



Llywodraeth Cymru  
Welsh Government

PUBLICATION

# Consultation on improvement rates relief

We are seeking views on proposals to provide rates improvement relief in Wales.

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# Introduction

The Welsh Government is pursuing a range of reforms during the current Senedd term which will make essential and positive changes to non-domestic rates (NDR) in Wales. On 5 April 2023, we **announced** that the UK Government's Non-Domestic Rating Bill is being used to bring about certain of these reforms at the earliest possible opportunity. These include a new improvement relief, which the Welsh Government proposes to use to support businesses and other ratepayers to invest in making improvements to the non-domestic properties they occupy.

The Welsh Government recognises that many businesses see the NDR system as a disincentive to investing in property improvements, as any resulting increase in a property's rateable value may lead to a higher bill. This consultation seeks views on the Welsh Government's proposal to provide improvement relief, to help address this potential barrier to growth and investment in the tax-base, from 1 April 2024.

This consultation applies to Wales only, but similar proposals have been developed by the UK Government in relation to England.

## What is improvement relief?

The Welsh Government proposes to support ratepayers investing in improvements to their non-domestic properties which will support their business, by providing relief from the effect of a resulting rateable value increase on their NDR liability for a period of 12 months. This will ensure that businesses and other ratepayers are able to start realising the benefits of improvements they make, before their NDR bill increases.

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Improvement relief will be applicable to the local and central rating lists. It is proposed that eligibility for the relief will be subject to two conditions being met. Firstly, the improvements must meet the definition of qualifying works. Secondly, the property must have remained in occupation by the same ratepayer in the period since the qualifying works began. These conditions are explained in more detail in the following sections.

The Valuation Office Agency (VOA), which is independent of the Welsh Government, is responsible for the valuation of properties for the purpose of NDR. The VOA will, therefore, determine the effect of any improvements to a property on its rateable value. If the VOA is satisfied that the improvements meet the definition of qualifying works, it will issue a certificate confirming the increase in rateable value which is attributable to the works.

Local authorities (in respect of the local rating lists) and the Welsh Government (in respect of the central rating list) are responsible for NDR billing and the application of reliefs. The relevant billing authority must be satisfied that the occupation condition has been met before they apply the relief based on the certificate issued by the VOA.

It will initially be possible to provide improvement relief up to and including 31 March 2029, under the enabling provision. If the Welsh Government decides to extend the relief beyond 1 April 2029, it will be able to legislate to change that expiry date.

## **The qualifying works condition**

The Welsh Government proposes to clarify the property improvements which will be eligible for the new relief by defining the qualifying works condition in regulations. The definition is intended to reflect the policy objective to support businesses and other ratepayers to make improvements to their properties which will support their business and growth.

Qualifying works must result in a positive change in the rateable value to be eligible for relief. Any improvements which result in no overall change in rateable value or a reduction due to simultaneous value-suppressing activity, such as demolition works, will not be eligible for the relief.

To meet the definition of qualifying works, the improvements must result in:

- an increase to the size of a building or the internal useable space within it
- improvements or upgrades to the property's physical state, such as the addition of heating, air conditioning, or raised flooring
- the addition of other rateable plant and machinery

Illustrative examples of improvements which may meet the qualifying works condition include:

- the addition of insulation or new lining to a previously uninsulated industrial property, resulting in an increase in rateable value
- a physical extension to a property
- the removal of a structural wall within a shop, resulting in an increase in rateable value, as the area previously behind the wall is then used for retail instead of storage
- the addition of a structural mezzanine retail area in a retail warehouse

A change of use alone (e.g. from a shop to a restaurant) will not constitute qualifying works. It is, however, possible that works such as the examples given above which are associated with a change of use may still be eligible. The addition of land to an existing property, the creation of a new hereditament (unit of property with a separate rating assessment) next to the existing property, and general maintenance and repairs would also not constitute qualifying works. A new building within an existing hereditament, such as a new building on a large factory site, would be treated in the same way as an extension or improvement to an existing building, and meet the definition (provided there was an increase in the rateable value of the hereditament which the property comprises).

If a ratepayer undertook a scheme of works resulting in the division of a property into multiple different hereditaments, this may still qualify for relief if the other tests are met. As an example, if the ratepayer for an industrial unit undertook qualifying works and also divided part of their property into a separate hereditament for use by a different occupier, the works may still qualify, but only in respect of the hereditament the same ratepayer continues to occupy. This is linked to the occupation condition.

The policy intent of the relief is to support occupiers making improvements to their existing business premises. It is not the intention to subsidise general commercial property development, such as new construction or refurbishment. Given that such major development generally results in properties being removed from the rating list, the definition of qualifying works will exclude circumstances where the property was not included in a rating list for part or all of the period during which the works are undertaken.

Illustrative examples which may not meet the qualifying works condition include:

- construction of a new building resulting in a new rating assessment (i.e. a new hereditament)
- a property removed from the rating list while substantial redevelopment is undertaken and returned to the list when the works are complete
- replacement of an old technology, such as upgrading to more modern insulation, with no resulting change in rateable value

The VOA will determine whether the qualifying works condition has been met. If it is satisfied that the condition has been met, it will issue a certificate of the change in rateable value which is attributable to the qualifying works.

## The occupation condition

The Welsh Government proposes to clarify which ratepayers will be eligible for

the new relief by defining the occupation condition in regulations. The definition is intended to reflect the policy objective to support ratepayers investing in their own active business, rather than inadvertently subsidise property developers, landlords improving their capital assets, or ratepayers with no connection to the qualifying works which simply inherit improvements made by the previous ratepayers.

The occupation condition will require that, in the period since the qualifying works commenced, the property has remained occupied and the ratepayer has not changed. This would include a scenario in which a landlord makes improvements and the occupying ratepayer does not change, given that the ratepayer is likely to face higher overall rental costs as a result. The period of relief will end 12 months after completion of the qualifying works unless the eligible ratepayer vacates the property at an earlier date. Billing authorities will need to be satisfied that the occupation condition is met before awarding relief.

## Certification

If the qualifying works and occupation conditions are met, it is proposed that the billing authority will calculate the amount of improvement relief based on the certificate of change in rateable value issued by the VOA. This will certify the change in the overall rateable value of the property which is attributable to the qualifying works. The certificate will reflect the net increase in rateable value resulting from all works undertaken and apply for 12 months from date of completion.

The proposed process is not intended to require significant changes to VOA or billing authority operating practices. Certification is considered to be the most effective way of ensuring that the link between rateable values and the application of the relief is maintained.

To ensure the approach remains compatible with the VOA's responsibility for

maintaining rating list accuracy, the certification will be flexible and amendable. The certificate will have daily effect for the 12-month period to which it relates, and the VOA will be able to revise it should any part of the property affected by the qualifying works change during the period. The VOA will be able to withdraw or amend a certificate at its discretion, for example to reflect changes in facts or errors identified. Any subsequent changes to a property which the VOA concludes are not a variation of the original qualifying works, but a new set of qualifying works, may result in a new certificate being issued.

It is anticipated that the VOA will issue the certificate to the relevant billing authority and copy it to the ratepayer. Ratepayers will continue to be able to challenge list alterations made by valuation officers to reflect qualifying and other works, through the existing appeals process.

## **Calculation of the chargeable amount**

The Welsh Government's policy intention is to ensure that any eligible ratepayer who has undertaken qualifying works does not see a resulting increase in their NDR liability for 12 months. It is, therefore, necessary to ensure that any interactions with eligibility for other reliefs which may result from a rateable value change do not penalise the ratepayer. For the 12-month duration of the certificate, it is proposed that billing authorities will calculate the chargeable amount of NDR for the relevant property as if the rateable value in the list for the day concerned is that rateable value minus the value of the certificate.

This is a more nuanced approach than requiring billing authorities to reduce the chargeable amount. It is intended to be simpler and ensure that ratepayers can be confident that undertaking qualifying works will not result in their effective rateable value increasing for 12 months.



# Consultation questions

## Question 1

Do you agree that the proposed improvement relief will help to incentivise businesses and other ratepayers to invest in improving the properties they occupy?

## Question 2

Do you think that the qualifying works and occupation conditions will support the policy intent?

## Question 3

Do you have any other comments on the policy proposals or their practical application?

## Question 4a

The Welsh Government would like your views on the possible effects that the proposals could have on the Welsh language, specifically on:

- opportunities for people to use Welsh
- on treating the Welsh language no less favourably than English

## Question 4b

Please also explain how you think the policy could be developed so as to have:

- positive effects or increased positive effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language
- no adverse effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language

## Next steps

The consultation is open for a 12-week period. Once the consultation has closed, all responses will be analysed and will be used to inform decisions about whether to implement the proposed improvement relief.

Responses to consultations are likely to be made public on the internet or in a report. If you would prefer, your response can remain anonymous.

## How to respond

Submit your comments by 8 August 2023, in any of the following ways:

- complete our [online form](#)
- download, complete our [response form](#) and email [LGFR.Consultations@gov.wales](mailto:LGFR.Consultations@gov.wales)
- download, complete our [response form](#) and post to:

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Non-Domestic Rates Policy Branch  
Welsh Government  
Cathays Park  
Cardiff  
CF10 3NQ

## Your rights

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- to require us to rectify inaccuracies in that data
- to (in certain circumstances) object to or restrict processing
- for (in certain circumstances) your data to be 'erased'
- to (in certain circumstances) data portability
- to lodge a complaint with the Information Commissioner's Office (ICO) who is our independent regulator for data protection.

Responses to consultations are likely to be made public, on the internet or in a report. If you would prefer your response to remain anonymous, please **tell us**.

For further details about the information the Welsh Government holds and its use, or if you want to exercise your rights under the GDPR, please see contact details below:

## Data Protection Officer

Data Protection Officer  
Welsh Government  
Cathays Park

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Cardiff  
CF10 3NQ

E-mail: [data.protectionofficer@gov.wales](mailto:data.protectionofficer@gov.wales)

## Information Commissioner's Office

Information Commissioner's Office  
Wycliffe House  
Water Lane  
Wilmslow  
Cheshire  
SK9 5AF

Telephone: 01625 545 745 or 0303 123 1113

Website: [ico.org.uk](http://ico.org.uk)

## UK General Data Protection Regulation (UK GDPR)

The Welsh Government will be data controller for any personal data you provide as part of your response to the consultation. Welsh Ministers have statutory powers they will rely on to process this personal data which will enable them to make informed decisions about how they exercise their public functions. Any response you send us will be seen in full by Welsh Government staff dealing with the issues which this consultation is about or planning future consultations. Where the Welsh Government undertakes further analysis of consultation responses then this work may be commissioned to be carried out by an accredited third party (e.g. a research organisation or a consultancy company). Any such work will only be undertaken under contract. Welsh Government's standard terms and conditions for such contracts set out strict requirements for

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the processing and safekeeping of personal data. In order to show that the consultation was carried out properly, the Welsh Government intends to publish a summary of the responses to this document. We may also publish responses in full. Normally, the name and address (or part of the address) of the person or organisation who sent the response are published with the response. If you do not want your name or address published, please tell us this in writing when you send your response. We will then redact them before publishing.

You should also be aware of our responsibilities under Freedom of Information legislation. If your details are published as part of the consultation response then these published reports will be retained indefinitely. Any of your data held otherwise by Welsh Government will be kept for no more than three years.

## Further information and related documents

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