
EXPLANATORY NOTE

(This note is not part of the Regulations)

The Local Government Finance Act 1988 (“the Act”) provides for non-domestic hereditaments to be revalued every five years. On a revaluation new non-domestic rating lists are compiled. The next compilation date is 1st April 2010.

On each previous revaluation a transitional relief scheme has been used to protect ratepayers from large increases in their rates bills following a revaluation. These Regulations, which apply to England only, set out the rules for the transitional relief scheme which will apply to the 2010 non-domestic rating revaluation.

The effect of the transitional relief scheme is to assist ratepayers whose bills (in these Regulations the “notional chargeable amount”) would have increased above a certain amount by phasing in these increases gradually over up to five years. It is also the effect of the scheme to phase in the reduction in bills of some ratepayers who would otherwise have seen their rates bills decrease immediately on 1st April 2010. The phasing in of the reductions funds the phasing in of the increases.

Part 2 of the Regulations makes provision for the determination of the substituted chargeable amount (which is the amount by reference to which a ratepayer’s liability is established) where the hereditament in question is shown in a local list or the central list (see sections 42 or 52 of the Act) and where the conditions in Part 2 are met.

Regulations 2 to 8 explain the terms used in determining whether the rules in Part 2 apply in place of the rules in section 43 (occupied hereditaments: liability), 45 (unoccupied hereditaments: liability) or 54 (central rating: liability) of the Act.

Regulation 9 specifies the cases where the principal rules, contained in regulation 10, apply for determining the chargeable amount in cases to which Part 2 applies. There are two tests which determine when the rules contained in regulation 10 apply.

The first is where NCA (notional chargeable amount, as determined under regulation 5) for a hereditament is greater than BL (base liability, as determined under regulation 6 or 7) and also greater than BL multiplied by AF (appropriate fraction, as determined under regulation 8). This is the situation where, but for these Regulations, the ratepayer’s chargeable amount would have increased above a certain amount at the beginning of the relevant financial year.

The second is where NCA (notional chargeable amount, as determined under regulation 5) for a hereditament is less than BL (base liability, as determined under regulation 6 or 7) and also less than BL multiplied by AF (appropriate fraction, as determined under regulation 8). This is the situation where, but for these Regulations, the ratepayer’s chargeable amount would have decreased below a certain amount at the beginning of the relevant financial year.

Where either of these tests is satisfied then the chargeable amount for the hereditament for each day will be—

$$\frac{(BL \times AF)}{C} + U$$

where C is the number of days in the year and U is a small business rate relief correction factor.

The appropriate fraction (AF) is different depending on whether the first or second test applies. The AF is also different for different classes of hereditaments. For instance, the AF is different for hereditaments whose rateable value falls below the relevant threshold (£25,500 in Greater London

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or £18,000 outside Greater London) compared to hereditaments whose rateable value meets or exceeds the threshold. Regulation 9 further provides that once the chargeable amount is calculated the mandatory reliefs (such as charitable relief and small business rate relief) are deducted.

Regulation 11 modifies the rules in relation to cases where, after 1st April 2010, there has been a change to the rateable value of the hereditament.

Regulation 12 modifies regulation 11 to apply in cases where there has been a change to the rateable value of the hereditament on 1st April 2010.

Regulation 13 modifies the rules in relation to cases where the hereditament is partly-occupied.

Regulations 14 to 17 make provision requiring the appropriate valuation officer to certify values for the purposes of the application of the rules in these Regulations, and regulation 18 provides for the procedure to be followed in the case of appeals against such certificates.

Regulation 19 revokes regulations 36 (certification by appropriate valuation officer) and 37 (appeals against certification) of the Non-Domestic Rating (Chargeable Amounts) Regulations 1999, which provide for the issuing of certificates and appeals against certification in relation to the 2000 rating lists.

Schedule 1 deals with cases where as a result of a structural alteration a hereditament is deleted from a local list but is subsequently restored to it on or after 1st April 2010.

Schedule 2 makes provision, in place of Part 2, for cases where a hereditament splits, or is merged with one or more other hereditaments, whether the split or merger occurs on or after 1st April 2010.