



Non-Domestic Rating (Lists) (No. 2) Bill HL Bill 146 of 2019–21

[The Non-Domestic Rating \(Lists\) \(No. 2\) Bill](#) has one substantive clause. It would postpone the next revaluation for business rates in England and Wales by a year to 1 April 2023.

The bill replaces a similar bill the Government introduced in the Lords earlier in the current parliamentary session, [the Non-Domestic Rating \(Lists\) Bill](#). That bill would have brought the revaluation forward a year to 1 April 2021 from 1 April 2022. However, that bill has not progressed due to the Covid-19 pandemic. Instead, by delaying the revaluation, [the Government has said it aims to help firms affected by the pandemic](#).

In the UK, all non-domestic properties pay rates known as ‘business rates’ unless subject to an exemption. The administration of such rates is devolved to Scotland, Wales and Northern Ireland.

A property’s business rates bill is determined by multiplying its ‘rateable value’, which is its estimated open market rental value on a set date, by a national ‘multiplier’. In England and Wales, the Valuation Office Agency (VOA) sets rateable values independently of government and these appear on non-domestic rating lists. The UK Government sets the national multiplier in England and the Welsh Government does so in Wales. These values are then used to calculate bills.

A process called revaluation regularly takes place to help ensure that rateable values reflect changes in the property market. This sees the rateable values of all business and other non-domestic property in England reviewed by the VOA at specified intervals. Currently, revaluation is scheduled to take place every five years from 1 April 2017 and would therefore next take place on 1 April 2022. The bill would reset [the next revaluation to 1 April 2023](#) to take account of the coronavirus pandemic.

The bill received cross-party support in the House of Commons. However, the opposition called for it to be the beginning of a “root-and-branch” review of the business rates system. The bill passed through the House of Commons without amendment. The Government introduced the bill in the House of Lords on 21 October 2020. It is currently awaiting its Lords second reading.

Nicole Winchester | 29 October 2020

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I. Introduction

I.1 What are business rates and how are they calculated?

In the UK, all non-domestic properties pay rates known as ‘business rates’ unless subject to an exemption. These act as an annual tax on non-domestic property and are devolved to Scotland, Wales and Northern Ireland.¹

A property’s business rates bill is determined by multiplying its ‘rateable value’, which is its estimated open market rental value on a set date, by a national ‘multiplier’.² In England and Wales, rateable values are set independently of government by the Valuation Office Agency (VOA) and appear on non-domestic rating lists.³ A list exists for each billing authority (district and unitary councils) and a central rating list is held by the secretary of state. The UK Government sets the national multiplier in England and the Welsh Government does so in Wales.⁴ The ‘multiplier’ is expressed in pence per pound of rateable value.

To help ensure that rateable values reflect changes in the property market, a process called revaluation regularly takes place. This process sees the rateable values of all business and other non-domestic property in England reviewed by the VOA on a specific date and at specified intervals thereafter.⁵ The timetable for revaluations is set out in the Local Government Finance Act 1988.⁶ Sections 41, 52 and 54A of the 1988 act require new local and central rating lists to be compiled at regular intervals, while sections 41 and 52 also set the dates by which draft lists must be compiled. Currently, revaluation is scheduled to take place every five years.

For ratepayers to estimate their new bill, they need to know the draft rateable value, the new non-domestic rating multipliers and details of transitional arrangements.⁷ The Government has historically announced the multipliers and transitional arrangements in the autumn statement or budget. To ensure draft rates are available before this, the 1988 act requires the VOA to publish the draft rates by 30 September in any required year.

I.2 What changes have been proposed to the revaluation cycle?

From 1990 to 2010, business rates revaluations took effect on 1 April every fifth year (1995, 2000 etc). However, the most recent revaluation was not part of this five-year cycle. The Government delayed the revaluation that was due to take place in 2015 by two years to provide greater stability for businesses during a period of economic downturn.⁸ Therefore, it came into effect in England and Wales on 1 April 2017 but was based on rateable values from 1 April 2015.⁹

¹ HM Treasury, [Business Rates Review: Terms of Reference and Discussion Paper](#), March 2015, p 5.

² HM Government, [Business Rates: Delivering More Frequent Revaluations: Summary of Responses](#), March 2018, p 2; and House of Commons Library, [Business Rates](#), 19 December 2018, p 4.

³ [Explanatory notes](#), p 2; and House of Commons Library, [Business Rates](#), 19 December 2018, p 4.

⁴ House of Commons Library, [Business Rates](#), 19 December 2018, p 4.

⁵ HM Government, ‘[Business rates](#)’, accessed 21 October 2020.

⁶ [Explanatory notes](#), p 3.

⁷ *ibid*, p 3.

⁸ *ibid*, p 2.

⁹ HM Government, ‘[Business rates](#)’, accessed 21 October 2020.

In recent years, successive governments have considered changing the frequency of revaluation. In both the 2017–19 and current parliamentary sessions, government legislation was introduced that would have seen the next revaluation brought forward by one year to 2021.¹⁰ However, due to the coronavirus pandemic, the Government has changed these plans and has brought forward the Non-Domestic Rating (Lists) (No. 2) Bill. The bill would provide for the next business rates revaluation to take effect from 1 April 2023. The Government has said this will help reduce uncertainty for businesses affected by the pandemic.¹¹

2. What is the background to the bill?

2.1 What changes have been proposed to business rates?

In April 2014, the Coalition Government published a consultation that focused on the administration of business rates in England.¹² The consultation asked for views on how often the rateable value of a property should be reassessed at a revaluation and what impact more frequent revaluations might have. Later that year, the then Government published interim findings on the consultation.¹³ It said that it had heard a wide range of views from businesses, their representatives and local authorities about how often revaluations should take place. Summing up the responses, it said:

Some groups wish to retain the current 5-year cycle whereas others have called for more frequent revaluations on the basis that it could make rateable values more responsive to changes in market conditions. There is no consensus on what the best length of the cycle might be. Although 3 yearly revaluation was the most popular option, others favoured annual revaluation. The reasons given for increasing the frequency of revaluations also vary.¹⁴

Responding to the results, the Government said it wanted to continue the discussion on the frequency of revaluations.¹⁵

In the March 2016 Budget, the Conservative Government under David Cameron announced that it would “aim to introduce more frequent business rate revaluations (at least every 3 years)”.¹⁶ Following this, it launched a consultation on the issue. A discussion paper for the consultation set out the challenges of delivering more frequent revaluations under the current valuation system and alternate approaches, including self-assessment and a formula approach.¹⁷

In the 2017 Autumn Budget, the then Chancellor of the Exchequer, Philip Hammond, confirmed that

¹⁰ UK Parliament website, ‘[Non-Domestic Rating \(Lists\) Bill \[HL\] 2019–21](#)’, accessed 28 October 2020.

¹¹ [Explanatory notes](#), pp 2–3.

¹² HM Treasury and Department for Communities and Local Government, [Administration of Business Rates in England: Discussion Paper](#), April 2014.

¹³ HM Treasury and Department for Communities and Local Government, [Administration of Business Rates in England: Interim Findings](#), December 2014.

¹⁴ *ibid*, p 13.

¹⁵ *ibid*, p 7.

¹⁶ HM Treasury, [Budget 2016](#), March 2016, HC 901, p 46.

¹⁷ HM Treasury and Department for Communities and Local Government and Valuation Office Agency, ‘[Consultation outcome: Business rates: Delivering more frequent revaluations](#)’, 24 March 2016.

the Government would change the frequency of the revaluation of business rates. This would see the Government:

Increasing the frequency with which the VOA revalues non-domestic properties by moving to revaluations every three years following the next revaluation, currently due in 2022.¹⁸

In the spring statement in 2018, Mr Hammond announced that the next revaluation would be brought forward by one year to 2021 so that “businesses can benefit from the change to three-year revaluations earlier, with the first taking place in 2024”.¹⁹ In the following parliamentary session, the Government introduced legislation to make these changes.

2.2 What legislation has the Government previously introduced?

On 12 June 2019, the then Government introduced the Non-Domestic Ratings (Lists) Bill in the House of Commons.²⁰ The bill would have implemented the Government’s commitment to bring forward the date of the next revaluation from 2022 to 2021 in England and Wales.²¹ In England, it would have also replaced the existing five-year cycle for revaluation with a three-year cycle. The bill passed its stages in the House of Commons and was awaiting its committee stage in the House of Lords when the Government prorogued the 2017–19 parliamentary session.

The Government then introduced a bill with the same name in the current session. It would have brought forward the next business rates revaluation to 1 April 2021. However, unlike the previous bill it would not change the frequency of future revaluations.²² The bill received first reading in the House of Lords on 18 March 2020 but has not progressed further due to the coronavirus pandemic.

2.3 What impact has the Covid-19 pandemic had?

Responding to the uncertainty caused by the pandemic, in May 2020 the Government said it would postpone the next business rates revaluation to help firms affected by the impacts of coronavirus.²³ On 21 July 2020, it announced that the next revaluation would instead take effect on 1 April 2023 and be based on property values as of 1 April 2021, “so that it better reflects the impact of Covid-19”.²⁴

On 11 August 2020, the Welsh Government announced that the next revaluation in Wales would also take place on 1 April 2023.²⁵

¹⁸ HM Treasury, [Autumn Budget 2017](#), November 2017, HC 587, p 34.

¹⁹ HM Treasury, [Spring statement 2018: What you need to know](#), 13 March 2018.

²⁰ UK Parliament website, [Bill stages—Non-Domestic Rating \(Lists\) Bill 2017–19](#), accessed 21 October 2020.

²¹ House of Lords Library, [Non-Domestic Rating \(Lists\) Bill: Briefing for Lords Stages](#), 26 September 2019.

²² UK Parliament website, [Non-Domestic Rating \(Lists\) Bill \[HL\] 2019–21](#), accessed 21 October 2020.

²³ Ministry of Housing, Communities and Local Government, [Business rates revaluation postponed](#), 6 May 2020.

²⁴ House of Commons, [Written Statement: Finance Bill 2020–21 Draft Legislation and Tax Documents](#), 21 July 2020, HCWS400.

²⁵ Welsh Government, [Written statement: Non-domestic rates revaluation for Wales](#), 11 August 2020.

3. Non-Domestic Rating (Lists) (No. 2) Bill 2019–21

3.1 What would the bill do?

The Non-Domestic Rating (Lists) (No. 2) Bill would implement the Government’s commitment for the next business rates revaluation to take effect from 1 April 2023.²⁶ It does not provide for the previous Government’s plans to change the frequency of future revaluations. Commenting on this decision in the bill’s explanatory notes, the Government said that although it “continues to recognise the benefits of frequent revaluations, this is now being considered as part of a fundamental review of business rates”.²⁷ This review is currently in progress.²⁸

The bill contains two clauses:

- **Clause 1** would amend sections 41(2A) and 52(2A) of the Local Government Finance Act 1988 to provide for the next English rating lists to be compiled on 1 April 2023. It would also amend sections 41(5) and 52(5) to move the requirement to prepare draft rating lists in both England and Wales from no later than 30 September to no later than 31 December preceding the new rating list coming into force. In addition, the clause would amend sections 54(A) and (5)(b) to provide that the next Welsh rating lists are to be compiled on 1 April 2023.
- **Clause 2** would provide for the bill’s territorial extent—England and Wales—and its short title.

As previously noted, business rates are a devolved matter. As a result, the Government has sought a legislative consent motion from the Senedd Cymru (Welsh Parliament).²⁹

In addition, as the bill would lead to changes in the pattern of taxation it required a ways and means resolution in the House of Commons.³⁰ This was passed on 30 September 2020.³¹

3.2 What happened in the House of Commons?

Second reading

The bill’s second reading took place in the House of Commons on 30 September 2020. Speaking for the Government, the Minister of State for Regional Growth and Local Government, Luke Hall, said:

This bill delivers on an important government commitment and addresses ratepayers’ concerns by setting in law the date of the next business rates revaluation at 1 April 2023.³²

²⁶ [Explanatory notes](#), p 2.

²⁷ *ibid*, p 3.

²⁸ HM Treasury, ‘[Business rates review: Terms of reference](#)’, 11 March 2020.

²⁹ [Explanatory notes](#), p 6; and Senedd Cymru (Welsh Parliament), ‘[Legislative consent: Non-Domestic Rating \(Lists\) \(No. 2\) Bill](#)’, accessed 28 October 2020.

³⁰ [Explanatory notes](#), p 4; and UK Parliament website, ‘[Ways and means resolution](#)’, accessed 22 October 2020.

³¹ [HC Hansard, 30 September 2020, col 387](#).

³² *ibid*, col 369.

Outlining the reasoning behind this decision, Mr Hall said:

The next revaluation was scheduled to take effect from 1 April 2021 and would have been based on rental values at 1 April 2019. That was decided in spring 2018 and was the right thing to do at the time, but given what we now know about the coronavirus outbreak and its potential to affect the rental property market, it would not be right to continue with the 2021 revaluation. Continuing to implement the next revaluation on this schedule would have created additional uncertainty for ratepayers at an already uncertain time. It would also have meant that the underlying basis for bills would not have reflected the impact of the outbreak on the commercial rental market.

The Government therefore took the exceptional step of postponing the implementation of the next revaluation in order to give certainty to ratepayers and ensure that the next revaluation reflects the changes to market conditions as a result of the pandemic.³³

He also addressed the change in the date by which the VOA must publish draft rateable values. Confirming that the date would be altered from 30 September to 31 December the preceding year, he explained that this would allow the Government to “align the publication of the draft rateable values with decisions normally made at any autumn fiscal event on the multipliers and transitional arrangements for the revaluation”.³⁴

Speaking for Labour, Kate Hollern, Shadow Minister for the Ministry of Housing, Communities and Local Government, gave her support to the bill:

I thank the minister for bringing back to Parliament a bill that will hopefully give greater certainty to businesses and local authorities during this pandemic. Given the existential crises they face, Labour thinks this bill is a common-sense response to the virus that does not, fortunately, break any laws in specific or limited ways. For those reasons, we will be supporting the bill.³⁵

However, raising some concerns, Ms Hollern asked the minister to share the Government’s plans to deal with the VOA’s backlog of appeals, stating that the latest valuation tribunal statistics showed there were “50,000 unsolved appeals from 2010”.³⁶ She also asked the minister to share the rationale behind his decision to base the valuation on rental values in April 2021 “given that the economy is likely still to be significantly affected next year”.

Referring to the wider debate about the frequency of revaluations, Ms Hollern said she wanted it placed on the record that “outside of these extraordinary times, Labour in principle supports regular revaluations”.³⁷

She also argued that there was a wider issue at hand, namely that “the business rate system is not fit

³³ [HC Hansard, 30 September 2020, col 369.](#)

³⁴ *ibid*, col 369.

³⁵ *ibid*, col 371.

³⁶ *ibid*, col 372.

³⁷ *ibid*.

for purpose”. Ms Hollern said that Labour had long called for a “root-and-branch review [...] to make the system fair, to help bricks-and-mortar retailers to compete with online tech giants, and to help to protect our high streets”.³⁸ As a result of these concerns, she asked the minister to assure the House that the Government’s fundamental review of business rates would not be delayed.

Responding to points raised regarding the fundamental review of business rates, Kelly Tolhurst, Parliamentary Under Secretary of State for Rough Sleeping and Housing, said that the Treasury had set out the review’s scope and launched a call for evidence. She added its aims would include “reducing the overall burden, improving the current system, and considering more fundamental changes in the medium and long term”.³⁹

Committee stage

The bill was committed to a committee of the whole house on 20 October 2020. No amendments to the bill were suggested or discussed.

During the debate, Steve Reed, Shadow Secretary of State for Communities and Local Government, confirmed the opposition’s continued support for the bill.⁴⁰ However, he said that developments which had occurred since second reading, including the rise in Covid-19 infection rates, meant that the bill “must be the beginning of root-and-branch reform of the business rate system”.⁴¹ Mr Reed also asked the Government to answer the question asked by Ms Hollern during second reading regarding the backlog of VOA appeals.⁴²

Responding to the question on appeals, Mr Hall highlighted that a new business rates appeals system was introduced in 2017 and had been “operating smoothly”.⁴³ Referring to outstanding cases from 2010, he said:

The majority of those cases have been held up by litigation pending the outcome of a Supreme Court case concerning the rateability of ATMs. The Supreme Court issued a decision on the matter on 20 May this year, and the outstanding cases are now being settled. The VOA is engaging with stakeholders and has agreed a timetable to deal with these cases, and I will keep it under close review.⁴⁴

Concluding the debate, Mr Hall thanked members across the House for their support of the bill and said that he would take on board the wider points about business rates which members had raised.⁴⁵

³⁸ [HC Hansard, 30 September 2020, col 372.](#)

³⁹ *ibid*, col 386; and HM Treasury, ‘[Business rates review: Terms of reference](#)’, 11 March 2020.

⁴⁰ [HC Hansard, 20 October 2020, col 914.](#)

⁴¹ *ibid*.

⁴² *ibid*, col 915.

⁴³ *ibid*, col 916.

⁴⁴ *ibid*, cols 916–7.

⁴⁵ *ibid*, col 918.

Third reading

Because no amendments were made at committee stage, the bill was not debated at report stage. At third reading, the opposition parties set out their continued support of the bill, and the bill passed without division.⁴⁶

4. Read more

- House of Commons Library, [Non-Domestic Rating \(Lists\) \(No. 2\) Bill 2019–21](#), 17 September 2020
- House of Lords Library, [Non-Domestic Rating \(Lists\) Bill: Briefing for Lords Stages](#), 26 September 2019

⁴⁶ [HC Hansard, 20 October 2020, col 919.](#)