

Article

Business rates at lower levels of geography in England and Wales, research update: November 2022

Exploring an experimental method to produce lower-level business rates estimates.

Contact:
Integrated Data and Analysis
team
integrated.data.analysis@ons.
gov.uk
+44 1329 447931

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1 . Overview

[Business rates](#) are an annual tax charged on most properties used for non-domestic purposes, such as shops and factories. The term "non-domestic rates" is also used to describe this tax. The money raised from business rates is used to fund services provided by local authorities, in a similar way to council tax. Some properties that pay business rates are not used for commercial purposes such as beach huts and village halls.

While there has been continued interest in the relationship between business rates and the high street, there is a lack of research on this topic and a limited amount of published business rates data below local authority level.

The Valuation Office Agency provide property valuations which are required to calculate business rates. The Department for Levelling Up, Housing and Communities (DLUHC) and Welsh Government are responsible for business rates policy in each nation. DLUHC publish [estimates of business rates and the relief granted across England at local authority level](#) and [StatsWales publish comparable business rates data for Wales](#). Local authorities administer the billing of business rates, but few publish site level business rates data and relief.

To address the gap in publicly available business rates data, we have developed an experimental method to produce business rates estimates at the individual-site level. This could enable analyses of business rates on the high street across England and Wales. This research update outlines the approach we have taken and provides quality measures to allow users to understand its accuracy and relevance in future business rates research.

It should be noted this is an experimental method and should not be used for policy- or decision-making. This approach is published as research into a new method for producing lower-level business rates statistics.

2 . Background

Calculating business rates

The following steps are taken to [calculate business rates](#) for non-domestic properties in England and Wales.

1. Find the rateable value of a business, which is its open market rental value at the time of valuation.
2. Multiply the rateable value by a "multiplier", which is a value set by central government and changes each year.
3. This produces gross business rates, the amount a business owes before any relief are subtracted.
4. Subtract any relief a business is eligible for.

Scope of research

One of the main components in calculating business rates is a property's rateable value. The Valuation Office Agency assesses the rateable value of all properties in England and Wales at fixed intervals. The last two revaluations came into force on 1 April 2010 and 2017; these valuations are based on the open market rental values two years earlier. The next revaluation is due to occur on 1 April 2023. Between these fixed revaluation points, businesses can request a revaluation if there have been changes to their premises, the nature of their business or if they have been affected by a local disruption.

Since the most widespread changes to the rateable value of properties occur at these fixed revaluation points, the focus of this research is 1 April 2010 and 1 April 2020. These time points were chosen as they straddle two valuation points and provide the opportunity to capture changes in the property market over the course of a decade. Since 1 April 2020 falls during the coronavirus (COVID-19) pandemic, this would permit analyses both including and excluding pandemic relief. This could provide insight into the impact of the coronavirus pandemic on business rates and how the rates would have changed over the decade, if 2020 had been a typical year.

Approach

To estimate business rates, we require the following data:

- rateable value of individual properties
- national multipliers
- details of the relief businesses are eligible for

3 . Estimating relief

Both the non-domestic ratings data, which contains the rateable value of properties, and the multipliers are publicly available. However, there is no central dataset which contains details of each relief a business has claimed. Therefore, to estimate business rates at site level, we have estimated the relief businesses would have been eligible for on 1 April 2010 and 1 April 2020 according to the relief schemes in place at the time. Since there are many different relief businesses could claim, we have estimated the relief which constitutes the largest share of total relief granted to businesses.

In 2010, small business, charitable, transitional, and empty property relief accounted for 97% of all relief granted in England and Wales. In 2020, these types of relief combined with the retail and nursery relief introduced in response to the coronavirus (COVID-19) pandemic accounted for nearly 100% of all relief granted. See Table 1 for a full breakdown of the relief granted in 2010 and 2020.

Table 1: Total business rates relief granted by type, England and Wales, 2010 and 2020

Relief types	2010		2020	
	Relief millions (£)	Percentage relief	Relief millions (£)	Percentage relief
Empty property relief	1,175	33%	1,124	7%
Charitable relief [Note 1]	1,058	30%	2,108	12%
Net transitional relief [Note 2]	651	18%	-52	0%
Small business rates relief [Note 3]	552	16%	2,236	13%
Other relief [Note 4]	98	3%	158	1%
Nursery relief [Note 5]	-	0%	98	1%
Retail relief	-	0%	11,426	67%
Total relief	3,533	100%	17,098	100%

Source: Office for National Statistics – non-domestic rates, Department for Levelling Up, Housing and Communities – non-domestic rates, StatsWales – non-domestic rates

Notes

1. Charitable relief includes the categories mandatory charitable rate relief, mandatory community and amateur sports clubs (CASC) and non-profits.
2. Net transitional relief is relief granted because of delays to the increase in a property's rateable value minus income received because of delays to the decrease in a property's rateable value. The sum of transitional relief granted in 2010 was higher as this was the beginning of a new ratings period.
3. Wales include nursery relief in their small business rates relief figures.
4. The following relief categories have been summed to produce an "Other" category: rural rate relief, partially occupied hereditaments, discretionary relief scheme, supporting small rural businesses, rural shops, rural rate relief, flooding relief, other ratepayers (under s47), hardship relief, discretionary charitable relief (including CASCs).
5. The category nursery relief describes England only.
6. Numbers may not sum because of rounding.

It has not been possible to estimate empty property relief because of the lack of a reliable data source of vacant properties. Empty property relief accounted for a third of relief granted in England and Wales in 2010, and 7% in 2020. The amount of empty property relief granted remained similar across the decade, but as a proportion of the total relief in 2020, its relative contribution markedly decreased. This is because retail and hospitality relief introduced in response to the coronavirus pandemic occupied a much greater proportion of the total relief in 2020.

Transitional relief

Transitional relief applies to businesses whose business rates have increased or decreased by a certain amount because of revaluation. Its aim is to phase in large changes to a business rate bill gradually over several years.

Eligibility for transitional relief was assessed by comparing a business' rateable value before and after revaluation, to see whether it met the threshold level of change to receive this relief.

This relief was only calculated for England, as Wales did not have a transitional relief scheme in place on 1 April 2010, and the scheme introduced following the 2017 revaluation was no longer in place by 2020. See full details of the [transitional relief scheme in 2010](#) and details of the [transitional relief scheme in place in 2020](#).

Charitable relief

Registered charities and community amateur sports clubs (CASC) can apply for an 80% reduction on their business rates bill, if used for charitable purposes. Local authorities can grant further relief at their discretion to provide up to 100% relief.

By linking the charity register and CASC dataset to the non-domestic ratings dataset, we were able to identify businesses eligible for charitable relief. The non-domestic ratings dataset contains all commercial properties in England and Wales eligible to pay business rates.

We applied an 80% discount to these properties identified as charities or CASCs. We did not apply the further discretionary 20% relief, as the discretionary nature of this relief means it is not consistently granted across all local authorities. See full details of the [charitable relief scheme for England](#) and the [charitable relief scheme for Wales](#).

Small business rates relief

Small business rates relief (SBRR) was available to businesses whose rateable value was below a certain threshold and was dependent on the number of properties a business had.

In 2010, businesses in England with a rateable value below £6,000 received 50% relief. Relief decreased by 1% for every £120 rateable value from £6,001 to £12,000. Businesses were eligible for relief on one main property plus additional properties provided the rateable value of each additional property was below £2,600 and their combined value did not exceed £18,000. The thresholds differed slightly for London and City of London. In 2020, businesses in England with a rateable value below £12,000 received 100% relief. Relief decreased on a sliding scale of 1% for every £30 rateable value above £12,001 to £15,000. In 2020, businesses were limited to claiming SBRR on one property nationally.

In 2010, most businesses in Wales with a rateable value of up to £2,000 received 50% relief, while those with a rateable value between £2,001 and £6,500 received 25% relief. In 2020, different thresholds had been established to permit most businesses with a rateable value up to £6,000 to receive 100% relief, which decreased on a sliding scale from 100% to 0% for properties with a rateable value between £6,001 and £12,000. The threshold for post offices, registered childcare and retail premises differed slightly from other businesses, which permitted them additional relief. There was no limit on the number of properties that could receive relief in 2010, but a two-property limit per local authority had been introduced by 2020.

To estimate this relief, we linked the non-domestic ratings dataset to the Inter-Departmental Business Register (IDBR), which contains details of how many properties a business uses. This linkage allowed us to identify businesses which use more than one property, which was an important factor in estimating this relief. See further details about the [SBRR scheme for England](#) and [SBRR scheme for Wales](#).

Retail discount

This scheme was known as retail discount in England, and retail, leisure and hospitality rates relief in Wales, but provided comparable support to businesses across both nations. This scheme was introduced in response to the coronavirus pandemic and granted businesses in England and Wales with 100% off their business rates bill between 1 April 2020 and 31 March 2021. This scheme applied to shops, restaurants, cafés, bars, pubs, cinema and music venues and hospitality or leisure businesses. Full details are included in the [Welsh Government's retail, leisure and hospitality guidance \(PDF, 580KB\)](#) and the [expanded retail discount for England guidance](#). We estimated this relief by identifying businesses in the retail or hospitality industries using the industry codes, known as special category descriptions or SCat codes, present in the non-domestic ratings dataset.

Nursery discount

A nursery discount was in place in England from 1 April 2020 and covered the financial year 2020 to 2021. An existing scheme was in place in Wales from April 2019 providing registered childcare providers with 100% business rates relief through Wales' small business rates relief scheme. See full details of the [nursery discount scheme for England](#) and the [nursery discount scheme for Wales](#). We estimated this relief by identifying businesses in the childcare sector using the industry codes (SCat codes) present in the non-domestic ratings dataset.

There is a hierarchy in which relief are applied, which means if certain types of relief are claimed businesses can become ineligible for other forms of relief. This is shown as follows.

For empty properties:

If eligible for empty property relief, businesses receive 100% relief. Otherwise, they are not eligible for any other relief.

For occupied properties:

1. transitional relief – only partial, so if businesses are eligible, they can receive other relief
2. charity or community and amateur sports club relief – if eligible, businesses receive 80% relief; they cannot now receive small business rates relief
3. small business rates relief – if eligible, businesses receive up to 100% relief
4. pandemic relief – retail and nursery relief if eligible and bill is non-zero, businesses receive full relief

4 . Evaluation of approach

Quality assurance

To quality assure the estimates we linked our experimental estimates and the published site level estimates for the corresponding time period. It was only possible to find site-level data from a limited number of local authorities which covered the same period. However, this remained a useful means of checking the accuracy of our estimates.

Data linkage was carried out using addresses and we cross-checked both the gross and net business rates. Of the data we were able to link, when comparing gross business rates, we achieved a 97% accuracy rate for Guildford and 96% for Tower Hamlets in 2020. We found accuracy was much lower for Camden, in 2010 there was an accuracy rate of 51% and 68% in 2020.

Some of this variance can be accounted for by differences in the rateable value used in our estimates and the local authorities' business rates calculations. This is because of differences in how quickly each local authority updates their non-domestic ratings data in their internal systems following revaluation of individual properties, compared with the published Valuation Office Agency data which are updated weekly.

For net business rates, there was an 85% accuracy rate for South Lakeland and 72% for Redditch in 2020. For Pembrokeshire, the accuracy rate was much lower at 38%, this was mainly because of the overestimation of small business rates relief, which accounted for more than three quarters of the differences.

The main reason for the lower accuracy of net business rates compared with gross business rates is because of the additional error involved in estimating business rates relief.

We also compared our estimates with the [national non-domestic rates totals published by the Department for Levelling Up, Housing and Communities](#) and [national non-domestic rates totals published by StatsWales](#). When comparing the total business rates for England and Wales, in 2010 we overestimated by 8% and 11% in 2020, which is £1.7 billion and £1.8 billion respectively. Our estimates of small business rates relief (SBRR) were 27% higher in 2010 and 25% higher in 2020, £172 million and £638 million respectively. While our estimates of charitable relief in 2010 were 16% higher (£180 million) and 3% lower in 2020 (£56 million).

Transitional relief was only applicable to England, and we found our estimates were 5% higher in 2010 and 43% higher in 2020, which were differences of £37 million and £18 million respectively. Comparisons showed our estimates of retail relief were 4% lower (£430 million) than the published totals, and nursery relief was 12% higher (£12 million) in 2020. See Table 2 for a full breakdown.

Table 2: Estimated business rates and relief using experimental method, compared with the official England and Wales estimates, 2010 and 2020

	Experimental estimates (£)		Official estimates (£)	
	2010 (billions)	2020 (billions)	2010 (billions)	2020 (billions)
Business rates	21.81	17.90	20.08	16.09
Net transitional relief [Note 1]	0.69	-0.03	0.65	-0.05
Small business rates relief [Note 2]	0.72	2.87	0.55	2.24
Charitable relief [Note 3]	1.24	2.05	1.06	2.11
Retail relief	-	11.00	-	11.43
Nursery relief [Note 4]	-	0.11	-	0.10

Source: Office for National Statistics – non-domestic rates, Department for Levelling Up, Housing and Communities – non-domestic rates, StatsWales – non-domestic rates

Notes

1. Net transitional relief is relief granted because of delays to the increase in a property's rateable value minus income received because of delays to the decrease in a property's rateable value.
2. Small business rates relief includes nursery relief for Wales to ensure comparability between the experimental and official estimates.
3. Charitable relief includes the categories mandatory charitable rate relief, mandatory community and amateur sports clubs and non-profits.
4. Nursery relief estimates are for England only.

Data linkage

The main challenges to quality relate to data linkage.

We linked the non-domestic ratings dataset to the charity register, community and amateur sports club (CASC) dataset and inter-departmental business register (IDBR) by address. This achieved a linkage rate of 21% and 26% between the non-domestic ratings dataset, charity register and CASC dataset, in 2010 and 2020 respectively. There was a 31% linkage rate between the non-domestic ratings dataset and IDBR for both 2010 and 2020.

The low linkage rate between the non-domestic ratings and charity datasets was predominantly caused by the large number of addresses within the charity register which did not contain a building number. This made it difficult to identify the correct property on the street and accurately link between datasets. We excluded entries without building numbers to minimize the number of incorrect matches.

The low linkage rate between IDBR and the non-domestic ratings dataset can be partially explained as some addresses within IDBR corresponded to head offices as opposed to individual sites. The result of this is an overestimation of small business rates relief (SBRR) because where a match to IDBR could not be established, we assumed those businesses only had one site. Because of the eligibility criteria for SBRR, based on the number of sites a business has, by assuming non-matches only had one site it is likely SBRR was applied to properties who were not eligible.

Data quality

[IDBR](#) is a list of UK businesses used for statistical purposes. Its two main data sources are Value Added Tax (VAT) and Pay As You Earn (PAYE) records from HM Revenue and Customs (HMRC), additional information comes from Companies House and business surveys. IDBR covers around 2.7 million businesses in all sectors of the economy, but since the main two tax sources have thresholds, small businesses operating below these thresholds are not included. Since small businesses are under-represented by IDBR, there is a lower chance of identifying those with multiple sites. This is relevant because businesses with multiple sites are typically limited in how many sites can redeem small business rates relief. However, since small businesses are less likely to have multiple sites than larger companies, this is likely to have a low impact on data quality.

The charity register extract we used was last updated in March 2020. Since an extract from 2010 was not available, we filtered to charities registered before 1 April 2010 and those with a removal date after 1 April 2010. While for 2020, we filtered to charities with no removal date. Since we were not able to obtain an extract specifically for 2010, there is a risk that the address listed in the charity register may have changed over time. The consequence of this is we may have granted charitable relief to properties which were no longer occupied by charities, and therefore not eligible for charitable relief. This may explain the overestimation of charitable relief in 2010.

Other considerations

Another reason for some of the variance between our experimental estimates and the published estimates is because we were unable to estimate empty property relief. Since empty property relief comes first in the hierarchy of relief, businesses who should have received it would have become ineligible to claim any other relief. The knock-on effect of this is we granted other types of relief to recipients who should have been ineligible. This has contributed to the overestimation of other relief types.

Similarly, underestimating charitable relief has a knock-on effect of causing an overestimation of small business rates relief (SBRR). Businesses who should have received charitable relief but did not, would have become ineligible to claim SBRR. However, as these businesses could not be identified, they may have erroneously been granted SBRR.

Lastly, empty property relief and transitional relief are applied automatically by councils, whereas the remaining relief must be applied for. This is also likely to have contributed to the differences between the experimental and official estimates.

We believe that improved data linkage and more timely data would reduce the differences between our experimental estimates and the official estimates.

5 . Business rates at lower levels of geography data

[Valuation Office Agency, non-domestic ratings, 2010 and 2017](#) Dataset | Updated weekly Non-domestic properties in England and Wales.

[Charity Commission, Charity register](#) Dataset | Updated daily Registered charities in England and Wales.

[HM Revenue and Customs, community and amateur sports club \(CASC\)](#) Dataset | Regularly updated Registered community and amateur sports clubs in the UK.

[Inter-Departmental Business Register snapshots, 2010 and 2020](#) The extract of data used in our research is not publicly available. See further information about the Inter-Departmental Business Register in this information article.

6 . Glossary

Site

The term “site” is used to describe hereditaments which are the legal unit of non-domestic property liable for business rates. A hereditament may be several buildings together, such as a university campus or just one office in a block.

7 . Future developments

We hope that this article on our experimental approach to produce lower-level business rates estimates and our evaluation of this approach will provide a basis for developing disaggregated business rates estimates. This research is intended to facilitate further analysis and add to the evidence base on lower-level business rates statistics.

If the linkage method could be further developed and a higher linkage rate could be achieved between the various data sources, it would improve the accuracy of this approach. In particular, if the linkage rate between the non-domestic ratings dataset and the Inter-Departmental Business Register (IDBR) could be improved, this would enable analysis using the additional variables contained within IDBR such as business size and turnover.

Another avenue would be to incorporate additional data sources such as [AddressBase](#) to improve the accuracy of the small business rates relief (SBRR) estimates. Since AddressBase contains the variable "organisation name", if linked to the non-domestic ratings dataset this could be used to identify businesses with more than one property and reduce the overestimation of SBRR.

8 . Related links

[National non-domestic rates collected by councils in England](#) Collection | Regularly updated This collection brings together all documents relating to national non-domestic rates collected by councils in England.

[Business rates in England](#) Webpage | Regularly updated Information about business rates and relief schemes in England.

[Wales non-domestic rates](#) Dataset | Regularly updated Estimates of non-domestic rates collected by local authorities in Wales.

[Business rates in Wales](#) Webpage | Regularly updated Information about business rates and relief schemes in Wales.

[Non-domestic rating: stock of properties including business floorspace, 2022](#) Collection | Regularly updated Statistics on the number and value of the stock of rateable properties on the central and local non-domestic rating lists in England and Wales.

9 . Cite this article

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