61-62WS](#)

⁴² HM Treasury, [Building Britain's long-term future: Prosperity and fairness for families: Budget 2007](#), p73; 216. See also DCLG, [Modernising empty property relief: a consultation paper](#), July 2007

3. Additional levies on business rates

Two routes currently exist to apply an additional (supplementary) business rate at a local level: Business Improvement Districts and Business Rate Supplements.

3.1 Business Improvement Districts

Local authorities may create Business Improvement Districts, on demand, for specific areas within the locality. These are to be established and run by local business groups, who must also determine the geographical area covered. They must determine the level of the additional rate to be collected, and any exemptions or discounted rates that are to apply.

The local businesses must develop a prospectus for the spending of the money, and the scheme must be approved by a majority of the prospective rate-payers, both by rateable value and number, in a referendum. The billing authority will collect the additional revenue and make it available for spending according to the prospectus. Further details are available in the Library briefing paper [Business Improvement Districts](#) (SN/PC/4591).

3.2 Business Rate Supplements

Local authorities in England and Wales, and combined authorities in England, may levy a supplement on the standard business rate under the [Business Rate Supplements Act 2009](#). The only supplement scheme in existence so far is a 2% supplement on businesses in the area of the Crossrail development in London; the revenue will help pay for Crossrail.⁴³

The main features of the BRS legislation as it currently stands are:

- All proposals for the imposition of a BRS, and all variations to the original prospectus, must be approved by a majority, by number and by rateable value, of all those eligible to vote.⁴⁴ This replicates the provisions made for Business Improvement Districts. This provision was brought in by section 68 of the [Localism Act 2011](#).
- Only the highest tier of local authority is to be entitled to levy a BRS. In London, the power rests with the Greater London Authority;

⁴³ Prior to 2011, a ballot was only required where the supplement was to fund more than a third of the total cost of the relevant project(s). The Crossrail BRS was established in 2009. See also [Crossrail business rate supplement](#); also the Library briefing paper [Railways: Crossrail](#) (SN/BT/0876).

⁴⁴ Section 68 of the [Localism Act](#) was brought into force in England from 15 January 2012 by the [Localism Act 2011 \(Commencement No 3\) Order 2012](#) (SI 2012/411). Eligibility to vote is limited to those who would be liable to pay: see sections 6 and 7 of the [Business Rate Supplements Act 2009](#).

15 Business rates

- BRS revenues must be spent on economic development (see the Government guidance).⁴⁵ In addition, the 2009 Act specifies certain matters on which a supplement may not be spent;⁴⁶
- a national upper limit of 2p per £1 of rateable value will apply (i.e. the multiplier can be raised by 2 pence in the pound);
- levying authorities are required to consult with business, and to produce a detailed prospectus, before introducing any BRS scheme;
- all properties with a rateable value below £50,000 are exempt from any supplement;⁴⁷
- levying authorities will be able to offer additional reliefs;
- where a supplement is to be introduced in an area containing one or more business improvement districts, levying authorities may offset BID levies against liability for the supplement;
- two or more authorities may raise a BRS jointly;
- there must be additionality i.e. revenues may not be used for expenditure that would have been incurred if no supplement had been levied.⁴⁸

⁴⁵ HM Treasury/DCLG, [Business Rates Supplements: guidance for local authorities](#), January 2010,

⁴⁶ It may not be used to provide housing, social services, education services, services for children, or health services.

⁴⁷ See the [Business Rate Supplements \(Rateable Value Condition\) \(England\) Regulations 2009](#) (SI 2009/2542)

⁴⁸ Guidance on this is given in HM Treasury/DCLG, [Business Rate Supplements guidance: additionality and ballots](#), May 2009

4. Revaluations

Non-domestic properties in England, Scotland and Wales are revalued regularly. The most recent revaluation in each country came into effect on 1 April 2017 (see the Library briefing [Business rates: the 2017 revaluation](#)). The previous 'rating list' came into effect on 1 April 2010.

Revaluations are based on rental values at a specific date (the 'antecedent valuation date' or AVD, or the 'tone date' in Scotland) two years before the revaluation applies. Thus the 2017 revaluation was based on rental values at 1 April 2015.

The next revaluation is due to come into effect in 2021. The November 2017 Budget stated that revaluations in England will then take place on a three-yearly basis: thus the 2021 revaluation will be followed by one coming into effect in 2024. Since 1990, business rates have normally been revalued every five years, though there was a seven-year gap between revaluations in 2010 and 2017.

The Scottish Government also plans to introduce three-yearly revaluations, with the next coming into effect in 2022.⁴⁹ The Welsh Government's next revaluation will come into effect in 2021, but has not (yet) committed to revaluing at three-yearly intervals.⁵⁰

In England and Wales, the legislation provides that a rise in rateable value at a revaluation does not lead to a rise in overall revenue from business rates. The multiplier must be adjusted to ensure that the overall yield from rates remains the same, taking into account additional physical property. In Scotland, this is not a legal requirement, but it has been the practice of successive Scottish governments.

For instance, multipliers in England, Scotland and Wales were reduced by several pence in the pound at the 2005 and 2010 revaluations, offsetting an overall rise in rateable value. In 2017-18, in England, the standard multiplier fell from 49.4p to 47.9p, and the small business multiplier from 48.4p to 46.6p.⁵¹ Conversely, total rateable value in Wales fell at the 2017 revaluation, so the multiplier rose from 48.6p to 49.9p.

From 2017, England and Wales are both operating transitional schemes to phase in substantial increases or decreases in a ratepayer's bill following a revaluation. Details are available in the Library briefing paper [Business rates: the 2017 revaluation](#).

⁴⁹ Scottish Government, [Barclay Implementation: A consultation on non-domestic rate reform](#), June 2018, p8

⁵⁰ See Welsh Government, [Written Statement: Non-Domestic Rates Revaluation](#), 11 Jul 2018

⁵¹ See DCLG, [Business Rates Information Letter 2017/3](#), March 2017

5. Scotland, Wales and Northern Ireland

Business rates are devolved to Scotland, Wales and Northern Ireland, though the system works in very similar ways in England, Scotland and Wales. Valuation is the responsibility of the Valuation Office Agency for England and Wales; the Scottish Assessors in Scotland; and Northern Ireland Land and Property Services (NILPS) in Northern Ireland.⁵²

5.1 Northern Ireland

Northern Ireland's non-domestic rating system operates, and is legislated for, in tandem with a system of domestic rating. As the community charge and council tax were not introduced in Northern Ireland, the system of domestic rates remains in place.

Domestic rates were last revalued in 2007. Non-domestic rates in Northern Ireland were last revalued in 2015, and previously in 2001. Both the Northern Ireland Executive and the 11 district councils levy a rate, which are collected by NILPS.

In Northern Ireland, district councils set individual district rates and the Northern Ireland Executive sets a 'regional rate' (see section 1.1). Both rates are levied as one within a single rate bill. At the time of writing, the Executive is not operating, and the regional rate for 2017-18 and 2018-19 has been set by legislation in the UK Parliament.

Small business rate relief

Northern Ireland operates a system of small business rate relief:

- business properties with an NAV ('net annual value', equivalent to rateable value) of £2,000 or less will receive 50 per cent relief;
- business properties with an NAV of more than £2,000 but not more than £5,000 will receive 25 per cent relief;
- business properties with an NAV of more than £5,000 but not more than £15,000 will receive 20 per cent relief.

Northern Ireland operates a number of other exemptions and discounts, some of which have developed separately from those in Great Britain. These include the following:

- Properties used for charitable purposes attract 100% relief, compared to 80% in Great Britain. Northern Ireland's definition of charitable purposes can also extend to non-profit organisations and buildings occupied for community purposes;
- Sports and recreation relief, at 80%, is available to non-profit occupants, and 100% relief is available for community amateur sports clubs;
- Empty properties attract a discount of 50%, with exemption for those with an NAV below £2,000, and an exemption for the first three months of vacancy;

⁵² See [the Scottish Assessors' website](#).

- 100% relief is available for rural post offices with an NAV of £9,000 or below, with some relief available above that level;

A review of non-domestic rating was undertaken in 2015/2016 with a subsequent package of measures consulted upon by the Finance Minister in 2016/2017, entitled “Rates Rethink”. Details of both packages can be accessed on the Department of Finance website.

As the Northern Ireland Executive is not operational, and there is no Finance Minister in place, some policy decisions cannot be taken at the time of writing. Preparations are being undertaken by LPS for a planned revaluation exercise, with new valuations currently anticipated to come into operation on 1 April 2020.

5.2 Wales

Business rates were fully devolved to Wales as of 1 April 2015. Revenue from business rates now remains in Wales, and is redistributed amongst Welsh local authorities by the Welsh Government. Previously, rises and falls in Welsh rate revenue were compensated for via the Barnett Formula, so the Assembly’s budget was not affected.⁵³ The Assembly has had the power to set the multiplier since its establishment in 1999.⁵⁴

Small business rate relief

In Wales, business premises with a rateable value up to £6,000 attract 100% relief. Ratepayers with RVs of between £6,001 and £12,000 receive relief on a tapered basis from 100% to 0%.⁵⁵ Relief is also available for post offices, child care premises and retail premises with rateable values below specified levels.⁵⁶

Businesses not eligible for small business relief include those entitled to other types of mandatory relief, advertising rights (e.g. billboards), beach huts, communication stations, car parks, car spaces and sewage works. Eligible businesses may claim small business rate relief for a maximum of two properties in each local authority area.

The Welsh transitional relief scheme following the 2017 revaluation only applies to properties which receive a smaller percentage of small business rate relief than before the revaluation (see the Library briefing [Business rates: the 2017 revaluation](#)). Wales did not use a transitional relief scheme at the previous revaluation in 2010, nor does it operate a small business multiplier.

The Welsh Government also operates a scheme of ‘high street rate relief’. Eligible properties will benefit from either up to £250 (‘Tier 1’) or up to £750 (‘Tier 2’) in relief from their rate bill, if they meet certain

⁵³ Though see the discussion in the report of the Silk Commission, *Empowerment and Responsibility: Financial Powers to Strengthen Wales*, 2012, pp.56-58, on the link to the Barnett Formula in Wales.

⁵⁴ See HM Treasury, [Empowerment and responsibility: devolving financial powers to Wales](#), 2013.

⁵⁵ See the *Non-Domestic Rating (Small Business Relief) (Wales) (Amendment) Order 2014* (SI 2014/372). This system is essentially the same as the pre-2017 provisions for England.

⁵⁶ See Welsh Government, [Business Rates Relief in Wales](#), for additional details

criteria.⁵⁷ The relief is awarded by local authorities, which will be able to claim back revenue foregone from the Welsh Government.

This scheme is to be extended as of 2019-20. Properties with a rateable value of £9,100 or less will receive 100% business rate relief. Properties with a rateable value of between £9,101 and £50,000 will receive relief of up to £2,500.⁵⁸

5.3 Scotland

Small Business Bonus Scheme

Scotland operates a 'Small Business Bonus Scheme', similar to small business rate relief. The 2018-19 thresholds are shown in the following table:

Combined rateable value of all business properties in Scotland	2018-19
Up to £15,000	100%
£15,001 to £18,000	25%
£18,001 to £35,000	25% on each individual property with a rateable value not exceeding £18,000

Businesses have to apply for the Small Business Bonus Scheme but do not need to reapply as long as their circumstances remain the same. Relief can be awarded for a maximum period of five years without a review being undertaken.⁵⁹

The 2018 Barclay Review recommended a twelve-month delay between expansion or improvement of a property and a consequential increase in business rates. The Scottish Government brought this into effect from 1 April 2018.⁶⁰ In the same regulations, the Scottish Government also introduced 100% relief for newly-built commercial property until it is first occupied.

For 2017-18, additional relief was provided for hotels, pubs and restaurants, capping the amount by which their bills can rise at the 2017 revaluation to 12.5%.

⁵⁷ See Welsh Government, [High Street Rates Relief in Wales: Guidance](#), 11 April 2018

⁵⁸ See Welsh Government, [Written Statement: Extension of the high street rates relief scheme in 2019-20](#), 10 December 2018. The scheme is funded through the 'Barnett consequential' arising from the UK Government's retail relief scheme in respect of England.

⁵⁹ See Scottish Government, [Small Business Bonus Scheme \(SBBS\)](#)

⁶⁰ See the [Non-Domestic Rates \(New and Improved Properties\) \(Scotland\) Regulations 2018 \(SI 2018/75\)](#)

Business rate supplements

The Barclay Review proposed the piloting of business rate supplements in a small number of locations in Scotland, potentially to be applied to 'out-of-town' ratepayers or 'predominantly online' ratepayers. The consultation on the implementation of the Review, published in June 2018, invited views on how this should be taken forward.⁶¹

Empty property relief

In Scotland, empty property has attracted relief of 10% since 1 April 2013.⁶² Some long-term empty properties may attract 100% relief if they are reoccupied after being empty for six months or more, and have a rateable value of under £65,000. Reoccupation must have begun after 1 April 2018.

A property that is newly occupied must be occupied for at least 42 days in order to be eligible for a further period of empty property relief. This has been the subject of some controversy in England (see section 2.3 above). The Barclay Review implementation plan announced the Scottish Government's intention to increase the 42-day period to six months from 2020.

The Scottish Government also intends to impose a 10% surcharge on properties that are empty for over five years, effective from 2020. Listed properties will be excepted from this change.⁶³

⁶¹ Scottish Government, [Barclay Implementation: A Consultation on Non-Domestic Rates Reform](#), June 2018

⁶² See the [Non-Domestic Rating \(Unoccupied Property\) \(Scotland\) Amendment Regulations 2013](#). Previously, empty properties attracted 50% relief.

⁶³ Scottish Government, [Barclay Implementation: A Consultation on Non-Domestic Rates Reform](#), June 2018, paragraph 62

6. Alternative calculations of rateable value

Though rateable value is usually based on an estimate of the annual rental value of a property, a number of alternative methods of calculating rateable value are in use. These are used for properties for which it is difficult or impossible to determine a meaningful annual rental value. A useful resource is the Valuation Office Agency's manual, which is a guide for valuers when calculating rateable value.⁶⁴ The main examples are:

- **The 'receipts and expenditure' basis.** This is most commonly used for pubs and hotels (see below), where it is hard to obtain a meaningful annual rental figure. This method aggregates the property's turnover into a series of categories and multiplies each of them by a percentage (e.g. 30% for drinks receipts, 40% for food receipts). These are then added together to produce the rateable value.
- **The contractor's basis.** This is most commonly used for old or unique buildings. The cost of reconstructing the building from scratch is estimated. A statutory 'decapitalisation rate' is applied to this figure: this represents the rate of interest that funds would attract if they were not used for a rebuild.⁶⁵

For other classes of property, such as telecommunications cables, standard rating scales, often agreed with industry representatives, are applied.

6.1 Receipts and expenditure valuation

Public houses' rateable value is normally calculated on the basis of "fair maintainable trade". The use of this method instead of the standard method dates back to the late 1800s. The current methods of valuation (agreed with the industry) are set out in the 2010 publication [Valuation of Public Houses: Approved Guide](#).

The justification for using the method relates to the difficulty of obtaining a meaningful figure for the open market rent of a pub. Many public houses are owned by breweries and let to the landlords under terms which require the landlord only to buy from that brewery (a 'tied' pub). Additionally, the nature of the public house as a rentable retail unit is fundamentally changed by the existence of a licence to sell intoxicating liquor. Askham and Mackmin describe the situation as follows:

Generally speaking, new licences are not easy to obtain and in most areas the assumption is that the status quo will continue. To an extent, therefore, licensees are each enjoying what amounts to a share in a statutory local monopoly... there is a limited supply of

⁶⁴ See Valuation Office Agency, [Rating Manual 4](#), 2012

⁶⁵ This is prescribed in secondary legislation. See the [Non-Domestic Rating \(Miscellaneous Provisions\) \(No. 2\) Regulations 1989 \(Amendment\) \(England\) Regulations 2016](#) (SI 2016/777)

licensed premises and there is every likelihood that the supply will not increase. This will have an effect on value.⁶⁶

Fair maintainable trade (FMT) must be calculated with reference to the “antecedent value date” (AVD), i.e. the date on which valuations on the current rating list are based. The valuer must calculate the turnover that would be expected on that date, assuming that the business was run competently by a ‘hypothetical tenant’. This will inevitably have some relationship to, but need not be exactly equal to, the actual trade figures in recent years.⁶⁷

The valuer will produce separate turnover figures for alcoholic drink, food, accommodation, gaming machines and other sources of income. Each of these categories is then attributed a percentage, following the guidance provided by the VOA.⁶⁸ The percentage selected is principally based on geographical location and turnover. The figures for receipts are multiplied by the percentage to produce a rateable value for each category, and these values are added together to produce a total rateable value.

The valuer is required to ensure that the final rateable value figure is not substantially out of line with rateable values for similar properties nearby (the “stand back and look stage”), as the intention of the FMT method is to produce an approximation of a free market rent:

Having calculated the initial valuation it may be necessary to stand back and look in order to consider whether or not the resultant figure appears reasonable in comparison with the assessments of similar styles of property and if it fits into the broad range and pattern of assessments in similar localities.⁶⁹

The rateable value is then combined with the multiplier, in the normal way, to calculate the business rates liability.

⁶⁶ Phil Askham and David Mackmin, *Rating Law: The Uniform Business Rate*, Sweet & Maxwell, 1995, p. 151-152

⁶⁷ Valuation Office Agency, *Rating Lists 2017 – Valuation of Public Houses: Approved Guide*, p. 4

⁶⁸ *Ibid.*, pp. 7-15

⁶⁹ *Ibid.*, p. 17

7. Appeals

7.1 How do I challenge my rateable value?

Appeals against the rateable value of a property consist of a 'proposal' to alter the valuation list. This must be made to the VOA for England and Wales (or the Assessors in Scotland, or NILPS in Northern Ireland). Details of how to do this in England and Wales are [available on the VOA website](#). If the ratepayer is dissatisfied with the VOA's decision, s/he can appeal to the Valuation Tribunal, and after that to the High Court. Details of the appeals process in Scotland can be found in the [Scottish Parliament Information Centre's briefing note](#).

Similar properties nearby having a much lower rateable value can be, but are not necessarily, a justification for a reduction in the ratepayer's rateable value. There may be other reasons for differences in rateable value.

It is possible to agree a new rateable value with the VOA in advance of a formal appeal. Any new rateable value can be backdated to a date from which the VOA agree that it should have applied.⁶⁵

The existing rates must be paid for the duration of any appeal: they will be reimbursed afterwards if the appeal is successful and the rateable value is lowered. Billing authorities have a **discretionary** power to defer payment within the current financial year.

Businesses taking forward a formal appeal against their rateable value may consider retaining the services of a professional valuer.

7.2 How do I challenge my bill?

The billing authority should be approached in order to seek a reduction in **liability** for rates – as opposed to seeking a change in rateable value. If the ratepayer is dissatisfied with the billing authority's decision on this issue, s/he can appeal to the Valuation Tribunal, and after that to the High Court.

7.3 Appeals: England - new system

A new business rate appeals system was introduced in England as of 1 April 2017. This is called *Check, Challenge, Appeal*. The 'check' and 'challenge' elements of the service are administered by the VOA, with the Valuation Tribunal handling appeals.

Check

At the 'check' stage, ratepayers must check and confirm "the accuracy of the facts on which their rating list entry is based". The intention is that the majority of disagreements over rateable value will be resolved quickly at the 'check' stage.⁷⁰ The Government's response to

⁷⁰ See DCLG, [Reforming business rates appeals: Government response to consultation](#), July 2016, p. 4

consultation states that the VOA intends to “respond ... to the great majority of cases within 3 months” at this stage.⁷¹

It is possible for a group of properties with similar characteristics to submit a request for a Group Pre-Challenge Review (GPCR). The occupants of all the properties must consent to participating in a GPCR, and participants must agree on a single point of contact for discussions with the VOA. Further details can be [found on the VOA website](#).

This process sits between the ‘check’ and ‘challenge’ stages. It may involve a challenge to a local or regional ‘scheme of valuation’: this is when similar properties in similar areas are grouped together to ensure that the rateable values assigned to them are in line with one another.

Challenge

Ratepayers who disagree with their rateable value following the ‘check’ process may initiate the ‘challenge’ stage. This must be initiated within four months of the end of the ‘check’ stage (although any case that has spent more than twelve months at ‘check’ stage without an extension being agreed will move on automatically). Ratepayers will be able to enter this stage immediately if they have “confirmed, within the last 4 months, that property specific details held by the VOA are correct”.⁷²

A challenge must contain:

- The name, address and contact details of the proposer;
- Details of the (legal) grounds for the challenge;
- A proposed alternative rateable value;
- Evidence or analysis supporting the proposed alternative rateable value.⁷³

Challenges lacking these four elements will be returned as ‘incomplete’. If an incomplete challenge is to be resubmitted, this must be done within four months of the end of the ‘check’ stage.⁷⁴ The VOA will then respond to the ratepayer’s arguments and evidence.⁷⁵ It is expected that the information presented at the beginning of the challenge stage will normally be sufficient for the case to be determined:

It should not be assumed that new evidence or arguments, or amendments to the challenge, will automatically be accepted. It is therefore in ratepayers’ interests that they and their professional representatives make full disclosure of all relevant evidence at the beginning of the process.⁷⁶

The Government will introduce a “pre-challenge clearance process” to permit multiple ratepayers to provide evidence regarding valuations in their area. This in effect will allow the VOA to agree on a common

⁷¹ Ibid., p. 5

⁷² Ibid., p. 5

⁷³ An alternative valuation is required under the current appeals system, but there is no requirement to back it up with evidence.

⁷⁴ DCLG, [Check, challenge, appeal: reforming business rates appeals](#), 2015, p. 12. The time limit pauses whilst the VOA is deciding whether to accept the challenge as valid.

⁷⁵ Ibid., p. 5

⁷⁶ DCLG, [Check, challenge, appeal: reforming business rates appeals](#), 2015, p. 13.

approach for a group of businesses or a particular class of property, allowing quicker progress through the challenge stage.

If the ratepayer and the VOA cannot reach an agreement during the challenge stage, the VOA will issue a letter setting out a summary of their decision on outstanding matters, with the reasons for their decision. This will formally end the challenge stage and the ratepayer will have four months in which to lodge an appeal against the VOA's decision. Ratepayers will also have the right to move to appeal stage if 18 months have elapsed at challenge stage without a decision.

Appeal

Appeals take place before the Valuation Tribunal for England.

The introduction of substantial new evidence at appeal stage by either party to the appeal is restricted, save at the mutual agreement of the parties.⁷⁷ The Government has introduced a fee for the appeal stage, of £300 for large businesses and £150 for small businesses.⁷⁸

The regulations provide that the Valuation Tribunal should only order a change in rateable value if the valuation is not seen as 'reasonable'. The response to consultation published in March 2017 stated:

The Government will not impose an arbitrary fixed percentage boundary on decisions by the VTE. Instead it will be for the VTE to take a view, based on the available evidence, on whether they consider the valuation to be reasonable. Where they consider that the current list reflects a reasonable valuation, it is right that they should not order a change.⁷⁹

The regulations omitted a proposal that had appeared in the original consultation, published in August 2015, that:

... the VTE, in considering an appeal, should order a change in the rateable value only where their view is that the valuation is outside the bounds of reasonable professional judgement. In cases where the VTE consider the extant valuation is within the bounds of reasonable professional judgement, no change will be made to the valuation.⁸⁰

This is known within the valuation profession as 'blunting'. It provoked an adverse response from the profession. The local finance officers' website *Room 151* quoted John Webber, Head of Rates at property consultants Colliers, as saying:

Valuations can vary between 10% and 20% within the bounds of reasonable judgement. This is saying your rates bill could be 20% higher than you think it should be and it doesn't matter.

That is bad enough for a ratepayer. For a local authority it will mean a flurry of appeals come in before the new rules are introduced.

⁷⁷ Ibid., p. 16

⁷⁸ DCLG, [Reforming business rates appeals: consultation on statutory implementation](#), August 2015, p.10

⁷⁹ DCLG, [Check, challenge, appeal: reforming business rate appeals – consultation on statutory implementation](#), March 2017, p10

⁸⁰ Ibid., p12-13. See also the [Non-Domestic Rating \(Alteration of Lists and Appeals\) \(England\) \(Amendment\) Regulations 2017](#) (SI 2017/155)

After that, more challenges will end up at appeals. The Valuation Office Agency will just fold its arms at the first stage.⁸¹

Statistics

In August 2018, the VOA published statistics on the use of the Check, Challenge, Appeal system from 1 April 2017 to 30 June 2018. These show that:

- 36,310 checks had been registered under the new system, of which 28,040 had been resolved (meaning that no further action takes place). The rate of registration of checks has gradually risen since April 2017;⁸²
- 4,460 challenges had been registered, of which 1,030 had been resolved. The VOA's [letter of 12 November 2018](#) states that "most challenges are being resolved within six months";

Statistics are available broken down by local authority area, with figures to the nearest 10.

Statistics have also been published for appeals relating to the 2010 rating list in England. These were handled using the pre-2017 appeals process, not via Check, Challenge, Appeal. No further appeals relating to the 2010 rating list were accepted after 30 June 2018 (in technical language, the list is 'closed' from that date).

The statistics show that 116,660 appeals relating to the 2010 rating list remain unresolved as at 30 June 2018. This figure covers England and Wales (as their appeal process was identical for the 2010 rating list). In a letter to the chair of the Housing, Communities and Local Government Committee, the VOA stated that "around 54,000 of these unresolved appeals were held up by litigation". The VOA committed to clearing all of these appeals by the end of September 2019.⁸³

The Government has stated that it will review the Check, Challenge, Appeal system in 2019.⁸⁴

7.4 Appeals: Wales

In Wales, appeals are made to the Valuation Office Agency. Where an appeal is unsuccessful, it can be progressed to the Valuation Tribunal for Wales. Appeals may be submitted at any time during the life of the valuation list; but each occupier can only appeal once against any particular set of facts. This system is the same as the one that operated in England until 1 April 2017.

The practice of the Valuation Tribunal for Wales differs slightly from that in England. Its [best practice protocols for appeals](#) state that:

- the Welsh Tribunal, wherever possible, will arrange for the first hearing of an appeal within 6 to 8 weeks of the target date unless

⁸¹ John Webber, Colliers, quoted in Colin Marrs, "[Business rates 'bombshell' could worsen appeals backlog](#)", *Room 151*, 18 August 2016

⁸² See VOA, [Checks, challenges and changes against the 2017 local rating list, England](#), August 2018, table 2.1

⁸³ See VOA, [letter to HCLG Committee](#), 12 November 2018

⁸⁴ HCLG Committee, [Government response to the Housing, Communities and Local Government Committee's Fifth Report of Session 2017-19 on Business Rate Retention](#), Cm 9686, August 2018, para 44

it has been determined that the appeal should proceed initially to a pre hearing review (a shorter timescale than in England where it is intended that appeals take place within 6 months of the target date);

- the Welsh Tribunal will give a minimum of 28 days' notice of the date, time and place of the hearing (less than in England where it is 6 weeks);
- the Valuation Officer must provide details of the rental evidence that they wish to refer to at the hearing at least 3 weeks before the hearing date (in England the VOA must submit its Statement of Case at least 4 weeks before the hearing date);
- the Welsh Tribunal expects that all parties to the appeal discuss and exchange evidence at least 2 weeks before the hearing day (in England those making an appeal must submit their Statement of Case to the VOA at least 6 weeks before the hearing date).⁸⁵

⁸⁵ See VOA, [How to appeal your rateable value](#), 22 January 2016

8. Frequently asked questions

8.1 When do I pay business rates?

From 2014-15, businesses in England have been entitled to choose to pay business rates bills in twelve monthly instalments instead of the standard ten months. Previously, a scheme of ten or fewer instalments had to be used unless the ratepayer and the billing authority agreed to an alternative.⁸⁶

8.2 Why don't online businesses pay rates?

There have been complaints in recent years that 'online businesses' are able to undercut traditional businesses, particularly in the retail sector, as they do not maintain a high-street presence and thus are not liable for business rates. This has been linked to longer-lasting concerns about the 'decline of the high street', and to calls for the reform of business rates. The issue is discussed in the Government's 2015-16 [review of business rates](#). The Chancellor, Philip Hammond, referred to the issue in his 2017 Budget speech: "in the medium term that we have to find a better way of taxing the digital part of the economy—the part that does not use bricks and mortar".⁸⁷

Business rates are only payable on the occupation of property. However, most retailers or online businesses selling products are likely to have some form of storage or dedicated building, such as a warehouse. Assuming they are used solely for business purposes, such properties will attract business rates. It may be that the rateable value of such properties is lower than a similar-sized property in a local high street. This will depend on the decisions of the VOA, based on local rent levels.

8.3 Working from home

Individuals who work or run a business from home will not necessarily be liable for business rates, unless there is a room or area that is used only for the business. For instance, a workshop or salon which was part of the domestic property, but is now used solely for the business, is likely to attract business rates. Individuals who work at home and use a room or area which is also used for domestic purposes are unlikely to be caught by this: but there is case law in this area and no definitive guidelines can be given.

8.4 Self-catering holiday lets

In England, properties that are available for rental as 'holiday lets' are subject to business rates if they are available for rental as self-catering accommodation for 140 days or more in the financial year.⁸⁸ Properties

⁸⁶ See the *Non-Domestic Rating (Collection and Enforcement) (Amendment) (England) Regulations 2014*: these updated the *Non-Domestic Rating (Collection and Enforcement) (Local Lists) Regulations 1989* (SI 1989/1058), paragraph 7.

⁸⁷ [HCDeb 8 Mar 2017](#) c812

⁸⁸ See section 66 (2B) of the *Local Government Finance Act 1988*.

that are available for let for less than this period are defined as domestic properties and are subject to council tax.

Concerns have emerged in the late 2010s that some properties caught by this provision are not in fact available for let.⁸⁹ The Government launched a consultation in November 2018 relating to England, stating:

...the Government is concerned that owners of properties that are not genuine businesses may reduce their tax liability by declaring that a property is available for let, but making little or no realistic effort to actually let it out. It has been suggested, for example, that a property-owner may restrict the periods during which bookings can be accepted, ask for unrealistic rents or fail actively to market the property at all.⁹⁰

In many cases, smaller properties that are classified as non-domestic would be able to claim small business rate relief (see section 2.1 above). This could reduce their rate liability to zero, whereas in the council tax system, they would face a minimum of a band A council tax bill. The Government consultation estimates that as of April 2018 there were 47,000 holiday lets in England liable for business rates, of which about 96% had rateable values of £12,000 or less (thus incurring no business rate liability).

The consultation suggests introducing additional criteria for holiday lets being eligible for business rates instead of council tax:

During the year immediately prior to the year being considered, the property was available for letting commercially as self-catering accommodation for short periods totalling at least 140 days; and

During the year immediately prior to the year being considered, the property was actually commercially let as self-catering accommodation for short periods totalling at least 70 days.⁹¹

These conditions would require a property to have been available for let and/or to have actually been let during the *previous* year as well as the one for which business rates liability was being sought. However, the consultation provides that, if a new property had to wait before becoming eligible to move into the business rates system under these proposals, it would be possible to backdate the business rate liability and reimburse council tax paid during the previous year.⁹²

The UK Government's consultation closes on 16 January 2019. The Scottish Government consulted on identical proposals in June 2018: their consultation closed in September 2018.⁹³

⁸⁹ See, for instance, House of Commons [PQ 177781 2017-19](#), 10 Oct 2018; [PQ 170758 2017-19](#), 5 Sept 2018; [PQ 163512 2017-19](#), 12 July 2018, which includes a table of number of holiday lets by local authority area.

⁹⁰ MHCLG, [Consultation on the Business rates treatment of self-catering accommodation](#), November 2018, p6

⁹¹ *Ibid.*, p7

⁹² *Ibid.*, p8

⁹³ Scottish Government, [Barclay Implementation: A consultation on non-domestic rate reform](#), June 2018, pp16-17

In Wales, the two proposed changes noted above have been in place since the 2016-17 financial year.⁹⁴

8.5 ATMs

ATMs (automatic teller machines) can be liable for business rates in their own right.⁹⁵ In the early 2010s, some press articles have asserted that the VOA has become readier to assign them a rateable value, rather than treating them as forming part of the property in which they are located.⁹⁶ Depending on the agreement between the occupant of the property and the ATM owner, either could be liable for the rate bill.

The subject was raised in a [Westminster Hall debate on business rates in rural areas](#) on 8 September 2015. Jake Berry MP said:

In the past five years, the number of ATMs liable to business rates has risen from about 3,000 in 2010 to over 12,000 this year. Each through-wall ATM that is liable to business rates has an average charge of £3,600. Major supermarkets or petrol retailers, such as Shell or BP, may be able to absorb such costs, but a small village store or post office will not. A small village store or post office may be exempt from business rates, due to this Government's action, through small business rates relief, but creating a second rateable unit at the shop means that it is hit with a bill in excess of £3,000.⁹⁷

For the Government, Marcus Jones MP replied:

It is for the Valuation Office Agency to decide, based on the facts, whether an automated teller machine should be separately assessed for business rates. That is decided independently of Ministers, based on the facts of each case, and we do not intervene. However, where cash machines are assessed for rates, it is fair that the cash machine operators, which include banks and other financial organisations, pay rates alongside other sectors, such as retail and offices.⁹⁸

In a judgment in January 2017 (*Sainsbury's v Sykes and Others*), the Upper Tribunal found that the VOA was correct to rate ATMs as separate 'hereditaments' (rateable properties), on the grounds that in legal terms they were 'occupied' by a different company from the occupier of the building in which they were located. The key question was whether the presence of an ATM constituted a separate hereditament.⁹⁹ This decision, however, was reversed by the Court of Appeal in November 2018 (*Cardtronics and Others v Sykes*). The VOA is seeking to appeal this latest judgment.

Sainsbury's v Sykes also suggested that 'internal ATMs', which are only accessible by going into a shop and are therefore 'occupied' by the

⁹⁴ See the [Non-Domestic Rating \(Definition of Domestic Property\) \(Wales\) Order 2016](#) (SI 2016/31)

⁹⁵ The liability attaches to the site on which the ATM is located, rather than the machine itself: see the [VOA Manual entry on ATMs](#).

⁹⁶ For instance, see Alex Hawkes, "Banks and supermarkets face unexpected rates bill of almost £500 million for cash machines installed in shops", [Financial Mail on Sunday](#), 16 November 2013

⁹⁷ HCDeb 8 Sep 2015 c25WH

⁹⁸ HCDeb 8 Sep 2015 c27WH

⁹⁹ [Sainsbury's v Sykes](#), [2017] UKUT 0138 (LC), p. 34

retailer, would not necessarily constitute separate hereditaments and thus would not necessarily attract a separate rateable value. This part of the judgment was left untouched by the November 2018 appeal.

8.6 Music festivals

Agricultural land has been exempt from business rates since 1929.¹⁰⁰ However, land must be used for agricultural purposes in order to attain the exemption. If it is used for other purposes, even for only a small part of the year, it may be rateable. 'Other purposes' could include car boot sales or music festivals held on agricultural land. A few trade press articles in the mid-2010s indicate that a number of owners of farms which host festivals have received business rates demands backdated to 2010.¹⁰¹

According to the Valuation Office Agency, generally only "repeated" or "substantial use" of a site for a music festival will mean that the site becomes rateable. The VOA's Rating Manual indicates that decisions should be taken on a case-by-case basis:

Some sporting or recreational activities held for a few days in a year may be disregarded (e.g. a field occasionally used for amateur cricket, village show, motor show and football matches or as a car park in connection with such occasional events), but only where it is clearly a use that ceases to exist before the end of the day and does not resume again without an intervening agricultural use. Setting up and taking down periods not exceeding 14 days or fewer days should be disregarded. A pragmatic view should be taken on whether a rating list should be altered in such circumstances, after having regard to the size, scale and duration of such an event.¹⁰²

During a Westminster Hall debate in September 2015, Marcus Jones MP, for the Government, said:

...if there are no permanent physical adaptations to the land to facilitate festival use, and the duration of the festival is only a matter of a few days, it is unlikely to attract a rating assessment in its own right. Any assessment would be proportionate to the scale of the festival. Of course, if a ratepayer is unhappy with their assessment, they have a right of appeal to an independent tribunal.

The VOA is working with the Events Industry Forum to draw up guidance to help organisers better understand when rateability will arise.¹⁰³

8.7 The 'staircase tax'

In 2018 the Government introduced legislation to reverse the effects of the court case *Woolway v Mazars*, which has become known as the 'staircase tax'. The legislation became the [Rating \(Property in Common Occupation\) and Council Tax \(Empty Dwellings\) Act 2018](#). A full account

¹⁰⁰ For a definition of 'agricultural land' for this purpose, see the *Local Government Finance Act 1988*, Schedule 5 paragraph 2

¹⁰¹ See, for instance, "Festivals stung by business rates blitz", [Record of the Day](#), 11 December 2014

¹⁰² Valuation Office Agency, [Rating Manual](#), Section 8, Part D, paragraph 4.1

¹⁰³ [HC Deb 8 Sept 2015 cc28-29WH](#)

of this case and the Government's bill can be found in the [Library briefing paper on the Bill](#).

Prior to the case, where two or more properties were contiguous and occupied by the same business, they could be valued as a single property even if they were not directly linked (e.g. by an interconnecting door or a staircase). This had been standard VOA practice for many decades. *Mazars* meant that such properties had to be valued separately. This led to overall rises in rate bills for many businesses. Businesses could also face backdated rises in their bills, as far back as 2010.

The Act is intended to restore previous practice in England. The *Mazars* case also has effect in Wales, but the Act does not extend to Wales.

8.8 Plant nurseries

The Government issued a Written Statement on 28 March 2018 stating that it planned to introduce retrospective legislation to reverse the decision of the High Court in the case [Tunnel Tech v Reeves](#).¹⁰⁴ The case was initially raised in Parliament on 21 February 2017 by Steve Double MP.¹⁰⁵

Subsequently, the [Non-Domestic Rating \(Nursery Grounds\) Act 2018](#) received Royal Assent in November 2018. The Act extends to England and Wales. In England, it has retrospective effect to 1 April 2015, but in Wales, retrospective effect only applies from 1 April 2017.

[Tunnel Tech v Reeves](#) concerned the rateability of a property which was used for the initial stages of growing of mushrooms under cover, following which they were transferred to another producer before being sold to consumers. The High Court found that the property in this case was liable for business rates, because the mushrooms were produced in order to be sold on to complete the cultivation process elsewhere, not to be sold direct to consumers. Because of this, the property did not attract an agricultural exemption. In rating terms, it was a 'nursery ground' and not a 'market garden'.¹⁰⁶

8.9 Day nurseries (childcare)

Nurseries for children of pre-school age do not benefit from any specific relief scheme in England. Some nurseries may be eligible for charitable relief or small business rate relief. A number of Parliamentary Questions have raised this issue in the 2010s, the most recent of which was asked in May 2018:

Sir David Crausby: To ask the Secretary of State for Education, whether the Government plans to provide business rates relief to childcare providers.

Nadhim Zahawi: We are investing a record amount into the early years sector, spending around £6 billion per year by 2019-20, which includes £1 billion a year to deliver 30 hours of free

¹⁰⁴ EWCA Civ 718 2015. See [HCWS 606 2017-19](#), 28 Mar 2018

¹⁰⁵ [PBC Deb 21 Feb 2017](#), c350

¹⁰⁶ See the [VOA's Rating Manual](#), volume 435 section 5.3.

childcare and increase our hourly funding rates that we introduced in April 2017. The government has also increased Small Business Rate Relief and provided local authorities with funding to support £300 million of discretionary business rates relief. Local authorities are able to use this to support local nurseries.¹⁰⁷

The then Minister for Childcare, Sam Gyimah, made a speech to the National Day Nurseries Association (NDNA) in January 2015 in which he advocated local authorities granting discretionary rate relief to nurseries.¹⁰⁸ Mr Gyimah wrote to local authorities encouraging this:

The Government believes the provision of high quality childcare is crucial to stopping development gaps emerging and ensuring all children get the best start in life. Good childcare provision can also help aid economic growth. We would therefore encourage authorities to consider using their powers to provide relief to childcare providers where there is a clear community benefit, such as where it would help with narrowing the gap, school readiness, or maternal employment.¹⁰⁹

In Scotland, all day nurseries are exempt from business rates from 2018 to 2021.¹¹⁰ The Welsh Government has committed to exempting day nurseries from business rates from 2019 to 2022 financial year.¹¹¹

8.10 Public toilets

As they are non-domestic properties, public toilets can attract a rateable value and thus a business rate bill.¹¹² This can be a substantial outgoing for the toilet owners (often parish councils or community organisations) and can be an incentive for owners to close them. In 2015 the National Association of Local Councils submitted a proposal to abolish business rates on public toilets under the Sustainable Communities Act.¹¹³

The VOA's [guidance note on public toilets' rateable values](#) suggests that, when valuing public toilets, valuers can take into account the policy of the billing authority towards retaining (or not retaining) public toilets.

Billing authorities cannot currently give discretionary relief to properties, including toilets, that they own, or those that are owned by parish councils. The 2016 Budget stated:

The government will allow local authorities in England to use their discretionary relief powers to support publicly owned public lavatories from 1 April 2018.¹¹⁴

¹⁰⁷ [PO 143667 2017-19](#), 22 May 2018; see also [PO106210 2017-19](#), 6 Oct 2017; June 2017 ([PO2087 2017-19](#)), March 2017 ([PO 68508 2016-17](#)).

¹⁰⁸ Department for Education, [Sam Gyimah at a National Day Nurseries Association conference](#), 14 January 2015

¹⁰⁹ DCLG, [Business Rates Information Letter 1/2015](#), 2015, p.1-2

¹¹⁰ See the [Non-Domestic Rates \(Day Nursery Relief\) \(Scotland\) Regulations 2018](#) (SI 2018/65)

¹¹¹ See Welsh Government, [100% rates relief for childcare providers in Wales](#), 27 Sep 2018

¹¹² For instance, see media coverage [an article from the National Association of Local Councils](#) and [an article from the BBC](#) in June 2015.

¹¹³ See NALC, ["Don't let parishes get 'caught short' over public toilets"](#), 22 June 2015

¹¹⁴ HM Treasury, [Budget 2016](#), 2016, p. 108.

Clause 9 of the *Local Government Finance Bill 2016-17* would have provided a power for billing authorities to give discretionary relief on toilets that they own, or that are owned by parish councils. This Bill fell in advance of the snap 2017 General Election and has not been reintroduced. Without the provisions of that clause, no powers exist to give this type of relief.

In the October 2018 Budget, the Government committed to giving 100% relief to *all* public toilets from 2020-21. It did not indicate that this would be restricted to public toilets that were owned by public bodies.¹¹⁵

8.11 Student accommodation

Properties entirely occupied by students are exempt from council tax via a Class N exemption. Purpose built student accommodation receives a Class M exemption. The relevant legislation is the [Council Tax \(Exempt Dwellings\) Order 1992](#).

Some concern has been expressed in the late 2010s, by Members and by local authorities, about the effect of these exemptions on local authority finances. However, the Government has stated that it does not intend to change the current legislation:

Thangam Debbonaire: In Bristol, university expansion means that a significant increase in student numbers is putting pressure on stretched local services right now, yet student accommodation providers contribute almost nothing to the costs. Will the Secretary of State meet me to discuss bringing student accommodation within the scope of business rates, like other businesses, to help to ease this strain on Bristol and other councils?

Marcus Jones: I can confirm to the hon. Lady that we have no plans to change business rates by bringing student accommodation into their scope as she advocates.¹¹⁶

Local authority grant funding does not take account of the number of student properties in an authority's area. This did form a very small element of the grant calculations up to 2013, but even then it was not possible to identify a particular sum that a council received in respect of this issue.

8.12 How can my council introduce a supermarket levy?

Proposals emerged in the mid-2010s, most notably via [a campaign by the group LocalWorks](#), for a 'supermarket levy' – i.e. higher business rates on larger properties or companies via an additional multiplier. This has been done in Scotland and Northern Ireland, but there is no power to set an additional multiplier in the England and Wales business rates legislation.

¹¹⁵ HM Treasury, [Budget 2018](#), p46

¹¹⁶ [HCDeb 30 Oct 2017 c572](#)

From 2012 to 2015, the Scottish Parliament imposed a ‘public health supplement’. This was an additional multiplier on properties with a rateable value of over £300,000 **and** which sold both alcohol and tobacco (9.3p in 2012-13, 13p in 2013-15). The additional rate applied to the amount by which their rateable value exceeds £300,000. Therefore, a property with a rateable value of £400,000 would pay an additional £13,000.¹¹⁷

From 2012 to 2015, the Northern Ireland Assembly applied a ‘large retail levy’ to all retail properties with a rateable value of £500,000 or more, payable on the **whole** rateable value, not just the amount by which it exceeds £500,000. The rate of the levy was 8.98p in 2014-15.

¹¹⁷ This was separate from the ‘large business multiplier’ that continues to operate in Scotland

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