



# A BASIC GUIDE TO THE RATING OF HOLIDAY COTTAGES AND SELF- CONTAINED UNITS IN WALES

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## What is a rateable value?

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The Valuation Office Agency (VOA) assesses the rateable value of all business and non-domestic property in England and Wales and compiles them in rating lists. The rateable value is a key factor in the calculation of business rates liability, and is a professional assessment of the annual rent a property would fetch on a set valuation date.

Every five years, the VOA carries out a revaluation of all rateable values in England and Wales to ensure that they reflect changes in the property market. The current revaluation came into effect on 1 April 2010 and all properties have their rateable value assessed on the valuation date of 1 April 2008. The 2015 Revaluation has been postponed to 2017.

The local authority uses rateable values to calculate business rates liability.

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

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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. The rateable value will be used to work out how much you have to pay. The local authority will apply a factor called the multiplier, set by the Welsh Government, to the rateable value and then deduct any reliefs that may be available.

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## Why does my holiday cottage/self-catering unit have a rateable value?

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Any property that is used for commercial purposes may need to be rated for business rates purposes, depending on the exact nature of its use. From 1 April 2010 in Wales, self-catering accommodation will be assessed for business rates if:

- It will be available for short term holiday letting for 140 days in the following 12 months; and
- in the 12 months prior to assessment it has been available as short term holiday letting for at least 140 days and has actually been let for at least 70 days of that period.

From 1 April 2016 a new provision will also apply so that:

- businesses consisting of several self-catering properties at the same location or within very close proximity have the option to average the number of lettings days of the properties to meet the 70-day criterion where they are let by the same or connected businesses.

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## If I let the property for less than 70 days in the year, am I still liable for a rating assessment?

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No, if the property was available for letting for 140 days or more, but the operator only lets for 69 days or less, then a council tax band will be applicable for the property and the taxpayer will be liable for council tax.

The only exception to this is where a ratepayer lets a number of self-catering properties situated at the same location or within very close proximity to each other as part of the same or connected businesses. In such circumstances the ratepayer has

the option to average the number of lettings days across their properties to meet the 70-day criterion for the business as a whole but the commerciality criteria must still be met in respect of every property.

**If your property is in England different rules apply: please read the basic guide to the rating of holiday cottages and self-catering units in England.**

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## What factors will be taken into account in arriving at the rateable value?

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In arriving at the rateable value, the actual rents that the operators pay, although rare, may be taken into account. In addition, other factors that may affect the rental value are also considered, including the type, size, location, quality of the accommodation and the income potential.

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## Why do you need to know how much income the property is generating?

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When we assess the rateable value of properties such as shops, offices or industrial premises, there is plenty of rental evidence available for us to make comparisons. With self-catering property we will still carry out assessments in this way if possible. In practice, however, there are very few locations where sufficient reliable rental evidence is available to provide a sound basis of valuation and other methods have to be used. Gross receipts have to be taken into consideration in this case as a guide to the potential the property has to generate income. This in turn provides a sound basis to determine how much an operator would pay in rent for the property. This method, which we refer to as the 'receipts and expenditure' method of valuation is also used on properties such as hotels, restaurants and other licensed premises.

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## How do you gather this information?

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We use forms called 'Requests for information'. One of them - VO6048 - has been designed especially for self-catering units and holiday cottages. The form asks a variety of questions about the way an operator manages the letting of the property in question. The answers to these questions ensure that we take into account not only gross receipts but differences in tariffs, marketing, levels of service, or quality of furnishings and provision of other non-rateable items when assessing rateable value.

Our aim is to determine:

- the potential receipts from the property, if let as a business for self-catering by a reasonably competent proprietor;
- the expenses that are reasonably likely to be incurred in achieving those lettings. For rating purposes we must assume the proprietor does not own the property but rents it from a landlord, since the object is to assess the property's rental value; and
- the balance between receipts and expenses. We consider the return the proprietor would expect for running the business and the amount available to pay rent for the property.

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## From what date will the rateable value be effective?

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A new or existing property that becomes available for letting as a holiday cottage will initially be allocated a council tax band. To meet the non-domestic tests and qualify for a rateable value, there will be a date at which the property has been commercially available for 140 days, and a date on which it has been let for 70 days in that year. Providing it will continue to be commercially available for 140 days in the following year, the start date will be from the later of these two dates. This is called the 'effective date'. If the tests are not met the property will remain banded in the council tax list.

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## What happens if I decide to let the property on a long-term tenancy?

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If you let the property on a long-term basis so that it becomes, for example, someone's sole or main residence, then it will no longer be liable for a rating assessment because it has become domestic property. If it is assessed for rating purposes, the entry will be deleted from the rating list and it will be 'banded' for council tax from the date when it became a domestic dwelling.

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## What can I do if I have reason to believe that the rateable value is wrong?

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If you have reason to believe that the rateable value that has been allocated to your property is incorrect, you should contact your local Valuation Office. Staff will be able to deal with your enquiry and respond to your questions.

If, after speaking to us, you still feel that your rateable value is incorrect you can make a formal appeal. You can appeal against both the rateable value and the effective date. Making an appeal is known as making a 'proposal' to alter the rating list.

You can make a single appeal against the rateable value or effective date during the 'life' of the rating list. The current rating list runs from 1 April 2010 to 31 March 2017.

If, at any time, a material change of circumstances affecting the property or its physical locality takes place, you are entitled to make a further appeal against the new assessment.

You can complete a proposal form online at [www.vo.gov.uk](http://www.vo.gov.uk), or you can obtain one from your local Valuation Office.

The information provided in this fact sheet is for guidance only and does not cover all specific circumstances. Further information is available at [www.vo.gov.uk](http://www.vo.gov.uk), or you can contact your local Valuation Office.

**Any questions regarding actual payment of rates should be referred to the local authority for the area in which the property is situated. This information was written in March 2016, having regard to current legislation.**