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By Mark Sandford

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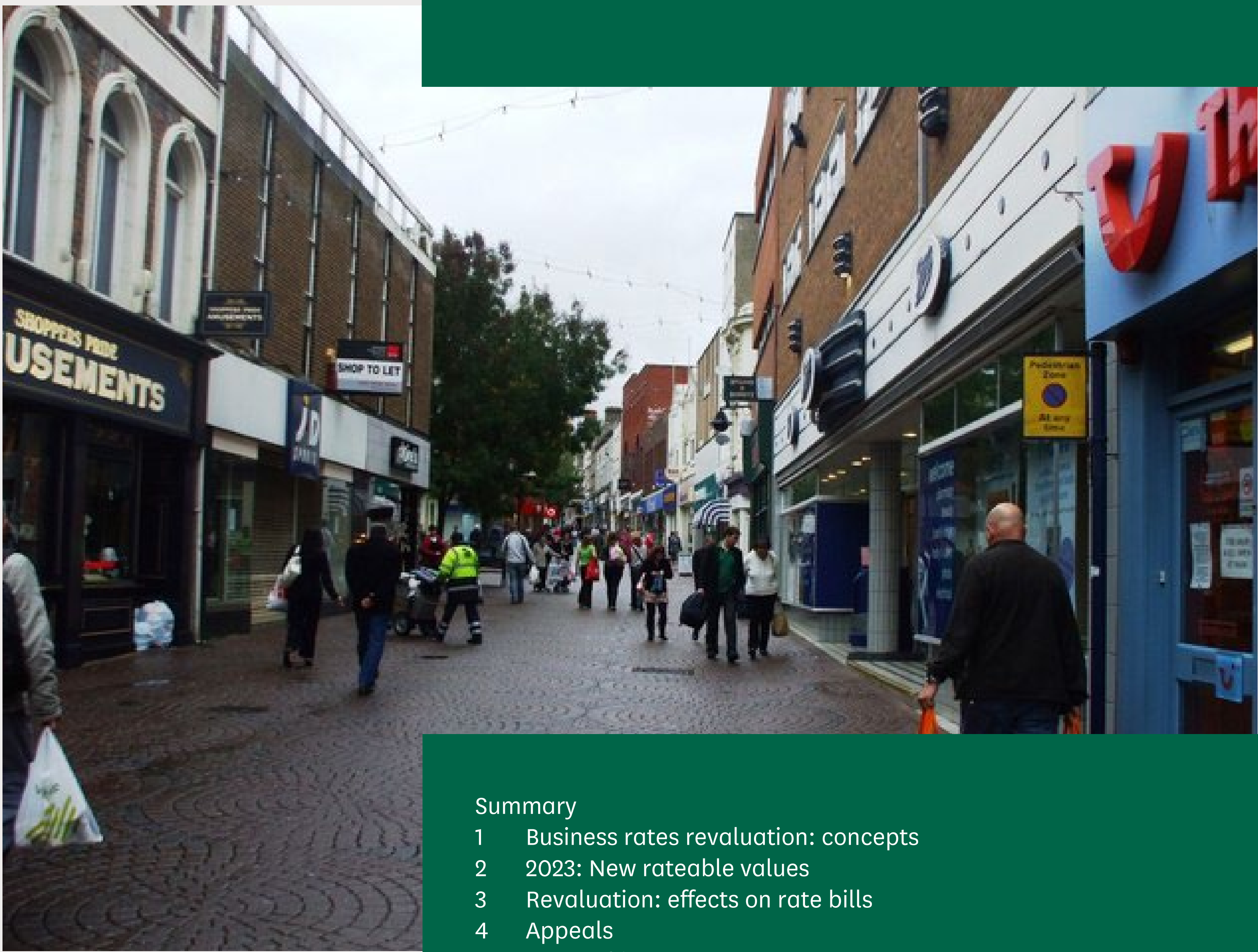
Business rates: The 2023 revaluation



Summary

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Summary

Non-domestic properties in the UK pay business rates to billing authorities (district and unitary councils). Business rate liabilities are based on each property's assigned 'rateable value'. This is multiplied by a 'multiplier' or 'poundage' to arrive at the property's annual liability. Rateable values are normally assessed on the basis of the annual rental value of a property. All rateable values are regularly reassessed: this is known as a 'revaluation'.

The next revaluations of non-domestic properties in England, Scotland, Wales and Northern Ireland will take effect on 1 April 2023. Business rates are a devolved matter and therefore each revaluation operates separately. This note sets out the background to the revaluation in England, providing some information on developments in Scotland, Wales and Northern Ireland. It sets out some of the main effects on ratepayers and local authorities, along with information on how ratepayers may appeal against new valuations.

A basic explanation of the functioning of the business rates system can be found in the Library briefing Business rates.

1 Business rates revaluation: concepts

1.1 Property valuation for business rates

All non-domestic properties in England, Scotland, Northern Ireland and Wales pay non-domestic rates, more commonly known as ‘business rates’. Each non-domestic property is assigned a ‘rateable value’, which represents the rental value of the property on the open market on a specified ‘antecedent valuation date’ (AVD). The rateable value is then multiplied by a ‘multiplier’ (set separately in each part of the UK) to produce the annual business rates bill. Hence a property with a rateable value of £20,000, alongside a multiplier of 49.9p, will have a basic liability of £9,980 per year (i.e. 20,000 x 0.499). A property may then benefit from one or more reliefs. More details are available in the Library briefing paper Business rates.

Rateable values are subject to regular update via revaluations. The standard legal requirement in England, Scotland and Wales is for a general revaluation to take place every five years (though this is expected to change during the 2020s: see section 2.1 below). Revaluations ensure that rateable values stay broadly in line with properties’ annual rental values. Revaluations are carried out by the Valuation Office Agency (VOA) in England and Wales, by the Assessors in Scotland, and by Land & Property Services (LPS) in Northern Ireland.

1.2 How properties are valued

Most properties’ rateable value is based on their ‘annual rental value’, i.e. the amount for which they would let on the open market in good condition.[1] This does not mean that the rateable value must be exactly equal to the rent paid on the valuation date. Valuers will seek to ensure that similar properties in similar areas attract similar rateable values. The Government plans to make more information available about valuation practice in England during the 2023-26 and 2026-29 rating lists (see section 6.4 below).

In cases where it is difficult or impossible to determine a meaningful annual rental value from direct rental evidence, other methods may be used: for instance, pubs and hotels are normally valued using the ‘receipts and expenditure’ method, which relates to turnover levels (see the Library briefing paper Business rates). For properties where limited meaningful evidence

1 Local Government Finance Act 1988, schedule 6 paragraph 2

about either rental values or profits is available – for instance, for unusual or unique buildings – the "contractor's basis" is used. However, both of these methods have the same legislative basis as the standard method of valuation.

Decapitalisation rates

The contractor's basis of valuation estimates the capital cost of the land and buildings at the property and then multiplies this by a "decapitalisation rate" to give the rateable value. The aim is to approximate to the cost of rebuilding the building from scratch.

The decapitalisation rate is specified in legislation at each revaluation. In England, for the 2017-2023 rating list, the Government prescribed two rates, one for educational, healthcare and defence properties, and one for all other properties valued on the contractor's basis. The decapitalisation rates for these classes of property are 2.6% and 4.4% respectively.[2] The Government announced on 6 May 2022 that these rates would remain in place for the 2023-26 rating list.[3]

The Scottish and Welsh Governments and Northern Ireland Executive consulted on the decapitalisation rates for the 2023 rating lists.[4] The Scottish Government will set rates of 2.9% for educational, healthcare and defence properties, and 4.6% for all others. The Northern Ireland Executive has set rates of 2.27% for education, healthcare and church buildings, and 3.4% for all others.[5] The Welsh Government has set a figure of 1.9% for defence, education and healthcare properties and public toilets, and 3.4% for all others.[6]

2 Details of the analysis leading to these figures can be found in the DCLG consultation paper and response, published in September 2015 and April 2016 respectively, See DCLG, The decapitalisation rate for the 2017 business rate revaluation: Government response, April 2016, p. 6

3 DLUHC, Business rates information letter 4/2022, 6 May 2022. A consultation on the decapitalisation rate was published for the abortive 2021 revaluation: see MHCLG, Decapitalisation rates for the 2021 business rate revaluation, 14 Mar 2019. No summary of responses or Government response was published.

4 Northern Ireland Executive, NIReval 2023 – Setting of Decapitalisation Rates, January 2022; Scottish Government, Non-Domestic Rates - decapitalisation rates for 2023 revaluation: consultation, 28 June 2022; Welsh Government, Setting decapitalisation rates for Wales for the Non-Domestic Rates Revaluation 2023, 25 Aug 2021

5 See the Valuation for Rating (Decapitalisation Rate) Regulations (Northern Ireland) 2022

6 See the Non-Domestic Rating (Miscellaneous Provisions) (No. 2) (Amendment) (Wales) Regulations 2021

2 2023: New rateable values

2.1 Revaluation timings

In England, Scotland and Wales, the most recent revaluation came into effect on 1 April 2017. In those three parts of the UK, the next revaluation was initially to have come into effect in 2022.[7] In 2016, the UK Government signalled its intention to bring the 2022 revaluation for England forward to 2021, to be followed by three-yearly revaluations (2024, 2027 etc.).[8]

After the VOA had made substantial progress on the 2021 revaluation for England, it was postponed in May 2020 due to the Covid-19 pandemic.[9] The Government then announced a delay to 2023, which was implemented by the Non-Domestic Rating (Lists) Act 2021.[10] The AVD for the revaluation was set at 1 April 2021.

Subsequently, in June 2021 the Government consulted on moving to a three-yearly revaluation cycle,[11] and in October 2021 it confirmed this decision: thus subsequent revaluations in England would take effect in 2026, 2029 and so on.[12]

The new set of rateable values that will take effect on 1 April 2023 is described as a new ‘rating list’. Thus legislation and documentation will refer to current rateable values as ‘the 2017-23 rating list’, and the new ones as ‘the 2023-26 rating list’.

The UK Government has stated that reducing the length of time between the AVD and a revaluation taking effect remains “an aspiration once the new three-yearly cycle and supporting changes are fully bedded in”.[13] In the

7 In Northern Ireland, the most recent revaluation came into effect on 1 April 2020.

8 This originally took the form of a consultation entitled Business rates: delivering more frequent revaluations, published on 24 March 2016

9 MHCLG, “Business rates revaluation postponed”, 6 May 2020

10 HC WS 400 2019-21, 21 Jul 2020

11 A previous consultation took place in 2016 on the same subject. The Non-Domestic Rating (Lists) Bill 2017-19 would have changed the frequency to three years, but it did not complete its passage through Parliament. See the Library briefing for further background on the 2017-19 Bill. The 2017-19 Bill is a separate piece of legislation from the Non-Domestic Rating (Lists) Act 2021.

12 HM Treasury, Business Rates Review: final report, October 2021, p10. The move to three-yearly revaluations will require primary legislation, which has not been introduced to Parliament at the time of writing.

13 HM Treasury, Business Rates Review: final report, October 2021, p11

longer term, the UK Government will consider the case for an annual revaluation cycle.[14]

Wales, Scotland and Northern Ireland

The Welsh Government announced its decision to delay the 2021 revaluation to 2023 on 11 August 2020, using an AVD of 1 April 2021.[15] It consulted in late 2022 on moving to a three-yearly revaluation cycle.[16]

The Scottish Government also delayed its revaluation to 2023, and subsequent revaluations will take place on a three-yearly cycle.[17] Scotland's 2023 revaluation will use an AVD (or 'tone date') of 1 April 2022 – a one-year period.[18]

The Covid-19 pandemic led to a decision by the Northern Ireland Executive that the next revaluation in Northern Ireland would occur in 2023. The 2023 revaluation in Northern Ireland will use an AVD of 1 October 2021 – an eighteen-month period.[19] There is no prescribed timeframe for revaluations in Northern Ireland rating legislation, and moving to a three-yearly cycle will be a decision for the incoming Finance Minister when devolution is restored.

Prior to 2023, the most recent revaluation in England, Scotland and Wales came into effect on 1 April 2017, with an AVD of 1 April 2015 in each case. In Northern Ireland, the revaluation before 2020 came into effect on 1 April 2015, with an AVD of 1 April 2013.

2.2 Publication of new lists

At each revaluation, the Valuation Office Agency (VOA) must send copies of the draft new local rating list to each billing authority (district or unitary council) in England and Wales, by the 31 December preceding the date on which the rating list will come into effect. The billing authority must then publicise the fact that it holds the draft list.[20] In Scotland, the Assessors must publish the draft list by the 30 November preceding the date on which the rating list will come into effect. Northern Ireland will publish an initial draft schedule of values in January 2023, prior to the formal publication of its valuation list on or before 31 March 2023.

A small number of properties are subject to rating via the 'central rating list'. These are mostly very extensive property holdings of former nationalised

14 Ibid.
15 Welsh Government, Written Statement: Non-Domestic Rates Revaluation for Wales, 11 August 2021
16 Welsh Government, Reforming non-domestic rates in Wales, 21 Sep 2022
17 These changes were implemented by section 2 of the Non-Domestic Rates (Scotland) Act 2020
18 See the Valuation (Postponement of Revaluation) (Coronavirus) (Scotland) Order 2020, paragraph 3b
19 The 18-month AVD was set by the New NAV List (Time of Valuation) Order (Northern Ireland) 2021
20 Local Government Finance Act 1988, s41

industries, where properties span multiple billing authority areas. Each company or group of companies is given a single rateable value, and they pay rates to central government rather than to a billing authority. The central list avoids the need to split very large properties into artificial units and require them to pay business rates to hundreds of local authorities.

The VOA published drafts of the 2023 rating list for England and Wales on 17 November 2022, together with a statistical commentary highlighting some of the key changes by region and economic sector.[21] The draft lists may be altered between their publication and 1 April 2023, when they will come into effect. The Scottish Assessors published draft rateable value lists for Scotland on 30 November 2022, and LPS published draft lists for Northern Ireland on 11 January 2023.[22]

In England, total rateable value on local rating lists rose by 7.3%, but total rateable value on the central list decreased by 0.7%. The 0.7% figure does not take into account the transfer of some £315 million of rateable value from local lists to the central list.[23] In Wales, the figures were a rise of 1.3% and a rise of 1.7% respectively.

The draft lists also showed that rateable value in the retail sector in England decreased by 10%, whereas total rateable value in the industry sector rose by over 27%. Rateable values in the East of England region rose by over 14%, and in the South-East by just under 11%. The smallest increases were in the North-East (just over 2%) and London (just over 3%). The VOA published some additional analysis in a blog on 23 November 2022.[24]

21 VOA, Non-domestic rating: change in rateable value of rating lists, England and Wales, 2023 Revaluation, 17 Nov 2022

22 Scottish Assessors, Draft 2023 Revaluation Rateable Values now live, 30 Nov 2022; Northern Ireland LPS, NI Reval2023: Rebalancing Business Rates, 11 Jan 2023

23 As above. For details of how decisions were made to move properties from local lists to the central list, see DLUHC, Business rates revaluation 2023: the central rating list - summary of responses and government response, May 2022

24 Alan Colston, Revaluation 2023 and business rates, VOA, 23 Nov 2022

3 Revaluation: effects on rate bills

As noted above, business rates bills are based on multiplying the rateable value of a property by the national multiplier, and then applying any reliefs available. This section sets out two elements of a revaluation that may have a substantial impact on changes in business rates bills at a revaluation. These are adjustments to the multiplier and transitional relief schemes.

3.1 Adjustments to the multiplier

In England and Wales, the law requires that the overall level of business rate revenue remains the same at a revaluation. At many previous revaluations, total rateable value in England has risen. To prevent an increase in total rateable value from driving an increase in rate revenue, the multiplier is reduced in this scenario.[25]

Appendix 1 shows multipliers in England, Scotland and Wales from the introduction of the national non-domestic rate in 1990. The table shows that the multiplier has often decreased in the year in which a revaluation has taken effect, due to a rise in total rateable value. By the same token, if total rateable value were to fall, the multiplier would rise.

In addition, in each financial year the standard practice is for the multiplier to increase in line with the CPI (Consumer Price Index) from the previous September (8.8% in September 2022). This change also occurs in a revaluation year, alongside the balancing effect described above.

Thus in England, the multiplier would have been increased to take account of CPI, and then decreased to offset the 7.3% increase in rateable value. These calculations would have caused the multiplier to increase to 54.2p (with a small business multiplier of 52.9p).[26] This would have caused the average business rates bill to rise. Instead, the Chancellor has decided to freeze multipliers for England for the 2023/24 financial year, at 51.2p, with a small business multiplier of 49.9p.[27]

25 This effect arises from schedule 7, paragraph 4A of the Local Government Finance Act 1988. This is not a legal requirement in Scotland or Northern Ireland, but the devolved administrations have always followed the same practice.

26 HM Treasury, Autumn Statement 2022, p54

27 DLUHC, Business Rates Information Letter 6/2022, 18 Nov 2022, p2

In Scotland, the 'basic property rate' will be frozen at 49.8p, with two higher rates of 51.1p and 52.4p.[28] In Wales, the multiplier will be frozen at 53.5p.[29] The Northern Ireland regional rate will be set in February 2023, as part of the Northern Ireland budget.

At previous revaluations, some properties have seen their rateable value rise, but as the multiplier has fallen they have actually seen their business rate liability fall. At the 2023 revaluation, because the multiplier is frozen it is likely that most properties' basic business rate liabilities will rise or fall in line with the increase or decrease in the property's rateable value (subject to any reliefs available).

3.2 Transitional arrangements

Large changes in rateable values at a revaluation can translate into large sudden increases, or decreases, in business rate bills. To protect businesses from sharp effects of this kind, transitional arrangements (also known as 'transitional relief') can be used to dampen the effects of revaluations on business rate bills.

The UK Government is legally required to operate a transitional scheme in England. The UK Government published a consultation document on a transitional scheme for England on 30 May 2022, and a response to consultation on 17 November.[30]

Previous transitional schemes have set maximum percentages by which a property's business rates bill can increase in each year of the rating list. For instance, in 2017-18, the bill due on a 'medium property' could increase by a maximum of 12.5% above the bill in 2016-17, and in 2018-19 by a maximum of 17.5% above the bill in 2017-18.

Transitional schemes in England are required to be as close as possible to revenue neutral. For this reason, previous transitional schemes have also set maximum percentages by which a property's business rates bill can fall. This meant that, where the revaluation led to substantial reductions in business rates bills, these might be phased in throughout the lifetime of the list. Full details of how this worked at the 2017 revaluation can be found in the Library briefing paper Business rates: the 2017 revaluation.

The 2023-26 transitional scheme

The 2023-26 transitional relief scheme will set maximum percentages by which the business rates bills on individual properties may rise in each of the

28 Scottish Government, Chapter 2 Tax Policy - Scottish Budget: 2023-24, 15 Dec 2022
29 Welsh Government, Draft Budget 2023 to 2024, 2022, p17
30 DLUHC, Business Rates Revaluation 2023: Consultation on the transitional arrangements, 2022

three financial years. These differ according to the new rateable value of a property, and are set out in the table below.[31]

2023 revaluation: rate increase limits

Year	Small property (RV < £20,000: < £28,000 in London)	Medium property (RV=£20,001-£100,000)	Large property (RV > £100,000)
2023-24	5%	15%	30%
2024-25	10%	25%	40%
2025-26	25%	40%	55%

The percentages given in this table for 2024-25 and 2025-26 will be uprated in line with any uprating of the multiplier, to reflect inflation. However, in 2023-24 the percentages will be as stated above (reflecting the fact that the multiplier is being frozen for 2023-24).

The 2023-26 scheme does not include any caps on the reduction in business rate bills: instead, the cost to local authorities will be entirely funded by the Treasury. Where a property's business rate liability falls substantially as a result of the 2023 revaluation, the reduction will apply immediately rather than being phased in over a number of years. The Government's response to consultation estimates the cost at £1.6 billion over the 2023-26 rating list. This is despite the legal requirement for the Secretary of State to ensure that the transitional relief scheme, as far as possible, does not change the total of business rates revenue payable by ratepayers.[32] The response to consultation said that the Government would be:

> ...permanently removing the requirement for revenue neutral transitional arrangements... delivering on a key stakeholder ask to allow ratepayers whose properties see a fall in rateable value to immediately see the full benefit of the revaluation reflected in their bills.[33]

Removing the requirement for a transitional relief scheme to be revenue neutral will require primary legislation.[34]

A further paragraph in the response to consultation stated that the Government will not routinely consult on transitional arrangements in advance of future revaluations:

> the government will no longer consult on the scope of future TR schemes as a matter of course. Future TR schemes will be developed taking into account revaluation outcomes to ensure that the support provided continues to be effectively targeted at ratepayers facing the largest bill increases.[35]

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31 DLUHC, Business Rates Revaluation 2023: Consultation on the transitional arrangements – summary of responses and government response

32 See the Local Government Finance Act 1988 section 57A (10)

33 DLUHC, Business Rates Revaluation 2023: Consultation on the transitional arrangements – summary of responses and government response, 2022, paragraph 5

34 As above, paragraph 10

35 As above, paragraph 11

Transitional relief: Scotland, Wales and Northern Ireland

The Welsh Government will operate a transitional relief scheme for the 2023-26 rating list. This will apply to all properties that see their business rates bill increase by £300 or more as a result of the revaluation. The transitional scheme will reduce the increase by 67% in 2023-24, 34% in 2024-25, with the property being liable for the full bill in 2025-26. Transitional relief will not be available for unoccupied or partly occupied properties. It will also cease to apply if the occupant of the property changes during the 2023-26 rating list.

The Welsh Government's guidance note includes example calculations for the transitional scheme. It also states that any increase in liability owing to increases in the multiplier will be payable by ratepayers and will not lead to recalculations under the transitional scheme.[36] The Welsh Government estimates the cost to local authorities in lost revenue at £112.3 million pounds, which it will reimburse to them.[37]

The UK Government's consultation regarding the English transitional scheme for 2023-26 included a similar option to the Welsh scheme. The key difference from the English scheme is that the Welsh arrangements ensure that the full business rate liability is payable on a property by the final year of the rating list. The UK Government consultation rejected this option for England.

The Welsh Government operated a transitional relief scheme for the 2017 valuation list. This scheme consisted of additional reliefs for businesses facing high increases, but it was not revenue-neutral.[38] Wales did not operate a transitional scheme for the 2005 and 2010 lists.

The Scottish Government also operated a transitional scheme in 2017, but not in 2010.[39] Northern Ireland has never operated a transitional relief scheme of the kind previously implemented in England, and did not operate a transitional scheme in its most recent revaluations in 2015 and 2020.

Supporting Small Businesses scheme: England

In addition to the main transitional scheme, the Government is also introducing a separate fund in England entitled 'Supporting Small Businesses'. The Autumn Statement said that this would ensure that properties seeing reductions in their small business rate relief, or rural rate relief, as a result of the 2023 revaluation will see the rise in their rate bills capped at £600 per year during the 2023-26 rating list. This will also apply to

36 See Welsh Government, Written Statement: Non-domestic rates support for 2023-24, 12 Dec 2022; Explanatory Memorandum to the Non-Domestic Rating (Chargeable Amounts) (Wales) Regulations 2022 [PDF], 6 December 2022

37 As above, p9

38 Welsh Government, Proposed arrangements to provide transitional relief to support small businesses adversely affected by the 2017 non-domestic rates revaluation, 2016

39 Scottish Government, Business Rates Statement, 21 February 2017

properties that lose their eligibility for either of those reliefs (because of their rateable value rising following the revaluation).[40]

In effect this scheme sets a lower limit on rises in bills than would be available under the standard transitional relief scheme. A similar scheme operated during the 2017-23 rating list (see the Library briefing Business rates: the 2017 revaluation). This scheme will be funded by the Treasury.

40 HM Treasury, Autumn Statement 2022, p54

4 Appeals

4.1 Appealing against rateable values

Ratepayers may believe that the rateable value assigned to their property for 2023-26 is incorrect. In this scenario, the ratepayer may appeal (in technical terms, they may make a 'proposal' to alter the valuation list).

Details of how to appeal are available on the VOA website for England and Wales, on the NI Business Info website for Northern Ireland, and on the Assessors' website for Scotland. In England and Wales, if the ratepayer is dissatisfied with the VOA's decision, s/he can appeal to the Valuation Tribunal, and after that to the Lands Chamber of the Upper Tribunal.

Properties' current rateable values, including details of recent changes and some information about how the rateable values have been determined, can be found on the VOA's website (for England and Wales); the Department of Finance's website (for Northern Ireland); or the Assessors' website (for Scotland).

Timings for appeals

Businesses in England can contact the VOA to contest the rateable value assigned to their property by the draft lists published in late 2022. However, a **formal** appeal relating to the 2023 revaluation can only be made after 1 April 2023.

Ratepayers in England who still want to appeal their business rate valuation in regard to the 2017-23 rating list must have submitted and confirmed a 'check' – using the first stage of the appeal process - by 31 March 2023.[41] In technical terms, the 2017-23 list will be 'closed' after this date – that is, further appeals will not be possible. There are two exceptions to this rule:

- If the VOA has altered a ratepayer's rateable value, the ratepayer will have six months from the point of the alteration;
- If a court decision leads to a ratepayer believing their rateable value is wrong, the deadline will be 30 September 2023.

[41] DLUHC, Business Rates Information Letter 4/2022, 6 May 2022

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.

4.2 Appealing against a bill

If a ratepayer is seeking a reduction in their rates **bill**, as opposed to the rateable value itself, they should approach the billing authority (the local authority in Scotland and Wales, the district or unitary council in England and Land & Property Services in Northern Ireland).

The existing business rate liability 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. Any change in rateable value can be backdated to a date from which the VOA agree that it should have applied.[42]

Businesses taking forward a formal appeal against their rateable value or their bill may wish to appoint a professional valuer or rating agent, though there is no obligation to do so.

4.3 Scotland: new appeals system

The Scottish Government is introducing a new two-stage appeal process as of 1 April 2023. The stages are analogous to the 'challenge' and 'appeal' stages in England (see the Library briefing paper Business rates).[43] The regulations were laid before the Scottish Parliament on 22 April 2022.

In the new system, Scottish ratepayers will be required to lodge a 'proposal' with the Scottish Assessors before they can progress to the appeal stage. The proposal must set out the rationale for the proposed change to the property's rateable value. The assessor must then fix a 'determination date' by which they must make a decision on the proposal: if this is not done, the proposer can progress to the appeal stage. Otherwise, the ratepayer has 14 days from the date of determination to submit an appeal.

The assessor must make available their rationale for the existing rateable value at least 70 days before the determination date. Proposals must be

42 Whether a change can be backdated depends on the circumstances: see the VOA's effective date table effective from 1 April 2015.

43 Scottish Government, Consultation on reforming the non-domestic rates system: proposals, the draft valuation roll, content of valuation notices, etc., 22 September 2021

made within four months of a revaluation, or of an occupier becoming the ratepayer on the property.

4.4 Wales: new appeals system

On 4 November 2022 the Welsh Government's Minister for Finance and Local Government, Rebecca Evans MS, announced that a 'check, challenge, appeal' system, akin to that in England, would be introduced from 1 April 2023.[44] This followed a consultation in July 2022, and was accompanied by a summary of responses. Appeals against the 2017-23 rating list would continue to use the current appeals system.

The consultation proposed that ratepayers would be permitted to review the information held by the VOA at the 'check' stage, lasting a maximum of 12 months. A 'challenge' may be initiated up to four months after the end of the 'check' stage. It would need to be accompanied by a ground of appeal and supporting evidence. The local authority in which the property is located will also be able to submit evidence at this stage. Both the VOA and the ratepayer will be able to exchange further evidence in support of their case.

The VOA may alter the rating list following a challenge. If the ratepayer is still unhappy, they may appeal to the Valuation Tribunal for Wales within four months of the VOA making a decision at the 'challenge' stage. The challenge stage will be able to last for up to 18 months. Currently, any appeal in Wales that the VOA does not resolve within three months passes automatically to the Valuation Tribunal for Wales.

[44] Welsh Government, Consultation on the regulations reforming the Non-Domestic rates appeals system for Wales, 19 Jul 2022

5 Sectoral impacts

The property company Savills published an analysis of the impact of the draft rating lists on the retail sector.[45] Their reaction was positive overall:

> The immediate reaction from the market is that this is providing a lifeline for some key locations. Since the announcement, competitive situations on prime high streets we're active in has allowed operators to review the level of rent they can offer on new locations, and board approval for some deals has been more readily attained.

Savills' analysis states that the retail sector as a whole will see a fall in rateable value of 10% on the 2023 rating list. On average, retail stores of 1,850m^2 or more will see rateable values fall by one-third, whereas smaller stores of 750m^2 or less will see a fall of 8%. Pubs will see an overall fall of 17%. Supermarkets will see an overall fall of 5%, whilst convenience stores' rateable value will rise by 13% and takeaway outlets by 7.5%.

Savills' analysis also noted considerable variations in outcomes between different billing authority areas, and sometimes between properties in the same town or retail park location. They note that retail units in some city centres will see an overall reduction in rateable value, but those in some small towns will see considerable increases:

> ....there is a risk at the more local high street level. We conclude that non-prime retail may have received a bit of a raw deal. Some of the largest increases we have identified are in convenience-, retail services- and independent-biased locations; categories that we have previously championed as important differentiators and a potential antidote in 'failing' high streets and shopping centres.
>
> Some businesses that typically serve communities and have proven resilient during the last few years against a backdrop of severe headwinds may now find themselves being punished for their success.

Savills also note an average rateable value increase of some 35% on retail logistics units (warehouses). This is a notable change in the light of recent debates around online sales taxes.

The property company Colliers found similar trends in an analysis of the Northern Ireland draft values, published on 13 January 2013.[46]

45 Savills, Business rates revaluation 2023: The retail impact, 20 Dec 2022

46 David Hughes, John Webber and Rebecca Allen, The winners and losers of the Northern Ireland draft 2023 Valuation List, Colliers, 13 Jan 2013

In a blog for CIPFA, Andrew Brooker noted a relatively high increase in the rateable values of the office sector:

> … it is the change in the total RVs of Offices that has been the most surprising, with an increase in RV of 10.2%. This in a period … when many offices remained empty (or were grossly underutilised), when working from home had proven to be a viable alternative to working in an office every day and when Valuers (the author included) were having to reflect Material Valuation Uncertainty in Red Book Valuations …the process of evaluating evidence with Material Valuation Uncertainty would have been foremost in the VOA's Valuers' minds.[47]

Rises in office property's rateable value were less stark in some locations than others, as noted by an analysis from the property company Colliers.[48] Colliers also noted substantial rises in rateable values on some prime industrial sites, of 30% upwards.

Anthony Breach, of the think-tank Centre for Cities, made a number of similar points in a blog published on 25 November 2022.[49]

47 Andrew Brooker, Business rates and the 2023 revaluation, CIPFA, 12 Dec 2022
48 Alistair Dyson, What tenants need to know about the draft 2023 Business Rates Revaluation list, Colliers, 23 Nov 2022
49 Anthony Breach, What does the revaluation of business rates tell us about the economy?, Centre for Cities, 25 Nov 2022

6 England: planned future business rates changes

6.1 Introduction

This section collates current progress regarding a number of changes to the administration of business rates that the Government has committed to introducing during the lifetime of the 2023-26 rating list, or at the outset of the 2026-29 rating list. They are:

- Extending the requirements for ratepayers to provide information to the VOA;
- Introducing three-yearly revaluations;
- Changes to the scope of appeals against rateable values on the grounds of a 'material change of circumstance';
- Changes to the administration of the central rating list;
- Introducing 'improvement relief';
- Use of the Consumer Price Index (CPI) to govern annual increases in the multiplier;
- Digitalising the administration of business rates;
- Enabling charities to benefit from the small business multiplier.

These commitments apply in England. Section 6.10 below also covers proposed changes to business rates administration in Wales.

A number of these commitments will require primary legislation. The Government stated in the May 2022 Queen's Speech that a Non-Domestic Rating Bill would be introduced in the 2022-23 session of Parliament.[50] This bill has yet to be presented to Parliament at the time of writing.

The Government consulted in February 2022 on proposals to introduce an online sales tax.[51] It announced in the 2022 Autumn Statement that it had decided not to introduce one. A formal response to consultation is still

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50 Prime Minister's Office, Queen's Speech 2022: background briefing notes, 10 May 2022, p39

51 HM Treasury, Online sales tax: assessing an option to help rebalance taxation of the retail sector, 25 Feb 2022

awaited at the time of writing.[52] A commitment was also made to consult further on avoidance and evasion in relation to business rate reliefs in 2022.[53]

6.2 Provision of information

In the final report of the fundamental review of business rates, published in October 2021, the Government proposed introducing additional legal requirements on ratepayers to provide information to the VOA to assist with the valuation process.[54]

The final report states that ratepayers will be required to notify the VOA of any change to their property's physical characteristics, or any change of occupier. Ratepayers will also be required to provide rent and lease information, and any trade information relevant to the valuation process.[55] Trade details will be required regarding properties such as pubs and hotels, where trading figures are used to calculate rateable value. A November 2021 consultation document indicated that, in that scenario, ratepayers will be required to supply data annually.[56]

The requirements to supply information will not apply to properties that are exempt from business rates, but they will apply to properties that are on the rating list but for which the business rate liability is zero.

The Government intends to introduce financial penalties for non-compliance with the information regime, but these are not expected to be introduced until 2026. A table of the proposed penalty charges can be found in the consultation document.[57] Ratepayers will not be able to access the Challenge stage of the appeals process, or greater transparency regarding the calculation of rateable values, if they have not complied with the requirements of the information duty.

The intention is that, when these requirements are in place, the 'Check' stage of the appeals process will be removed (see section 7 of the Library briefing Business rates for a description of the current process, known as 'Check, Challenge, Appeal').[58] The Government expects the duty to "take effect during the 2023 [rating] list".[59] A formal response to this consultation has not been published at the time of writing.

52 HM Treasury, Autumn Statement 2022, 2022, p54

53 DLUHC / HM Treasury, Business Rates Review: technical consultation, 30 November 2021

54 HM Treasury, Business Rates Review: final report, October 2021

55 As above. See also DLUHC / HM Treasury, Business Rates Review: technical consultation, 30 November 2021

56 DLUHC / HM Treasury, Business Rates Review: technical consultation, 2021, paragraph 1.26

57 As above, paragraph 2.28

58 HM Treasury, Business Rates Review: final report, October 2021, p.11-12

59 DLUHC / HM Treasury, Business Rates Review: technical consultation, 30 November 2021 paragraph 2.11

The Welsh Government consulted in September 2022 on introducing an equivalent duty in Wales, which would come into effect during the 2023-26 revaluation list. Information would be provided online, with different types of information required according to the character of the hereditament. The new duty is expected to require the ratepayer to confirm basic information annually, and to inform the VOA of any changes. As in England, once this duty is operational the 'Check' stage of the appeal process would be removed (though in Wales, a 'check – challenge – appeal' process is only being introduced as of 1 April 2023).[60]

6.3 Changes to the Challenge stage

The Government plans to reduce the time limit to three months for ratepayers wishing to challenge their valuation following a revaluation taking effect.[61] The three-month window will also apply during a rating list, to properties that are newly added to the rating list; following a change in occupancy of existing properties; or following a change in rateable value.

The VOA will also be required to resolve Challenges by the end of the rating list to which they relate. For instance, any Challenges that arise in the 2026-29 rating list will have to be resolved by 31 March 2029. This replaces the current requirement that the VOA must resolve challenges within 18 months of them being submitted.

These changes will be introduced alongside the 2026-29 rating list.

6.4 Transparency

In its November 2021 consultation document, the Government announced that it would in future publish more information for ratepayers explaining how the VOA determines rateable values. The second phase of this will involve greater access for ratepayers to "rental evidence" – that is, the evidence that the VOA uses to determine rateable values.[62]

The Government expects that access to this additional information will complement the limits to the Challenge stage (see section 6.3 above) that are to be introduced in 2026.

The VOA publishes much of its internal guidance for valuation officers regarding the valuation process in the Rating Manual. However, this does not

60 Welsh Government Consultation on Reforming Non-Domestic Rates in Wales [PDF], Sep 2022, p14-19

61 Ibid., paragraph 3.19

62 Ibid., paragraph 3.24-3.26

provide information about the means by which specific valuations or groups of valuations have been calculated.

6.5 Material changes in circumstance

Rateable values may only be altered outside of the regular cycle of revaluations under certain circumstances. These are set out in the Non-Domestic Rating (Alteration of Lists and Appeals) (England) Regulations 2009. Regulation 4 (1) of the 2009 regulations sets out a number of circumstances in which a property's rateable value can be altered at a time other than a general revaluation. One of these, in sub-section 4 (1) (b), is when:

> ...the rateable value shown in the list for a hereditament is inaccurate by reason of a material change of circumstances which occurred on or after the day on which the list was compiled.

The regulations also say that a 'material change in circumstances' (MCC) constitutes a change to any of the matters set out in the Local Government Finance Act 1988 schedule 6, paragraph 2 (7). These include "matters affecting the physical state or physical enjoyment of the hereditament", "matters affecting the physical state of the locality in which the hereditament is situated or which, though not affecting the physical state of the locality, are nonetheless physically manifest there", and "the use or occupation of other premises situated in the locality of the hereditament."

In the fundamental review of business rates, the Government stated that it:

> ...will legislate to clarify that factors arising from legislation, regulations, licensing changes, or guidance are not in scope for MCC claims. Reflecting responses to the consultation, the government will not restrict MCC claims any more widely than the above areas at this time. This approach will provide forward-looking clarity and certainty for ratepayers regarding the impact of legislative and regulatory changes.[63]

The November 2021 consultation provided some additional details on these plans, and also stated:

> Ratepayers will still be able to make an MCC Challenge on the basis of the following matters even where they have been caused by a change in legislation, licensing or guidance:
>
> - a physical change to the property
> - a physical change in the locality
> - the property joining or leaving the categories 'domestic' or 'exempt'

63 HM Treasury, Business Rates Review: final report, October 2021, p.12

- the property forming or no longer being a “hereditament” (the term used to describe a unit of property for business rates).[64]

These changes are expected to take effect by the start of the 2023-26 rating list.

These changes are distinct from the legislative changes established by the Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Act 2021. That Act provided that certain impacts of the Covid-19 pandemic could not be used as grounds for an appeal based on a material change in circumstances. Further information is available in the Library briefing paper on the bill that led to the 2021 Act.

6.6 Improvement relief

The 2021 Fundamental Review of Business Rates noted that responses to the review stated that businesses could be disincentivised from improving their properties, because doing so would lead to an immediate increase in their rateable value and thus their business rates bills. To address this, the Government announced that it would introduce 100% ‘improvement relief’, which would delay increases in bills for 12 months where properties had been subject to eligible improvements.[65] This will be subject to review by 2028.

A similar relief has operated in Scotland since 2018/19, as part of the Scottish Government’s ‘business growth accelerator relief’ scheme.[66] In Northern Ireland, a scheme called ‘Back in Business’ offers 50% relief for 24 months on retail properties that have been newly occupied after having been empty for 12 months or more.[67]

Introducing this relief would require primary legislation. The relief was originally to have been introduced in 2023, but the 2022 Autumn Statement announced that it would be introduced from 1 April 2024.[68]

6.7 Central list changes

In August 2021 the Government published a consultation proposing to move certain classes of property to the central rating list in England:

64 DLUHC / HM Treasury, Business Rates Review: technical consultation, 30 November 2021 paragraph 3.13
65 HM Treasury, Business Rates Review: final report, October 2021, p8
66 See the Non-Domestic Rates (New and Improved Properties) (Scotland) Regulations 2018 (SI 2018/75)
67 See the Rates (Temporary Rebate) (Amendment) Order (Northern Ireland) 2022
68 HM Treasury, Autumn Statement 2022, p59

- Large telecommunication networks (not including locally-based private circuit leased lines);
- Mobile telecom operators: this would include office sites and equipment such as masts, towers, poles and fibre;
- The Channel Tunnel Rail Link.[69]

The consultation also states that the roll-out of 5G technology could lead, in the current business rates system, to the creation of a very large number of small hereditaments in the form of 5G masts. Moving mobile telecom operators on to the central list was intended in part to mitigate the administrative impact of treating 5G masts as individual properties. However, the Government response withdrew this proposal, meaning that 5G masts will remain on local rating lists.[70] The issue will be revisited in advance of the 2026 revaluation.

The consultation, and Government response, reiterated the Government's criteria for placing a class of properties on the central rating list:

> 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.[71]

The Government response to the consultation said:

> ....final decisions on whether to move individual [telecoms] networks will be made in consultation with the ratepayers concerned on a case by case basis. This may mean, for example, that a network which although large in terms of rateable value could still remain in a local list if it primarily falls within the area of one list. Furthermore, in order to ensure the contents of the central list remains proportionate, the government is minded for the 2023 revaluation not to move networks with a rateable value at the time of the consultation of less than £500,000.[72]

The Government intends to introduce powers to alter the central list by means of a direction from the Secretary of State to the central valuation officer. Currently the central list must be altered by regulations. Similar powers were contained in clause 11 of the Local Government Finance Bill 2016-17, which failed to progress due to the snap general election in June 2017.

The Government also intends to reintroduce similar provisions to those in clause 10 of the 2016-17 Bill. These would permit charitable relief and

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69 MHCLG, Business rates revaluation 2023: the central rating list, 16 Aug 2021

70 DLUHC, Business rates revaluation 2023: the central rating list – summary of responses and Government response, 6 May 2022, paragraph 12

71 MHCLG, Business rates revaluation 2023: the central rating list, 16 Aug 2021. These criteria previously appeared in MHCLG, Business Rate Retention Reform, December 2018, pp35-36. See also a paper from the MHCLG-LGA working group published in January 2020.

72 DLUHC, Business rates revaluation 2023: the central rating list – summary of responses and Government response, 6 May 2022, paragraph 8

unoccupied property relief to be applied to properties on the central list, which is not possible as the law stands.

Additional details on clauses 10 and 11 of the 2016-17 Bill can be found in the Library briefing paper The Local Government Finance Bill 2016-17.

The Welsh Government published an equivalent consultation in January 2022.[73] It proposed moving large telecoms networks to the central list, and assessing 5G masts by company as single hereditaments and placing them on the central list. However, the response to consultation stated that none of the changes suggested in the consultation would be made for the 2023-26 rating list.[74]

6.8 Changes to the multiplier

Consumer Prices Index

In each part of the UK, the multiplier is normally uprated annually to take account of inflation. This ensures that business rates revenue keeps pace with inflation. Currently, legislation provides that the maximum amount by which the multiplier can be uprated is the rate of the Retail Price Index (RPI) in the September prior to the financial year in question.[75]

From 2018 to 2021 the Government raised the multiplier in England by a maximum of the Consumer Price Index (CPI), which is normally lower than the RPI.[76] In 2021-22 and 2022-23 the multiplier was frozen, and it will be frozen again in 2023-24. The Government plans to legislate to provide that the maximum level of uprating must be based on the CPI instead of the RPI.

Currently, the Treasury may introduce an affirmative statutory instrument to reduce the level of uprating. The Government plans to legislate so that this can be done via a negative statutory instrument.

Charities and the small business multiplier

The Government also plans to legislate to enable charities and unoccupied properties to be eligible for the small business multiplier. This is set annually at a slightly lower rate than that of the standard multiplier. Its effect is to

73 Welsh Government, Consultation on the non-domestic rates revaluation 2023: central rating list, 21 Jan 2022

74 Welsh Government, Non-domestic rates revaluation 2023: central rating list, 17 Jun 2022

75 See the Local Government Finance Act 1988, schedule 7, paragraph 5 (3). The Scottish Government and Northern Ireland Executive are not legally required to follow this system but have normally done so in the past.

76 HM Treasury, Budget 2017, p34

reduce the business rate bills of many properties with a rateable value of £51,000 or under.[77]

6.9 Digitalising business rates

A consultation on digitalising business rates was published in July 2022, closing in September 2022. A formal response to consultation is still awaited at the time of writing.[78] The consultation applies to England only, though the Government is considering whether the policy could be extended to Wales.

Respondents to the consultation identified a number of concerns with the current billing system:

- a general expression of dissatisfaction with the existing billing process, with large numbers of respondents requesting a digital system that allows for electronic bills, with suggestions to centralise the non-discretionary elements of the business rates system
- concerns were raised, especially by larger firms, regarding the disparities in software and processes between BAs; the standardisation of bills across BAs was called for
- some respondents raised concerns about complexities in the reliefs system and suggested that its simplification would improve satisfaction with billing
- there was general support for a centralised online system and the associated benefits however, a small number of respondents opposed such a system due to fear of complicating the process further, potential poor user experience of a new system and/or because they felt the current system is effective and does not need changing[79]

The consultation document indicates that the Government would like to introduce a system that enables both the Government and ratepayers to view taxpayer data in a single place. This would assist with targeting rate reliefs, deciding on eligibility for reliefs, and it would assist businesses operating in multiple billing authority areas. The current aim is to facilitate data sharing between existing IT systems operated by HMRC, the VOA, and billing authorities, not to introduce a new system, and there are no plans to enable ratepayers to pay their bills through any new system. The aspiration is to deliver the new system by 2026-27.

77 DLUHC / HM Treasury, Business Rates Review: technical consultation, 30 November 2021 paragraph 6.18
78 HMRC, Digitalising Business Rates: connecting business rates and tax data, Sep 2022
79 HMRC, Digitalising Business Rates: connecting business rates and tax data, 2022, paragraph 2.7

6.10 Welsh Government review

The Welsh Government published a consultation document entitled Reforming Non-Domestic Rates in Wales in September 2022. This document proposed a number of potential changes to the business rates system, some reflecting current changes under way in England. They included:

- More frequent revaluations: specifically, changing from a five-year valuation cycle to a three-yearly one in the short term;
- Reducing the gap between a revaluation taking effect and the date on which valuations are based (the antecedent valuation date or AVD). This is currently set at two years, but the Welsh Government is exploring reducing it to one year. The next revaluation in Scotland will take effect on 1 April 2026, with an AVD of 1 April 2025.
- Introducing a legal duty on ratepayers to supply certain information to the VOA, analogous to current proposals for England:

  > The proposed duty to provide information will be based on ratepayer self-declaration. This will mean changes are made closer to a notifiable event, reducing the need for backdating of bills and providing more certainty to ratepayers about the tax due. ...The duty will cover changes to occupier and hereditament characteristics, and provision of commercial, rent and lease information. Ratepayers will be required to update the VOA each time circumstances change (e.g. when their rent changes, they start occupying a hereditament, or they alter the physical features of a hereditament).[80]

  The information required will vary according to the type of hereditament (property). The VOA will require ratepayers to provide an annual confirmation through an online system.[81] The consultation proposed introducing a civil penalty system to address non-compliance, but this would not be introduced before 2026, allowing the new system time to become established.
- Reviewing relief provisions, and specifically to remove exemption for empty properties that appear likely to be used for a charitable purpose when next occupied;
- Taking powers to set more than one multiplier for Wales, potentially varying by rateable value, location, or use. Currently the Welsh Government can only set a single multiplier.

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80 Welsh Government, Reforming Non-Domestic Rates in Wales, 2022, p16

81 Welsh Government, Regulations reforming the Non-Domestic rates appeals system for Wales, 2022. This change is part of an initiative to reform the Welsh appeals system in a similar manner to the 'check, challenge, appeal' system that has operated in England since 2017: see the Library briefing Business rates for more details.

The consultation also referred to changes within the VOA to facilitate greater flexibility within Wales. The VOA covers England and Wales, although its functions are devolved. The consultation said:

> The VOA provides a valuation function for both Wales and England, which has resulted in a number of operational constraints and has, at times, limited the Welsh Government's ability to make changes specifically for Wales. A significant system transformation project is being undertaken by the VOA which we hope will result in more opportunities for decisions to be made by the Welsh Government in relation to the valuation processes.[82]

[82] Welsh Government, Reforming Non-Domestic Rates in Wales, 2022, p9

7 Revaluation: effects on business rate retention

Since 2013, local government in England has retained a proportion of business rates revenue and passed a proportion to central government, via the Business Rates Retention Scheme (BRRS). Details of how this works can be found in the Library briefing paper Reviewing and reforming local government finance. This system does not operate in Scotland, Wales and Northern Ireland.

In short, the BRRS provides for redistribution of some business rates revenue between local authorities, based on an assessment of the difference between their level of rate revenue and the funding they need to provide services. Every local authority either pays funds into a central pot via a 'tariff', or receives money from the central pot via a 'top-up'.

At a revaluation, changes in rateable values will translate into changes into the rate revenue collected by individual local authorities. In the past, the Government's policy has been to adjust authorities' tariffs and top-ups at a revaluation in order to prevent authorities gaining or losing funds solely as a result of the revaluation. This process is known as the "wash-through".

For the 2023 revaluation, the Government published a technical consultation document on 2 September 2022.[83] This consultation indicated that the Government intended to retain its policy of adjusting tariffs and top-ups to reflect the effects of the revaluation. Tariffs and top-ups would also be adjusted to reflect the effects on local revenues of transferring certain properties from local rating lists to the central list (see section 6.7 above).

83 DLUHC, Technical adjustment to the Business Rates Retention system in response to the 2023 Revaluation and central list transfers, 2 Sep 2022

8 Appendix

This table shows the multipliers in England, Scotland and Wales since the introduction of the national non-domestic rate in 1990. Scotland currently levies two different higher multipliers.

Business rates multipliers

	England (standard)	England (small)	Wales	Scotland (standard)	Scotland (higher)
1990/91	34.8		36.8		
1991/92	38.6		40.8		
1992/93	40.2		42.5		
1993/94	41.6		44.0		
1994/95	42.3		44.8		
1995/96	**43.2**		**39.0**	**43.2**	
1996/97	44.9		40.5	44.9	
1997/98	45.8		41.4	45.8	
1998/99	47.4		42.9	47.4	
1999/2000	48.9		44.3	48.9	
2000/01	**41.6**		**41.2**	**45.8**	
2001/02	43.0		42.6	47.0	
2002/03	43.7		43.3	47.8	
2003/04	44.4		44.0	47.8	
2004/05	45.6		45.2	48.8	
2005/06	**42.2**	**41.5**	**42.1**	**46.1**	
2006/07	43.3	42.6	43.2	44.9	
2007/08	44.4	44.1	44.8	44.1	
2008/09	46.2	45.8	46.6	45.8	
2009/10	48.5	48.1	48.9	48.1	
2010/11	**41.4**	**40.7**	**40.9**	**40.7**	
2011/12	43.3	42.6	42.8	42.6	
2012/13	45.8	45.0	45.2	45.0	45.8
2013/14	47.1	46.2	46.4	46.2	47.1
2014/15	48.2	47.1	47.3	47.1	48.2
2015/16	49.3	48.0	48.2	48.0	49.3
2016/17	49.7	48.4	48.6	48.4	51.0
2017/18	**47.9**	**46.6**	**49.9**	**46.6**	**49.2**
2018/19	49.3	48.0	51.4	48.0	50.6
2019/20	50.4	49.1	52.6	49.0	51.6
2020/21	51.2	49.9	53.5	49.8	52.4, 51.1
2021/22	51.2	49.9	53.5	49.0	51.6, 50.3
2022/23	51.2	49.9	53.5	49.8	52.4, 51.1
2023/24	**51.2**	**49.9**	**53.5**	**49.8**	**52.4, 51.1**

Bold indicates financial years in which a revaluation took effect.