

# Rating Bulletin

September 2025

Issue #6

Welcome to the latest in our series of Rating Bulletins.

In this month's edition we will be discussing:

- The Revaluation of all commercial properties on 1 April 2026
- Empty rates
- The Government's response to a Discussion Paper on the future of the Business Rates system.

## Revaluation 2026

All commercial properties will be revalued on 1 April 2026, but some sectors are likely to be more affected than others as we discuss below.

The Revaluation will estimate the rent that would have been paid for the property on 1 April 2024, broadly assuming the tenant is responsible for all repairs and insurance and that the property has been put into a state of economic repair.

We expect that the Draft Rating List will be published towards the end of October although it will not come into effect until 1 April 2026.

The Draft Rating List will set out the values that, unless changed, will come into effect and upon which annual rates will be calculated. We believe that certain sectors will fair rather more badly than others in terms of increases in assessment. We expect high bay distribution warehouses to see some of the larger increases in assessment between the Rating Lists. Poorly performing sectors will see reductions in

assessment. Once the List is published, we will have better visibility over trends and will provide you with the details.

The Draft List is only part of the equation in establishing the annual liability that will come into effect. The second part of the equation is to understand the multipliers that will be applied. Each of the devolved Governments will set their own multipliers. We expect that the Chancellor in her budget speech on 26 November 2025 will set out details of the multipliers to be used in England although an announcement could be made sooner.

There is overwhelming support for the multiplier to be reduced from its current level of 55.5p for properties with an assessment above Rateable Value £51,000 and 49.9p for those below this level.

However, it must be recognised that any shortfall in income between what is currently generated and what will be generated following the Revaluation must be found from some other source. We think it highly unlikely that the Government will reduce the multipliers given the current state of public finances.

There will be other considerations to watch out for, including:

### 1. Retail, Hospitality and Leisure relief

The Government has indicated that it will remove the current 40% discount applied to qualifying properties through the Retail, Hospitality & Leisure Relief Scheme. It has brought forward legislation that will allow the Government to reduce the multiplier by up to 20p for qualifying properties in these sectors. We expect the Government to confirm a reduction in the multiplier and

to set out the definition of qualifying properties. We suspect that they will want to make the system simpler and they may seek to reduce the number of qualifying properties with reference to the description in the Rating List as opposed to the qualifying use to which the property is put, irrespective of the description in the Rating List.

To fund the cut in the multiplier, properties with assessments greater than £500,000 will be subject to a surcharge of up to 10p, which we expect will be detailed in the Chancellor's speech. If the government were to adopt a full surcharge of up to 10p across the Revaluation and the multiplier for 2026/27 were to be close to the existing multiplier, then potentially in 2028/29 the multiplier could be as high as 70p. This would be a significant blow to ratepayers of large properties, especially where assessments have risen substantially between the Rating Lists.

## 2. Transitional Relief

Following previous Revaluations, the Government has introduced a transitional relief scheme. This limited any increase in liability following the Revaluation so that the amount previously payable could only increase by a preset maximum percentage increase. Usually, the scheme would last for three years.

## 3. Small Business Rate Relief (SBRR)

Currently, qualifying occupiers of properties with an assessment below Rateable Value £12,000 benefit from an exemption in liability. Tapered relief then applies up to Rateable Value £15,000.

We expect the SBRR scheme to stay in place. Whilst we think the thresholds should increase, because the scheme was introduced some time ago, it is unlikely that the Government will move the thresholds due to the cost of its implementation. There may be some relief for those ratepayers who lose SBRR following the Revaluation.

## 4. Empty Rate Relief

Following the physical vacation of a property, all properties are entitled to three months statutory empty rate relief during which no rates are payable, except properties used for manufacturing

or storage which are entitled to six months relief. Thereafter, full rates become payable unless an exemption applies, for example, in the case of listed buildings. We are not expecting the Government to change the empty rate rules although it may bring forward anti-avoidance legislation. There has been talk of a consultation paper on anti-avoidance rules similar to those introduced in Scotland and Wales.

Whilst we feel sure the Government would like to clamp down on lawful strategies to manage empty rate relief, it probably finds itself between a 'rock and a hard place' having consulted over such strategies in 2023. The empty rate rules were amended to generate additional periods of relief and the period of occupation was extended from 6 weeks to 13 weeks. We believe the Government struck a balance between the arguments it was hearing from Local Authorities and those of ratepayers. The Government should be mindful that ratepayers generally do not deliberately keep properties vacant, not least because they are unproductive or failing to generate income. It needs to take care that it doesn't over burden owners of vacant properties otherwise some ratepayers may resort to more extreme measures to avoid empty rates.

In advance of the Revaluation, we would remind our clients that there are steps that can be taken to manage their current and future liability:

1. Consider current assessments and, where applicable, ensure that a challenge is made against them prior to 31 March 2026. This may lead to a refund of overpaid rates or have a beneficial impact upon the calculation of transitional relief if applicable.
2. Consider the factual matters upon which the assessment is based. If the floor areas, for example, are incorrect then a challenge may be made against the assessment.
3. Examine the description made against the property and consider whether it may be appropriate to change the description in advance of the publication of the new Rating List. This may help secure, for example, Retail Hospitality & Leisure Relief if it is more closely tied to the description of the property.
4. Consider assessments around the thresholds of properties that benefit from the small business rate multiplier or around the new threshold of Rateable Value £500,000, against which a surcharge would apply.
5. Continue to check that reliefs have been properly allowed against properties that are used for Retail, Hospitality or Leisure uses.



## Retail, Hospitality & Leisure Relief

This relief was created to assist ratepayers of qualifying properties during the Covid pandemic. We continue to advise upon properties where relief has never been claimed. You should carefully consider whether your property may qualify for relief if it is mainly being used as a:

- Shop
- Restaurant, café, bar or pub
- Cinema or music venue
- Hospitality or leisure business, for example, a gym, spa or a hotel.

As ever 'one size does not fit all' and the use to which the property is put is the determining factor, as opposed to whether it has a generic description. For example, we believe that properties such as trade counters, guest houses or car showrooms should all benefit from relief subject to other qualifying rules. If you are in any doubt, please contact a member of the team who will be pleased to examine your rate demands, consider the use to which the property is put, and advise upon whether we believe an application can be made for relief. Potentially, the relief may be backdated to 1 April 2023 and may be worth up to £110,000 per annum.

## Improvement Relief

In our last Bulletin we described how ratepayers may be able to reduce their liability because of building works taking place to a building. In some instances, it may be possible to delete the assessment entirely or to seek a partial reduction in assessment if the works are affecting part of the building only. An example of the latter may be where works are being undertaken to a building to extend the property. The disturbance caused by those works may allow for a reduction in assessment. When the works are finished the assessment will be increased to reflect the value of the increased floor area or improvements made to the building.

It may be possible to benefit from the Government's Improvement Relief Scheme. Qualifying properties and ratepayers will benefit from an exemption from the payment of rates over a 12 month period from the date of their completion.

To qualify, the ratepayer must remain in occupation during the works and there must be an increase in assessment because the size of the property has increased, or new features or equipment have been added to the property.



Relief cannot be passed on to subsequent occupiers and Improvement Relief does not apply to landlords.

If you are considering undertaking any works or improvement to your property, please contact a member of the team who will be able to discuss strategies with you to limit your liability during the works, and how you can benefit from Improvement Relief once the works have finished.

## Section 44A Relief

In rating law, occupation of a small part of a property is deemed to constitute occupation of the whole. This means that however slight the occupation, full rates are payable until the property becomes vacant when empty rate relief will be applied.

There are situations where part of a property may be vacant for a short period. Local Authorities have the discretion to apply relief under Section 44A of the Local Government Finance Act 1988. In the case of a warehouse, for example, if part of the property is vacant for a period of up to six months (and there is an intention to re-occupy the property at the end of this period), then the Council may be persuaded to exercise their discretion and allow relief over the vacant area, potentially leading to a significant refund.

The Council must be persuaded that the following conditions are satisfied:

- There is a clearly definable vacant area
- The area will remain vacant for no more than six months (three months in the case of an office or shop) following which it will become re-occupied
- The area will remain continuously vacant.

In such circumstances, relief may be allowed through an apportionment of the assessment between the occupied and vacant areas. In some instances, the relief may be sizable although it should be recognised that not all Local Authorities will exercise their discretion in this manner.

Section 44A Relief is not just applicable to warehouses but may be applied to other properties where there is a sizeable area of the property which has become vacant, and which will become re-occupied in the foreseeable future. In the case of offices or retail properties the maximum period of relief is three months.

# HM Treasury Report – Transforming Business Rates: Interim Report

In the last few days, the Government has published two documents giving us further insight into its thinking on the future of the business rates system.



Following the publication of a discussion paper setting out the Government's priority areas of reform for business rates in Autumn 2024, a summary of responses and the Government's priorities have now been published.

The discussion paper considered various matters that encompassed reliefs, valuation, the appeal process and the Revaluation process. Several round table discussions took place, and the Government received written representations. Cluttons took part in the process by attending round table meetings in addition to providing a written submission.

The Government has found it difficult to identify a consensus on most items which is unsurprising as it received evidence from ratepayers, their agents and Local Authorities. There were contrasting views on a number of matters that will require further consideration. These include:

- The Government considers there to be a case to explore fundamental change from a 'slab' to a 'slice' system of business rates. Effectively, this means that where there is a hard threshold it will consider the introduction of marginal tax rates. For example, properties with a Rateable Value below £51,000, benefit from a multiplier of 49.9p compared to those properties where the assessment is greater, which attracts a rate of 55.5p. The suggestion is that there will be a marginal tax rate to move away from this cliff edge scenario.
- The Government will review how Small Business Rate Relief can better support business growth.
- Consideration as to how Improvement Relief can be enhanced once more detail is available.
- The Government will deliver a transitional relief package for the 2026 Revaluation to support ratepayers seeing large Rateable Value increases.
- The Government will explore concerns over certain valuation methods and will consider options to address these for the 2029 Revaluation.
- The Government will use the merger of the Valuation Office Agency (VOA) with HMRC to pursue administrative changes to help ratepayers.
- The Government is ruling out increases to Revaluation frequency, in order to provide businesses with certainty. This means that the current three-year Revaluation cycle will remain, although it will explore the possible benefits of shortening the Antecedent Valuation Date, which is the base date to which properties are valued from two years prior to the Revaluation to one year.

## Our observations on the proposals are;

- There is no commitment to any bold reforms, but it sets out the key areas that it will focus on for future business rates reform. It states that the areas identified for consideration will not represent policy decisions, but rather indicate where the Government will prioritise further exploration of policy options.
- Their aims are to put in place measures that remove barriers to investment, provide certainty and they will continue to engage with stakeholders.
- The Government has not signalled its intention to radically reform the business rates system. Arguably, the multiplier is one of the largest tax rates within the economy which should be reduced. There continues to be a myriad of reliefs and exemptions which we believe should be considered and reformed.
- The Government has avoided tackling empty rates and one must wonder whether it is content to leave the status quo, or whether it will introduce some anti-avoidance legislation at a later date.

We believe this is an opportunity missed to radically reform the business rates system for the benefit of all stakeholders, although an alternative view would be that it does provide some certainty for ratepayers and allow them to plan for their future liability.



## Meet the team

### Ben Peers

Ben recently joined the London office of Cluttons as a partner from WSP GL Hearn.

Ben is responsible for overseeing and carrying out business rates appeal work predominantly in London and the Southeast. With over 14 years working in business rates, Ben's experience is diverse with significant exposure across the commercial property sector including offices, industrial, retail and leisure properties. More recently Ben has been involved in providing rating advice for landlord and investor clients throughout London and the Home Counties.

In addition to business rates appeal work, Ben assists clients with identifying empty rates mitigation strategies, as well as working closely with the Valuation Office to influence values prior to new rating revaluations going live. Ben has taken a number of cases to the Valuation Tribunal with successful outcomes.

Outside of work Ben's hobbies are skiing and travelling. He recently spent time in the Eternal City with his wife, young daughter and his extended Italian family. Ben is sometimes brought back down to earth however with his occasional visits to the 'Molineux' which is home to his beloved Wolverhampton Wanderers.

### Lynn Burberry and Tina Shepherd

Lynn and Tina are two of our unsung heroes in the rating team. Respectively based in Manchester and London they provide the necessary support to the surveyors within the team. Between them they have considerable knowledge and experience of the operating systems upon which the team rely to ensure that our clients receive accurate reports, data and support.

Lynn has worked with the members of the Manchester team for over 25 years and Tina for a similar period in London. They are the 'go to' members of the team for guidance on the use of the software systems that we adopt to manage our business accurately and efficiently.



Ben



Lynn



Tina



## Please contact one of our team

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## And finally...

At the recent Cluttons 'Going for Growth' conference in London, which brought together the Cluttons family for a day, the Business Rates team were awarded the accolade of 'Team of the Year'. The award was voted for by their peers and recognises the professionalism and dedication of the whole team.



Our very own Lynn Burberry was also recognised with an individual award under the 'Fascination' category of Cluttons' values recognising her hard work and support to the team, which was highly deserved.