



Valuation Office
Agency

Melissa Tatton CBE
Chief Executive
Valuation Office Agency
93-107 Shaftesbury Avenue
London
W1D 5BU



The Rt Hon. Nicky Morgan MP
Chair of the Treasury Committee
House of Commons
London
SW1A 0AA

13th September 2017

Dear Ms Morgan

The so-called "Staircase Tax"

Thank you for your letter of 5 September 2017. I appreciated your congratulations and also look forward to a constructive working relationship between the Agency and Committee.

As you acknowledge, recent press coverage suggested the Valuation Office Agency (VOA) had both made a policy decision to exploit the result of the 2015 Supreme Court ruling, *Woolway v Mazars*, and made the decision to implement any changes on a backdated basis. I would like to clarify the position on both of these points.

There has been no policy decision by VOA, or wider Government, regarding the Supreme Court judgement – the VOA has had to change its approach to valuing some properties to abide by the ruling. The ruling clarified that, where a ratepayer occupies more than one part of a multi-occupied building and they have to use shared areas, such as a staircase or corridor to go between the different parts they occupy, the different parts should be separately assessed for rating (business rates) purposes.

Before this decision, if the VOA were aware that two consecutive floors of a building were occupied by the same business we would generally have assessed them as one unit/property even if the ratepayer had to use communal areas to go between the parts. The Supreme Court decision prevents us from continuing with this approach; we had no choice but to change our approach to reflect the Supreme Court's judgement. The relevant underlying legislation is the Local Government Finance Act 1988.

On backdating, the Government and local authorities are again bound by the law. Rating legislation sets out the appropriate date from which changes should be reflected in the assessment of the property.



The VOA's statutory role is to assess the rateable value (RV) of property, so I can only comment on the impact of the Supreme Court judgement on rateable values.

I am not able to comment on the impact on bills, as local councils are responsible for calculating and collecting business rates liability and applying any reliefs due in accordance with legislation or through local councils' discretionary powers.

As at 31 August 2017, we had dealt with around 11,000 cases where a property's unit of assessment changed as a result of this decision. Our analysis shows that, of these cases:

- Around a third (37%, 4,100) saw an increase in their overall Rateable Value (RV) of under 10%, and around 13% (1,400) saw an increase greater than 10% in their overall RV;
- Another third (32%, 3,500) saw a reduction in their overall RV;
- Some 18% (c. 2,000) saw no change in their overall RV.

There is no transitional relief scheme available to businesses affected by this judgement. The policy on reliefs and exemptions is a matter for the Department for Communities and Local Government, who are accountable for the business rates system and legislation.

I hope these explanations are helpful. Please do not hesitate to contact me should you require more information.

A handwritten signature in black ink, appearing to read 'Melissa Tatton', written in a cursive style.

Melissa Tatton CBE