

PMA – Business Rates CPD

Changes coming for the 2026 Revaluation

24 April 2025

INTRODUCTION & AGENDA



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2026 REVALUATION OVERVIEW

Rental changes 2023 v 2026 AVD?

Market Rental Value Index, UK by sector 2015Q1-2021Q1



Source: MSCI

Update to be provided at PMA Conference 26th June





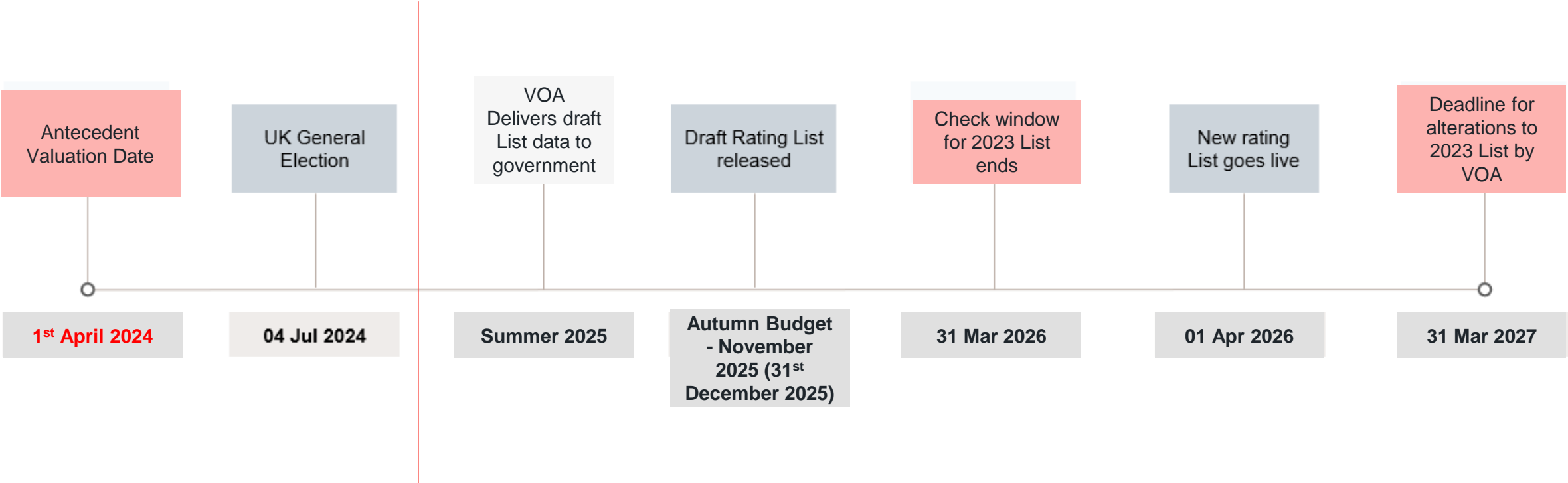
2026 Revaluation Overview



TRANSITIONING FROM 2023 - 2026

2026 List is being prepared

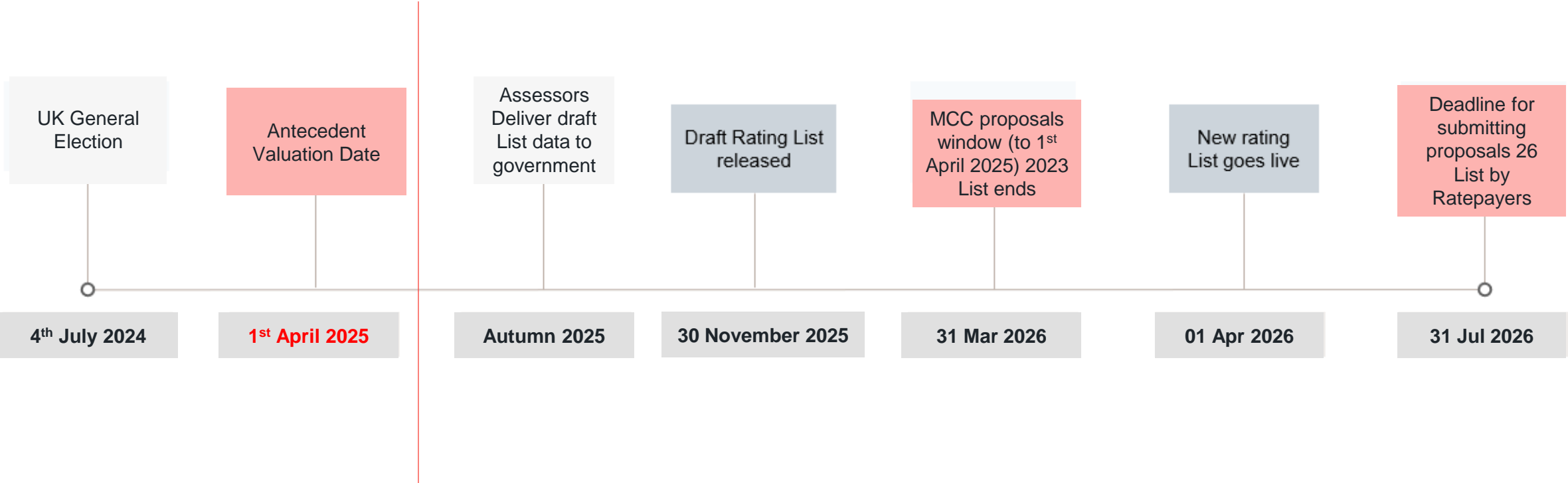
Timelines England & Wales



TRANSITIONING FROM 2023 - 2026

2026 List is being prepared

Timelines Scotland



BUSINESS RATES – RATING LIST OVERVIEW

Expectations for 2026 Rating Lists: Across the UK

ENGLAND



- 2026 List:
 - ✓ AVD: 1st April 2024
 - ✓ Length: 1st April 2026 – 31st March 2029
 - ✓ Three yearly cycle thereafter
- Check, Challenge, Appeal (CCA) will remain until 2029 List
- Rental Provision – RALD forms issued by VOA currently or VORC scheme will continue for foreseeable future
- BUT New information provisions to be “soft launched” from 1/4/2026 – Regs likely to be brought in 2025
 - ✓ Duty to Notify to be introduced in phased regime starting with “bulk” classes & individual ratepayers
 - ✓ Stakeholder engagement will be a key plank of VOA strategy during 2026 List
 - ✓ Associated Annual confirmation return will also be introduced – details TBC

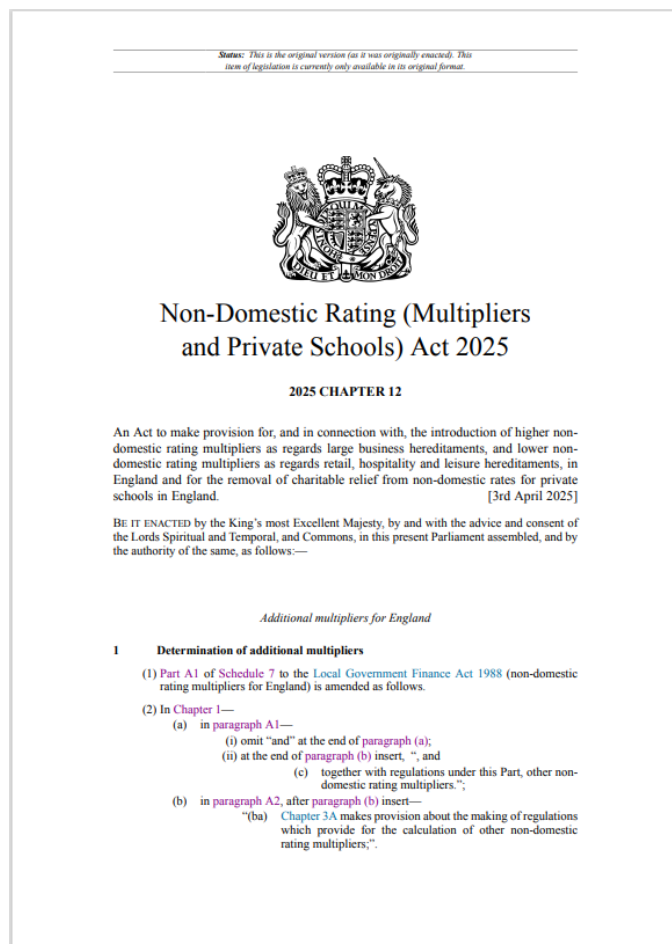
- What’s new?
- New Retail Hospitality & Leisure (RHL) & “Higher” Multipliers wef 1st April 2026. Removal of current RHL Relief scheme from same date.
- New multipliers will NOT be subject to Subsidy Control unlike current RHL Relief scheme, capped at £110,000 per business at a Group level
- Likely to be General Anti Avoidance scheme introduced from 1/4/2026 onwards – possible consultation in 2025
- Full Duty to Notify scheme & compliance regime to be introduced with 2029 revaluation & removal of “Check” from CCA + likely Challenge deadline

BUSINESS RATES – RATING LIST OVERVIEW

Changes for 2026 List - England

Clause 1 – Determination of additional multipliers

- ▶ Creates new higher and lower multipliers in England wef 1st April 2026
- ▶ Act now allows 2 Retail Hospitality Leisure multipliers to be created – both lower than the national multipliers.
- ▶ It will allow govt to vary multipliers between occupied, vacant and central list premises but MHCLG policy intention is currently not to vary the lower multipliers in this way.
- ▶ Act does not limit the number of higher multipliers that can be set for properties over £500,000.
- ▶ Act contains “guardrails”
 - i) Higher multipliers cannot be more than 10p higher than the standard NDR multiplier
 - ii) Lower multipliers cannot be more than 20p lower than Small Business NDR multiplier
- ▶ MHCLG anecdotally advise that actual multipliers for 2026/27 are not expected to meet those maximum limits/guardrails.
- ▶ Multipliers to be announced at Autumn Budget 2025 but waters will be very much “muddled” by “BAU” revaluation process.



BUSINESS RATES – RATING LIST OVERVIEW

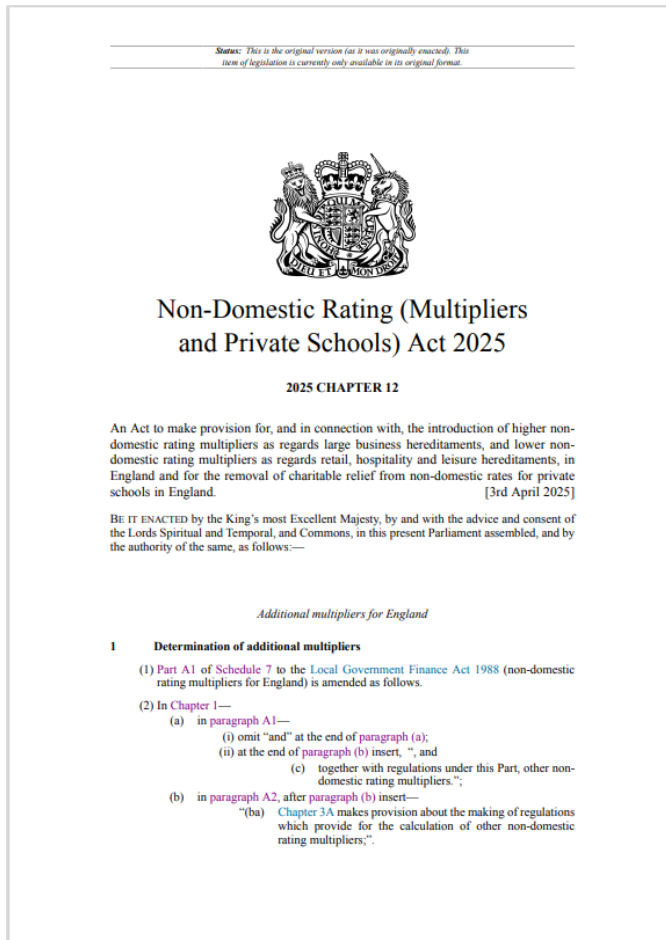
Changes for 2026 List - England

Clause 2 – Special Authorities

- ▶ There is only one – City of London.
- ▶ Clause 2 allows govt to “make provision” for additional multipliers in City. Same guardrails except they apply to the City’s multiplier.
- ▶ Intention is to set these multipliers at the same level of supplement or discount as has been adopted in the rest of England.

Clause 3 – Application of Multipliers

- ▶ Sets out rules for when the new multipliers should apply
- ▶ Act does not stipulate but MHCLG policy intention is to have 2 lower multipliers in line with current “Small” and “Standard” RV thresholds. i.e.:
 - i) RHL Multiplier 1 – RV’s £1- £49,999
 - ii) RHL Multiplier 2 - RV’s £51,000- £499,999
- ▶ Act provides that higher multiplier can only apply to hereditaments with a rateable value of £500,000 or more.

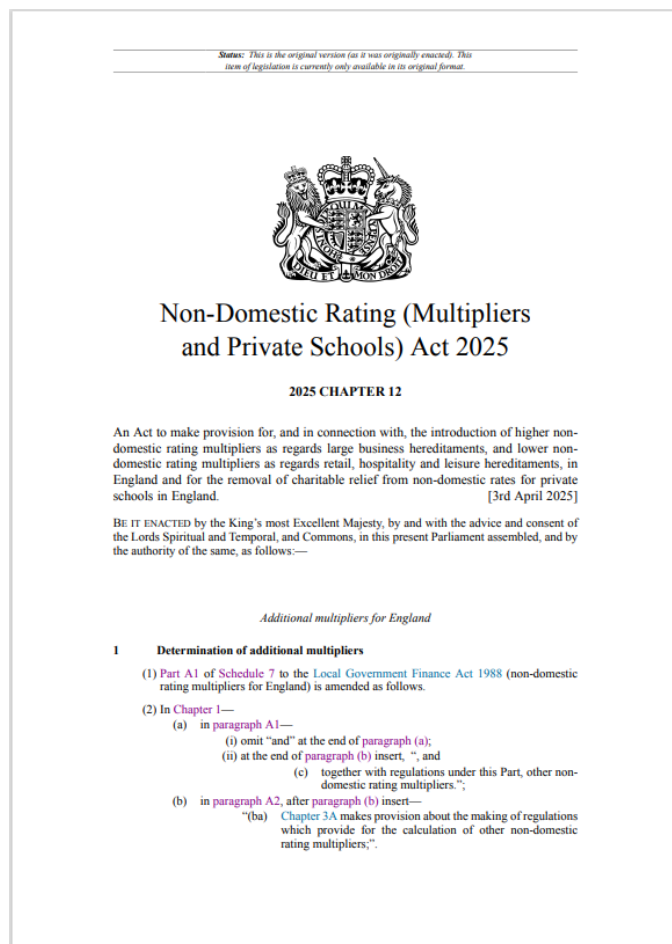


BUSINESS RATES – RATING LIST OVERVIEW

Changes for 2026 List - England

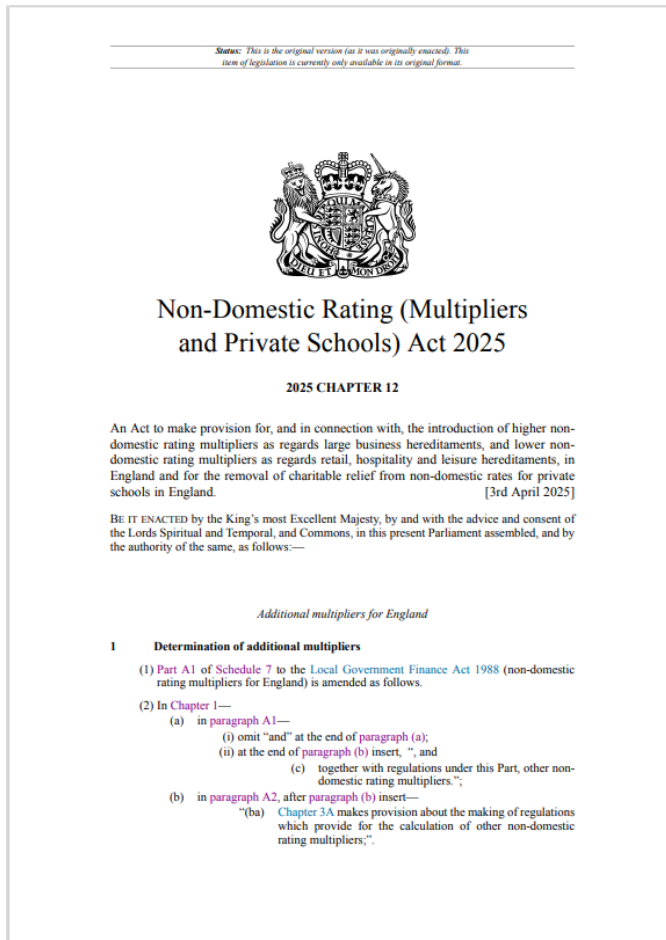
Clause 3 – Application of Multipliers (continued)

- ▶ Act does not say “all” such hereditaments. Treasury can decide to which of those hereditaments it applies.
- ▶ BUT - MHCLG policy is to apply higher multiplier to all properties at £500,000 and above – MHCLG say the fairest possible way to raise the revenue. Applies to less than 1% of properties but includes retail, leisure and hospitality premises!
- ▶ Lower multipliers will only apply to “qualifying” retail, hospitality or leisure hereditaments.
- ▶ Act allows govt to define via regulations what “qualifying” RHL premises will be affected.
- ▶ MHCLG policy is that the definition of qualifying RHL will “broadly follow” that already defined in the current retail, hospitality and leisure relief system – Regs expected later in 2025.
- ▶ Act now allows the VOA description in the list to the matters govt may use in determining which multiplier applies.
- ▶ Currently MHCLG don’t intend to use this but may do in the future.



BUSINESS RATES – RATING LIST OVERVIEW

Changes for 2026 List - England



Clause 4 – Consequential amendments

- ▶ Clause 4 is just consequential changes and not particularly relevant.
- ▶ But there is a **missing clause** which was to have been included to provide that where two or more hereditaments occupied by connected persons and would, if occupied by one person, be a single hereditament caught in the higher multiplier, then hereditaments will be treated as single hereditament.
- ▶ It is an anti-avoidance measure and govt can introduce it by later regulation. MHCLG have advised they will do so if there is evidence of avoidance of the higher multiplier through use of subsidiaries etc to split assessments.

Clause 5 – Removals of Relief

- ▶ The Bill removes the eligibility of private schools that are charities for business rates charitable relief.
- ▶ The Bill does not affect discretionary relief. Private schools are still eligible for discretionary rate relief. The disabled person exemption is also unaffected.
- ▶ Clause 5 takes effect from 1 April 2025

BUSINESS RATES – RATING LIST OVERVIEW

Expectations for 2026 Rating Lists: Across the UK

WALES

- 2026 List:
 - ✓ AVD: 1st April 2024
 - ✓ Length: 1st April 2026 – 31st March 2029
- Reval frequency: 3 yearly cycle confirmed by LG Finance (Wales) Act 2024
- CCA introduced in Wales wef 1st April 2023 & will also continue for 2026 List
- Information provision regulations similar to England currently
- An equivalent Duty to Notify scheme will also be introduced in Wales wef 1st April 2026 (LG Finance (Wales) Act 2024)
- Additional duty in Wales on “persons providing services relating to non-domestic rating” to provide info to BA’s on request



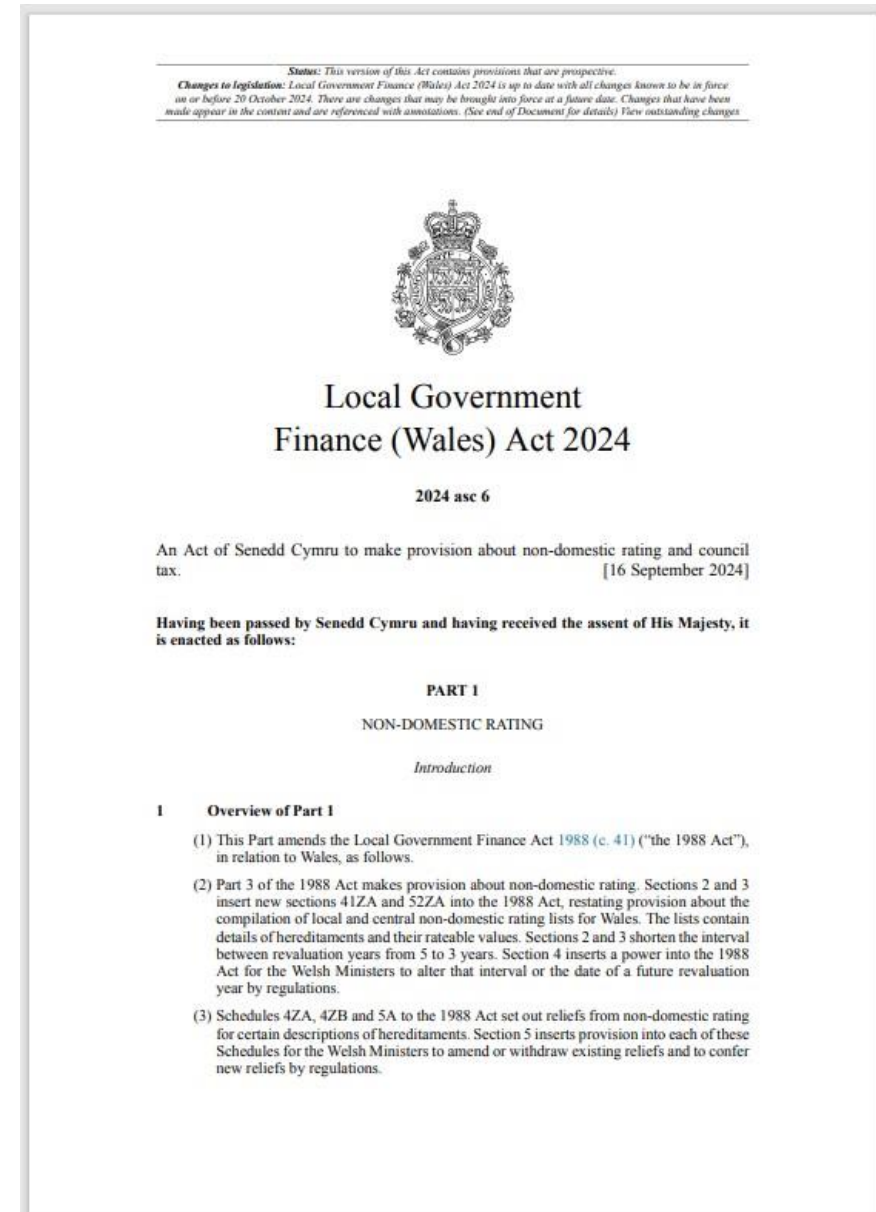
- What’s new?
- Consultation launched for further tightening of anti-avoidance measures specifically targeting rates mitigation measures
- Rates Avoidance costs Welsh govt £10-£20M pa. Measures introduced in 2018, including extending the vacation reset period to 6 months, are deemed insufficient.
- Proposal is to now define various “artificial” avoidance tactics which will be in 4 categories:
 - 1: the occupation is not on a commercial basis (i.e. Rent is not at a market level)
 - 2: the ratepayer has been wound up voluntarily
 - 3: the owner or occupier exhibits particular characteristics or behaviours
 - 4: the occupation has certain characteristics (e.g comprises wi-fi or blue-tooth transmitter only or exists only to mitigate rates)
- Such arrangements, if identified by the BA as falling within the defined criteria, will be ignored and liability will be required to flow to the rateable owner as if they had not occurred.
- These will be mandatory requirements, not discretionary

BUSINESS RATES - RATING LIST OVERVIEW

Reforms to Business Rates?

Wales

- ▶ Labour led Welsh Government has introduced wide ranging powers including to vary the Welsh multiplier – they can deliver a Retail “Sector Corrector” and other measures:
- ▶ increasing the frequency of revaluations to three-yearly, and giving the power for the Welsh Ministers to amend the revaluation year and interval between revaluation years through future regulations
- ▶ conferring regulation-making powers on the Welsh Ministers to confer, vary or withdraw all business rates reliefs & strengthening eligibility criteria for charitable relief on unoccupied premises
- ▶ expanding the definition of a new building for the purpose of the serving of completion notices by local authorities
- ▶ removing a timing restriction on the awarding and varying of discretionary relief by local authorities

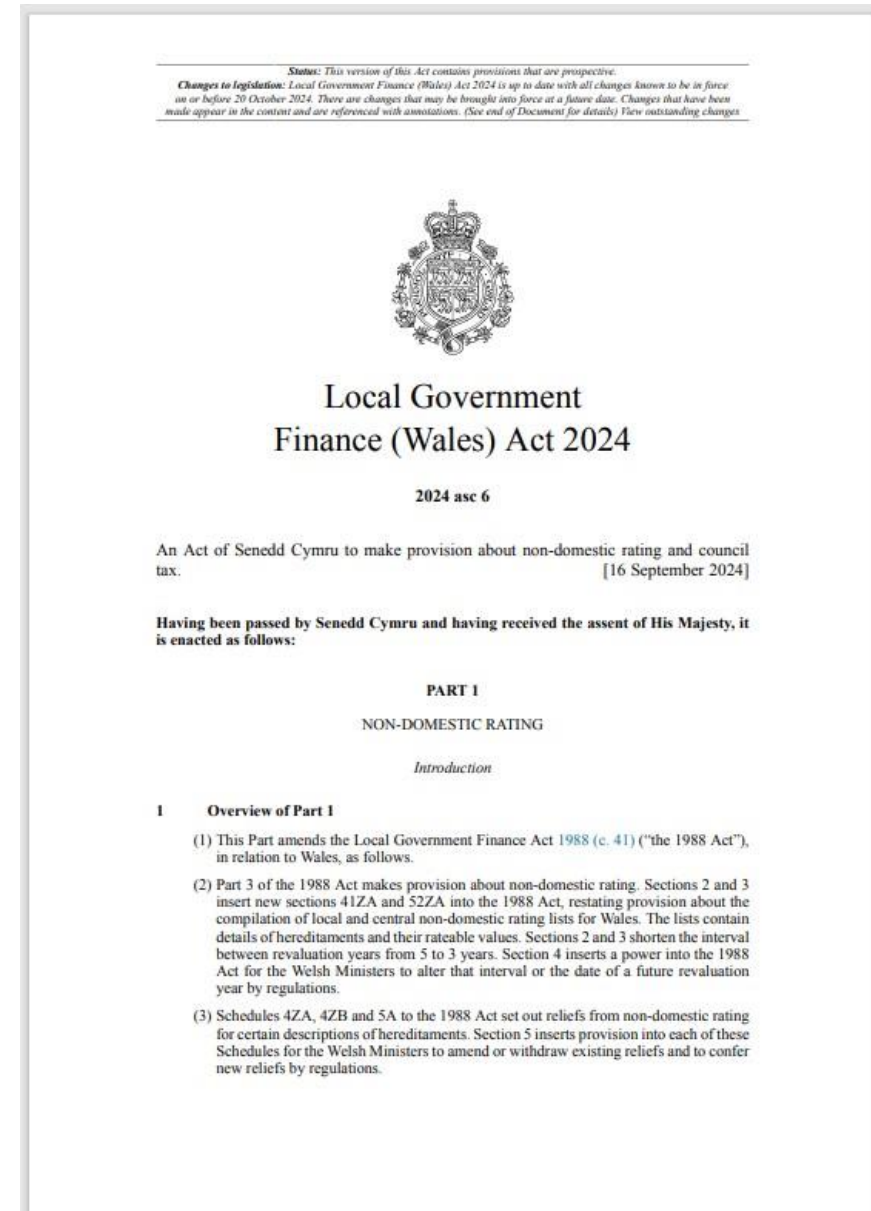


BUSINESS RATES - RATING LIST OVERVIEW

Reforms to Business Rates

Wales

- ▶ conferring regulation-making powers on the Welsh Ministers to confer, vary or withdraw exemptions
- ▶ conferring a regulation-making power on the Welsh Ministers to set differential multipliers based on the description, rateable value or location of a hereditament on the local list, or the rateable value of a hereditament on the central list
- ▶ placing a duty on ratepayers to provide certain types of information to the Valuation Office Agency, and making provision for the associated compliance regime
- ▶ making provisions about counteracting advantages arising from artificial avoidance arrangements specifically relating to business rates
- ▶ introducing a five-yearly cycle for domestic property revaluations in Wales starting from April 2028, with the potential for amendment depending on circumstances.



BUSINESS RATES – RATING LIST OVERVIEW

Expectations for 2026 Rating Lists: Across the UK

SCOTLAND

- 2026 List:
 - ✓ AVD: **1st April 2025**
 - ✓ Length: 1st April 2026 – 31st March 2029 Three-yearly cycle thereafter
- Two stage “appeal” process with info provision requirements will remain for 2026 – grounds, evidence & statement required before a proposal can be lodged, which must include a valuation.
- **PROPOSAL DEADLINE:** 31st July 2026 – unlikely to be extended as per 2023 List
- Proposals can also be made within 4 months of receiving an Assessor Valuation Notice or becoming a new occupier/tenant/proprietor – no change
- MCC proposals must be made in the financial year in which they arise – no change



- Once proposal lodged no further evidence can be introduced into the process – Assessors are extremely strict on this.
- Assessors can increase RV's for any reason once a proposal has been lodged but not otherwise.
- Consultation for tweaks to regulations proposed wef 1st April 2026 will prohibit ratepayers from withdrawing 2026 proposals if the assessor advises the RV ought to be increased.
- Assessor Information Notices (AIN's) – will continue and are much more onerous than England & Wales – punitive fines exist for non- compliance. No plans to change this regime
- BA requests for information must be complied with within 21 days & BA's must be notified of a change in occupation within 42 days – both requirements carry a £370 fine for non-compliance

BUSINESS RATES – RATING LIST OVERVIEW

Expectations for 2026 Rating Lists: Across the UK

NORTHERN IRELAND

- 2026 List:
 - ✓ AVD: **1st April 2024** (changed from October 2021 for RL 2023)
 - ✓ Length: 1st April 2026 – 31st March 2029 TBC
- Regional & District multipliers set to remain – these vary considerably from district to district. 2025/26 saw district percentages vary from 3.65% - 5.99% in the main commercial centre in Belfast – all above inflation
- Information provision – rent and evidence - via mandatory online RALQ – deadline was 31st August 2024. Land & Property Services are currently drafting the NI Rating List based on these returns.
- Unique “Back in Business” rates relief scheme provides 50% relief for 2 years if a business moves into a retail property post 1/4/2024 that was previously vacant for 12+ months. Extended for 2025/26.



- What's new?
- Not much as yet. There seems to be little appetite for change in NI currently
- Potential removal of reliefs post November 2023 consultation – the outcome of which is still awaited
- This may see a significant tightening of reliefs, all but removing them from the Northern Irish rating system depending on the outcome of the consultation. The following are in scope:
 - Non-domestic vacant property relief,
 - Industrial derating,
 - Freight transport relief,
 - The exemption for student halls of residence.
- We await to see if the “Back in Business” scheme will be extended to the 2026 revaluation period



Business Rates Reform



BUSINESS RATES OVERVIEW

2026 List & The Future

Business Rates Reform Options?

Cut the multiplier
and recover the
revenue from
somewhere else...

Property/Local
Land Valuation tax
perhaps....?

...but what about
an online sales
tax?

or changing the
multiplier relative
to sector and/or
sub-sector?

..and perhaps by
RV threshold too?

with a valuation
date just one year
before, not two, so
as to align with the
market

..and how about a
fixed multiplier
from the onset of a
Reval perhaps...?

...there needs to
be a level playing
field with online
retail too

BUSINESS RATES OVERVIEW

Context of Reform

- Raised circa £32.4 billion per annum 2024/25 (UK)
- Represents circa 5% of total tax revenue
- Paid on circa 2.15 million non-domestic properties
- Only exemptions are agricultural premises and places of religious worship
- HMT Discussion paper describes Business Rates as a tax with “many advantages” – a far cry from the Labour Party’s election manifesto to “replace” business rates
- Unsurprising given current fiscal landscape and a collection rate of 97%+

Predicted UK business rates revenues*

2024/25	£32.4Bn
2025/26	£34.7Bn
2026/27	£37.7Bn (revaluation)
2027/28	£38.3 Bn
2028/29	£39.1 Bn
2029/30	£40.1 Bn (revaluation)

* OBR forecast published with 2024 Autumn Budget

BUSINESS RATES OVERVIEW

Reforms to Business Rates

What is not in the new Act

- ▶ Government “discussion paper” Transforming Business Rates launched with Budget – period closed 31st March. HM Treasury’s response will be set out in Summer 2025.
- ▶ But reform will not mean replacement of business rates with an alternative tax.
- ▶ New labour government very much treading path that the outgoing conservative government established & reforms will be phased over this Parliament
- ▶ Nothing mentioned on Council Tax reform, unlike in Wales

Discussion paper covers following areas:

A fairer business rates system

- ▶ Tackling avoidance and evasion: Empty Property Relief and General Anti Avoidance Rule (GAAR)
- ▶ Making the system more responsive: More Frequent Revaluations and timing of AVD vs List commencement
- ▶ Delivering “enabling” reforms to revise CCA (removal of Check): Transparency and Duties around information provision to be phased in from 2026 to enable “appeal” reforms to be introduced with 2029 Rating List
- ▶ A proportionate burden: Tax rates at revaluations



Transforming Business Rates

October 2024

BUSINESS RATES OVERVIEW

Reforms to Business Rates

What is not in the new Act?

Government “discussion paper” Transforming Business Rates launched with Budget. Covers:

Incentivising investment and growth

- ▶ The efficacy of Improvement Relief
- ▶ The impact of losing Small Business Rates Relief (SBRR) on expansion to a second property
- ▶ Cliff-edges in the multipliers
- ▶ Efficacy of Empty Property Relief

A system fit for the 21st Century

- ▶ Digitalising Business Rates
- ▶ To be delivered by March 2028 with full benefits realised with the information duties,
- ▶ Other administrative improvements stemming from NDR Act 2023



Transforming Business Rates

October 2024

Case Law update



FITTING OUT REVISITED

SHOOSMITHS LLP AND MANDO GROUP LIMITED V HITCHINGS VO (VTE) (2024)

- A previous case: Bunyan (VO) v Acenden Ltd 2023 UKUT 17 (LC), had seen a very firm determination from the UTLC that the fitting out spend on Cat A offices taken at Ascot House, Maidenhead should give rise to an addition in the rateable value. **£3.4M had been spent on Cat B works of which £1.6M related to improvements deemed to be capable of being used by another occupier.**
- The tenant had argued that no addition for Cat B fitting out was warranted, citing rental evidence to support the contention that there was, in fact, no material difference between transactions for Cat B fitted premises and Cat A premises.
- In summarising the VOA's position in that case, the UTLC was succinct: *"To the appellant Valuation Officer (VO) the proposition that the expenditure of such a substantial sum of money to make the building fit for occupation has added not a single penny to its rateable value is illogical and impossible of acceptance."*
- The UTLC ultimately agreed with that view and gave a firm determination – *"We have firmly rejected the proposition that a building in Category B condition is worth no more than a building in Category A condition, which should assist parties in other cases"*.
- But their route to determining the end answer was considered unsatisfactory to many practitioners given the issues in reconciling Cat A and Cat B rental evidence and the questions around how to translate actual fitting out costs into additional rateable value.

Gary Garland – President of VTE: *"The question of whether there should be an uplift from Category A to reflect a tenant's Category B bespoke fit out was still a hot topic upon which it was not possible to reach universal agreement. In my opinion the Upper Tribunal's decision is clear authority on the point."*



FITTING OUT REVISITED

SHOOSMITHS LLP AND MANDO GROUP LIMITED V HITCHINGS VO (VTE) (2024)

- Agents in Manchester and Liverpool held a prevailing view amongst many agents that the Acenden decision was erroneous in the context of numerous Cat B rents existing for re-let office space - fully supporting the proposition that there was no discernible difference with equivalent Cat A levels of value. Hence a re-run of the case.
- But London agents on the back of Acenden had already agreed a “flat rate” £25 per sq.m addition for fitting out on all o/s 2017 List Challenges on offices in London where a tone for offices was established from the Cat A evidence.
- The two subject premises here comprised i) a 2,839.8 sq.m office in Manchester, occupied by Shoosmiths and ii) a much smaller property in Liverpool, comprising 493.5 sq.m occupied by Mando Group. In the case of Shoosmiths, the premises had been let on two 15 year leases on a shell basis with 4 months’ rent free granted together with a discounted rent for 3 years and a capital contribution of some £2,910,561, including amounts for fitting out based on £30 psm. Shoosmiths then paid a further £2,766,583 fitting out the offices to its own bespoke specifications.
- Mando had taken a new 10 year lease with a 5 year break with the premises already in Cat A condition. A 30 month rent free period was granted following which the premises were fitted out to Cat B condition to accord with the tenant’s requirements.

Gary Garland – President of VTE: “I am aware that in and around London, office assessments are being agreed with an uplift of £25 per m² to reflect the additional value of the Category B fit out. However, the two appeals that were before me provided an indication that the Upper Tribunal’s judgment in Acenden had not put this contentious issue to bed. .”



FITTING OUT REVISITED

SHOOSMITHS LLP AND MANDO GROUP LIMITED V HITCHINGS VO (VTE) (2024)

- The crux of the issue, however, was the extent to which the rents should be adjusted to reflect the various incentives granted, particularly rent-free period deductions to reflect Cat B fit-out works and the amount, if any, to be added to the adjusted Cat A rents to reflect fit-out and arrive at a value for rating purposes. In both cases the appellants made no such adjustment citing the availability of Cat B rental evidence showing no differential from equivalent Cat A evidence.
- Any evidence relating to Cat B offices, let in that condition were, according to the VOA, essentially relating to “second hand” space - often flowing from business failure transactions with the incoming tenant *“making do with what was in situ”*. This dynamic failed to recognise therefore that the fitting out costs materially improved the premises from a state that was not rateable (Cat A) and that such costs could not be ignored under the rating hypothesis.
- The President of the VTE agreed and was clearly heavily swayed by the ultimate conclusion of the UTLC in Acenden. But he then departed from a scientific analysis of the transactions here in order to reach an appropriate amount to be added for fitting out on the basis that *“Regardless of whether or not the landlord or the tenant met the cost of the Category B fit out, amortizing the capital outlay spent on rateable fit did not appear to be the right valuation approach.”*
- Instead, he preferred to consider the £25 per sq,m broad brush “deal” struck in London, calling it a *“commonsense approach, which had regard to the rating hypothesis”*.

Gary Garland – President of VTE: “Offices brought to the market in Category A condition were, in effect, speculative developments. Until they were fitted out to a Category B state, whilst they may look like offices, they had no value because they were incapable of beneficial occupation. With this in mind, the essential fitting out to enable the offices to be capable of use had to be of some value and this value had to be reflected in the rating assessment. This was because without such fit out, there was no hereditament to value.”



FITTING OUT REVISITED

SHOOSMITHS LLP AND MANDO GROUP LIMITED V HITCHINGS VO (VTE) (2024)

- Despite neither party seeking a determination on this basis, let alone the amounts that such an approach would result in, the President concluded *“in my judgment, the costs of fitting out would be greater in Manchester, in comparison to Liverpool. I therefore determined that the Category A basis in Manchester should be increased by £15 per m², to reflect the property in a Category B state and in the Liverpool, I determined that the uplift was £10 per m².”*
- Whilst there appears to be a degree of commonsense to the conclusions reached by the President of the VTE, the actual values adopted had no credible basis to support them, given the evidence actually presented. Neither was that approach advocated by either party.
- The VOA subsequently decided to appeal both of these cases to the UTLC, submitting their appeals on the last available day to do so. Regrettably the two ratepayers have not cross-appealed and thus will not be involved in the proceedings.
- This gives rise to a most regrettable scenario that the UTLC will be determining the issue of fit-out based on the VOA's arguments and evidence only.
- Discussions between agents and the VOA continue but very much a case of “watch this space”

Gary Garland – President of VTE: *“in the real world, because of the way the office market operated, reliable evidence to establish what additional rent that a tenant would be prepared to pay for a Category B fit out to its bespoke requirements, was nigh on impossible to find.”*



BUSINESS RATES – RATING LIST OVERVIEW

Q&A



Thank you

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