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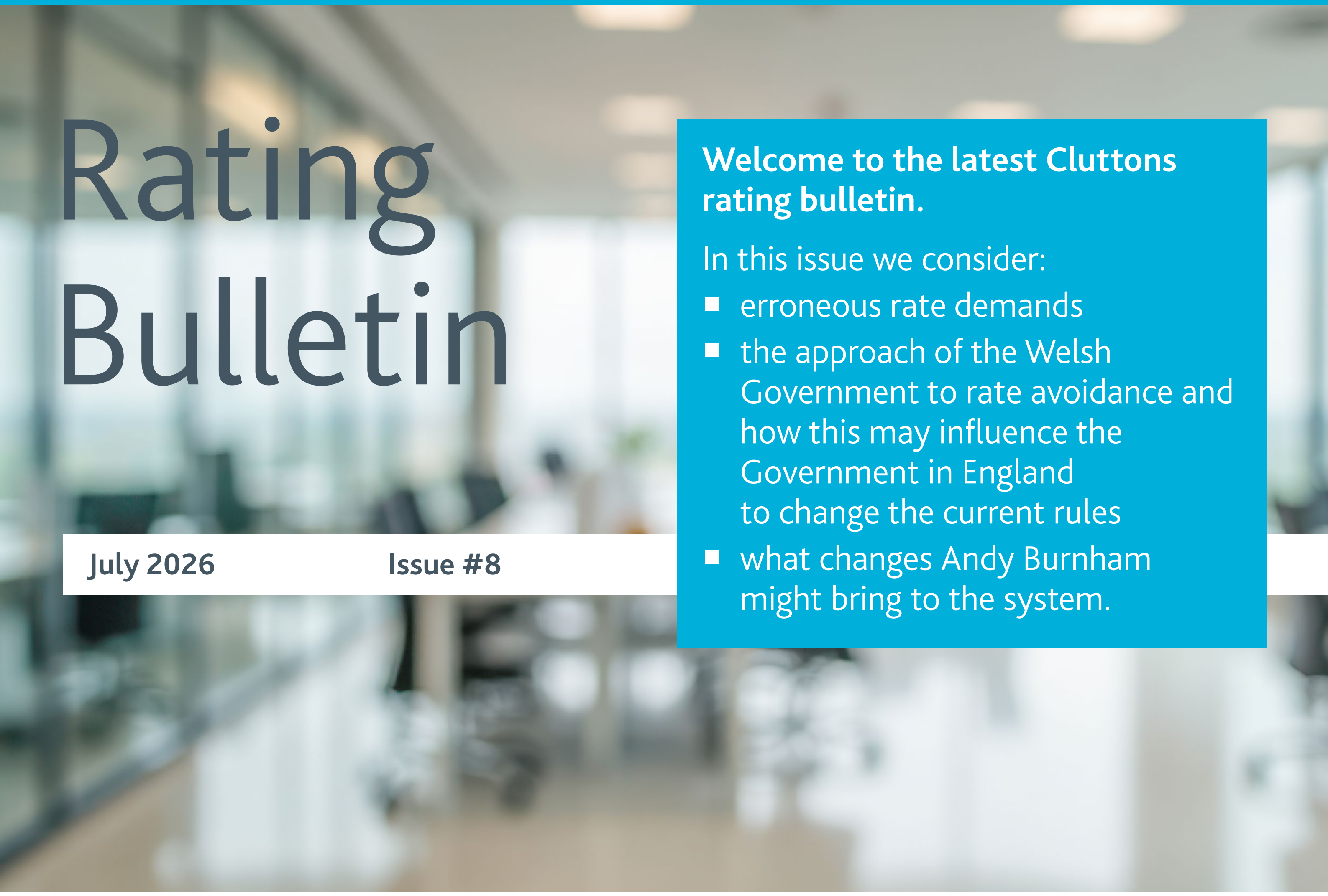


Rating Bulletin

July 2026 **Issue #8**

Welcome to the latest Cluttons rating bulletin.

In this issue we consider:

- erroneous rate demands
- the approach of the Welsh Government to rate avoidance and how this may influence the Government in England to change the current rules
- what changes Andy Burnham might bring to the system.

Political landscape – Andy Burnham

It is difficult to know what changes Andy Burnham will implement to the business rates system in England. He has not ruled out increases within the tax system and business rates might be an easy target.

This may however be incompatible with some of his past comments, for example his wish to take more ratepayers out of rating, especially those on the high street. This would need to be funded, most likely through supplements elsewhere within the system. It is arguable that some of his calls in the past for action have been implemented by Rachel Reeves.

So, what might Burnham's priorities be?

- He has previously called for a 20% cut in rates for pubs, clubs and music venues.
- He wants to remove or reduce the liability for selected occupiers on the high street, including cafes, shops and hairdressers.
- He may increase the small business rate exemption threshold from RV £12,000 to RV £15,000, below which an exemption might apply.
- He may introduce a levy on the online giants via a supplement to their warehouse liabilities to offset any discounts being allowed elsewhere.
- He is considering introducing a surcharge on long term voids on the high street.
- He may oversee a crackdown on empty rate, business rate avoidance and evasion strategies.

We will keep you updated on his thinking and changes when we know more.

Rate demands

In England, the Billing Authority (BA) is required to issue a rate demand to recover rates based upon every assessment shown in the Rating List. As a tax, business rates are efficient because it is easy for the BA to identify the ratepayer and levy the charge.

Most ratepayers should have received their rate demands following the Revaluation that came into effect on 1 April 2026. It is important that ratepayers take the time to check the calculation of their liability and to ensure that reliefs have been correctly applied.

We are noticing that some BAs are failing to apply the correct relief. It is open to ratepayers to challenge the calculation of their liability.

Move away from fixed percentage reductions

Following the budget the Chancellor moved away from a fixed percentage reduction applicable to qualifying retail, hospitality and leisure properties, in favour of a reduced multiplier of 38.2p for those properties with a Rateable Value up to £51,000, and 43p for those with a Rateable Value above this level.

Our observation is that in many instances BAs are failing to allow relief, especially on properties where they have difficulty identifying the qualifying use. The situation in Wales is different, where the relief is based upon the description shown in the Rating List. It is therefore possible that in Wales a ratepayer may not qualify for the relief, even though the use should qualify, but the description in the List does not mirror the qualifying use. In these circumstances a challenge should be made to the assessment to change the description and benefit from relief.

> "The changes introduced from April 2026 create both opportunities and risks for ratepayers, making early review of assessments and relief entitlement essential."

Statutory empty-rate relief

We are also detecting that following the expiry of a lease, the landlord to whom the property reverts is not benefiting automatically from statutory empty rate relief, even though the tenant has occupied the property up until the date of lease expiry. Landlords should check their rate demands and challenge Local Authorities to allow relief where they believe it should be allowed. It is important to remember that empty rate relief runs with the property, and not with a change of occupier. Following a change of owner or occupier, if the property remains vacant, the new ratepayer will benefit from the unexpired residue, if any, of the exemption.

Anti-avoidance framework

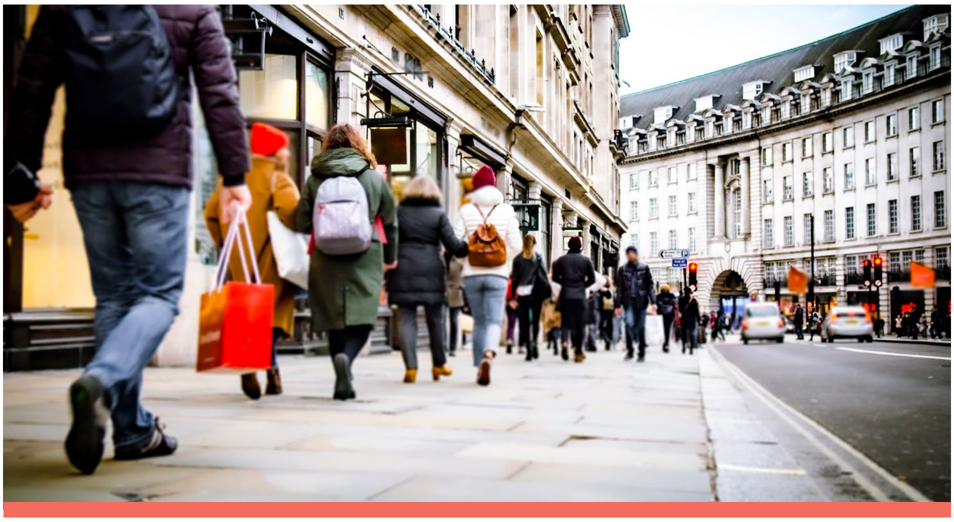
From 1 April 2026 the Welsh Government has introduced an anti-avoidance framework for business rates to tackle artificial arrangements designed to reduce rate liabilities. This includes, but is not limited to, strengthening empty property relief, allowing BAs to inspect properties and treating occupiers who abuse the system as liable for full rates.

Arrangements now ineligible

The new Regulations set out four types of arrangements that would be treated as artificial and ignored when determining a liability, including; empty rates unless a BA decides otherwise. Arrangements now ineligible include:

1. Non-commercial occupation – where the occupiers pay nothing or below market rents, or where rate mitigation is an explicit purpose of the arrangement.
2. Ratepayers wound up voluntarily – change of lease arrangements involving companies that have been voluntarily wound up or parties with qualifying connections to such companies.
3. Concerning characteristics / behaviours for example; failure to identify the ratepayer, use of employee / relatives as the ratepayer or involvement of persons with disqualifications, insolvency issues or relevant convictions.
4. Certain types of occupation – where the occupation mainly benefits a rates mitigation business or relies on Wi-Fi / Bluetooth transmitters for localised advertising.

Fines for transgression are based upon 3% of the Rateable Value plus £500.



Duty to notify

To supplement the general anti-avoidance rule the Welsh Government has introduced a duty to notify Local Authorities of changes in circumstances affecting business rate liabilities which applies from 1 April 2026. The Regulations set out details of the duty, penalties for failing to adhere to the duty and the process for making an appeal. Essentially, the main duty is to identify the ratepayer and whether the property is occupied.

The requirement is upon the ratepayer of a property in Wales to notify the relevant BA of any of the following changes:

1. If there is a change in the identity of the person who is the ratepayer. This duty falls upon the person / ratepayer to identify to the BA that they are the new ratepayer of the property.
2. The ratepayer must notify the BA if they occupy a previously empty property.
3. If the ratepayer ceases to be the occupier of a property and the property is unoccupied immediately following the change. Essentially, the owner of the property must notify the BA that it is no longer occupied (whether or not they were already the ratepayer).

When one or more of these changes has occurred, the ratepayer must confirm this to the Local Authority, together with the date of the change within 60 days of the relevant change taking place. Compliance should be straightforward and a brief email confirming the change should be sufficient. However, a penalty of £500 may be imposed by the Local Authority for failure to comply with this duty. In the case of non-compliance, the Local Authority will issue a penalty notice requiring payments to be made within 21 days.

A separate penalty may be applied of £1,000 for knowingly or recklessly providing false information.

The team at Cluttons can assist with this process and provide advice on the complex area of rate liabilities, reliefs and payments.

Welsh Restricted Retail, Hospitality & Leisure Relief Scheme

In Wales the Government has implemented a restricted Retail, Hospitality & Leisure Relief Scheme. There is a more generous multiplier of 35p, which is applicable to small to medium sized retail shops with a Rateable Value of below £51,000. It does not apply to properties with an assessment greater than this value, and only applies to properties with the following descriptions in the Rating List:

- Kiosk & premises
- Pharmacy & premises
- Post Office & premises
- Shop & premises
- Shop, Post Office & premises.

The multiplier does not apply to large shops, department stores, hypermarkets and supermarkets. It does not apply to properties which are wholly or mainly used for the sale of services, for example; banks, betting shops or food and drink consumption on the premises (for example cafes, pubs and restaurants).

"The new Welsh rules place greater responsibility on ratepayers to notify local authorities of changes in occupation, with significant financial penalties for non-compliance or inaccurate reporting."

Empty Rates

The empty rate provisions continue to be under review by the Government. The general anti-avoidance rules introduced in Wales and Scotland perhaps indicate the direction of travel that the English Government might follow, to curtail strategies currently being employed to reduce this liability.

More cases are being referred to the courts to determine the legality or otherwise of empty rate strategies. The courts appear to have reached a turning point and are more likely to draw a distinction between sham and artificial arrangements. Intermittent occupation schemes (also known as the Makro strategy) remain effective, if undertaken in line with the guidelines set by the courts. The Government examined this strategy and from 1 April 2025 adjusted the 'period of occupation' from 6 weeks to 13 weeks. By doing so it is arguable that they have endorsed the strategy as being lawful, as it was completely within their power to curtail the practice.

The courts are looking at other more aggressive strategies and are tending to push back on them. Many of these will involve a sham lease being put in place with little or no intention of occupation, and with the intention of avoiding rates. Examples of schemes that have failed include:

- Short leases to shelf companies with 'snail farming' clauses
- Leases and licences for religious use with no evidence of occupation
- Some charitable schemes where the charity had no control over the property and have never occupied the property.

There will be further cases, and we sense that BAs are questioning and challenging strategies that involve artificial arrangements with third parties, whose sole intention is to help the owner avoid the payment of rates.

We believe ratepayers of vacant properties should retain the right to lawfully manage their liability for empty rates. The Government has consulted over the 'Makro' or intermittent strategy and has amended the requirements to qualify for relief, without resorting to an outright prohibition of the strategy.

Meet the team

Nick Heathcote

Nick is an associate in the Rating team with 18 years of experience based in our Manchester office. He specialises in appeal work and empty rates mitigation across the office, industrial and retail sectors.

Nick has extensive experience of providing bespoke strategic advice to landlord clients who own shopping centres across the country, mitigating their business rates liability, and he has successfully represented clients at Valuation Tribunal.

Outside of work Nick spends most of his time as a 'dad taxi', chauffeuring his kids to piano, drama, gymnastics, and football. He is also an avid fan of Manchester United and has recently started to support Manchester United Women due to his daughter's love of football.

Why Cluttons?

Our WHY Cluttons campaign showcases our people and the expertise we have across our business. We invite you to take a look, especially at the recent post of our very own Ryan Jones.

CLICK HERE

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And finally…

At our recent all company annual conference in London, the business rates team were really proud to receive the 'Cluttons Team of the Year' Amplify Award. The citation read:
"Our first ever repeat winner of an Amplify Award and in receipt of a number of nominations this team has been recognised for substantial growth and strong performance – outperforming budget, growing revenue, winning new clients, and doing it with real teamwork. What comes through strongly is the shared ambition and the 'one team mentality', people pulling together, collaborating and keeping standards high through a demanding year. It is a brilliant example of how consistent delivery plus strong team culture achieves results."