

Factsheet: Hereditaments occupied or owned by the same person - Clause 1

What is the ‘Business rates in multi-occupied properties’ measure?

In 2015, following a Supreme Court ruling, the Valuation Office Agency (VOA) amended the way it valued business properties located in multi-occupancy buildings. Previously, where property units in the same occupation were touching (via a wall or floor/ceiling), but were not directly accessible from each other, they received one rates bill. After the Supreme Court ruling, the VOA had to change its practice so that such units are treated as separate rating assessments and therefore each receive their own rates bill, irrespective of whether they are in the same occupation and are contiguous. This has led to increased total bills for some occupiers, with some backdated to 2010.

At Autumn Budget 2017, the Chancellor announced plans to legislate to reinstate the relevant elements of the Valuation Office Agency’s practice prior to the Supreme Court decision.

What is the policy hoping to achieve and where are we now?

In having their units separated and rated individually, some ratepayers have seen increased bills due to the loss of Small Business Rate Relief or the loss of a quantum discount on their valuation (where an increased area attracts a lower rating value per m²). The changes were due to the change in VOA practice following the 2015 Supreme Court ruling and not a change in Government policy. This legislation intends to reinstate the previous widely accepted and understood practice of the VOA assessing as one property units in the same occupation which were touching. This will be backdated to cover the 2010 list retrospectively.

With this legislation, the Government is not intending to make any reforms to the business rates systems other than to reinstate previous practice in accordance with government policy.

Why is legislation needed?

Primary legislation is required to retrospectively change the law.

How do we see this working in practice?

Once legislation is passed, ratepayers who believe they have been affected by the decision will be able to ask the VOA to review their case. This review can be against the 2010 list, 2017 list, or both. If the VOA identifies that the ratepayer should have their previous rating reinstated, the ratepayer’s units will be rated in line with the legislation and their valuation recalculated. Bills will then be amended accordingly.

How can I find out more?

A consultation on the draft legislation was published on 29 December. This can be found at: <https://www.gov.uk/government/consultations/business-rates-in-multi-occupied-properties>.

Key questions & answers:

Will all ratepayers who lost Small Business Rate Relief get it back if they request a review of their bill?

- Ratepayers who lost Small Business Rate Relief (SBRR) directly as a result of the judgment will be able to have the relief reinstated to their bills retrospectively. Those who lost SBRR for a reason not directly related to the judgement will not be eligible to have the relief reinstated.

Why are pre-judgement bills not being reinstated automatically?

- Some ratepayers may have benefited from the change in practice. To protect ratepayers from unwanted backdated bills on the 2010 rating list we will allow them to choose if they want their bill changed from before 1 April 2017. Having to request a review means ratepayers will not see their bills before 1 April 2017 go back up.

Can a ratepayer have their 2017 valuation reviewed if they were impacted by the Supreme Court ruling?

- The VOA will update the 2017 list as they become aware of assessments which are impacted by the change in the legislation through ratepayers and local authorities. Keeping an accurate rating list in this way is a normal part of the valuation system.
- Ratepayers will be able to request amendments to the 2010 list if they wish. They will also be able to request a prioritised check of their 2017 rateable value if they believe it has been affected by the ruling.

How quickly will bills be reinstated?

- This is a complex area of rating and we wanted to ensure the require legislation is correct. We therefore published draft legislation for consultation and took account of responses.
- After Royal Assent and the passage of the necessary regulations, the VOA will prioritise the reviews requested by ratepayers.

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