EXPLANATORY MEMORANDUM TO

THE RATING LISTS (VALUATION DATE) (ENGLAND) ORDER 2020

2020 No. 832

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 Her Majesty.

2. Purpose of the instrument

2.1 The next revaluation of rateable values for non-domestic rates (known as business rates) is intended to take place on 1 April 2023. At revaluations the Valuation Office Agency (VOA) updates all rateable values having regard to the rental market at a set date – called the valuation date. The valuation date is set two years in advance of the revaluation itself to give the VOA time to collect and analyse rents and set rateable values. Therefore, this Order establishes 1 April 2021 as the valuation date for the next revaluation.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

Matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business (English Votes for English Laws)

3.2 As the instrument is subject to negative resolution procedure there are no matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business at this stage.

4. Extent and Territorial Application

4.1 The territorial extent of this instrument is England and Wales.

4.2 The territorial application of this instrument is England.

5. European Convention on Human Rights

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

6. Legislative Context

6.1 Sections 41 and 52 of the Local Government Finance Act 1988 ("the 1988 Act") require valuation officers to compile non-domestic rating lists. Previously, new lists had to be compiled every five years starting on 1 April 1990. However, section 29 of the Growth and Infrastructure Act 2013 amended sections 41 and 52 of the 1988 Act so that new rating lists of non-domestic properties in England must be compiled in 2017 and every five years subsequently instead of on 1 April 2015 as would have otherwise been the case. Accordingly, new lists must next be compiled on 1 April

2022. The Government has announced that it intends to change the date of the next lists to 1 April 2023[1].

6.2 Rating lists show all non-domestic properties in England in respect of which non-domestic rates are payable and their rateable value. Most properties appear on local rating lists, maintained for the area they are situated in (section 41 of the 1988 Act), although some large properties which cross several local authority areas (such as electricity networks) appear on a central rating list held by the Secretary of State (section 52 of the 1988 Act).

6.3 For the purposes of compiling new rating lists, the rateable value of all non-domestic properties is reassessed. Paragraph 2(3)(b) of Schedule 6 to the 1988 Act gives the Secretary of State the power to specify a day by reference to which that reassessment is to be made. In exercise of that power, this Order specifies 1 April 2021 as the day by reference to which properties will be valued for the purposes of the lists to be next compiled in England. This is known as the valuation date. In the absence of an Order being made, the reference day would be the day on which new lists are compiled.

6.4 The Government had previously intended to bring forward the next revaluation to 1 April 2021 with a valuation date of 1 April 2019. This was set in the Rating Lists (Valuation Date) (England) Order 2018 (SI 2018 No.553). This Order revokes that 2018 Order.

7. Policy background

What is being done and why?

7.1 Revaluations are intended to reflect in business rate bills the relative movements in rental values since the last revaluation. The Government had intended that the next revaluation would take effect from 1 April 2021, based on a valuation date of 1 April 2019 but, to reduce the uncertainty for ratepayers affected by the impacts of coronavirus, announced on 6 May 2020 that the revaluation would be postponed[2]. The Government has now announced its intention that the next revaluation should take effect from 1 April 2023[3].

7.2 The reassessment of the rateable values of non-domestic properties is based on the market rental value of a property at a specified date – also known as the valuation date. The valuation date is normally set exactly two years prior to the date on which new non-domestic rating lists must be compiled and, on this basis, the valuation date for the purposes of the next lists to be compiled should be set as 1 April 2021.

7.3 The purpose and timing of the valuation date is to (a) ensure that all properties are valued on the same basis so that the distribution of the tax burden is fair between different properties; and (b) allow valuation officers the opportunity to collect all available rental and other information so that they can accurately assess rateable values for the purposes of compiling lists. Without establishing a valuation date, valuation officers would be required to make forward estimates as to the state of the rental market on the day the list was compiled.

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[1] https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2020-07-21/HCWS400/

[2] https://www.gov.uk/government/news/business-rates-revaluation-postponed

[3] https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2020-07-21/HCWS400/

8. European Union (Withdrawal) Act/Withdrawal of the United Kingdom from the European Union

8.1 This instrument does not relate to withdrawal from the European Union.

9. Consolidation

9.1 These regulations do not amend existing regulations.

10. Consultation outcome

10.1 It is currently normal practice to set the valuation date two years prior to the date on which the new list must be compiled. The Government has launched a Fundamental Review of Business Rates and as part of that is seeking views on whether at future revaluations the valuation date should continue to be set two years prior to revaluation taking effect[4].

11. Guidance

11.1 No guidance has been issued. The revaluation will be undertaken by the Valuation Office Agency using established practices.

12. Impact

12.1 The impact on business, charities or voluntary bodies is unknown. This is because the impact of the next revaluation on ratepayers will not be known until rateable values have been assessed by valuation officers and the non-domestic rating multiplier (the tax rate) set by the Government.

12.2 The Impact on the public sector is unknown for the reasons set out in paragraph 12.1.

12.3 An Impact Assessment has not been prepared for this instrument as it amends a local taxation regime and amendments to any tax are excluded from the definition of a regulatory provision[5].

13. Regulating small business

13.1 The legislation applies to small business. The Valuation Office Agency will seek to minimise the administrative burden upon small businesses when implementing the next revaluation whilst also ensuring that rateable values are based upon accurate and up-to-date information.

14. Monitoring and review

14.1 The Government continues to keep the system of business rates under review.

15. Contact

15.1 Nick Cooper at the Ministry of Housing, Communities and Local Government Telephone: 07458 090955 or email: nick.cooper@communities.gov.uk can answer any queries regarding the instrument.

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[4] https://www.gov.uk/government/consultations/hm-treasury-fundamental-review-of-business-rates-call-for-evidence

[5] Section 22(4)(a) of the Small Business, Enterprise, and Employment Act 2015.

15.2 Chris Megainey, Deputy Director for Local Taxation, at the Ministry of Housing, Communities and Local Government can confirm that this Explanatory Memorandum meets the required standard.

15.3 Simon Clarke MP at the Ministry of Housing, Communities and Local Government can confirm that this Explanatory Memorandum meets the required standard.