EXPLANATORY MEMORANDUM TO

THE RATING LISTS (VALUATION DATE) (ENGLAND) ORDER 2023

2023 No. 231

1. Introduction

1.1 This explanatory memorandum has been prepared by the Department for Levelling Up, Housing and Communities and is laid before Parliament by Command of His Majesty.

2. Purpose of the instrument

2.1 The next revaluation will come into effect on 1 April 2023. The government plans for the subsequent revaluation to occur on 1 April 2026. At revaluations the Valuation Office Agency (VOA) compile a rating list. Rating lists provide rateable values for all non-domestic property in England based on the VOA assessment of the rental market on a specific date. That date is the day on which the revaluation takes place, or a date set by the Secretary of State. A date set by the Secretary of State is known as the Antecedent Valuation Date (AVD) and is typically set two-years prior to a revaluation taking effect to allow time for the list to be complied.

2.2 It is the government's intention to reduce the time between revaluations from once every five years to once every three. The next revaluation will take place on 1 April 2023 with legislation prescribing that the following to take place five years later. However, the government is preparing to deliver on its policy of a revaluation once every three years, subject to the passage of necessary primary legislation, with the next planned to take place on 1 April 2026. This instrument will therefore set the next AVD at 1 April 2024 to enable the revaluation in 2026.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

4. Extent and Territorial Application

4.1 The 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(2A) and 52(2A) of the Local Government Finance Act 1988 specify that non-domestic rating lists for England are to be compiled on 1st April 2017 and every fifth year afterwards.

6.2 Section 143(1) of, and paragraph 2(3)(b) of Schedule 6 of the Local Government Finance Act 1988(a) confers on the Secretary of State a power to set the day by

reference to which the rateable values of non-domestic hereditaments are to be determined for the purposes of local and central non-domestic rating lists when they are next compiled.

6.3 The government has announced its intention to reduce the time between the compilation of non-domestic rating lists from every fifth year, to every third, subject to the passage of primary legislation. This statutory instrument, using the power as described in paragraph 6.2, will enable the government's policy by setting the day by reference to which rateable values are determined to 1 April 2024.

7. Policy background

What is being done and why?

7.1 Business rates revaluations update the rateable values of non-domestic property to ensure changes in the rental market are fairly reflected in the tax base. Legislation prescribes that revaluations take place every five years based on the rental market on the day of revaluation, or a date set by the Secretary of State, known as the Antecedent Valuation Date. The AVD is typically set two years in advance of the revaluation date to allow time for the VOA to update the rateable values of non-domestic property.

7.2 Should an AVD not be set, the date in question defaults to the day of the revaluation therefore requiring valuation offices to make forward estimations of property values and the rental market. By setting a date in advance of the revaluation, valuations can be based on factual evidence given on the same basis as all other ratepayers and helps to ensure the fair distribution of the tax burden.

7.3 It is the government's policy to reduce the time between revaluations from five years to three to ensure the tax keeps pace with the underlying property market. The next revaluation will take place on 1 April 2023. Following the 2023 revaluation, legislation prescribes that a subsequent revaluation will take effect five years later. However, since the government intends to increase the frequency of revaluations, with the next planned for 1 April 2026, the government is setting the AVD at 1 April 2024. This will enable the VOA to begin its work on the next revaluation with reference to a valuation date set clearly in law.

8. European Union Withdrawal and Future Relationship

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 No consultation is required to set the AVD.

10.2 As part of the Business Rates Review the government has consulted on the policy of decreasing the time between revaluations from once every five years to once every three. This measure was broadly supported by ratepayers as it was seen to increase fairness, responsiveness of the system and better phase in bill changes over time. The government will continue to keep the time between the AVD and revaluation under review.

11. Guidance

11.1 No guidance has been issued. The revaluation will be undertaken by the Valuation Office Agency under its statutory functions.

12. Impact

12.1 The impact on business, charities or voluntary bodies is unknown. The impact of a revaluation based on a 2024 AVD will not be known until rateable values have been assessed by valuation officers and the non-domestic rating tax rate has been set.

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

12.3 Setting the AVD provides increased certainty to businesses regarding the basis on which the VOA will conduct the next revaluation. This in turn will enable the VOA to proactively engage all ratepayers, but particularly large and high value sectors.

12.4 The impact of more frequent revaluations is unknown. However, it is considered likely that more frequent revaluations will result in more accurate bills for ratepayers as the rental market is assessed more often, greater fairness in the distribution of the tax and more gradual changes in bills.

12.5 An 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[1].

13. Regulating small business

13.1 The legislation applies to activities that are undertaken by small businesses.

13.2 To minimise the impact of the requirements on small businesses (employing up to 50 people), the Valuation Office Agency they only collect the information required from ratepayers to make accurate valuations and provide ample guidance and support to small businesses.

14. Monitoring & review

14.1 The government continues to keep the administration of business rates under review.[2]

15. Contact

15.1 Finn Dean at the Department for Levelling Up, Housing and Communities, email: finn.dean@levellingup.gov.uk can be contacted with any queries regarding the instrument.

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

15.3 Lee Rowley MP at the Department for Levelling Up, Housing and Communities can confirm that this Explanatory Memorandum meets the required standard.

[1] Section 22(4)(a) of the Small Business, Enterprise, and Employment Act 2015.
[2] 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.