



Department for  
Communities and  
Local Government

# Checking and Challenging your Rateable Value

The Government's proposals to improve transparency in the business rates valuation and formal challenge system

© Crown copyright, 2013

*Copyright in the typographical arrangement rests with the Crown.*

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, [www.nationalarchives.gov.uk/doc/open-government-licence/](http://www.nationalarchives.gov.uk/doc/open-government-licence/) or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

This document/publication is also available on our website at [www.gov.uk/dclg](http://www.gov.uk/dclg)

If you have any enquiries regarding this document/publication, email [contactus@communities.gov.uk](mailto:contactus@communities.gov.uk) or write to us at:

Department for Communities and Local Government  
Eland House  
Bressenden Place  
London  
SW1E 5DU  
Telephone: 030 3444 0000

For all our latest news and updates follow us on Twitter: <https://twitter.com/CommunitiesUK>

December 2013

ISBN: 978-1-4098-4086-2

# Contents

Consultation Procedure	4
Summary	5
Disadvantages with the Current System	6
The Government's Proposals	7
Improving the Transparency of the Valuation Process	7
Submitting a Formal Challenge	8
Separating the "Proposal" Stage in the Valuation Office Agency from the "Appeal" Stage in the Valuation Tribunal for England	9
Savings and Costs	113
Implementation	14
Annex A	15
Annex B	17

# Consultation procedure

The consultation process and how to respond

<b>Topic of this Consultation:</b>	The Government's proposals to improve transparency in the business rates valuation and formal challenge system.
<b>Scope of this consultation:</b>	This consultation seeks views on the Government's proposals.
<b>Geographical scope:</b>	England.
<b>Body responsible for the consultation:</b>	Business Rates and Settlement Division Department for Communities and Local Government.
<b>Duration:</b>	This consultation lasts for 12 weeks until 3 March 2014.
<b>Enquiries:</b>	For enquiries, please contact: nick.cooper@communities.gsi.gov.uk 0303 444 3610
<b>How to respond:</b>	Please respond by email to: ndr@communities.gsi.gov.uk Alternatively, please send postal responses to: Nick Cooper Department for Communities and Local Government Zone 5/D1, Eland House Bressenden Place London SW1E 5DU

# Summary

1. The rating system should provide an easy to use and prompt opportunity for ratepayers to understand their rateable value, challenge it if necessary and gain reductions where it is found to be too high. But under the current system ratepayers cannot see the rental evidence on which rateable values are based and make large numbers of speculative challenges with little or no explanation of why they think their rateable value is wrong. About three quarters of challenges result in no change but the Valuation Office Agency cannot identify those challenges until very late in the process. The resulting delays mean that those businesses whose rateable values are too high have to wait for refunds.
2. Also, the dividing line between the Valuation Office Agency, who assess rateable values, and the Valuation Tribunal for England, who are the appeal tribunal for decisions about rateable values, has become blurred. This creates confusion and leads ratepayers to believe that there is no independent check of their tax bill. As such, ratepayers are more likely to believe the system is unfair.
3. In recent years the Government has made strong progress in clearing appeals. Almost 300,000 appeals were cleared in England in the 18 months to September 2013 and in total over 641,000 appeals have been resolved since 1 April 2010. The number of outstanding appeals has fallen in 8 successive quarters and is now at less than 170,000 from a peak of almost 340,000. But the Government believes more can be done to reform the system for explaining and challenging rateable values. This consultation paper sets out proposals which will:
  - a. improve the transparency of the valuation process (including disclosure of more information on rental evidence). This will allow ratepayers to check their rateable value without having to make a formal challenge, improve confidence in rateable values and overall confidence in the rating system,
  - b. bring business rates into line with the way official decisions are normally challenged by requiring ratepayers to provide with their challenge an explanation of why they think the rateable value is wrong, and
  - c. enshrine in law a more formal separation in the challenge process between the Valuation Office Agency and the Valuation Tribunal for England by more clearly separating the administrative “proposal” stage in the Valuation Office Agency from the independent judicial “appeal” stage in the Valuation Tribunal for England.
4. Taken together the Government believes these proposals will provide greater transparency over how rateable values are assessed, improve confidence in the system and to allow well founded challenges to be resolved faster.
5. Business rates are a devolved matter and these proposals apply to England only.

## Disadvantages with the Current System

6. A description of the current system for challenging rateable values is at Annex A.
7. Currently, limited information is available in the public domain which allows the ratepayer to fully understand and check the accuracy of their rateable value before making a formal challenge. Whilst the Valuation Office Agency's web site includes details of the valuation itself and explanations of the valuation process, it does not provide all of the evidence on which the level of rateable value is based. Most assessments are based on comparison with actual rents paid on the property or similar properties and it is the evidence of these rents which, ultimately, justify the rateable value.
8. In part as a consequence of this, challenges are lodged by a ratepayer (or on their behalf by an agent) with little or no information about why the ratepayer believes the rateable value is wrong. Many challenges are made by rating agents on behalf of ratepayers and it has become normal practice for little or no evidence to be included with challenges. Most simply say "the rateable value is incorrect, excessive and bad in law and should be reduced to £1" (or a variation upon this).
9. As a result, the current system suffers from large numbers of speculative challenges aimed, in part, at testing the accuracy of the valuation. As at the end of September 2013, almost 390,000 challenges had resolved on the 2010 rating list but about three quarters of these resulted in no change to the rating list.
10. Therefore, under the current system, the Valuation Office Agency is faced with large numbers of often speculative challenges and little or no information on which to judge their merits. That information only emerges when discussions commence between the Valuation Office Agency and the rating agent and often not even then. Equally, ratepayers and their agents are unable to see the underlying evidence and may feel they are forced into making a challenge so as to draw out the rental evidence from the Valuation Office Agency. Around half of all challenges are subsequently withdrawn and around a further quarter are struck out or dismissed by the Valuation Tribunal for England but the delay in dealing with the unfounded challenges causes delays. These delays cost those businesses whose challenges are well founded and they create inefficiencies in the Valuation Office Agency and the Valuation Tribunal for England.
11. Since 1 April 2013, the local government sector has had a 50% share in business rates income meaning that they receive a 50% share in growth but also have to carry a 50% share in the risk of reductions and refunds from challenges against rateable values. As a result, local authorities now have to forecast the impact on their future rates income from successful challenges. The task of forecasting the impact of future challenges has been made difficult by the large numbers of speculative challenges. This creates uncertainty for local government finances and, potentially, diverts resources away from services.

# The Government's Proposals

12. To address these problems the Government proposes to

- a. Improve the transparency of the valuation process (including disclosure of more information on rental evidence). This will allow ratepayers to check their rateable value without having to make a formal challenge, improve confidence in rateable values and overall confidence in the rating system,
- b. bring business rates into line with the way official decisions are normally challenged by requiring ratepayers to provide with their challenge an explanation of why they think the rateable value is wrong, and
- c. enshrine in law a more formal separation in the challenge process between the Valuation Office Agency and the Valuation Tribunal for England by more clearly separating the administrative "proposal" stage in the Valuation Office Agency from the independent judicial "appeal" stage in the Valuation Tribunal for England.

## Improving the Transparency of the Valuation Process

13. The Valuation Office Agency do not at the moment publish any information about the underlying rental evidence which they use to produce their valuation schemes. So, for instance, an office occupier can see from the Valuation Office Agency's website what value has been adopted for their property, the range of values in the relevant valuation scheme from which it has been taken (i.e. of other properties that were considered together at the time of the original valuation) and the value adopted on their neighbours' properties. But they cannot see the underlying rental evidence which led the Valuation Office Agency to adopt one value rather than another.
14. This means that outside the challenge process it is not possible for ratepayers or their agents to check the accuracy of their rateable values based solely on information provided by the Valuation Office Agency. This is contributing to a climate in which ratepayers feel they have little option but to challenge their rateable value.
15. However, the full picture of rental evidence is not in the public domain. Whilst headline rents on leases over 7 years are available from the Land Registry, the Valuation Office Agency use a wider pool of unpublished rents together with unregistered side agreements on matters such as rent free periods and fit-out costs. This tends to be commercially sensitive information.
16. Furthermore, the Commissioners for Revenue and Customs Act 2005 places restrictions upon when the Valuation Office Agency can disclose otherwise private information. As such, there are limits to when and how the Valuation Office Agency can provide specific rental evidence.
17. In the context of these constraints, the Government proposes to reform the way the Valuation Office Agency communicates with ratepayers to improve understanding and

confidence of rateable values and overall confidence in the rating system. Specifically the Valuation Office Agency will develop the provision of rental information available prior to the challenge process. This will be provided in a way that strikes the right balance, in a proportionate way, between being informative while protecting confidentiality. This would give ratepayers and their agents a greater opportunity to check the underlying value adopted on rateable values. The Valuation Office Agency would make available this rental information alongside the other proposals described in this consultation document (as discussed below intended for 1 October 2014).

18. **Do you agree that the Valuation Office Agency should provide rental information prior to the challenge process?**
19. This would only apply to types of property valued on a rental comparison basis where the method of analysis is by reference to the floor area. Typically this will cover shops, offices, warehouses and factories. For valuations done on the basis of building costs ("contractor's basis") the Valuation Office Agency already publish the evidence for the standard building costs which they adopt in valuations. Other property types (for example pubs and petrol stations) are valued by reference to the receipts of the businesses run in them, and (as they tend to be property specific and include commercially sensitive information) they will generally not be made public.
20. The Valuation Office Agency will consult further with interested parties on the format and content of the rental information they can share publicly. In particular, the Valuation Office Agency will need to consider carefully how much and what they can share without disclosing confidential information about properties and rents. For illustration, a first stage mocked up example of how the Valuation Office Agency may share this information is at Annex B but the actual content will be subject to more detailed consideration and consultation including with the property industry.
21. The Government recognises that such rental information would still have its limitations. However it believes that going beyond this and providing evidence which can be linked to specific properties can only be justified as part of discussions about a formal challenge. The business sector and the commercial property market could be adversely affected if the Valuation Office Agency were required to openly and widely publish what has to date been private and commercially sensitive information on identifiable properties. But if the rating profession can see benefits in publishing more specific information itself then the Government could support them in this as an industry led initiative.

## Submitting a Formal Challenge

22. In practice, when challenging their rateable value, the ratepayer needs to provide little or no information on why they think the rateable value is wrong. Therefore, the Valuation Office Agency and the Valuation Tribunal for England generally receive challenges which merely say "the rateable value is incorrect, excessive and bad in law and should be reduced to £1" (or a variation upon this).



23. This practice is unusual when challenging official decisions. In other systems for reviewing official decisions, the complainant is usually required to identify what they believe to be wrong, give reasons and provide evidence. For example, to first challenge tax matters with Her Majesty's Revenue and Customs the taxpayer must provide an explanation of what they disagree with, what they think the correct figures are and how they have calculated them.
24. This means that challenges can be lodged with the Valuation Office Agency with little or no consideration by the ratepayer, or their agent, of whether the rateable value is in fact wrong. About three quarters of those challenges result in no change and the resulting delays mean those ratepayers whose challenges are well founded have to wait for refunds.
25. Furthermore, the lack of information provided with challenges makes it very difficult for the Valuation Office Agency to effectively plan and manage their work load. They are often unable to separate out challenges made for different reasons (such as between cases where there has been an error in the floor area of the property as opposed to a difference of opinion on value) meaning they are unable to prioritise those challenges which may relate to obvious or accepted errors that could be resolved quickly. Instead they often find that challenges which have been held in the system for several months or years are resolved quickly and easily but only once the reason for the challenge in the first place has been explained by the ratepayer or their agent.
26. To address this, the Government proposes to strengthen requirements for ratepayers to provide information with their challenge, so that they must provide sufficient detail of why they consider the rateable value to be incorrect such that the Valuation Office Agency may reasonably consider their challenge, plus any evidence they are relying on to support their challenge. A challenge which failed to meet the requirements for sufficient detail and evidence would be considered invalid.
27. **Do you agree that ratepayers, or their agents, should provide with their challenge sufficient detail of why they consider the rateable value to be incorrect such that the Valuation Office Agency may reasonably consider their challenge, plus any evidence they are relying on to support their challenge? How might this requirement be suitably framed?**

## Separating the "Proposal" Stage in the Valuation Office Agency from the "Appeal" Stage in the Valuation Tribunal for England

28. Under the current system ratepayers may challenge their rateable value by first making a proposal to the Valuation Office Agency to amend the rating list. Therefore, the proposal is the means by which ratepayers can seek an internal review of the Government's decisions on rateable values. The proposal is considered by the Valuation Office Agency, but if they are unable to action or reach an agreement with the ratepayer within 3 months they **must** pass it to the Valuation Tribunal for England,

where it becomes an appeal. As a result, proposals automatically pass from the Valuation Office Agency into the hands of the Valuation Tribunal for England even if consideration or discussions are ongoing and throughout this process it is unlikely that ratepayers actually appreciate whether their challenge is being considered by the Valuation Office Agency or the Valuation Tribunal for England.

29. This practice has a number of drawbacks:

- a. it blurs the line between the government tax assessment body (Valuation Office Agency) and the independent judicial tribunal (Valuation Tribunal for England). Whilst the system may be understood by agents, most ratepayers fail to understand the difference. The Government believes the distinction is important because the Valuation Office Agency is the decision making body acting on behalf of the Government and the Valuation Tribunal for England is the separate judicial body passing judgement on those decisions. Confusion between the two bodies affects the confidence of ratepayers in the fairness of the process. The Government believes that addressing this will help show the independence of the Valuation Tribunal for England by ensuring a clear separation in the minds of ratepayers between the Valuation Office Agency and the Valuation Tribunal for England, and
- b. it automatically takes ratepayers from an internal Government review process (the proposal) into a judicial process (the appeal) and in many cases without their knowledge.

30. To address this, the Government proposes to separate in business rates the proposal stage in the Valuation Office Agency from the appeal stage in the Valuation Tribunal for England.

## **The Proposal Stage**

31. Under a reformed system the proposal stage in the Valuation Office Agency would take the following form:

- a. the ratepayer would, as now, make a proposal to amend the rating list to the Valuation Office Agency.
- b. the Valuation Office Agency would first consider if the proposal was valid. To be accepted as valid the proposal would have to meet the existing requirements for a proposal as well as the new requirement set out above for sufficient detail of why they consider the rateable value to be incorrect such that the Valuation Office Agency may reasonably consider their proposal, plus any evidence they are relying on to support their proposal. If the Valuation Office Agency considered the proposal did not meet the requirements then it would issue a simple decision notice refusing to amend the list on the grounds that the proposal was invalid. The decision notice would mark the end of the proposal stage,
- c. if the Valuation Office Agency decides the proposal is valid then they would investigate and consider it, undertaking discussions with the ratepayer or their

agent. If the Valuation Office Agency could not accept the proposal as well-founded or could not reach an agreement with the ratepayer then they would issue a decision notice explaining their decision. If necessary, the Valuation Office Agency would amend the rating list in line with any findings in their decision notice. The decision notice would mark the end of the proposal stage.

**32. Do you agree with the Government's revised approach to the proposal stage?**

33. To allow the Valuation Office Agency sufficient time to consider if proposals have met the new requirements, the Government intends to allow 3 months from receipt in which a decision notice can normally be issued on the grounds that the proposal is invalid. The Government does not intend to change the rules upon how often ratepayers can attempt to make a proposal. Therefore, if a ratepayer's proposal is rejected by the Valuation Office Agency as invalid then, provided it is still within the life of the rating list, they will still be able to make a further proposal. Ratepayers will be able to repeat this exercise until their proposal is accepted as valid.

34. Under the current system, failure to declare a proposal as invalid within the time limit does not necessarily prevent any party raising the question of whether a proposal was in fact valid later in the process. We will preserve the right of the Valuation Office Agency to reject proposals in exceptional cases already recognised by the courts such as where it comes to light outside the 3 month period that the proposal is fundamentally flawed so as to prevent substantive consideration or the proposal contains errors which would prejudice the Valuation Office Agency's decision.

**35. Do you agree that the Valuation Office Agency should have 3 months to consider if the proposal is invalid other than in exceptional cases? How might these exceptional cases be framed?**

36. Business rates assessments vary in type and draw upon a wide and often complex set of considerations and techniques. Batches of business rate proposals on similar properties or locations can also frequently be discussed and agreed as a group with several rating agents – an approach which can help both ratepayers and the Valuation Office Agency settle proposals more efficiently. And the volume of proposals can vary during the revaluation cycle with, typically, more at the start and end of the rating list.

37. However, the Government believes that ratepayers should have the protection of being able to progress their proposal to the appeal stage in the Valuation Tribunal for England in a reasonable timeframe if they wish. Therefore, the Government intends that ratepayers will be able to progress to the appeal stage if they have not received a decision notice after 12 months of making a proposal.

**38. Do you agree that ratepayers should, if they wish, be able to progress to the appeal stage in the Valuation Tribunal for England if they have not received a decision notice after 12 months of making a proposal?**

39. In the period immediately following a revaluation the Valuation Office Agency tend to receive a greater number of proposals than usual. Therefore, the Government may

need to consider extending the 12 month time frame for issuing decision notices in the period immediately following a revaluation.

## **The Appeal Stage**

40. The Government expects ratepayers to firstly try to resolve their dispute with the Valuation Office Agency through the proposal stage. Only once the ratepayer has exhausted their ability to pursue a proposal on a particular issue should they be able to appeal to the Valuation Tribunal for England. Therefore, under a reformed system the appeal stage in the Valuation Tribunal for England would take the following form:
- a. if a ratepayer is unhappy with a decision notice, or they have not received a decision notice after 12 months of making a proposal, they may make an appeal to the Valuation Tribunal for England,
  - b. In order to lodge an appeal with the Valuation Tribunal for England the ratepayer will have to show that:
    - i. they have made a valid proposal to the Valuation Office Agency (i.e. the proposal had met the new requirement that it contained sufficient detail of why they consider the rateable value to be incorrect such that the Valuation Office Agency may reasonably consider their challenge, plus any evidence they are relying on to support their challenge),
    - ii. they have received a decision notice on that proposal (or had not received a decision notice after 12 months of making the proposal), and
    - iii. they have met requirements for such other information as may be set out in directions issued by the President of the Valuation Tribunal for England
  - c. once an appeal has been received, the Valuation Tribunal for England will consider whether it is properly made and thereafter go on to consider the merits of the ratepayer's case.
41. The Government does not propose to include in a reformed system a separate invalidity appeal process. If a ratepayer believes that the Valuation Office Agency has incorrectly treated their proposal as invalid then they may make an appeal against the decision notice to the Valuation Tribunal for England. As the Valuation Tribunal for England will not consider the substance of the appeal unless the ratepayer has made a valid proposal to the Valuation Office Agency, the Valuation Tribunal for England may choose to consider the matter of invalidity as a preliminary issue.
42. To provide clarity for ratepayers, the President of the Valuation Tribunal for England proposes to issue guidance on the information which should be provided with appeals (including on the question of whether the ratepayer had made a valid proposal to the Valuation Office Agency). This will allow the Valuation Tribunal for England to ensure their decisions reflect the specific circumstances of different appeals on different types of properties. This will safeguard ratepayers with the assurance that their access to an appeal in the Valuation Tribunal for England can be considered in the context of their particular case.

43. In line with current practice, the President of the Valuation Tribunal for England intends to discuss with interested parties the content of directions and guidance issued under these provisions.

**44. Do you agree with the Government's revised approach to the appeal stage to the Valuation Tribunal for England?**

45. The Government intends to allow ratepayers 2 months in which to decide whether to progress their dispute from the proposal stage to the appeal stage. Therefore, we propose that an appeal to the Valuation Tribunal for England will need to be made:

- a. within 2 months of the decision notice, or
- b. where a decision notice has not been issued, any time after 12 months of making the proposal.

**46. Do you agree that ratepayers should be allowed 2 months from receiving a decision notice to decide whether to lodge an appeal with the Valuation Tribunal for England?**

47. As is the case under the current system, determining the procedures for handling and determining appeals would be a matter for the President of the Valuation Tribunal for England.

## Savings and Costs

48. If the Government's proposals are successful in building confidence in rateable values and reducing speculative challenges we would expect them to generate a number of savings for both business and the public sector:

- a) they would give a cost saving to business. Ratepayers pay for speculative challenges either "up front" (in their own time or where a fee is charged by the agent) or subsequently (where the agents work on a no-win no fee but recover their costs from successful challenges). Additionally, because of the high volume of unsuccessful appeals, those with good grounds for an appeal are effectively subsidising the cost of those who do not. The Government does not hold data on these benefits and is unable to monetise them,
- b) they would give a cash flow benefit to business. Improving transparency and reducing speculative challenges will allow well founded cases to be resolved quickly. The cost benefit of this is difficult to measure and would be offset by interest payments which are made on refunds. But earlier refunds would provide welcome cash flow and capital to businesses and reduce overheads at a time when the Government is looking to encourage growth,
- c) they would provide greater financial certainty for local government. Fewer speculative challenges would also allow local government to plan their finances with

more certainty. There are many factors which influence local government financial planning so this cannot be monetised in isolation but greater certainty over business rates income would allow local government to focus more resources upon services and less upon managing risk from business rates.

49. It is not the Government's objective in these reforms to save money in the Valuation Office Agency or the Valuation Tribunal Service. Nevertheless, if successful, the Government does expect their proposals to make running the appeal system more affordable. This will depend upon the number of challenges received and how far they progress through the system. If the Government's proposals are successful in allowing ratepayers to check and understand their rateable value before making a proposal then we expect the number of proposals to be up to 20,000 per year less than they would otherwise have been with fewer proposals proceeding to appeal in the Valuation Tribunal for England. This could generate administrative savings in the long term of up to £5m per year.
50. Some short term administrative costs will arise from the Government's proposals in the Valuation Office Agency and the Valuation Tribunal Service covering expenditure on staff, IT and communication. These are difficult to estimate pending further work on the operational delivery of the reforms but they are expected to be less than £4m. Once established, we do not expect the Government's proposals to give rise to any additional costs of running the system above current levels.
51. We do not expect the Government's proposals to give rise to any new costs on ratepayers. Under the current system ratepayers are already expected to provide more information about their challenge once it reaches the discussion stage in the Valuation Office Agency or once it is listed by the Valuation Tribunal for England (at which point the ratepayer or their agent must provide a full statement of case). Therefore, the Government's proposals would not require the ratepayer to provide any more information than is currently required at a later stage in the existing process. Rather it shifts the requirements on ratepayers from late in the process to the beginning of the process where it properly belongs.
52. The proposed policy is not within the scope of the Reducing Regulation Committee and does not require an Impact Assessment for this purpose.

## Implementation

53. The Government intends to implement their proposals from 1 October 2014. Proposals made before 1 October 2014 will continue to be treated in line with the existing regulations and processes.
54. The Government will work closely with interested parties on the detailed regulations to implement their proposals. In line with existing practice, the President of the Valuation Tribunal for England will also discuss draft directions and guidance with interested parties.

# Annex A

## The Current System for Challenging Rateable Values

- A.1 Business rates are a tax on the occupation or ownership of non-domestic property. The tax bill is based upon an assessment by the Valuation Office Agency of the rateable value of the property. Broadly speaking, the rateable value is the annual rental value of the property at a set date (currently 1 April 2008). All rateable values are published on rating lists and the Valuation Office Agency also publishes summary valuations for most properties.
- A.2 All rateable values are reassessed at a general revaluation. The last revaluation took effect from 1 April 2010 based upon values at 1 April 2008 and the next will take effect from 1 April 2017. Between revaluations only physical changes to the property or its locality can be reflected in rateable values. A transitional relief scheme protects ratepayers from large increases arising from the revaluation and this is funded by limiting reductions in bills.
- A.3 Business rates bills are found by multiplying the rateable value of the property by the relevant multiplier. The national multiplier is 47.1p in every £1 and the small business multiplier is 46.2p in every £1 (for properties with rateable values below £18,000 or £25,500 in London). Bills are calculated and collected by local authorities. Ratepayers may also benefit from reliefs such as the small business rate relief scheme and charitable relief.
- A.4 Ratepayers may challenge their rateable value by making a proposal to the Valuation Office Agency for an amendment to the rating list. Proposals are automatically transmitted to the Valuation Tribunal for England as appeals after three months. If the ratepayer is unable to reach agreement with the Valuation Office Agency on their proposal then they proceed with an appeal to the Valuation Tribunal for England. The Valuation Tribunal for England is the judicial tribunal responsible for rateable values and resolves such disputes through hearings before independent members.
- A.5 Under the current system, ratepayers who believe their rateable value is wrong may, if they wish, make an informal enquiry to the Valuation Office Agency seeking an explanation or clarification of their assessment. If the Valuation Office Agency is satisfied that the rateable value is wrong then they will amend it without any formal proceedings. But irrespective of whether they have made an informal enquiry, ratepayers may begin more formal proceedings under which:
- a. they may make a formal challenge to the Valuation Office Agency to amend the rating list called a proposal. A proposal may be accepted by the Valuation Office Agency as well founded (if they agree it is entirely correct); it may be resolved by agreement between the Valuation Office Agency and the ratepayer (if, for instance, both agree it is partly correct); or it may be withdrawn by the ratepayer, and

- b. if it is not resolved in the Valuation Office Agency, the proposal falls to be considered by the Valuation Tribunal for England as an appeal by the proposer against the Valuation Office Agency's refusal to alter the list.

A.6 There are 4 main types of challenges:

- a. proposals against the rateable value shown on the first day of the rating list - 'compiled list' proposals;
- b. 'material change of circumstance' proposals, where a physical change to a property or to its surroundings form the basis of the challenge (i.e. the ratepayer or their agent argues that, had the new circumstances existed on 1 April 2008, which is the relevant valuation date for all valuations on the list that came into force from 1 April 2010, the property would have had a lower assessment);
- c. proposals against 'Valuation Office Notice' (where the Valuation Office Agency has added a property to the list or changed the rateable value or made another change), or
- d. invalidity appeals against the Valuation Office Agency's decision to reject a proposal as invalid.

A.7 Over the life of the rating list the Valuation Office Agency expect compiled list challenges to represent over 50% of all appeals although this can vary between lists. Whilst the Government's proposals are likely to be helpful in the processing of all types of challenges, we expect them to have the greatest impact on challenges against the compiled list.

A.8 Legally, a proposal is first made to the Valuation Office Agency and is then only transferred to the Valuation Tribunal for England (as an appeal) if it is unresolved after 3 months. However, in practice, most proposals automatically become appeals after 3 months. Whilst these appeals are registered by the Valuation Tribunal for England, in practice they remain in the control of the Valuation Office Agency who programme them for discussions with the ratepayer at a later date. The control of the appeal is only passed into the hands of the Valuation Tribunal for England once those discussions have ceased.

A.9 Therefore, the practice has developed, unconnected to the legal framework, under which proposals and then appeals remain in practice in the hands of the Valuation Office Agency (although in law in the hands of the Valuation Tribunal for England) and only pass in practice to the Valuation Tribunal for England once discussions with the ratepayer or agent have ceased. As a result, most appeals progress through into the hands of the Valuation Tribunal for England with many (about three quarters) subsequently leading to no action. Very few appeals actually lead to a full hearing (less than 1%). Throughout this process it is unlikely that ratepayers actually appreciate whether their appeal is being considered by the Valuation Office Agency or the Valuation Tribunal for England.





## Rateable value – information sheet

This information sheet is designed to help you understand how we have valued your property. The sheet includes the following sections:

### Essential reading

1. Your property
2. Your rateable value
3. How we value shops

### Additional information

4. Evidence supporting your valuation

### Your property

27 Regent Street  
Anytown  
Surrey  
XX1 2YY

This is some of the information we hold about your property which we have used to calculate your valuation.

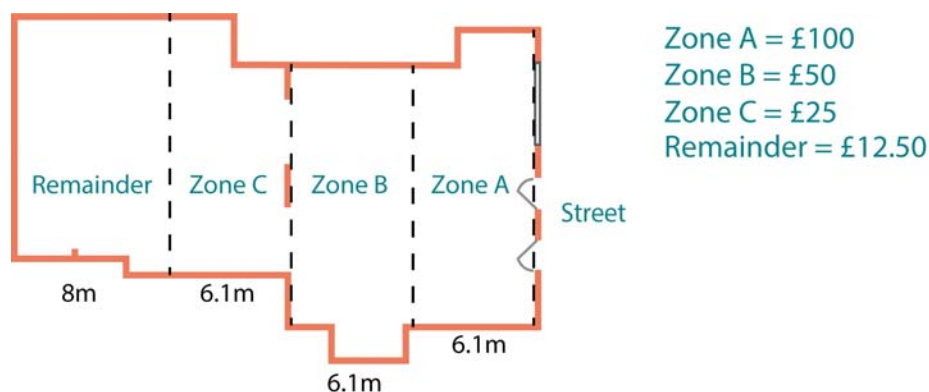
<b>Property description:</b>	Shop and Premises
<b>Scheme reference:</b>	1234567
<b>Size:</b>	120.7 m <sup>2</sup> *
<b>Property features:</b>	Heating

<b>Value per m2 – Zone A (before adjustments):</b>	£475 per m <sup>2</sup>
<b>Value per m2 – Zone A (after adjustments):</b>	£475 per m <sup>2</sup>

\* We measure the building's Net Internal Area (NIA). This is a total of the useable area within a building and excludes areas such as toilets, lobbies, lift wells, stair wells and plant rooms.

**Zoning:** We use zoning to measure most retail premises. This is a standard method of measuring retail premises for valuation purposes. It is used to calculate the value of retail premises. Shops come in many different shapes and sizes. By splitting each shop into standard zones we can take account of these differences when we value them. This also recognises that the most valuable part of the premises is the front part nearest the window.

## EXAMPLE - Zoning



When we zone we divide your shop or retail premises into a number of sections. Each section, or zone, normally has a depth of 6.1 metres (20 feet). The front part, nearest the window, is zone A. Typically the next 6.1 metres becomes zone B, and, where the shop is large enough, the remaining sales space may be included in zone C and a 'remainder' zone. Each zone is considered to be worth half as much as the previous zone.

**Scheme:** We group properties in an area together to make sure we value them fairly and consistently and call this a valuation scheme.

All properties in the scheme will be given a value. When doing this we will make assumptions about the standard property and if your property is different from the standard we may make adjustments to your property's value. On page 1 we have given the value of your property before and after adjustments have been made, this is the basic value of your property.

Different space within your property may be valued at a different rate and we also value additional aspects of the property. For example a storage room could be valued at 10% and car parking valued per space.

There are many different schemes for different types of property and each scheme has a reference number to identify it. You can go on our website [www.voa.gov.uk/valuation](http://www.voa.gov.uk/valuation) to read your scheme description which will explain how we value your type of property.

This table below provides the breakdown of the valuation for your property. Each line shows a different part of the property and the value we have given it.

Component parts of the property					
Ref	Floor	Description	Area m <sup>2</sup> /unit	£ per m <sup>2</sup> /unit	Value (£)
1.1	Ground	Retail Zone A	46.30	475.00	21,993
1.2	Ground	Retail Zone B	44.20	237.50	10,498
1.3	Ground	Retail Zone C	1.70	118.75	202
1.4	Ground	Internal Storage	23.60	47.50	1,121
1.5	Ground	Kitchen	4.90	47.50	233
Additional features of the property included in the valuation					
		Surfaced Open Spaces	2	300	600
<b>valuation sub-total</b>					<b>34,647</b>

The total of all the elements above is £34,687, which we have rounded down to a rateable value of £34,500. This is effective from 1 April 2010.

You can view the rateable value, and summary valuations, for all comparable properties on our website – [www.voa.gov.uk/valuation](http://www.voa.gov.uk/valuation).

## Your rateable value

Rateable value **£34,500**

Your rateable value represents the annual rent the property could have been let for on 1 April 2008. This date is set by law and is the same for all non-domestic properties.

Rateable value is based on an assessment of the rents in your area which are adjusted to reflect the assumption that the occupier is always responsible for all repairs and insuring of the property. We look at rents in an area before deciding on the correct rateable value for each property. Rents can vary between properties in an area, even if the properties are similar and the rents were agreed at the same time. We look at all the varying rents and decide what is a reasonable level of open market rental value – this becomes the rateable value. We do not hold rents for all properties and therefore we use a range of evidence to determine your property's valuation, as explained in the next section.

Your rateable value may not be the same as your current rent or the rent you paid in 2008. Reasons your rateable value may not be the same as your rent include:

- a) Rateable values are based on a fixed date (currently 1 April 2008) to maintain fairness across all ratepayers. The next general revaluation is in 2017 and until then only physical changes can be reflected in values.
- b) It is based on a representative value as it is not solely about your property.
- c) You may have negotiated a specific deal on your rent, such as stepped rent (rent which increases over the period of the lease).
- d) Improvements you have made to the property may not affect your rent but may affect the rateable value.

Your rateable value is not the same as the rates you will pay. Local authorities are responsible for calculating rates bills. They do this by multiplying the rateable value with a multiplier. The Department for Communities and Local Government in England set the multiplier for England and the Welsh Government set the multiplier for Wales.

<b>Business Rates Bill</b>	
<b>EXAMPLE</b>	
-----	
Rateable Value	£20,000
Multiplier	£0.471
-----	
Bill Total	£9,420
-----	

This is set by the Valuation Office Agency - this is reassessed when there's a revaluation

This is set by the government - this changes every year

This is calculated and collected by the council

This is an example of a typical bill. There may be additional increases, decreases or a lower multiplier which your local council may apply such as small business rate relief. For more information about your bill contact your local council.

## How we value Shops

Below is a diagram showing the stages that we go through to value your property and the analysis of the evidence that supports your valuation.



At this stage we collect rental information for similar properties in an area. We make adjustments to the rental information we collect to standardise it, so we can compare them. Some of the things we adjust for are:

- Terms of rental agreement, for example not on full repairing and insuring terms
- Rent free periods, capital contributions and premiums

We then divide the adjusted rent by the zoned internal size of the property – this gives us an analysed rent per m<sup>2</sup>.

**Your evidence** - The rental evidence we collected from properties in your local area ranged from £458 to £515 per m<sup>2</sup>.



At this stage we consider the analysed rents and decide on what is a representative value for similar properties in the same area. From the representative rental value an assessment value is normally set within this range for your property; this is the basis of your valuation.

**Your evidence** - From the rental evidence we have set the assessment value for properties which are comparable to yours between £475 and £500 per m<sup>2</sup>.



At this stage we set your rateable value. This is done by applying the assessment value per square metre to the zoned area of your property. For example, if the value per square metre for your property is £150 and your property has a zoned area of 100m<sup>2</sup> then the rateable value would be £15,000.

We may value different areas within the property at a higher or lower value than the main space. For example, storage space may have a lower price per m<sup>2</sup> than the main space.

We may also:

- Make adjustments if your property has any features which may be above or below the norm for your area; for example air conditioning
- Factor in the availability of additional facilities such as car parking spaces.

**Your evidence** - From this, your assessment value has been set at £475 per m<sup>2</sup>; which is the basic value we use to calculate your rateable value - £34,500.

For your detailed breakdown of evidence see the next section.

## Evidence supporting your valuation

This section provides you with a breakdown of the evidence which supports your valuation that was presented in the flow chart on the previous page.

### 1 Collecting rental evidence



The table below shows the rental evidence that was collected and analysed as described in stage 1. These properties are from your local area and are comparable to your property. We are unable to identify the properties due to the commercial sensitivity of the information.

Size – m <sup>2</sup>	Analysed Rent - £ per m <sup>2</sup>
100-150	£460
50-100	£458
100-150	£510
50-100	£515
50-100	£503

\* All values in this table have been rounded to the nearest whole number

### 2 Setting representative rental values



From the rental evidence we set the representative rental value. The table below shows the zone A assessment value for similar properties to yours.

Address	Size – m <sup>2</sup>	Assessment Value – Zone A £ per m <sup>2</sup>	Rateable Value - £
Your Property	121	£475	£34,500
29 Regent Street, Anytown, Surrey XX1 2YY	76	£475	£27,250
31 Regent Street, Anytown Surrey, XX1 2YY	48	£500	£15,150
25 Regent Street, Anytown Surrey, XX1 2YY	147	£475	£43,750

\* All values in this table have been rounded to the nearest whole number

### 3 Setting the rateable value

From this, your assessment value has been set at £475 per m<sup>2</sup> for zone A, which is the basic value we use to calculate your rateable value £34,500.