



Ministry of Housing,
Communities &
Local Government

Correspondence

Business Rates Information Letter (3/2025): Confirmation of decapitalisation rates

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Applies to England

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Business rates revaluation 2026: Decapitalisation rates



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To: Chief Finance Officers of English Billing Authorities - For the attention of the Business Rates section

From: Non-Domestic Rates Team, LGF - Local Taxation, Ministry of Housing, Communities and Local Government
(ndr@communities.gov.uk)

Date: 13 June 2025

For the attention of the business rates section

Dear Chief Finance Officer

Business Rates Information Letter (3/2025): Confirmation of decapitalisation rates

This is the third business rates information letter to be issued by the Ministry of Housing, Communities and Local Government in 2025. Previous letters are available online at:

<https://www.gov.uk/government/collections/business-rates-information-letters> (<https://www.gov.uk/government/collections/business-rates-information-letters>)

or for archived letters:

<http://webarchive.nationalarchives.gov.uk/20120919132719/http://www.communities.gov.uk/localgovernment/localgovernmentfinance/businessrates/businessratesinformationletters/>
(<http://webarchive.nationalarchives.gov.uk/20120919132719/http://www.communities.gov.uk/localgovernment/localgovernmentfinance/businessrates/businessratesinformationletters/>).

This letter covers:

- Business rates revaluation 2026: Decapitalisation rates

Business rates revaluation 2026: Decapitalisation rates

1. Decapitalisation rates are part of the rating valuations for certain specialist properties for which rental data is not available, and which are

instead valued based on construction costs – known as the contractor's basis of valuation. Unlike other aspects of valuations which are done independently by the Valuation Office Agency (VOA), these decapitalisation rates are set by Ministers.

2. The current decapitalisation rates were set in 2016 for all future rating lists by [The Non-Domestic Rating \(Miscellaneous Provisions\) \(No. 2\) Regulations 1989 \(Amendment\) \(England\) Regulations 2016](#) (<https://www.legislation.gov.uk/uksi/2016/777/made>) at 2.6% for education, healthcare and defence properties and 4.4% for other properties valued on the contractor's basis. Therefore, for the 2026 revaluation the decapitalisation rates will remain at the level set in 2016 of 2.6% and 4.4%.

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