

Constituents Guide:

Business rates: Frequently asked questions



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Business rates: Frequently asked questions

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The Research Service is regularly asked about business rates, and how they apply to individual businesses within constituencies and regions. This quick guide answers some of the questions we are most frequently asked. It provides general answers to questions, as businesses with complex cases should seek advice from either the Valuation Office Agency or a suitably qualified professional.

What are business rates, and how do they operate in Wales?

Business rates (sometimes known as non-domestic rates or NDR) have been fully devolved to Wales since April 2015.



113,100 non-domestic properties in Wales are liable for business rates



£1.05 billion of Welsh Government expenditure will be financed by business rates in 2018-19, 6% of the Welsh Government's total budget

Sources: Valuation Office Agency, **Non-Domestic Rating: Stock of Properties and update of 2017 revaluation statistics** and Welsh Government, **Final Budget 2018-19**

Business rates are calculated in the following way in Wales:

$$\begin{array}{c} \text{£} \\ \text{Annual Business} \\ \text{rates bill} \end{array} = \left(\begin{array}{c} \text{£} \text{ factory icon} \\ \text{Rateable value of} \\ \text{non-domestic property} \end{array} \times \begin{array}{c} \% \\ \text{Multiplier} \\ (0.514 \text{ in } 2018-19) \end{array} = \begin{array}{c} \text{£} \text{ calculator icon} \\ \text{Annual Business} \\ \text{rates liability} \end{array} \right) - \begin{array}{c} \text{hand icon} \\ \text{Any reliefs the} \\ \text{property is eligible for} \end{array}$$

The rateable value of a property is an estimate of how much it could rent for per year on the open market at a given point in time. This is then multiplied by the 'pence in the pound' of the rateable value paid in business rates, known as the multiplier, to calculate the business rates liability for the property. Any reliefs that the property is eligible for are subtracted from the liability in the **final business rates bill**.

In Wales, business rates are collected by local authorities and paid into a national 'pool' administered by the Welsh Government. They are then redistributed to

Welsh local authorities and Police and Crime Commissioners as part of the annual **Local Government Settlement** and **Police Settlement**.

How do business rates bills change from year to year?

The business rates multiplier increases at the start of each financial year by the rate of inflation as at the previous September. This means that the business rates liability of a business will also increase. From 2018-19 the CPI measure of inflation will be used instead of RPI, meaning that businesses will see less of an increase in their bill than would have been the case if RPI had been used.

In addition, a business rates revaluation normally takes place every five years. This is independently conducted by the **Valuation Office Agency** (VOA), a UK Government body that is an executive agency of HM Revenue and Customs. The most recent revaluation took effect in April 2017, and the next one is currently scheduled to take effect in 2022 (although **the UK Government has announced** that the next revaluation in England, which will also be undertaken by the VOA, will take effect in 2021 and that future revaluations will take place every 3 years after this). Revaluations reflect changes in the property market across Wales, and redistribute business rates liabilities according to these rather than seeking to raise additional revenue. Individual businesses may see their bills rise or fall, however the average bill will rise by the rate of inflation.

What roles do different organisations play in administration of business rates?

The VOA assesses the rateable value of all non-domestic properties in Wales and England. It does this independently from the Welsh Government. It is also the first point of contact if a business thinks that its bill is wrong due to the rateable value being inaccurate.

The **Welsh Government** sets the business rates multiplier every financial year, and determines national business rates policy including setting reliefs. The Cabinet Secretary for Finance has responsibility for business rates policy and administration.

Local authorities collect business rates within their area, and are also able to award discretionary reliefs for businesses within their authority.

How does the Valuation Office Agency set rateable values for properties?

For most properties, the VOA collects details of rental evidence. It sets common basic values per square metre for similar properties within an area, and then adjusts these to take into account the individual features of a property and then applies this to the floor area of the property.

Properties such as pubs and large hotels where the rental value is linked to turnover are valued using the **receipts and expenditure approach**. This uses their trading potential, and profitability, as an indicator of value. The VOA has agreed a **code of practice for valuing pubs** with trade representative bodies that sets out how this approach works in practice.

Certain properties such as a hospital or a steelworks are not usually rented. For properties such as this, a method known as the **contractor's basis** is used to assign a rateable value to a property. This looks at the cost of replacing the building and, after adjustment, takes a prescribed percentage of that cost as the rateable value.

What happens when there is a change of circumstances relating to a business premise?

Ratepayers should **use the VOA's reporting service** if any of the following changes happen to ensure that they are paying the right amount in business rates:

- If changes are made to business premises;
- If the mode or category of business occupying a property changes;
- If part of a property is sublet; or
- If two or more premises merge into one.

The VOA will then assess whether the change justifies changing the rateable value of a property.

How does the appeals process work if a business considers its rateable value is incorrect?

If a business thinks that the rateable value the VOA has assigned to a property is incorrect it should contact them at ratingwales@voa.gsi.gov.uk or on 0300 050 5505.

While many cases can be solved at this stage, there is a **formal appeals process** that can be followed in certain circumstances. This has three stages – submitting an appeal to the VOA, formal discussions with the VOA, and if agreement cannot be reached taking the case to the Valuation Tribunal for Wales.

To persuade the VOA or tribunal that a business' rateable value should be altered, the VOA advises that ratepayers will need to identify any factual discrepancies, provide evidence to support arguments and provide an alternative valuation.

The Welsh Government has **recently consulted** on making changes to the appeals process. Potential changes are proposed in areas including who can appeal, time periods for the appeals process, sharing information between the

VOA and ratepayer, backdating appeals, fees, and the role of the Valuation Tribunal for Wales.

Who can constituents obtain advice from relating to business rates?

In relation to complex individual cases, it is recommended that business ratepayers seek advice from a suitably qualified professional. Businesses who have questions about their property's rateable value are advised to contact the VOA in the first instance. However, there are a number of other sources of assistance that are also available:

- Business ratepayers are able to obtain 30 minutes free advice by calling the Royal Institution of Chartered Surveyors' enquiry line on 024 7686 8555.
- Ratepayers can get advice from professional rating surveyors through the **Royal Institution of Chartered Surveyors**, the **Institute of Revenues, Rating and Revaluation** or the **Rating Surveyors Association**. However it is worth being aware that rating surveyors may charge for any advice provided right from the start of the process.

For more general enquiries, or if a business is experiencing difficulties paying their bills, the first point of contact is the relevant local authority.

What reliefs are available to businesses?

There are a range of initiatives by the Welsh Government and local authorities that provide **reliefs to businesses**. A relief is a way of reducing the amount of business rates paid on a property.

- From April 2018, the Welsh Government has introduced a **permanent small business rate relief scheme**. This exempts eligible business premises with a rateable value of up to £6,000 from paying business rates altogether. Business premises with a rateable value of between £6,001 and £12,000 receive relief that is reduced on a taper; with the percentage of rate relief awarded decreasing by 1% for every £60 of rateable value over £6,000. Businesses with multiple premises will be able to receive relief on two properties per local authority.
- Small businesses who are currently in receipt of **transitional relief** following the 2017 business rates revaluation will continue to receive relief in 2018-19 and 2019-20. Under the Welsh Government's scheme businesses who received small business rate relief before the revaluation, but who experienced a reduction in the level of relief they were entitled to following the revaluation are able to benefit from this relief. They will have paid 25% of the increase in their liability in 2017-18, and will pay 50% of the increase in 2018-19, 75% in 2019-20 before paying the full increase in 2020-21.
- In 2018-19 the Cabinet Secretary for Finance has provided £1.3 million for local **authorities to develop their own discretionary rate relief schemes** to assist businesses within their local area that would benefit most from additional assistance.
- Local authorities **also have powers** to award **additional discretionary rate relief of up to 100% to businesses within their area**, although they are required to fully fund the costs of this.
- Local authorities are able to use their discretion to grant **hardship relief** of up to 100% to businesses within their area. An authority can award hardship relief where it is satisfied that the ratepayer would sustain hardship if it did not do so, and it is reasonable for it to do so having considered the interests of council tax payers.

- The Welsh Government has also run a series of schemes to provide relief to new or expanding small businesses located in **Enterprise Zones**. The latest scheme closed on 30 March 2018, so it is worth keeping an eye out for future rounds.

What relief is available for businesses in particular sectors?

The Welsh Government **funds a range of reliefs** for particular sectors of the Welsh economy:

- Following the review undertaken to inform **the new small business rate relief scheme**, **childcare premises** will receive enhanced business rate relief from April 2018. Childcare premises with a rateable value of up to £6,000 will pay no business rates at all, while premises with a rateable value of between £6,001 and £20,500 will receive relief that is reduced on a taper as the rateable value of the property increases.
- **Post offices** with a rateable value of up to £9,000 will continue to receive 100% business rates relief under the **new permanent small business rate relief scheme**, and those with a rateable value of between £9,001 and £12,000 will receive 50% relief.
- **Community hydro projects** with a rateable value of up to £50,000 can apply to receive 100% business rate relief, meaning that they pay no business rates at all. Additionally, other small-scale hydro projects will be able to apply for relief to limit the increase in their bill due to the 2017 business rates revaluation to either 10% or £1,000. Relief is available for 2018-19, and retrospectively for 2017-18. The scheme's closing date for applications is 31 July 2018.
- The **High Street Rate Relief** scheme will continue in 2018-19, providing relief to eligible high street premises such as shops, pubs and cafes with a rateable value of up to £50,000. Eligible businesses with a rateable value of between £6,001 and £12,000 who saw an increase in their rateable value following the 2017 revaluation will receive relief of up to £250, while eligible businesses with a rateable value of between £12,001 and £50,000 will receive up to £750 relief.

What reliefs are available to other organisations who pay business rates?

As well as businesses, a number of other types of organisations are liable for business rates. There are **a number of reliefs** in place for these:

- Business premises occupied by a **registered charity or community amateur sports club that are used for charitable purposes** automatically qualify for 80% business rate relief, funded by the Welsh Government. Local authorities are also able to use their discretion to award additional relief to charities and sports clubs for part or all of the remaining 20% of their business rates liabilities. Local authorities can also decide whether they wish to award up to 100% rate relief to not-for-profit organisations within their area.
- **Empty business premises** are exempt from paying business rates for the first three months after the property becomes vacant. After this the majority of owners are liable to pay full business rates. However, there are some types of premises with different rules, such as those with a rateable value of under £2,600, industrial premises and properties owned by charities and sports clubs.

Further information

For further information about **business rates**, please contact Gareth Thomas (GarethDavid.Thomas@assembly.wales), Research Service.

See also:

- Business Wales, **[Business Rate Relief in Wales](#)**
- Valuation Office Agency, **[Find and check your business rates valuation](#)**
- Valuation Office Agency, **[How non-domestic \(business\) properties are valued](#)**
- Valuation Office Agency, **[How to check and challenge your rateable value in Wales](#)**
- Welsh Government, **[Non-domestic \(business\) rates](#)**