
STATUTORY INSTRUMENTS

2017 No. 871

LANDLORD AND TENANT, ENGLAND

The Valuation of Minor Intermediate Leasehold Interests (England) Regulations 2017

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| <i>Made</i> | - - - - | <i>5th September 2017</i> |
| <i>Laid before Parliament</i> | | <i>7th September 2017</i> |
| <i>Coming into force</i> | - - | <i>1st October 2017</i> |

The Secretary of State makes the following Regulations in exercise of the powers conferred by paragraph 7A(1) of Schedule 1 to the Leasehold Reform Act 1967(1) and paragraph 7(2) of Schedule 6 and paragraph 8(2) of Schedule 13 to the Leasehold Reform, Housing and Urban Development Act 1993(2).

Citation and commencement

1. These Regulations may be cited as the Valuation of Minor Intermediate Leasehold Interests (England) Regulations 2017 and come into force on 1st October 2017.

Price Calculation for Minor Superior Tenancy

2.—(1) In relation to land in England, the price payable for a minor superior tenancy(3) in accordance with paragraph 7A(1) of Schedule 1 to the Leasehold Reform Act 1967 is calculated by applying the following formula—

$$P = \text{£} \frac{R}{Y} - \frac{R}{Y(1+Y)^n}$$

(2) For the purposes of the formula in paragraph (1)—

P = the price payable for the minor superior tenancy;

R = the profit rent(4) (in pounds sterling);

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- (1) 1967 c.88; paragraph 7A of Schedule 1 was inserted by the Housing Act 1980 (c.51), Schedule 21, paragraph 6 and subsequently amended by the Housing and Planning Act 2016 (c.22), Schedule 10, paragraph 1.
- (2) 1993 c.28; paragraph 7 of Schedule 6 was amended by the Commonhold and Leasehold Reform Act 2002 (c.15), section 126(1) and by the Housing and Planning Act 2016, Schedule 10, paragraph 4; paragraph 8 of Schedule 13 was amended by the Commonhold and Leasehold Reform Act 2002, section 134 and by the Housing and Planning Act 2016, Schedule 10, paragraph 5.
- (3) “A minor superior tenancy” is defined in paragraph 7A(2) of Schedule 1 to the Leasehold Reform Act 1967.
- (4) “Profit rent” is defined in paragraph 7A(3) of Schedule 1 to the Leasehold Reform Act 1967.

Y = the maturity rate, expressed as a decimal fraction, of the “over 30 not over 30.5 year” National Loans Fund interest rate; and

n = the number of years (rounding up any part of a year to a whole year) remaining on the minor superior tenancy at the relevant time.

(3) In paragraph (2), the maturity rate is the published interest rate at the close of business on the last trading day of the week before the week in which the relevant time falls.

(4) In this regulation, “the relevant time” has the same meaning as in section 37(1)(d) of the Leasehold Reform Act 1967.

Valuation of Minor Intermediate Leasehold Interest

3.—(1) In relation to land in England, the value of a minor intermediate leasehold interest(5) in accordance with paragraph 7(2) of Schedule 6 or, as the case may be, paragraph 8(2) of Schedule 13, to the Leasehold Reform, Housing and Urban Development Act 1993 is calculated by applying the following formula—

$$P = \pounds \frac{R}{Y} - \frac{R}{Y(1+Y)^n}$$

(2) For the purposes of the formula in paragraph (1)—

P = the value of the minor intermediate leasehold interest;

R = the profit rent(6) (in pounds sterling);

Y = the maturity rate, expressed as a decimal fraction, of the “over 30 not over 30.5 year” National Loans Fund interest rate; and

n = the number of years (rounding up any part of a year to a whole year) remaining on the minor intermediate lease on the relevant date.

(3) In paragraph (2), the maturity rate is the published interest rate at the close of business on the last trading day of the week before the week in which the relevant date falls.

(4) In this regulation, “the relevant date” means the date on which the relevant notice of the claim is given under section 13 or, as the case may be, section 42 of the Leasehold Reform, Housing and Urban Development Act 1993.

Review

4.—(1) The Secretary of State must from time to time—

(a) carry out a review of the regulatory provision contained in these Regulations, and

(b) publish a report setting out the conclusions of the review.

(2) The first report must be published before 1st October 2022.

(3) Subsequent reports must be published at intervals not exceeding 5 years.

(4) Section 30(4) of the Small Business, Enterprise and Employment Act 2015(7) requires that a report published under this regulation must, in particular—

(a) set out the objectives intended to be achieved by the regulatory provision referred to in paragraph (1)(a),

(5) “A minor intermediate lease” is defined in paragraph 7(3) of Schedule 6, and paragraph 8(3) of Schedule 13, to the Leasehold Reform, Housing and Urban Development Act 1993.

(6) “Profit rent” is defined in paragraph 7(5) of Schedule 6, and paragraph 8(4) of Schedule 13, to the Leasehold Reform, Housing and Urban Development Act 1993.

(7) 2015 c.26.

- (b) assess the extent to which those objectives are achieved,
 - (c) assess whether those objectives remain appropriate, and
 - (d) if those objectives remain appropriate, assess the extent to which they could be achieved in another way which involves less onerous regulatory provision.
- (5) In this regulation, “regulatory provision” has the same meaning as in sections 28 to 32 of the Small Business, Enterprise and Employment Act 2015 (see section 32 of that Act).

Signed by authority of the Secretary of State for Communities and Local Government

5th September 2017

Alok Sharma
Minister of State
Department for Communities and Local
Government

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations prescribe the formulas to be applied when calculating the price payable for a minor superior tenancy (as defined in paragraph 7A(2) of Schedule 1 to the Leasehold Reform Act 1967) or the value of a minor intermediate leasehold interest (the term “minor intermediate lease” is defined in paragraph 7(3) of Schedule 6, and paragraph 8(3) of Schedule 13, to the Leasehold Reform, Housing and Urban Development Act 1993).

The formulas use the published “over 30 not over 30.5 year” National Loans Fund interest rate (this provides the value for “Y” in the prescribed formulas). National Loans Fund interest rates are published on the UK Debt Management Office website at www.dmo.gov.uk. The interest rates are published as percentage rates and need to be converted into decimal fractions (divided by 100) before they can be used in the prescribed formulas.

An impact assessment of the effect that this instrument will have on the costs of business is available from the Department for Communities and Local Government, 2 Marsham Street, London, SW1P 4DF and is published with the Explanatory Memorandum alongside this instrument at www.legislation.gov.uk.