



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Rt Hon Nicky Morgan MP  
House of Commons  
London  
SW1A 0AA

2018 March 2018

*Dear Nicky*

Treasury Select Committee Report on Autumn Budget 2017: Business Rates  
Property Revaluations

At Autumn Budget 2017 we announced that we would increase the frequency of property revaluations by the Valuation Office Agency (VOA) to calculate business rates from every five to every three years, following the next revaluation. In your report on the Budget published earlier this year, you welcomed this change but recommended that the government urgently investigate how to shorten the timescale between property revaluations, through, for example, revaluating properties annually between formal revaluations using published property prices indexes.

In 2016 we published a discussion paper which set out three alternative models for delivering more frequent revaluations: continuing with VOA-led valuations, a self-assessment approach, and a formula or index-based approach.

It may be useful to know that at Spring Statement, we published the summary of responses to the discussion paper. The paper shows a strong preference for VOA-led valuations, and little support for a formula approach. Using an index of property prices to update rateable values would, by its nature, produce a proxy valuation. However, we found that a bespoke valuation was important to ratepayers given the tax rate of business rates. Furthermore, respondents argued that to produce reasonably accurate valuations, a formula would have to take a lot of detail into account and be very complex, but that this would make it too

complicated for ratepayers to navigate. Respondents also noted that moving to a formula approach would create many winners and losers.

Therefore, at this stage we will continue with VOA-led revaluations. As we move to three-year revaluations, we will monitor the impact of the changes, including on the appeals process, before determining whether to move to even more frequent revaluations.

In the meantime, Spring Statement also announced that we would bring forward the next revaluation by one year to 2021. This ensures ratepayers will benefit from the change to three-year revaluations at the earliest point, from 2024.

A handwritten signature in blue ink, appearing to read "Gus Auld".A handwritten signature in blue ink, appearing to read "Mel".

RT HON MEL STRIDE MP