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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations come into force on 31 December 2016 and apply in relation to Wales

These Regulations prescribe rules to be used to find the chargeable amount for cases which fall within the descriptions prescribed in the Regulations.

The prescribed rules apply to a chargeable day falling within the period of 5 years beginning on 1 April 2017 and ending on 31 March 2022. A chargeable day is defined in section 43(3) of the Local Government Finance Act 1988 (“the Act”) in terms of occupied hereditaments and section 45(3) in terms of unoccupied hereditaments.

The prescribed rules apply to defined hereditaments. A defined hereditament is a hereditament shown in a local list on 31 March 2017, the relevant day and every day between. Where a hereditament is removed from a local list, subject to any appeals, the prescribed rules do not apply to the hereditament from the day on which the removal took effect. Such a removal would not impact the application of the prescribed rules to the hereditament prior to the day on which the removal took effect.

The prescribed rules reduce the increase in a ratepayer’s liability as a result of the 2017 revaluation. Regulation 4 calculates the chargeable amount for the hereditament on 31 March 2017 (the base liability). This is the day before the new lists compiled on 1 April 2017 have effect. 0.486 is the non-domestic rating multiplier set by the Welsh Ministers for the financial year 2016-17 under paragraph 3B of Schedule 7 to the Act. As regulation 9(a) provides that the rules prescribed in the Regulations only apply where the hereditament is eligible for small business rate relief, the formula to find the base liability includes E. E is the figure prescribed by the Welsh Ministers in the Non-Domestic Rating (Small Business Relief) (Wales) Order 2015 (S.I. 2015/229) (W. 11) which applies to the hereditament in question on 1 April 2017. This Order was made under section 44(9) of the Act.

Regulation 6 provides the formula for finding the notional chargeable amount (“NCA”). This is the chargeable amount which would apply for the defined hereditament on 1 April 2017 if the prescribed rules did not apply. There are two formulae in regulation 6 to reflect the possibility that the prescribed rules could apply to ratepayers in receipt of small business rate relief and ratepayers who, since revaluation, no longer receive such relief.

The formula to find the NCA uses the rateable value, non-domestic rating multiplier and, where necessary, E, as they are on 1 April 2017. The fact that the relevant day for which the chargeable amount is being calculated may be later than 1 April 2017 does not change these figures. This is because the reduction in liability is based on a proportion of the increase in liability between 31 March 2017 and 1 April 2017 due to the compilation of the new lists.

Regulation 7 modifies regulation 6 in the event that a change to the rateable value for a hereditament takes effect during the relevant period but from a day after 1 April 2017. It operates so that the NCA, used for the purposes of regulation 9(b) and the formulae in regulations 14 to 16, is calculated using the new rateable value rather than the rateable value on 1 April 2017. The non-domestic rating multiplier and E will remain as they were on 1 April 2017.

Part 3 prescribes the descriptions of cases to which the prescribed rules apply. Regulation 9(a) limits the application of the prescribed rules to hereditaments which were eligible for small business rate relief before revaluation. Regulation 9(b) provides a de minimis threshold; where liability has increased by £100 or less, there is no reduction in liability under the Regulations. Regulation 9(c) requires the same person to have occupied the defined hereditament in order to be eligible for a

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reduction. Where occupation of the hereditament changes on 1 April 2017 or at any later date during the relevant period, the prescribed rules do not apply.

Regulation 10 describes cases where the prescribed rules do not apply. Regulation 10(a) addresses the possibility of an occupier, who is also the owner of a hereditament, ceasing to occupy the hereditament and falling within the cases in section 45A(2) or (3) of the Act (charities and registered community amateur sports clubs). In such a case, the ratepayer's liability would be zero in accordance with section 45A(1) of the Act. Regulation 10(b) addresses where a part of a hereditament is unoccupied and the billing authority has required the valuation officer to apportion the rateable value of the hereditament between the occupied and unoccupied parts of the hereditament under section 44A(1) of the Act. The prescribed rules do not apply to such a case. No reduction in chargeable amount is therefore available where such an apportionment applies to a defined hereditament and has effect in relation to the chargeable amount

Where a defined hereditament is a case which falls within all of the descriptions prescribed in regulation 9 and does not fall within the descriptions in regulation 10, the rules prescribed in regulations 12 to 17 apply. These rules are to be used to find the chargeable amount for a chargeable day.

The first step under regulation 12 is to calculate the chargeable amount for the hereditament under section 43 of the Act for occupied hereditaments and section 45 of the Act for non-occupied hereditaments. The second step is to reduce that amount by the amounts calculated under whichever of regulations 14 to 17 apply.

Regulations 14 to 17 provide a phased reduction in chargeable amounts during the period beginning on 1 April 2017 and ending on 31 March 2020. In the first year, the chargeable amount is reduced by an amount equal to 75% of the increase in liability between 31 March 2017 and 1 April 2017. In the second and third year the chargeable amount is reduced by 50% and 25% respectively of the increase in liability between 31 March 2017 and 1 April 2017. The reduction in chargeable amount is calculated for each relevant day, with the figure 366 used in regulation 16 to reflect that 2020 is a leap year. Regulation 17 provides that during the period beginning on 1 April 2020 and ending on 31 March 2022 the chargeable amount is that found under section 43 of the Act for occupied hereditaments and section 45 of the Act for non-occupied hereditaments (i.e. there is no reduction for those financial years).

Regulation 13 ensures that the prescribed rules do not reduce the chargeable amount below zero.

The Welsh Ministers' Code of Practice on the carrying out of Regulatory Impact Assessments was considered in relation to these Regulations. As a result, a regulatory impact assessment has been prepared as to the likely costs and benefits of complying with these Regulations. A copy can be obtained from the Local Government Finance Policy Division, Welsh Government, Cathays Park, Cardiff, CF10 3NQ.

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**Changes and effects yet to be applied to :**

- Regulations revoked by [S.I. 2022/1350 reg. 17](#)