

EXPLANATORY MEMORANDUM TO
THE VALUATION FOR RATING (PLANT AND MACHINERY) (ENGLAND)
(AMENDMENT) REGULATIONS

2008 No. 2332

1. This explanatory memorandum has been prepared by the Department for Communities and Local Government and is laid before Parliament by Command of Her Majesty.
2. **Description**
 - 2.1 The Valuation for Rating (Plant and Machinery) (England) (Amendment) Regulations 2008 (“the 2008 Regulations”) amend the Valuation for Rating (Plant and Machinery) (England) Regulations 2000 (S.I. 2000/540) (“the 2000 Regulations”). The purpose of the amendment is to provide that plant and machinery with the capacity to generate amounts of electricity or heat below certain thresholds (“microgeneration capacity”) that is installed in a non-domestic property on or after 1st October 2008 will not have any immediate impact on the rateable value of that property. The microgeneration capacity will be taken into account for the purposes of valuing the property for rates at the first statutory revaluation of all non-domestic properties after installation.
3. **Matters of special interest to the Joint Committee on Statutory Instruments**
 - 3.1 None.
4. **Legislative Background**
 - 4.1 Pursuant to section 41 of the Local Government Finance Act 1988 (“the 1988 Act”), new non-domestic rating lists are compiled every five years. Broadly speaking, rating lists show for a local authority area the non-domestic properties in respect of which rates are payable and their value for the purposes of rates (or rateable value). For the purposes of compiling new lists, all non-domestic properties are revalued. The current rating lists were compiled on 1st April 2005.
 - 4.2 The valuation of non-domestic properties is governed by Schedule 6 to the 1988 Act. This includes a power for the Secretary of State to make regulations prescribing assumptions which are to be made for the purposes of valuation. The 2000 Regulations were made under this power and provide that certain plant and machinery is to be assumed to be part of the property. The effect of this is that the plant and machinery is taken into

account in valuing the property for rates. All other plant and machinery has no effect on rateable value.

- 4.3 Following a Government announcement in the 2007 Pre-Budget Report¹, the 2008 Regulations amend the 2000 Regulations to provide that where plant and machinery which is assumed to be part of a property has microgeneration capacity, that capacity will not affect its rateable value. This will continue until the first revaluation of properties for the purposes of compiling new rating lists after the plant and machinery is installed. The definition of “microgeneration capacity” is based on the definition in section 26 of the Climate Change and Sustainable Energy Act 2006 (c. 19).
- 4.4 The effect of disregarding the microgeneration capacity of plant and machinery, rather than the presence of the plant and machinery itself, is that where it has a dual purpose, for example photovoltaic roof tiles which also provide the roof for the property, that second function can be taken account of in valuing the property.
- 4.5 The new provision inserted into the 2000 Regulations by the 2008 Regulations will apply to all plant and machinery with microgeneration capacity which is installed on or after 1st October 2008.

5. Territorial Extent and Application

- 5.1 This instrument applies to England.

6. European Convention on Human Rights

- 6.1 As the instrument is subject to the negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

- 7.1 The Government is committed to reducing carbon emissions and the promotion of microgeneration equipment is one of a number of measures aimed at tackling this issue.
- 7.2 Non-domestic rating is a tax levied on the occupation of land and buildings, based upon the rental value of the property concerned. All non-domestic properties are revalued every five years and the next revaluation will take place in 2010. In between revaluations, valuation officers are responsible for maintaining an up to date list of the rateable values of non-domestic properties, reflecting extensions, reductions and improvements

¹ See paragraph 7.29 of the 2007 Pre-Budget Report and Comprehensive Spending Review, available at http://www.hm-treasury.gov.uk/media/C/8/pbr_csr07_chapter7_258.pdf.

to properties as well as any adjustments that occur as a result of appeals against original valuations.

- 7.3 The process of assessing changes in value that occur as a result of changes to the fabric of properties can, however, have implications for investment decisions. A number of renewable industry representative bodies have made representations to the Government that the perception of an increase in the rateable value of commercial property, as a result of installing microgeneration equipment, acts as a disincentive to investing in that equipment.
- 7.4 This is based on the proposition that the installation of such equipment may, in principle, trigger a reassessment of a property's value. Although the Valuation Office Agency has confirmed that there is no evidence that this is happening in practice, the Government wishes to remove any disincentive to investing in microgeneration technology.
- 7.5 The new provision aims to give ratepayers confidence that installing microgeneration equipment will not result in an increase in the rateable value of the property at the time of installation. Any potential increases in rateable value attributable to the microgeneration capacity of the installed equipment will not be taken into account until the next general revaluation of all non-domestic properties.

8. Impact

- 8.1 An Impact Assessment has not been prepared for this instrument as it has no impact on business, charities or voluntary bodies.
- 8.2 The impact on the public sector is negligible. The measure announced in the Pre-Budget Report is to remove the perceived disincentive to invest in and install microgeneration technology in non-domestic properties. The Valuation Officer will assess any potential value of the microgeneration capacity of the newly installed equipment as part of the five-yearly general reassessment of all non-domestic properties.

9. Contact

- 9.1 Relwyn Reffell at the Department for Communities and Local Government (telephone: 020 7944 3810 or email: relwyn.reffell@communities.gsi.gov.uk) can answer any queries regarding the instrument.