EXPLANATORY MEMORANDUM TO

THE NON-DOMESTIC RATING (CHARGEABLE AMOUNTS) (ENGLAND) REGULATIONS 2026

2026 No. [XXXX]

1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Ministry of Housing, Communities and Local Government and is laid before Parliament by Command of His Majesty.

1.2 This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Declaration

2.1 Alison McGovern MP, Minister of State (Minister for Local Government and Homelessness) at the Ministry of Housing, Communities and Local Government confirms that this Explanatory Memorandum meets the required standard.

2.2 Michelle Warbis, SCS Grade 1 for Local Tax and Pensions, at the Ministry of Housing, Communities and Local Government confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Nick Cooper at the Ministry of Housing, Communities and Local Government can be contacted by email at the following address with any queries regarding the instrument: ndr@communities.gov.uk. Alternatively, the department can be contacted by telephone: 0303 444 3610.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 Business rate bills are based upon the rateable value of properties which appear in rating lists prepared by Valuation Officers[1]. The current rating lists date from the last revaluation of all rateable values in 2023 but these will be replaced with a new set of rateable values by the next revaluation on 1st April 2026. The 2026 revaluation will, therefore, revise rateable values and business rates bills to reflect updated market rental values. This instrument introduces a transitional relief scheme to phase in increases in business rates bills following the 2026 business rates revaluation and, for 2026/27 a supplement to in part fund that relief.

Where does the legislation extend to, and apply?

4.2 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England and Wales.

[1] A Valuation Officer is a statutory officer responsible for compiling and maintaining a rating list. See sections 41 and 52 of the Local Government Finance Act 1988. They are officers of HMRC (see section 61 of the 1988 Act) and are supported by the Valuation Office Agency.

4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England.

5. Policy Context

What is being done and why?

5.1 Business rates revaluations update rateable values, and therefore business rates bills, to reflect changes in the rental market and ensure bills are distributed fairly. The next revaluation of properties for business rates will take effect from 1st April 2026 based on the rental market at 1st April 2024. The draft 2026 rating list has been published online by the Valuation Office Agency[2]. Statistics on the 2026 revaluation have also been published by the Valuation Office Agency[3].

5.2 At the 2026 revaluation some ratepayers will see their business rates bills fall and others will see no change (in most cases because they will continue to be eligible for 100% Small Business Rate Relief). However, some ratepayers will see their bills increase. Under section 57A of the 1988 Act the government is required to introduce transitional arrangements at each revaluation. This instrument introduces a transitional relief scheme to phase in increases in business rates bills due to the 2026 revaluation. It also introduces a supplement in 2026/27 paid by those not receiving transitional relief to in part fund transitional relief.

What was the previous policy, how is this different?

5.3 The format of the transitional relief scheme is similar to schemes introduced at every revaluation since 1990. The instrument caps annual increases in the bills for those ratepayers facing increases due to the revaluation (before changes in other reliefs or local supplements[4]). This approach ensures that ratepayers have time to gradually adapt to their new rate bills.

5.4 The caps on increases for the 2026 revaluation apply for the years 2026/27 to 2028/29 and are set out in the table below.

Rateable value	Cap on increases 26/27	Cap on increases 27/28	Cap on increases 28/29
Up to or including £20,000 (£28,000 in London)	5%	10% plus inflation	25% plus inflation
More than £20,000 (£28,000 in London) and up to and including £100,000	15%	25% plus inflation	40% plus inflation
More than £100,000	30%	25% plus inflation	25% plus inflation
Notes: All caps are before other reliefs, local supplements and, in years 2 and 3, inflation. Actual bill changes may therefore vary from these percentages. Caps are cumulative year on year e.g. for small properties the total cap over the 3 years before inflation is 44%.			

[2] See https://www.gov.uk/government/publications/the-draft-central-rating-list-2026-for-england-and-wales

[3] See https://www.gov.uk/government/statistics/non-domestic-rating-change-in-rateable-value-of-rating-lists-england-and-wales-2026-revaluation-draft-list

[4] There are 2 local supplements. The City of London premium set by the City of London and the Crossrail Business Rate Supplement paid in London on properties with a rateable value above a threshold set by the Greater London Authority.

5.4 Under section 57A(10) of the 1988 Act the Secretary of State:

> "shall have regard to the object of securing (so far as practicable) that the aggregate amount payable to him and all billing authorities by way of non-domestic rates as regards a particular relevant period is, after disregarding any adjustments made to take account of amounts being payable at times other than those at which they would have been payable apart from the regulations, no greater than the aggregate amount which would be so payable apart from the regulations."[5]

5.5 In order to, in part, fund the transitional relief scheme, the regulations include in respect of 2026/27 only a supplement of 1p payable on all defined hereditaments which are not otherwise receiving transitional relief.

5.6 These Regulations apply to properties on both local rating lists and to properties on the central rating list held by the Secretary of State. The central rating list is concerned with large network style properties such as gas, water, electricity, railways and telecommunications. The transitional relief scheme applies equally as regards ratepayers on the central rating list and those on local rating lists.

6. Legislative and Legal Context

How has the law changed?

6.1 Section 57A of the 1988 Act, which was inserted by section 65 of the Local Government Act 2003, places a duty on the Secretary of State to make Regulations determining the chargeable amount for hereditaments instead of the rules in Schedule 4ZA, 4ZB or 5A (as the case may be) of the 1988 Act in relation to a relevant period. A relevant period is a period of three years beginning on any 1 April after 1 April 2023 on which lists must be compiled. Section 41(2A)(b) and section 52(2A)(b) require a new list to be complied on 1st April 2023 and every third year thereafter. These Regulations apply to the relevant period beginning on 1st April 2026.

6.2 Where these Regulations apply, the ratepayer's liability to non-domestic rates (known as the chargeable amount) is determined in accordance with the relevant provisions of these Regulations rather than under sections 43 (occupied hereditaments: liability), 45 (unoccupied hereditaments: liability) and 54 (central rating: liability) of the 1988 Act.

Why was this approach taken to change the law?

6.3 This is the only possible approach to make the necessary changes.

7. Consultation

Summary of consultation outcome and methodology

7.1 The government lasted consulted upon transitional relief in 2022[6]. In the response to the consultation the government explained:

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[5] The words "no greater than" were substituted by section 6(b) of the Non-Domestic Rating Act 2023 (c.53) in place of the words "the same as" removing the requirement for the scheme to be self-funding. See https://www.legislation.gov.uk/ukpga/2023/53/section/6#section-6-b

[6] See https://www.gov.uk/government/consultations/business-rates-revaluation-2023-consultation-on-the-transitional-arrangements

"Given that upwards caps have been consistently retained for consecutive schemes and, in general, it is only the level of support provided that will vary, 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."

7.2 Accordingly, no policy consultation has been undertaken on transitional relief for the 2026 revaluation. The government has worked with practitioners in local government in preparing the draft regulations to ensure their accuracy and deliverability within local government software systems.

8. Applicable Guidance

8.1 The systems to support and deliver transitional arrangements are well established and implemented by existing staff working on business rates in local authorities. The Department does not intend to issue formal guidance on the transitional relief scheme but works closely with local government on the delivery of all relief schemes including transitional relief.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because it amends a local taxation regime and amendments to any tax are excluded from the definition of a regulatory provision[7].

Impact on businesses, charities and voluntary bodies

9.2 The impact on business, charities or voluntary bodies is that those eligible for transitional relief will see a reduction in their business rates bill compared to the level they would have paid without the regulations. Transitional relief will be part funded within the business rates system, through the regulations, by requiring all defined hereditaments not in transitional relief to pay a supplement in 2026/27.

9.3 The legislation does impact small or micro businesses. No specific action is proposed to minimise regulatory burden on small businesses. The basis for the final decision on what action to take to assist small businesses is that the transitional relief scheme will reduce liabilities, with particular support directed at small properties, and will be applied automatically to business rate bills by local authorities.

9.4 The impact on the public sector is that rate bills will be determined using the rules in these Regulations. The government will also compensate local government for the impact of the transitional relief scheme on local business rates income and for the administrative cost of implementing the relief.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is that the government continues to keep the administration of the business rates system under review.

[7] Definition of Regulatory Provision, Better Regulation Framework, Guidance, September 2023. See https://www.gov.uk/government/publications/better-regulation-framework

10.2 The instrument does not include a statutory review clause as provisions imposing, abolishing, or varying any tax are excluded from the duty to review regulatory provisions[8].

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 The instrument is subject to the affirmative procedure in both Houses and must come into force on or before 31 January 2026. This is because regulations made under section 57A of the Local Government Finance Act 1988 ("the 1988 Act") in relation to a particular financial year (in this case 2026/27) are not effective unless they come into force before 1st February immediately preceding the year.

12. European Convention on Human Rights

12.1 The Minister of State (Minister for Local Government and Homelessness) has made the following statement regarding Human Rights:

"In my view the provisions of the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2026 are compatible with the Convention rights."

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").

[8] See Section 28(3)(a)(i) of the Small Business, Enterprise and Employment Act 2015, https://www.legislation.gov.uk/ukpga/2015/26/part/2/crossheading/secondary-legislation-duty-to-review