

**EXPLANATORY MEMORANDUM TO**  
**THE LOCAL GOVERNMENT FINANCE ACT 1988 (CALCULATION OF SMALL**  
**BUSINESS NON-DOMESTIC RATING MULTIPLIER) (ENGLAND)**  
**REGULATIONS 2023**

**2023 No. 1389**

**1. Introduction**

1.1 This explanatory memorandum has been prepared by His Majesty's Treasury and is laid before the House of Commons by Command of His Majesty.

**2. Purpose of the instrument**

2.1 This instrument is made in exercise of the powers conferred by paragraph A10(4)(b) of Schedule 7 to the Local Government Finance Act 1988 ("the LGFA 1988").

2.2 This instrument changes the annual indexation of the small business non-domestic rating multiplier ("the small business multiplier") for the financial year beginning on 1 April 2024 ("2024-25"). Instead of being uprated by the Consumer Price Index ("CPI"), the small business multiplier for 2024-25 will be the same as the small business multiplier for 2023-24.

**3. Matters of special interest to Parliament**

*Matters of special interest to the Select Committee on Statutory Instruments.*

3.1 None.

**4. Extent and Territorial Application**

4.1 The extent of this instrument (that is, the jurisdictions which the instrument forms part of the law of) is England and Wales.

4.2 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England.

**5. European Convention on Human Rights**

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

**6. Legislative Context**

6.1 The Non-Domestic Rating Act 2023 ("the NDRA 2023") amends the LGFA 1988 in respect of non-domestic rates ("business rates").

6.2 In particular, section 15(2) of the NDRA 2023 inserts a new Part A1 into Schedule 7 to the LGFA 1988. In relation to England, Part A1 makes provision for the determination of the non-domestic rating multiplier ("the national multiplier") and the small business multiplier for each chargeable financial year.

6.3 For a chargeable financial year other than a revaluation year—

- the national multiplier is calculated in accordance with paragraph A4 of Schedule 7 to the LGFA 1988, and

- the small business multiplier is calculated in accordance with paragraph A6 of that Schedule.
- 6.4 Each of those paragraphs includes a formula which includes a variable referred to as “C”. C is CPI for September of the financial year preceding the financial year concerned. However, if the Treasury so provide by regulations in relation to the year concerned, C is a figure which is less than that index and which is specified in, or calculated in a manner specified in, the regulations (see paragraph A10(4)(b) of Schedule 7 to the LGFA 1988).
- 6.5 The financial year 2024-25 is a chargeable financial year other than a revaluation year. In relation to 2024-25, this instrument specifies C as 123.8 in relation to the small business multiplier<sup>1</sup>.
- 6.6 Consequently, for 2024-25—
- the national multiplier will be uprated by CPI<sup>2</sup>, but
  - the small business multiplier will be the same as the multiplier for 2023-24.

## 7. Policy background

### *What is being done and why?*

- 7.1 Business rates are calculated as the product of a hereditament’s rateable value, as determined by the independent Valuation Office Agency, and the relevant business rates multiplier. A hereditament is a taxable unit of property. For the financial year 2024-25, should Parliament agree, the small business multiplier will generally apply in relation to hereditaments with rateable values of less than £51,000 and the national multiplier will generally apply in relation to hereditaments with rateable values of £51,000 or more<sup>3</sup>.
- 7.2 Before the NDRA 2023 came into force, under Schedule 7 to the LGFA 1988 the small business multiplier was uprated each year by the 12-month percentage change in the retail prices index (“RPI”) for the preceding September. In recent financial years, the national multiplier was the small business multiplier plus a 1.3p supplement.
- 7.3 From the financial year beginning on 1st April 2018, the government had a general policy of uprating the small business multiplier by reference to CPI rather than RPI. Since CPI is typically lower than RPI, this policy entailed a reduced indexation for the small business multiplier.
- 7.4 Following the coming into force of the NDRA 2023, the position under Schedule 7 to the LGFA 1988 has changed. Both the national and the small business multipliers will in future be uprated each year by the 12-month percentage change in CPI unless the Treasury by regulations provides for a lower level of indexation.
- 7.5 The Chancellor announced at Autumn Statement 2023 that, for the financial year 2024-25, the national multiplier would be uprated by CPI but that the small business

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<sup>1</sup> Office for National Statistics, 18 October 2023, “Consumer price inflation, UK: September 2023”, ([Consumer price inflation, UK - Office for National Statistics](#)).

<sup>2</sup> For the national multiplier, C will be 132.0 (see footnote 1 above).

<sup>3</sup> The draft Local Government Finance Act 1988 (Prescription of Non-Domestic Rating Multipliers) (England) Regulations 2023 have been laid in Parliament and will achieve this outcome if they are approved by a resolution of each House of Parliament and then made by the Treasury.

multiplier for 2024-25 would be the same as the multiplier for 2023-24. As a result, the national multiplier for 2024-25 will be 54.6p, whilst the small business multiplier will remain at 49.9p. Alongside small business rate relief, the Chancellor's announcement will support 89% of ratepayers meaning bills are lower than without the freeze in relation to the small business multiplier.

7.6 For the financial year 2024-25, this instrument is required to give effect to that policy.

## **8. European Union Withdrawal and Future Relationship**

8.1 This instrument does not relate to withdrawal from the European Union.

## **9. Consolidation**

9.1 Not applicable.

## **10. Consultation outcome**

10.1 No consultation has been carried out prior to this instrument being made.

## **11. Guidance**

11.1 Guidance on business rates in general can be found on gov.uk (<https://www.gov.uk/introduction-to-business-rates>).

## **12. Impact**

12.1 The impact on business, charities or voluntary bodies is that, for the financial year 2024-25 and subject to the approval of Parliament<sup>4</sup>, the bills for those bodies paying business rates on properties with a rateable value of less than £51,000 will not include a 6.6% increase before any reliefs are applied.

12.2 The impact on the public sector is that, for the financial year 2024-25 and subject to the approval of Parliament<sup>5</sup>, the bills for those bodies paying non-domestic rates on properties with a rateable value of less than £51,000 will not include a 6.6% increase before any reliefs are applied.

12.3 A full Impact Assessment has not been prepared for this instrument because it amends a local tax regime and amendments to any tax are excluded from the definition of a regulatory provision<sup>6</sup>.

## **13. Regulating small business**

13.1 The legislation applies to activities that are undertaken by small businesses.

13.2 Subject to the approval of Parliament<sup>7</sup>, small businesses which are below the £51,000 rateable value threshold will be protected from bill increases through a freeze in relation to the small business multiplier. No specific action is proposed to minimise regulatory burdens on small businesses, since its impacts are beneficial to small businesses.

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<sup>4</sup> See paragraph 7.1 and footnote 3 above.

<sup>5</sup> See paragraph 7.1 and footnote 3 above.

<sup>6</sup> See section 22(4)(a) of the Small Business, Enterprise, and Employment Act 2015.

<sup>7</sup> See paragraph 7.1 and footnote 3 above.

**14. Monitoring & review**

- 14.1 The operation of this instrument will be monitored and reviewed as part of the operation of the national non-domestic rates system as a whole.

**15. Contact**

- 15.1 Haniel Whitmore at HM Treasury, can be contacted with any queries regarding the instrument at [haniel.whitmore@hmtreasury.gov.uk](mailto:haniel.whitmore@hmtreasury.gov.uk)
- 15.2 Matthew Henty, Deputy Director for Enterprise and Property Tax at HM Treasury can confirm that this Explanatory Memorandum meets the required standard.
- 15.3 The Financial Secretary to the Treasury (Nigel Huddleston) can confirm that this Explanatory Memorandum meets the required standard.