

Business rates an introduction

Non-domestic rates are a means by which businesses and other occupiers of non-domestic property indirectly contribute towards the costs of the services provided by local authorities.

This fact sheet provides an introduction to some of the issues that may affect you if you occupy non-domestic (business) premises. This includes properties occupied by organisations who do not operate in order to make a profit. The income from all non-domestic rates is paid into a national pool and redistributed between local authorities in proportion to their adult population. Domestic properties are subject to council tax.

You will find more information on business rates at www.voa.gov.uk and www.businesslink.gov.uk – both official government websites.

There are four key organisations involved in local government finance and each has a separate responsibility. These are:

Communities and Local Government (CLG)/Welsh Assembly Government: responsible for setting the overall government policy on local taxation

Valuation Office Agency: an executive agency of HM Revenue & Customs responsible for assessing rateable values that are the basis for working out rates bills

Valuation Tribunal Service: an independent, judicial body that has the power to deal with appeals relating to non-domestic rating (and council tax)

Local Authorities: who are responsible for working out your rates bill, giving any reliefs that may be due and for collecting the money.



Who pays business rates?

Rates are normally payable by the occupiers of business premises. These will usually be either the owner if he/she is the occupier of the property or the leaseholder.

If a property is empty, the owner or leaseholder will usually still pay rates after a period of exemption has elapsed. The period of exemption covers the first three months that the property is empty. For warehouses and industrial property, the exemption period is extended to six months.

Our work

The Valuation Office Agency has a legal duty to prepare local rating lists containing rateable values for all non domestic properties in England and Wales every five years. We then have a duty to maintain the lists until the next revaluation. The latest lists came into force on 1 April 2005.



What is a rateable value?

Apart from those properties which are exempt from rates, each non-domestic property has a rateable value. The rateable value broadly represents the annual rent the property could have been let for on the open market on a particular date, on full repairing and insuring terms. For the current rating list, this date was set as 1 April 2003.

Why is my rateable value nothing like the rent I pay?

The rateable value is our assessment of rental value on a fixed valuation date and subject to certain valuation assumptions laid down by Parliament. It may be different from the rent you actually pay for a number of reasons, for example your own rent was agreed at a different time.

Why is the valuation date fixed?

The valuation date is fixed so that all properties are valued at the same point in time. This helps to ensure fairness for everyone.

Is my rateable value the same as the rates I will pay?

No. Rateable values are a key factor in the calculation of business rates but they are not the rates bill. Local authorities are responsible for calculating actual rates bills and for collecting rates and will use the rateable value in working out how much you have to pay. The local authority will apply the multiplier, (a rate in the pound) to the rateable value and then deduct any reliefs that are applicable. In England the multiplier is set by Communities and Local Government and in Wales the multiplier is set by the Welsh Assembly Government. In simple terms your rates bill is worked out as follows: (rateable value x multiplier) less any reliefs = rates bill.

The business multiplier for 2008/2009 is:

England = 46.2p in the pound

Small businesses in England* = 45.8p in the pound

All businesses in Wales = 46.6p in the pound

(*For England a small business is one where the total rateable value is under £15,000 [under £21,500 in London.] Some businesses may be eligible for small business relief, which can affect the amount of rates that you pay. Contact your local authority for information and to register.)

Example:

A property with a rateable value of £22,000 in England would be:

$£22,000 \times 0.462 = £10,164$ less any reliefs that are applicable

In Wales this would be $£22,000 \times 0.466 = £10,252$ less any reliefs that are applicable.

The local authority will also work out any transitional adjustment. The transitional adjustment limits the amount by which your rates bill changes following a revaluation. There is no transitional relief in Wales.

I am interested in moving to new premises – can I find out what the rates bill is likely to be before I move in?

You can find out the rateable value of any business premises in a local authority area from the rating list. This is a public document and can be viewed in our offices, at local authority offices and libraries. You can also look up a rateable value online by visiting the Valuation Office Agency web site at www.voa.gov.uk The property you intend to occupy may be in receipt of transitional or other reliefs. You can establish your rate liability by contacting the finance department of the local authority or by asking your solicitor to make enquiries.

What if it is a new building?

If the property you are going to occupy is still under construction or is newly built it may not have been assessed yet for rating purposes and there will be no entry in the rating list. You can write to your local Valuation Office and request an estimate of the rateable value. You should give details of the address, the type of property, the internal measurements and any information concerning the rent which you have agreed to pay. The Valuation Officer will then endeavour to provide you with an estimate. Alternatively, you may wish to consult an independent adviser.

What happens if I use part of my house for business purposes?

You may be liable to business rates on the proportion of your property used for business purposes. A factsheet, 'Council tax and business rates: working at or from home', is also available at www.voa.gov.uk.

Can I appeal against the rating assessment if I think it is wrong?

You can make an appeal against your rateable value once you become the owner or occupier of the premises - this is known as making a 'proposal' to alter the rating list.' You can obtain a proposal form from your local Valuation Office or you can make an appeal online from our web site at www.voa.gov.uk. If you decide to make a proposal we will write to you to tell you when we expect to begin discussions about your appeal. If we cannot agree the matter between ourselves your appeal can be heard by an independent Valuation Tribunal. Please ask for a copy of our guide to that service.

It is important to note that you have to pay rates on the basis of the rateable value shown in the rating list even if you have appealed against it.