Solar Energy UK

Business Rates FAQ 2023

Advice and FAQs

Business Rates Introduction

In England & Wales, business rates are assessed by the Valuation Office Agency (VOA). In Scotland, business rates are assessed by the Scottish Assessors Association (SAA). The VOA/SAA apply a Rateable Value (RV) to each separate unit of rating assessment. The RV is then used by the Billing Authority (BA) to calculate the amount of rates payable.

Sites are re-assessed and new RVs put in place at the start of each Rating Revaluation. We are currently in the 2023 Rating Revaluation, which commenced on 1 April 2023 and is anticipated to be in place for 3 years. The next Revaluation is planned to be the 2026 Rating Revaluation, which will commence on 1 April 2026.

The RV is an estimate of the annual rental value of the rateable parts of the asset at the valuation date. In England & Wales, the valuation date for the 2023 List is 1 April 2021, two years prior to the start of the Rating Revaluation, while in Scotland the valuation date is 1 April 2022, one year prior to the start of the Revaluation. It is at this date that the economic inputs used for the valuation of a site are taken. This gap between the valuation date and the start of the Revaluation allows the VOA/SAA to collate and review information in order that RVs are in place at the start of the Revaluation. The RVs in each Rating Revaluation therefore change to reflect the different economic circumstances at each valuation date.

For information on Northern Ireland, please see **"6. What about Northern Ireland?"** section at the end of this FAQ.

1. Are all solar PV subject to business rates?

Non-domestic solar PV generating assets are rateable, however the Business Rates applied can vary considerably on the circumstances of its use: whether the site is set up as for 'mainly export' or 'mainly self-consumption'.

Mainly Export and all sites in Scotland	Mainly Self-Consumption
Solar PV assets which are operated or owned by a party who are separate from the main beneficiary of the power produced • i.e., grid scale solar or solar PV panels on the roof of a building which are owned by a different party to the occupier of the building, who are the main beneficiary of the power produced The test applied is whether more than 50% of the power produced is exported.	Solar PV assets which are operated or owned by a party who are the main beneficiary of the power produced • i.e., solar PV panels on the roof of a building which are owned by the same party who occupy the building below, and who are the main beneficiary of the power produced. The test applied is whether more than 50% of the power produced is self-consumed

2. How are the Rateable Values calculated?

The information in the following sections applies to all ROCs, FITs and subsidy free sites. For information on how CFD sites affect this, please see **"4. What about CFDs?"** section.

Mainly export and all sites in Scotland

Sites are valued on the Receipts and Expenditure (R&E) method of valuation. This method seeks to establish an RV based on the potential earnings of a site – which are derived from multiple factors including electricity price, subsidy level, capital cost, date of installation, and potential risk factors.

For England & Wales, the full scheme of values is available in the '**Revaluation 2023 – Photovoltaics, Memorandum of Agreement'** (MOA) The calculation of Rateable Values under the Receipts & Expenditure method is as follows:

- Rateable Value = Installed Capacity x Value Stated in MOA

These RVs were established through rigorous discussions with the VOA by SEUK and their rating advisors Gerald Eve LLP, and have been applied to all relevant solar PV assessments on the 2023 Revaluation. The values applied in the 'Memorandum of Agreement' are agreed by SEUK, ensuring that lower RVs per MW have been secured relative to what the VOA had proposed outside of this.

In Scotland, the SAA have largely followed the same approach as the VOA in putting together rating valuations. However, because of the different valuation date, Scottish valuations reflect a higher wholesale and subsidy price and therefore on an equivalent basis, come out at higher RVs. The SAA have produced a Practice Note for the valuation of solar PV stating the values that apply on the 2023 Revaluation and a link to this is found **here.** Note that, unlike in England & Wales, these values have not been scrutinised or agreed by SEUK.

Mainly self-consumption

Sites are valued on a Contractors Basis (CB) method of valuation. This method uses the construction costs of a site to assess the RV, and the value of the RV attributable to the solar array will then be added to the rates assessment of the property with which it is associated.

- Rateable Value = Installed Capacity x Capital Cost of Rateable Parts x Decapitalisation Rate

	England	Wales
Capital Cost of Rateable Parts per kw	The VOA have advised that from 1 April 2023, the RV for a site would be calculated using the following capital costs: • 50-150kW schemes – RV of £102 per kW • 150kW schemes – RV of £99 per kW	The VOA have advised that from 1 April 2023, the RV for a site would be calculated using the following capital costs: • £1,053/kw schemes under 4kw • £920.85/kw schemes 4-150kw • £815.61/kw above 150kw
Decapitation Rate	4.4%	3.8%

The variation in approach to valuation of such sites, and thus the level of RV applied in England and Wales, is due to the differing legislation in place which covers how much of a site should be assessed for rates (i.e., how much is rateable):

- In England, before 1 April 2022, the entirety of a solar PV asset was rateable and therefore was all liable to be assessed for rates. From 1 April 2022, a change in legislation brought about by 'The Valuation for Rating (Plant and Machinery) (England) (Amendment) Regulations 2022' resulted in the process plant and machinery (i.e., the PV panels and other M&E equipment) becoming non-rateable.
- From this date until 1 April 2035, when the regulations are due to change back, largely only items connected with land, buildings and civils are rateable.
- In Wales, the current position is that all of a 'mainly self-consumption' site is rateable, hence the higher current value of a mainly self-consumption site. However, Wales are to undertake a similar change in legislation as done in England, with effect from 1 April 2024.

Further guidance on the valuation methods can be found here: Valuation Office Agency's (VOA) technical manual for the rating of business (non-domestic) property

3.Will I have to pay this full amount for my solar PV? How do I calculate the annual rates payable?

You will not have to pay the full amount of the Rateable Value, and there are potentially several other factors that need to be considered when calculating liability.

The normal calculation of business rates is as follows:

- Annual rates payable = Rateable Value x Universal Business Rate (UBR)

The UBR currently stands as follows and government can increase the UBR annually by up to the preceding September's CPI inflation figure:

Rating Year	England> RV £51,000	England< RV £51,000	Wales	Scotland > RV £100,000	Scotland RV/bn £100,000 and £51,1001	Scotland < RV £51,000
2023/24	£0.512	£0.499	£0.535	£0.524	£0.511	£0.498

There are a number of other factors that need to be considered when calculating liability:

Small business rates relief (SBRR) in England

- SBRR is available at 100% relief for assessments below RV £12,000 and tapered thereafter up to a maximum of RV £15,000. In order to qualify for this relief, the ratepayer can only be liable for rates on one rating assessment (i.e. an SPV). There are further rules associated where ratepayers have more than one assessment.

Small business rates relief (SBRR) in Wales

- SBRR is available at 100% relief for assessments below RV £6,000 and tapered thereafter up to a maximum of RV £12,000. In order to qualify for this relief, the ratepayer can only be liable for rates on one rating assessment (i.e. an SPV).

There is no SBRR in Scotland

Transition

Transition is the mechanism applied by the government to limit big increases in rate liability between Rating Lists. It imposes an annual threshold at which the liability arising from a rating assessment can increase based upon the rates paid in the final year of the previous Rating List.

- Therefore, if a rating assessment experiences a big increase in RV from one Rating List to another, the impact of transition will be that a ratepayers liability will not necessarily follow the same change immediately, but change will be staggered on an annual basis over the course of the Rating List.

Micro-generation exemption

- Since 1 October 2008, in England, any solar PV with an installed capacity under 50kw in size used for 'mainly self-consumption' is exempted and will pay nil business rates. This is under, 'The Valuation for Rating (Plant and Machinery) (England) (Amendment) Regulations 2008'.

There is no similar legislation in Scotland and Wales.

Examples of the calculation of rates payable on the 2023 List would be as follows (excluding transition):

- **Example 1:** A mainly-export 50 MW solar park built in June 2015 in Wales would face rates payable in 23/24 calculated as follows: £8,250/MW x 25 MW x 0.535 UBR = £110,343 pa

- **Example 2:** A mainly self-consumption 120 kw rooftop system in England would face rates payable in 23/24 calculated as follows: £4.49/kw x 120 kw x 0.499 UBR = £268 pa

4.What about CFD sites?

If a site was in receipt of a CFD at the valuation date for a Rating List, this will be reflected in the RV applied. Because of the small number of sites that were in receipt of CFDs at the valuation date for the 2023 List, the 'Memorandum of Agreement' does not cover these. Only inputs that existed at a valuation date can be reflected in the valuation model for that Rating List, and therefore any sites that received a CFD after the valuation date (i.e., those successful in the AR4 auction) cannot be valued as a CFD site on the 2023 List.

We expect these CFD sites to be valued on the 2023 List as a subsidy free site, the RVs for which are set out in the 'Memorandum of Agreement'. For the 2026 List, any sites currently in receipt of a CFD will be valued on the basis of the actual CFD income received.

5. What about rates for unsubsidised sites?

In the MOA, there is a section for the rates per MW applying to sites greater than 5MW commissioned in England and Wales from 1 April 2017 without ROC accreditation, and smaller sites commissioned from 1 April 2019 without FiT accreditation.

6. What about sites in Northern Ireland?

In Northern Ireland the current rating revaluation is the 2023 Revaluation, which is to be a three year List from 1 April 2023. The valuation date for this List is 1 October 2022. The Land & Property Services (LPS) assess sites for business rates in NI.

No discussions with the LPS were had prior to solar PV values being released and therefore the values that currently apply are not agreed. We understand that similarly to England and Wales, ‘mainly export’ solar PV sites are valued on an R&E basis and ‘mainly self-consumption’ are valued on a CB method. The valuation date of 1 October 2022 results in higher wholesale and subsidy incomes being adopted compared to England and Wales and therefore for an equivalent site, RVs in Northern Ireland are higher.

In Northern Ireland a microgeneration exemption exists under the Rates (Microgeneration) Order (NI) 2012. Any microgeneration which has an installed capacity of 50kW or less is not rateable and therefore will be exempt. This applies for both ‘mainly export’ and ‘mainly self-consumption’ sites.

6 Langley Street
London WC2H 9JA
enquiries@solarenergyuk.org

solarenergyuk.org @SolarEnergyUK_ linkedin.com/company/solarenergyuk