

Business Rates

Business Information Factsheet BIF061
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Here for
Business

Introduction

Most small businesses have to pay business rates as a contribution to the cost of services provided by local authorities.

This factsheet outlines what business rates are and the types of premises on which they are payable. It explains how business rates are calculated and how the rateable value of business premises is determined in England, Wales, Scotland and Northern Ireland.

What are business rates?

Business rates (also known as national non-domestic rates) are a tax on business properties, paid by the occupier of the property. If business rates are payable on an unoccupied property, the owner is responsible for paying them.

Revenue raised from business rates helps to fund local authority services.

What types of premises do business rates apply to?

Business rates normally apply to non-domestic properties such as shops, offices, warehouses, factories, pubs, guest houses and holiday rental cottages.

In some cases, people who run a business from home may have to pay business rates on the part of the property they use for business purposes. This will depend on:

- How much of the property they use for business purposes.
- Whether they have modified the property for their business.
- Whether they employ people to work at the property.
- Whether they sell goods or services to people who visit the property.

Homeowners offering bed and breakfast (B&B) accommodation generally don't have to pay business rates if all the following conditions apply:

- The property is their sole residence.
- They intend to accommodate no more than six people at any one time during the year.
- B&B is a subsidiary use of their home.

However, they must pay business rates as soon as their B&B business becomes a 'significant enterprise', for example if the business uses more than half of their home, accommodates more than six people at any one time, or involves adapting the property for the benefit of B&B guests. The following types of non-domestic properties are exempt from business rates:

- All agricultural land and buildings.
- Fish farms.
- Certified places of religious worship (including church halls) in England, Wales and Northern Ireland.
- Properties in England and Wales used for the training or welfare of people with disabilities.
- Properties in Northern Ireland used by charities for the public benefit or for charitable purposes.

Empty properties are exempt from business rates for at least the first three months after they become unoccupied, and some types of property are eligible for extended empty property relief.

If a property remains unoccupied when its exemption comes to an end, the property owner is responsible for paying business rates.

How are business rates bills calculated?

The way business rates bills are calculated varies in different parts of the UK.

England and Wales

In England and Wales, local authorities calculate business rates bills using the rateable value of the business property multiplied by a rate per pound known as the uniform business rate (UBR). Various factors are taken into account when deciding a property's rateable value, including its size and location, how it is used and the nature of the business.

Two UBRs are set each year - the standard multiplier and the small business multiplier. The small business multiplier applies to businesses that qualify for small business rate relief or that occupy non-domestic property with a rateable value below £51,000. In England, the standard multiplier for 2022/23 is 51.2p and the small business multiplier is 49.9p. (The City of London uses its own standard multiplier. For more information, go to www.cityoflondon.gov.uk/services/business-rates/how-your-bill-is-calculated.)

In Wales, there is one UBR for all types of business, set at 53.5p for 2022/23. The Valuation Office Agency (VOA, www.gov.uk/government/organisations/valuation-office-agency) determines the rateable value for non-domestic properties in England and Wales.

Scotland

In Scotland, local authorities calculate business rates bills using the rateable value of the business property multiplied by a rate per pound, known as the poundage rate.

In 2022/23, the poundage rate is 49.8p for properties with a rateable value of £51,000 or less. Businesses that occupy premises with a rateable value of £51,001 to £95,000 pay the intermediate property rate, which is 51.1p, and business that occupy properties with a rateable value in excess of £95,000 pay the higher property rate of 52.4p.

The poundage rate is set annually by the Scottish Government. The Scottish Assessors Association (SAA, www.saa.gov.uk) decides the rateable value of properties in Scotland.

Northern Ireland

In Northern Ireland, rates for non-domestic properties are calculated using the rateable value of the business property, known as the net annual value (NAV), multiplied by the non-domestic rate poundage (a figure made up of a district rate decided by each local authority plus a regional rate fixed by the Department of Finance). For more information, go to www.finance-ni.gov.uk/topics/property-rating/non-domestic-rating.

Go to www.nibusinessinfo.co.uk/content/how-business-rates-are-calculated for more information about how business rates are calculated in Northern Ireland.

Land & Property Services (LPS, www.finance-ni.gov.uk/land-property-services-lps) decides the rateable value of properties in Northern Ireland.

How is the rateable value determined?

Rateable value is based on an estimate of the property's rental value on the open market on a specific date. This figure may differ from the actual rent paid for various reasons, for example, the business may have negotiated particularly favourable rental terms. The process for determining rateable value varies across the UK as follows:

England and Wales

The VOA compiles business rating and council tax valuation lists for England and Wales and their officers decide the rateable valuations for their local areas. Valuations are normally valid for five years and were last revalued in 2017. The next revaluation will come into effect on 1 April 2023.

Scotland

The SAA sets rateable values for non-domestic properties based on their rental value. The valuations are reassessed every five years. The most recent valuation took place in 2017. The next revaluation will come into effect on 1 April 2023.

Northern Ireland

In Northern Ireland, LPS sets the net annual value for non-domestic properties based on their rental value. The most recent valuation took place in 2020. The next revaluation will come into effect on 1 April 2023. Go to www.finance-ni.gov.uk/landing-pages/ni-reval2023 for more information about the revaluation process.

Go to www.finance-ni.gov.uk/topics/property-valuation/non-domestic-valuation for more information about non-domestic valuation in Northern Ireland.

Business rates relief schemes

Depending on their circumstances, some businesses may qualify for business rates relief. There are various business rates relief schemes that apply in England, Wales, Scotland and Northern Ireland.

For details, see BIF500 Business Rates Relief Schemes in England, BIF519 Business Rates Relief Schemes in Wales, BIF520 Business Rates Relief Schemes in Scotland, and BIF521 Business Rates Relief Schemes in Northern Ireland.

Paying business rates

Annual business rates bills are issued on 1 April for the year ahead. Businesses can pay in full or by monthly instalments.

Business ratepayers in England, Wales and Scotland should contact their local authority for details of payment options. Go to www.gov.uk/contact-your-local-council-about-business-rates to search for local authority contact details.

In Northern Ireland, LPS deals with business rate billing. Go to www.nibusinessinfo.co.uk/content/paying-business-rates for more information about paying business rates in Northern Ireland.

If a business ratepayer fails to pay their rates bill, the local billing authority may take them to court to recover the debt.

Hints and tips

- Anyone who runs a business from home should check their liability for business rates with their local authority.
- The UBR in England and Wales and poundage rates in Scotland and Northern Ireland are assessed every year and fixed in line with inflation. Business ratepayers should keep up to date with these changes and check their business rates bill annually.
- Ratepayers who need professional advice relating to the rateable value of their property can find a local surveyor by searching the directory provided by the Royal Institution of Chartered Surveyors at www.ricsfirms.com.

Useful publications

'A Basic Guide to the Rating of Guest Houses and Bed & Breakfast Accommodation'
VOA

www.gov.uk/government/publications/rating-of-guest-houses-and-bed-and-breakfasts

'Business Rates Guidance for Pubs and Licensed Trade'

VOA

www.gov.uk/government/publications/business-rates-guidance-for-pubs-and-licensed-trade

'Basic Guide to the Rating of Holiday Cottages and Self-contained Units in England'

VOA

www.gov.uk/government/publications/rating-of-holiday-cottages-and-self-contained-units

'Non-domestic Rates Guidance'

The Scottish Government
www.mygov.scot/non-domestic-rates-guidance

Useful contacts

The Valuation Office Agency (VOA) assesses the rateable value of business premises in England and Wales. It publishes information and guidance about business rates.
www.gov.uk/government/organisations/valuation-office-agency

The Scottish Assessors Association (SAA) publishes guidance and information on non-domestic property rating valuations for Scotland.
www.saa.gov.uk

Land & Property Services (LPS) is the government department in Northern Ireland responsible for ratings valuations for business premises. It publishes information and guidance, as well as a valuation list of non-domestic properties.
www.finance-ni.gov.uk/land-property-services-lps

The Royal Institution of Chartered Surveyors is a professional association for chartered surveyors. Its Helpline Scheme provides advice on business rates valuations.
www.ricsfirms.com/helplines

Related factsheets

BIF010 Renting Business Premises
BIF017 Legal Guide to Running a Business from Home
BIF057 Choosing Business Premises
BIF500 Business Rates Relief Schemes in England
BIF519 Business Rates Relief Schemes in Wales
BIF520 Business Rates Relief Schemes in Scotland
BIF521 Business Rates Relief Schemes in Northern Ireland

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