



Business Rates: Advice and FAQs

Business rates are assessed by the Valuation Office, who apply a Rateable Value (RV) to each separate unit of rating assessment. The Rateable Value is then used by the Billing Authority to calculate the amount of rates payable.

Sites are reassessed and new Rateable Values put in place at the start of each Rating Revaluation. We are currently in the 2017 Rating Revaluation, which commenced on 1 April 2017. The length of the List is currently under review and the date of the next Revaluation is unconfirmed, although we know it will not be until at least April 2022 due to the impacts of Coronavirus.

The Rateable Value is an estimate of the annual rental value of the rateable parts of the asset at the valuation date. The valuation date for the 2017 List is 1 April 2015, two years prior to the start of the Rating List and it is at this date that the economic circumstances of a site are taken. This two-year gap between the valuation date and the start of the List allows the Valuation Office to collate and review information in order that Rateable Values are in place at the start of the List. The Rateable Values in each Rating List therefore change to reflect the different economic circumstances at each valuation date.

Are all solar PV systems subject to business rates?

All non-domestic solar PV generating assets are rateable, however the Business Rates applied vary considerably on the circumstances of its use:

If the PV system is:	Business Rates treatment
Primarily for on-site consumption	The key question is whether the generating asset(s) are (1) in the same occupation as the host site and assessed as part of that wider assessment, or (2) whether they are separately owned and occupied: <ol style="list-style-type: none"><li data-bbox="544 1536 1469 1641">1. If assessed with the host site as on-site consumption, the solar PV asset becomes rateable according to what is known as the Contractors Basis.<li data-bbox="544 1648 1469 1794">2. If separately owned and occupied, e.g. via a Special Purpose Vehicle, the solar PV asset would be separately assessed in line with the Solar Energy UK agreed scheme of values
Primarily for export to the grid	Assessed in line with the Solar Energy UK agreed scheme of values

How are Rateable Values calculated?

Primarily Export Solar PV Assets: The agreed scheme of values for primarily-export solar PV assets is based on the Receipts and Expenditure approach, which is derived from multiple factors including capital cost, subsidy level, date of installation, and potential risk factors. The full scheme of values is available here: [Photovoltaic Memorandum of Agreement \(MOA\) – Revaluation 2017](#)

The calculation of Rateable Values under the Receipts & Expenditure method is as follows:

- System Size x Value Stated in MOA = Rateable Value

Primarily On-site Consumption Solar PV Assets: Primarily on-site consumption solar PV assets are valued according to the Contractors Basis. This calculation is based upon the construction cost of a project and does not consider multiple inputs, e.g. asset value or subsidy.

The calculation of Rateable Values under the Contractors Basis is as follows:

- System Size x Capital Cost of Rateable Parts x Decapitalisation Rate = Rateable Value

The inputs used by the Valuation Office are as follows:

Capital Cost of Rateable Parts

System size	2017 Capital Cost
Less than 4 kW	£1,400/kW
4–150 kW	£1,250/kW
Above 150 kW	£1,100/kW

Decapitalisation Rate

England	4.4%
Wales	3.8%

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](#)

Will I have to pay this full amount for my solar PV?

No, and there are potentially a number of other factors that need to be considered when calculating liability.

The normal calculation of business rates is as follows:

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

The UBR is altered annually by inflation and the UBRs that apply to the 2017 Rating List are as follows:

Rating Year	England >RV £51,000	England <RV £51,000	Wales	UBR Status
2017/18	£0.479	£0.466	£0.499	Actual
2018/19	£0.493	£0.480	£0.514	Actual
2019/20	£0.504	£0.491	£0.526	Actual
2020/21	£0.512	£0.499	£0.535	Actual
2021/22	£0.522	£0.509	£0.546	Estimated

When calculating business rates liability, it is also important to consider the following factors:

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).

Transition – transition is the mechanism applied by the government to limit big increases and decreases in rate liability between Rating Lists. It imposes an annual threshold at which the liability arising from a rating assessment can increase or decrease based upon the rates paid in the final year of the previous Rating List. Therefore if a rating assessment experiences a big increase or decrease in Rateable Value 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. This can therefore have a positive or negative effect on a ratepayer.

Examples of the calculation of rates payable on the 2017 List would be as follows (excluding transition):

- **Example 1:** A mainly-export 20 MW solar park built from 1 April 2015 onwards in England would face rates payable in 2020/21 calculated as follows: £6,450/MW x 20 MW x 0.512 UBR=£66,048 per year (£3.30 per KW)
- **Example 2:** A mainly on-site consumption 120 KW rooftop system in England would face rates payable in 2021/21 calculated as follows: £1250/KW x 120 KW x 0.044 x 0.512 UBR = £3,379.20 per year (£28.16/kW)
- **Example 3:** A mainly-export 2.5 MW solar park in England accredited for ROCs in June 2013 and operated by an SPV would face rates payable in 2020/21 calculated as follows: £5,290/MW x 2.5 MW x 0.512 UBR x 0.408 SBRR taper = £2,764.90 (£1.10 per KW)

Wow, why the huge difference between the mainly on-site and mainly export rates?

It is the fact that the solar panels are rateable assets where they are used for on-site consumption and assessed with the host site that leads to significantly higher Business Rates per unit of generation capacity. This unfair tax treatment can only be rectified through legislative change. Solar Energy UK is actively lobbying for reform on this issue.

However, by setting up solar installations under a Special Purpose Vehicle and providing a PPA to agree to export and 'sell' the electricity to the on-site 'consumer', the solar PV system should face a Business Rates valuation as a mainly-export installation.

You can find out more from [the Solar Energy UK SPV Tool Kit](#).

The rates listed in the MOA are for FiT and ROC solar assets – Where can I find the rates for subsidy-free solar PV?

At the time of the 2017 List valuation date, there was no subsidy-free solar PV in the UK. Therefore, if operating and assessed on the 2017 Rating List, non-subsidy can only be valued in line with the values applied to the most modern ROC (over 1 MW) or FiT (under 1MW) sites.

We are currently in the process of negotiating a new MOA with the Valuation Office that would take effect at the beginning of the next Rating List and will cover subsidy-free assets as a separate category.