



Department for
Communities and
Local Government

Business rates: relief for new fibre on telecommunication hereditaments

Consultation on draft regulations



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Ministerial Foreword

Full Fibre is the gold standard for fixed broadband connectivity. It will ensure our digital infrastructure supports the UK's world-class digital economy.


We have created a £1.1 billion package of measures to support market delivery of digital networks underpinned by full fibre, including £200 million to support local bodies in the roll out of full fibre networks in their area. Also, in July 2017 we launched a £400 million investment fund, providing finance for network providers to match in their fibre investments.

We have made progress in extending superfast broadband coverage. Public funding of £1.7 billion has resulted in over 93% of the UK covered to date, and we are on target to reach 95% by the end of the year.

Following on from this investment, we want to create an attractive environment for private sector providers to increase their roll out of fibre connectivity. We have therefore introduced in this Parliament specific legislation to allow business rates relief on new fibre deployment from 1 April 2017. This measure will support all providers who deploy new fibre increasing competition and helping the roll out of 5G. We are keen to ensure the measures are as effective as possible, and so we are launching this consultation on the detail of the regulations. We look forward to receiving your views.



Marcus Jones MP
Minister for Local Government



The Rt Hon Matt Hancock MP
Minister of State for Digital

Scope of the consultation

Topic of this consultation:	Business Rates: Relief for New Fibre on Telecommunication Hereditaments. Draft Regulations.
Scope of this consultation:	This consultation seeks comments on the draft regulations made under powers contained in the Telecommunications Infrastructure (Relief from Non-Domestic Rates) Bill to provide relief for new fibre.
Geographical scope:	These proposals relate to England only.
Impact Assessment:	An impact assessment has not been prepared for this measure as it amends a local taxation regime.

Basic Information

To:	Business ratepayers
Body/bodies responsible for the consultation:	Department for Communities and Local Government
Duration:	This consultation will last for 12 weeks from Tuesday 29 August 2017
Enquiries:	For any enquiries about the consultation please contact nick.cooper@communities.gsi.gov.uk
How to respond:	<p>You may respond by emailing your response to the questions in this consultation to NDR@communities.gsi.gov.uk including in the subject line "Response to consultation on new fibre relief regulations"</p> <p>When you reply it would be very useful if you confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include:</p> <ul style="list-style-type: none"> - your name, - your position (if applicable), - the name of organisation (if applicable), - an address (including post-code), - an email address, and - a contact telephone number

Introduction

1. By 2021, the volume of global internet traffic is expected to be 127 times that of 2005, and connected devices will be three times as high as the global population¹. In the UK, fixed internet traffic is set to double every two years², while mobile data traffic is set to increase further at a rate of 25% to 42% per year³.
2. The UK's digital infrastructure must be able to support this rapid increase in traffic, providing coverage with sufficient capacity to ensure data can flow at the volume, speed and reliability required to meet the demands of modern life. Broadband and mobile are essential services, and we want everyone to benefit from improved connectivity, wherever they live and however they connect, to make full use of digital services and benefit from participation in the digital economy. Improved connectivity also increases innovation and productivity across the economy, bringing significant economic rewards. Independent research suggests increased broadband speeds alone could add £17 billion to UK output by 2024⁴.
3. The UK has made significant progress since 2010 in improving the communications infrastructure, with 93% of premises now able to receive a superfast broadband connection. We are on track to reach 95% superfast coverage by the end of 2017. But in order to ensure sufficient capacity for the future, we must start to look towards greater fibre deployment. This is necessary to support 5G - the 5th Generation of mobile communications technologies, expected to deliver faster speeds and more reliable mobile connections, as well as providing full fibre (or fibre to the premises) connections.
4. In the 2016 Autumn Statement the Chancellor announced that the government will provide 100% business rates relief for new full fibre infrastructure for a five year period from 1 April 2017 to support rollout of new broadband and future 5G communications to homes and businesses.
5. The Telecommunication Infrastructure (Relief from Non-Domestic Rates) Bill, which was introduced into the House of Commons on 4 July 2017, provides the powers necessary to implement this relief. Through these powers we will make regulations which deliver the relief to operators of telecom networks who install new fibre on their networks. This new fibre will be eligible for 100% relief from business rates for the 5 years from 1 April 2017 to 31 March 2022.
6. The Government is seeking views on how the draft regulations (Annex A) implement this relief. The Government is not consulting upon:

¹ <http://www.cisco.com/c/en/us/solutions/collateral/service-provider/visual-networking-index-vni/complete-white-paper-c11-481360.html>

² <https://www.gov.uk/government/publications/uk-digital-strategy/1-connectivity-building-world-class-digital-infrastructure-for-the-uk#fn:2>

³ https://www.ofcom.org.uk/__data/assets/pdf_file/0033/79584/update-strategy-mobile-spectrum.pdf

⁴

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/257006/UK_Broadband_Impact_Study_-_Impact_Report_-_Nov_2013_-_Final.pdf

- a. the policy of the relief;
- b. who should be eligible for the relief;
- c. when the relief should apply, or;
- d. the length of time for which the relief applies.

Fibre eligible for relief

7. The conditions to be satisfied for the fibre to be eligible for relief are in regulation 3 of the draft regulations at Annex A. In order to incentivise and reward those operators who invest in the broadband network, the relief will only be available on new fibre. The Government does not intend through the regulations to provide relief to fibre which was already physically present before 1 April 2017.
8. For some telecom networks, expansion over coming years will in part come from the utilisation of existing unused fibres – known as dark fibre. Dark fibres are not included in business rates. Fibres are only included in the rateable value by the Valuation Office Agency once they have come into use. Therefore, some telecom operators will see their rateable value grow by lighting dark fibre as well as through investment in new fibre. The Government does not intend to permit relief for dark fibre which, whilst lit after 1 April 2017, was in fact present before 1 April 2017.
9. In order to meet these policy objectives, the regulations limit the relief to fibre which is part of the hereditament and was not laid, flown, affixed or attached before 1 April 2017. This will ensure that previously dark fibre which is lit after 1 April 2017 will also be excluded if it was laid, flown, affixed or attached before 1 April 2017.

Question: Do you agree that the regulations at Annex A put in practice the policy intention as set out in paragraphs 7 to 9 above?

Determining the rateable value of the new fibre

10. Where applicable, the Government intends the relief to apply to hereditaments on both the central and local rating lists and to both occupied and unoccupied hereditaments⁵. Regulations 4 to 6 therefore apply the relief to the local and central rating lists.
11. For business rates, the Valuation Office Agency is required to determine the rateable value as a whole for each hereditament⁶. They are not required for the purposes of the rating list to identify the value of different parts of the hereditament. Therefore, the relief cannot rely upon information already in the rating list. The Government intends

⁵ although in practice the Government understands that the Valuation Office Agency do not separately assess unoccupied fibre.

⁶ For the central list, the Valuation Office Agency is required to determine the rateable value (as a whole) of the hereditaments shown against the name of each designated person

instead for the relief to be based upon a certificate of rateable value of the new fibre from the Valuation Officer.

12. Determining the rateable value of the fibre eligible for relief will be a new exercise and require the Valuation Office Agency to make subjective estimates beyond the data which is already held for the existing valuation. In particular, for some telecom networks the courts have recognised that rateable values should be set using the receipts and expenditure method of valuation. This method examines the trading position of the hereditament as a whole and does not within the valuation identify the value of any constitute part of the hereditament.
13. Having regard to these considerations and the challenges in assessing the rateable value of only part of a single telecommunication network, the Government considers that it will not be appropriate to base the relief upon the rateable value of the new fibre as if that new fibre were a separate assessment. Instead, the Government believes that the relief should be based upon the opinion of the Valuation Officer as to how much of the rateable value of the whole network is attributable to the new fibre.
14. Therefore, the draft regulations adopt as the measure for the relief the proportion of the rateable value shown for the hereditament which appears to the valuation officer to be attributable to the part of the hereditament covering the new fibre and associated plant and machinery (regulations 4(3), 5(3) and 6(3)).
15. The draft regulations allow for ratepayers to appeal against the certificate if they are dissatisfied with the certified rateable value (regulation 8).

Question: What are your views on the approach in the draft regulations for determining the certificate of the new fibre?

Question: What are your views upon the approach in the draft regulations for appealing against the certificate?

16. In practice the Valuation Office Agency will work with the industry with a view to agreeing a methodology to determine the certificate of value. The expectation is that the Valuation Office Agency will have to adopt a proxy as a means of estimating the value of new fibre as a proportion of the rateable value as a whole.
17. However, as with the assessment of rateable values, the assessment of certified values will be undertaken by the Valuation Office Agency independently of Ministers or Department of Communities and Local Government. Therefore, the scope of this consultation does not extend to what methodology or approach the Valuation Office Agency should adopt for the purposes of the certificate.

Calculating the rates bill after the relief

18. The value of the relief will be the rateable value certified by the Valuation Officer as a proportion of the rateable value of the hereditament as a whole (i.e. in effect a percentage relief). To implement this, the Bill and the regulations taken together

provide for the chargeable amount before relief for eligible properties to be multiplied by a factor of:

$$1 \quad \text{less} \quad \frac{\text{the value certified by the Valuation Officer}}{\text{the rateable value of the hereditament as a whole}}$$

19. For example, if the Valuation Officer certifies that the rateable value of new fibre is £200,000 in a total rateable value of £1m then the chargeable amount before relief will be multiplied by $1 - (200,000/1m)$ or 0.8. In effect awarding 20% relief against the full chargeable amount of the whole property. Where a network eligible for new fibre relief is on a local rating list the Government will compensate local government via grant for their share of the cost of the relief.

Other consequential amendments

20. The final regulations will also make technical consequential changes to the regulations which govern the transitional relief scheme⁷. These amendments will ensure that those ratepayers who are subject to transitional relief scheme or whose reductions from the revaluation are being capped to fund the transitional relief also benefit from the relief for new fibre where applicable.

⁷ The Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016 No. 1265.

About this consultation

This consultation document and consultation process have been planned to adhere to the Consultation Principles issued by the Cabinet Office.

Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004.

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department for Communities and Local Government will process your personal data in accordance with DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed the Consultation Principles? If not or you have any other observations about how we can improve the process please contact us via the [complaints procedure](#).