EXPLANATORY MEMORANDUM TO

THE LOCAL GOVERNMENT FINANCE ACT 1988 (PRESCRIPTION OF NON-DOMESTIC RATING MULTIPLIERS) (ENGLAND) REGULATIONS 2026

2026 No. 152

1. Introduction

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

1.2 This memorandum contains information for the Joint Committee on Statutory Instruments and the Secondary Legislation Scrutiny Committee.

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 give effect to these new multipliers. This Instrument is laid before both Houses subject to the affirmative procedure, and prescribes the circumstances in which the new multipliers are to be used. In addition, the Government is making and laying (in the House of Commons and 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, and laying (in the House of Commons only and subject to the affirmative procedure) the Local Government Finance Act 1988 (Calculation of Non-Domestic Rating High-Value Multiplier) (England) Regulations 2026. These Instruments (respectively) set the values for the new lower RHL multipliers that will

apply to qualifying RHL hereditaments with RVs below £500,000 from 2026-27, and set the value for the new high-value multiplier that will apply to hereditaments with RVs of £500,000 or more from 2026-27.

Where does the legislation extend to, and apply?

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

4.4 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 When a property is unoccupied, it becomes eligible for empty property relief, which means no business rates will be paid on that hereditament, generally for three months, though empty property relief is in place for longer for certain property types. After empty property relief ends, the landlord becomes liable for the hereditament's business rates.

5.3 All hereditaments that are liable to business rates are listed on either their Local Authority's "local rating list" or the "central rating list". Most hereditaments are on a local list. However, hereditaments that span multiple Local Authorities will go on the central rating list. The central rating list contains rating assessments for hereditaments such as national transport, utility and telecommunications undertakings, and cross-country pipelines. The business rates of hereditaments on the local list are paid directly to Local Authorities, whereas the business rates of hereditaments on the central rating list are paid to the Ministry of Housing, Communities and Local Government.

5.4 In relation to occupied qualifying RHL hereditaments on the local ratings lists, the policy intention is that those that have RVs below £51,000 will pay the small business RHL multiplier, and those with RVs of £51,000 or more but less than £500,000 will pay the standard RHL multiplier. All hereditaments with RVs of £500,000 or more will pay the high-value multiplier.

5.5 When a hereditament that meets the definition of qualifying RHL becomes unoccupied, it will pay the national multipliers after empty property relief ends. When a hereditament with an RV of £500,000 or above becomes empty, it will continue to pay the high-value multiplier after empty property relief ends.

5.6 For non-RHL hereditaments on a local rating list or the central rating list with an RV of less than £500,000, the policy intention is that the small business multiplier ("D") will continue to apply to those with RVs of less than £51,000, and the standard

multiplier ("B") will apply to those with RVs of £51,000 or more but less than £500,000.

5.7 Subject to parliamentary approval of the Local Government Finance Act 1988 (Calculation of Non-Domestic Rating High-Value Multiplier) (England) Regulations 2026, the new multipliers will have effect from 1 April 2026.

What was the previous policy, how is this different?

5.8 Currently, all hereditaments pay either the small business or standard multiplier, depending on whether their RV is above or below £51,000.

5.9 From 2026-27, there will be an additional three business rates multipliers: a small business RHL multiplier for qualifying RHL hereditaments with RVs below £51,000, a standard RHL multiplier for qualifying RHL hereditaments with RVs of £51,000 or more but less than £500,000, and a high-value multiplier for hereditaments with RVs of £500,000 or above.

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 1988 (c. 41) to enable the Treasury to prescribe different multipliers for a given hereditament by reference to certain factors.

6.2 This Instrument is made in exercise of the powers conferred by paragraph 10(9)(a), (9B) and (10)(a) and (c) of Schedule 4ZA, paragraph 3(6)(a), (6A) and (7)(a) of Schedule 4ZB and paragraph 6(8)(a), (8A) and (9)(a) of Schedule 5A to the Local Government Finance Act 1988, as amended by section 3 of the Non-Domestic Rating (Multipliers and Private Schools) Act 2025.

6.3 In relation to occupied hereditaments on local rating lists, this Instrument prescribes:

- the small business RHL multiplier in relation to a qualifying RHL hereditament with a RV of less than £51,000;
- the standard RHL multiplier in relation to a qualifying RHL hereditament with a RV of £51,000 or more but less than £500,000;
- the high-value multiplier for any hereditament with a RV of £500,000 or more;
- the small business multiplier ("D") for any hereditament that is not a qualifying RHL hereditament and that has a RV of less than £51,000;
- the standard multiplier ("B") for any hereditament that is not a qualifying RHL hereditament and that has a RV of £51,000 or more but less than £500,000.

6.4 In relation to unoccupied hereditaments (including unoccupied RHL hereditaments), this Instrument prescribes:

- the high-value multiplier for any hereditament with a RV of £500,000 or more;
- the small business multiplier ("D") for any hereditament that has a RV of less than £51,000;
- the standard multiplier ("B") for any hereditament that has a RV of £51,000 or more but less than £500,000.

6.5 In relation to hereditaments on the central list, this Instrument prescribes:

- the high-value multiplier for any hereditament with a RV of £500,000 or more;
- the small business multiplier ("D") for any hereditament that has a RV of less than £51,000;

- the standard multiplier ("B") for any hereditament that has a RV of £51,000 or more but less than £500,000.

6.6 Regulation 6 amends the Local Government Finance Act 1988 (Prescription of Non-Domestic Rating Multipliers) (England) Regulations 2024 (S.I. 2024/111) so that the multipliers prescribed by those Regulations will not apply to financial years beginning on or after 1 April 2026.

Why was this approach taken to change the law?

6.7 The power to prescribe how the RHL multipliers and high-value multiplier are applied 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 Guidance on which hereditaments qualify for the new RHL multipliers can be found on GOV.UK: https://www.gov.uk/guidance/business-rates-multipliers-qualifying-retail-hospitality-or-leisure.

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 meets the eligibility criteria for the lower RHL multipliers or the high-value multiplier, they will pay a different multiplier from 2026-27.

9.3 The legislation does impact small and micro businesses, if they pay business rates and meet the eligibility criteria for the lower RHL multipliers or the high-value multiplier. This legislation does not place an additional administrative burden on small or micro businesses.

9.4 The legislation does impact the public sector to the extent that there are public sector hereditaments that meet the eligibility criteria for the lower RHL multipliers or high-value multiplier.

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 RHL multipliers and high-value multiplier are 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 RHL multipliers and high-value multiplier were first announced at Autumn Budget 2024. The Non-Domestic Rating (Multipliers and Private Schools) Act 2025 amends the Local Government Finance Act 1988 to enable the new RHL multipliers and 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 (Calculation of Non-Domestic Rating High-Value Multiplier) (England) Regulations 2026 (laid alongside this Instrument in the House of Commons only and subject to the affirmative procedure) set the value for the new high-value multiplier that will apply to hereditaments with RVs of £500,000 or more from 2026-27. 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 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 (Prescription of Non-Domestic Rating Multipliers) (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").