EXPLANATORY MEMORANDUM TO

THE LOCAL GOVERNMENT FINANCE ACT 1988 (CALCULATION OF NON-DOMESTIC RATING HIGH-VALUE MULTIPLIER) (ENGLAND) REGULATIONS 2026

2026 No. 108

1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Treasury and is laid before the House of Commons by Command of His Majesty.

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

2. Declaration

2.1 Dan Tomlinson, Exchequer Secretary to the Treasury, confirms that this Explanatory Memorandum meets the required standard.

2.2 Chloe McCarthy-Evenson and Marion Ando, Co-Deputy Directors for Business Rates and Devolved Tax, at the Treasury confirm that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Katie Taylor at the Treasury can be contacted by email at the following address with any queries regarding the Instrument: transformingbusinessrates@hmtreasury.gov.uk.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 At Autumn Budget 2024, the Government announced the intention to introduce new permanently lower business rates multipliers (tax rates) for retail, hospitality and leisure ("RHL") properties ("hereditaments") with rateable values ("RVs") under £500,000 from 2026-27, to provide certainty and support to the high street. In order to sustainably fund the lower multipliers for RHL hereditaments, the Government also announced at Autumn Budget 2024 the intention to introduce a high-value multiplier on hereditaments with RVs of £500,000 or more.

4.2 On 14 October 2025, the Non-Domestic Rating (Definition of Qualifying Retail, Hospitality or Leisure Hereditament) Regulations 2025 (S.I. 2025/1093) were made to define which hereditaments would qualify for the lower RHL multipliers. The Government is laying three further Statutory Instruments to bring effect to these new multipliers. This Instrument is laid before the House of Commons subject to the affirmative procedure, and sets the value for the new high-value multiplier.

4.3 In addition, the Government is laying (before both Houses and subject to the affirmative procedure) the Local Government Finance Act 1988 (Prescription of Non-Domestic Rating Multipliers) (England) Regulations 2026, and (in the House of Commons subject to the negative procedure) the Local Government Finance Act 1988 (Calculation of Non-Domestic Rating Multipliers for Retail, Hospitality or Leisure) (England) Regulations 2026. These Instruments (respectively) prescribe the

circumstances in which the new multipliers are to be used, and set the values for the new RHL multipliers.

Where does the legislation extend to, and apply?

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

4.5 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 Non-domestic rates ("business rates") are calculated by multiplying the RV of a hereditament (as determined by the Valuation Office Agency) by the applicable multiplier (where improvement relief applies, the calculation is based on the RV minus the certified value of any qualifying improvement works). A hereditament is a taxable unit of non-domestic property. The small business multiplier applies to hereditaments with RVs below £51,000, and currently, the standard multiplier applies to all hereditaments with RVs of £51,000 or more ("the national multipliers"). If applicable, business rates reliefs are then applied to a hereditament's gross liability to reach the final business rates bill.

5.2 Subject to parliamentary approval of the Local Government Finance Act 1988 (Prescription of Non-Domestic Rating Multipliers) (England) Regulations 2026, the high-value multiplier will have effect from 1 April 2026. It will be 2.8 pence higher than the national standard multiplier, which will be 48 pence in 2026-27, making the high-value multiplier 50.8 pence in 2026-27.

5.3 This Instrument provides for the high-value multiplier to remain 2.8 pence above the national standard multiplier every year. The national multipliers uprate by the previous September's CPI figure every April before resetting at a revaluation, which occurs every three years. The actual value of the high-value multiplier will therefore change every year, but the legislative default will be that it will remain 2.8 pence above the national standard multiplier every year. However, the rate will remain under review, and this Instrument does not preclude the Government from changing the rate for future tax years.

5.4 This Instrument prescribes the value for the new high-value multiplier and sets the relationship between that multiplier and the national standard multiplier from 2026-27 onwards. The new high-value multiplier will apply to hereditaments with an RV of £500,000 or more and is being introduced to sustainably fund the new lower business rates multipliers, which are being introduced to support the high street.

What was the previous policy, how is this different?

5.5 Currently, the standard multiplier applies to all hereditaments with RVs of £51,000 or more. From 1 April 2026, hereditaments with RVs of £51,000 or more but less than £500,000 will pay the standard multiplier, whilst those with RVs of £500,000 or more will pay the high-value multiplier.

6. Legislative and Legal Context

How has the law changed?

6.1 The Non-Domestic Rating (Multipliers and Private Schools) Act 2025 (c. 12) amended the Local Government Finance Act 1998 (c. 41) to enable the Treasury to prescribe a higher multiplier for hereditaments with RVs of £500,000 or more. Those amendments included a power to set the value for the higher multiplier at no more than 10 pence higher than the national standard multiplier. It also included a power to make adjustments to the value of the multiplier in any given financial year, in relation to unoccupied hereditaments or hereditaments on the central list.

6.2 This Instrument is made in exercise of the powers conferred by paragraphs A6A(1)(a) and 9B(1)(a)(i) and (b) of Schedule 7 to the Local Government Finance Act 1988 (c. 41), as amended by sections 1(3) and 2(2) of the Non-Domestic Rating (Multipliers and Private Schools) Act 2025.

6.3 This Instrument sets the value for the high-value multiplier at 2.8 pence above the national standard multiplier.

Why was this approach taken to change the law?

6.4 The power to set the value for the high-value multiplier through secondary legislation provides flexibility for the Government to react to economic conditions in the future.

7. Consultation

Summary of consultation outcome and methodology

7.1 A consultation has not taken place. This Instrument enacts a policy first announced at Autumn Budget 2024.

8. Applicable Guidance

8.1 The Instrument does not have any accompanying guidance.

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 an existing local tax regime. Publication of a full impact assessment is not necessary for such legislation.

Impact on businesses, charities and voluntary bodies

9.2 The impact on businesses, charities and voluntary bodies is that, if they are the ratepayer for a hereditament that has an RV of £500,000 or more, they will pay the high-value multiplier from 2026-27.

9.3 The legislation does impact small and micro businesses if they are the ratepayer for a hereditament with an RV of £500,000 or more. However, these hereditaments are likely to be predominantly occupied by larger businesses. This legislation does not place an additional administrative burden on small or micro businesses.

9.4 The legislation does impact the public sector, as the high-value multiplier will apply to all hereditaments with RVs of £500,000 and over, including those in the public sector.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The Instrument, which is in connection with a local taxation regime, is not subject to the duty to review regulatory provisions in secondary legislation in section 28 of the Small Business, Enterprise, and Employment Act 2015 (c. 26). This legislation will be monitored as part of the Treasury's wider taxation policy, to ensure the new high-value multiplier is working as intended in the context of the wider economic landscape.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 The new high-value multiplier was first announced at Autumn Budget 2024. The Non-Domestic Rating (Multipliers and Private Schools) Act 2025 amended the Local Government Finance Act 1988 to enable the new high-value multiplier to be established.

11.2 The Non-Domestic Rating (Definition of Qualifying Retail, Hospitality or Leisure Hereditament) Regulations 2025 (S.I. 2025/1093) made on 14 October 2025 define the hereditaments that will be eligible for the RHL multipliers. The Local Government Finance Act 1988 (Prescription of Non-Domestic Rating Multipliers) (England) Regulations 2026 laid alongside this Instrument in both Houses and subject to the affirmative procedure) prescribe the new high-value multiplier and RHL multipliers. The Local Government Finance Act 1988 (Calculation of Non-Domestic Rating Multipliers for Retail, Hospitality or Leisure) (England) Regulations 2026 laid alongside this Instrument in the House of Commons only and subject to the negative procedure) set the value for the new lower RHL multipliers that will apply to qualifying RHL hereditaments with RVs below £500,000 from 2026-27.

12. European Convention on Human Rights

12.1 The Exchequer Secretary to the Treasury (Dan Tomlinson) has made the following statement regarding Human Rights:

"In my view the provisions of The Local Government Finance Act 1988 (Calculation of Non-Domestic Rating High-Value Multiplier) (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").