Valuation Office Agency

A basic guide to the rating of holiday cottages and self-catering units

What is a rateable value?

The Valuation Office Agency (VOA) assesses the rateable value of all business and non-domestic property in England and Wales and compiles them in rating lists. The rateable value is a key factor in the calculation of business rates liability, and is a professional assessment of the annual rent a property would fetch on a set valuation date.

Every five years, the VOA carries out a revaluation of all rateable values in England and Wales to ensure that they reflect changes in the property market. The current revaluation came into effect on 1 April 2005 and all properties have their rateable value assessed on the valuation date of 1 April 2003. The next revaluation comes into effect on 1 April 2010 with a valuation date of 1 April 2008.

The local authority uses rateable values to calculate business rates liability.

Why does my holiday cottage/self-catering unit have a rateable value?

Any property that is used for commercial purposes may need to be rated for business rates purposes, depending on the exact nature of its usage.

Holiday cottages are assessed for rateable value if they are available for letting for 140 days or more per financial year.

If I let the property for less than 140 days in the year, am I still liable for a rating assessment?

If the property was available for letting throughout the year but the operator makes a conscious decision to only accept bookings for a total of 139 days (or less), then the property will not be subject to a rating assessment but will be allocated a council tax band.

Where the operator does not make a decision to limit the total period for which bookings will be accepted, the property will be liable for a rating assessment, regardless of whether actual lettings fail to exceed the 139-day limit in any given year.

What factors will be taken into account in arriving at the rateable value?

In arriving at the rateable value, the actual rents that the operators pay, although rare, may be taken into account. In addition, other factors that may affect the rental value are also considered, including the type, size, location, quality of the accommodation and the income potential.

Why do you need to know how much income the property is generating?

When we assess the rateable value of properties such as shops, offices or industrial premises, there is plenty of rental evidence available for us to make comparisons. With self-catering property we will still carry out assessments in this way if possible. In practice, however, there are very few locations where sufficient reliable rental evidence is available to provide a sound basis of valuation and other methods have to be used. Gross receipts have to be taken into consideration in this case as a guide to the potential the property has to generate income. This in turn provides a sound basis to determine how much an operator would pay in rent for the property.

This method, which we refer to as the 'receipts and expenditure' method of valuation is also used on properties such as pubs, restaurants and other licensed premises.

How do you gather this information?

We use forms called 'Requests for information'. One of them - VO6048 - has been designed especially for self-catering units and holiday cottages. The form asks a variety of questions about the way an operator manages the letting of the property in question. The answers to these questions ensure that we take into account differences in tariffs, marketing, levels of service, or quality of furnishings and provision of other non-rateable items when assessing rateable value.

Our aim is to determine:

- **the potential receipts from the property**, if let as a business for self-catering by a reasonably competent proprietor;

- **the expenses that are reasonably likely to be incurred in achieving those lettings**. For rating purposes we must assume the proprietor does not own the property but rents it from a landlord, since the object is to assess the property's rental value; and

- **the balance between receipts and expenses**. We consider the return the proprietor would expect for running the business and the amount available to pay rent for the property.

What happens if I decide to let the property on a long-term tenancy?

If you let the property on a long-term basis so that it becomes, for example, someone's sole, or main residence, then it will no longer be liable for a rating assessment. If it is already assessed for rating purposes, its entry will be deleted from the rating list and it will be 'banded' for council tax from the date when it became a domestic property.

Is my rateable value the same as the rates I will pay?

No. Rateable values are a key factor in the calculation of business rates but they are not the rates bill. Local authorities are responsible for calculating actual rates bills and for collecting rates and will use the rateable value in working out how much you have to pay. The local authority will apply a factor called the multiplier, to the rateable value and then deduct any reliefs that are available. In England Communities and Local Government set the multiplier and in Wales the Welsh Assembly Government sets the multiplier.

From what date will the rateable value be effective?

Generally, a property will be entered in the rating list with effect from the date that it becomes available for use as a self-catering unit. This date is known as the 'Effective Date'.

What can I do if I have reason to believe that the rateable value is wrong?

If you have reason to believe that the rateable value that has been allocated to your property is incorrect, you should contact your local Valuation Office. Staff will be able to deal with your enquiry and respond to your questions.

If, after speaking to us, you still feel that your rateable value is incorrect, you can make a formal appeal. You can appeal against both the rateable value and the effective date. Making an appeal is known as making a 'proposal' to alter the rating list.

You can make a single appeal against the rateable value or effective date during the 'life' of the rating list. Each rating list lasts for five years; the current rating list runs from 1 April 2005 to 31 March 2010.

If at any time, a material change of circumstances affecting the property or its physical locality takes place, you are entitled to make a further appeal against the new assessment.

You can complete a proposal form online at **www.voa.gov.uk**, or you can obtain one from your local Valuation Office.

The information provided in this fact sheet is for guidance only and does not cover all specific circumstances. Further information is available at **www.voa.gov.uk**, or you can contact your local Valuation Office.

Any questions regarding actual payment of rates should be referred to the local authority for the area in which the property is situated.

This information was written in February 2008, having regard to current legislation.