EXPLANATORY MEMORANDUM TO

THE NON-DOMESTIC RATING (DEFINITION OF QUALIFYING RETAIL, HOSPITALITY OR LEISURE HEREDITAMENT) (AMENDMENT) REGULATIONS 2026

2026 No. 247

1. Introduction

1.1 This Explanatory Memorandum has been prepared by HM Treasury 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 Dan Tomlinson MP, 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 HM Treasury confirm that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Archie Wilson at HM 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 The instrument amends The Non-Domestic Rating (Definition of Qualifying Retail, Hospitality or Leisure Hereditament) Regulations 2025 so that, when used wholly or mainly for leisure/recreational purposes, marinas, wharves, piers and jetties qualify for the retail, hospitality or leisure (RHL) business rates multipliers that are coming into force on 1 April 2026. These properties were inadvertently added to the list of excluded purposes in the aforementioned Regulations, so this instrument makes the necessary amendment to rectify this error.

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.

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 Non-domestic rates ("business rates") are calculated by multiplying the rateable value ("RV") of a hereditament (as determined by the Valuation Office Agency) by the

applicable tax rate ("multiplier"). A hereditament is a taxable unit of non-domestic property. The small business multiplier applies to hereditaments with RVs below £51,000, and at the time of laying this Statutory Instrument, the standard multiplier applies to all hereditaments with RVs of £51,000 or more. If applicable, business rates reliefs are then applied to a hereditament's gross liability to reach the final business rates bill.

5.2 The 2025-26 RHL business rates relief scheme grants 40 per cent relief to eligible hereditaments up to a cash cap limit of £110,000 per business. The legislative default is for this relief scheme to end after every year. At Autumn Budget 2024, the Government therefore announced the intention to introduce permanently lower multipliers for RHL hereditaments with RVs under £500,000 from 2026-27, to provide certainty and support to the high street.

5.3 The Non-Domestic Rating (Definition of Qualifying Retail, Hospitality or Leisure Hereditament) Regulations 2025, laid on 16 October, defined the RHL hereditaments that would be eligible for the lower RHL business rates multipliers from 2026-27. These Regulations excluded hereditaments used wholly or mainly as a marina, wharf, pier or jetty from the definition of qualifying RHL on the basis that they are akin to a type of transport hereditament, which are out of scope.

5.4 However, although a marina, wharf, pier or jetty can be used as a transport hereditament, many will be used wholly or mainly for recreational purposes. In those cases, Local Authorities will have granted the relief. The policy intent was always for the scope of the RHL multipliers to broadly reflect the scope of the RHL relief and when used in this way, these hereditaments are more akin to other leisure hereditaments. This instrument amends the 2025 Regulations to correct that error so that, where such hereditaments are used wholly or mainly for leisure and recreational purposes, they fall within the definition of a qualifying RHL hereditament and can therefore benefit from the lower multipliers. Where a marina, wharf, pier or jetty is wholly or mainly used for transport purposes, it will continue to be excluded from the scope of the definition.

What was the previous policy, how is this different?

5.5 Previously, hereditaments used as a marina, wharf, pier or jetty were to be specifically excluded from the RHL multipliers, when they come into force on 1 April 2026. This was due to their inclusion in Schedule 1 of The Non-Domestic Rating (Definition of Qualifying Retail, Hospitality or Leisure Hereditament) Regulations 2025, covering excluded purposes.

5.6 This instrument removes hereditaments used as a marina, wharf, pier or jetty from Schedule 1 to The Non-Domestic Rating (Definition of Qualifying Retail, Hospitality or Leisure Hereditament) Regulations 2025 on excluded purposes. As such, from 1 April 2026, hereditaments used for these purposes will qualify as a RHL hereditament, providing they are wholly or mainly used for one or more of the qualifying purposes specified in regulation 3 of The Non-Domestic Rating (Definition of Qualifying Retail, Hospitality or Leisure Hereditament) Regulations 2025 (e.g. they are wholly or mainly used for leisure/recreational purposes) and they are not wholly or mainly used for an excluded purpose (e.g. transport).

6. Legislative and Legal Context

How has the law changed?

6.1 The Non-Domestic Rating (Multipliers and Private Schools) Act 2025 amended the Local Government Finance Act 1998 to enable the Treasury to prescribe lower multipliers for RHL hereditaments. Those amendments included a power to define qualifying RHL hereditaments that would be eligible for the RHL multipliers.

6.2 The Non-Domestic Rating (Definition of Qualifying Retail, Hospitality or Leisure Hereditament) Regulations 2025 provided the definition of qualifying RHL hereditaments. This instrument makes an amendment to the Regulations to remove Paragraph 4(k) from Schedule 1.

6.3 This instrument is made in exercise of the powers conferred by section 143(1) and (2) of, and paragraph 10(9C) of Schedule 4ZA to, the Local Government Finance Act 1988(a), as amended by Section 3 of the Non-Domestic Rating (Multipliers and Private Schools) Act 2025 (c. 12).

Why was this approach taken to change the law?

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

7. Consultation

Summary of consultation outcome and methodology

7.1 The Government has not formally consulted on this instrument because it is making an amendment to correct a mistake made in existing regulations.

8. Applicable Guidance

8.1 To aid Local Authorities with the interpretation of The Non-Domestic Rating (Definition of Qualifying Retail, Hospitality or Leisure Hereditament) Regulations 2025, accompanying guidance was published on GOV.UK on 16 October 2025.[1] This guidance has been updated to reflect this amendment.

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 is used as a marina, wharf, pier or jetty and meets the definition of ‘qualifying RHL’, they will be eligible to be prescribed a lower business rates multiplier from 2026-27.

9.3 The legislation does impact small or micro businesses if they pay business rates, are the ratepayer for a hereditament that is used as a marina, wharf, pier or jetty, and meet the definition of ‘qualifying RHL’.

[1] https://www.gov.uk/guidance/business-rates-multipliers-qualifying-retail-hospitality-or-leisure

9.4 This legislation impacts small and micro businesses in a positive way by making them eligible for a lower business rates liability. It does not place an additional administrative burden on small or micro businesses.

9.5 The impact on the public sector will be limited, as marinas, wharves, piers and jetties eligible for the lower RHL multipliers are primarily privately operated rather than operated by the public sector. To the extent that public sector operators are impacted, they will be impacted in a positive way, as this policy will result in business rates liabilities for qualifying hereditaments being lower than they otherwise would have been.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The instrument, which operates within the broader 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. This legislation will be monitored as part of HM Treasury's wider taxation policy, to ensure the new RHL multipliers are providing support to the appropriate hereditaments 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 were first announced at Autumn Budget 2024, with rates set at Budget 2025. The Non-Domestic Rating (Multipliers and Private Schools) Bill 2025 amended the Local Government Finance Act 1988 to enable the new RHL multipliers to be established.

11.2 The Non-Domestic Rating (Definition of Qualifying Retail, Hospitality or Leisure Hereditament) Regulations 2025, laid on 16 October, defined the RHL hereditaments that would be eligible for the lower RHL business rates multipliers from 2026-27. The Local Government Finance Act 1988 (Prescription of Non-Domestic Rating Multipliers) (England) Regulations 2026, laid on 7 January, created, prescribed and set the rates for the lower multipliers that, from 2026-27, will apply to 'qualifying RHL' hereditaments as defined in The Non-Domestic Rating (Definition of Qualifying Retail, Hospitality or Leisure Hereditament) Regulations 2025.

12. European Convention on Human Rights

12.1 As the instrument is subject to negative procedure and does not amend primary legislation, no statement is required.

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").