TRANSFORMING BUSINESS RATES:

GOVERNMENT INTERIM REPORT

The Chancellor of the Exchequer has set out a series of responses following engagement relating to a Discussion Paper published at the Autumn Budget 2024.

TALK TO THE TEAM

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At the Autumn Budget 2024 the Government published an 'open ended' Discussion Paper setting out potential areas of reform for business rates and inviting engagement from various stakeholders to work on plans to transform the system.

The overarching intention is to '***incentivise investment and growth; support the high street with a fairer system; and make the system fit for the 21st Century'***

An interim report published this week by the Treasury summarises responses and the outcome of further stakeholder engagement, setting out the Government's priorities for further reform to Business Rates.

The priority areas include:

- 'Slab' to 'slice' reform: exploring differential tax rates based upon a system of banding. Currently, the relevant multiplier applies to the entire Rateable Value to determine the bill. This 'slab' approach differs from other taxes, where the tax rate is applied to a proportion of the total sum, the 'slice' method
- Enhancing Small Business Rates Relief (SBRR) to further support growth
- Enhancing the relatively new Improvement Relief once more data is known about application to date
- Exploring stakeholder concerns over 'Receipts and Expenditure' valuation methodology
- Potential shortening of the Antecedent Valuation Date (AVD), currently set 2 years prior to List commencement

The other key takeaway is that the Government has ruled out a move to more frequent Revaluations, saying that to do so would create greater uncertainty for ratepayers.

However, the report is not intended to represent a set of policy recommendations, and the Chancellor will provide further update at Autumn Budget 2025. The Government is '*committed to continue to work with stakeholders to design changes to the system'*.

It has nevertheless already been confirmed that differential multipliers will apply from 2026/27 onwards, with permanently lower multipliers for Retail Hospitality and Leisure properties with Rateable Values below £500,000, and a 'high value' multiplier to fund this. There will also be a Transitional Relief scheme to support ratepayers seeing large increases in liability resulting from the revaluation.

The Government says the reform is a '*multiyear'* process and will look at implementing over the course of the forthcoming, 2026 revaluation and following, 2029 revaluation.