

Business Rates Bulletin

Winter 2015

Autumn Statement 2015

In his Autumn Statement, the Chancellor George Osborne confirmed plans to abolish uniform Business Rates and extend devolution by allowing Local Authorities in England to keep the £26bn currently raised through non domestic rates. The changes are due to be fully implemented by 2020.



What is planned?

Currently, the majority of business rates collected by local councils are sent back to central government and redistributed via a system of grants. Since 2013 a scheme known as 'Rates Retention' has been in place, allowing councils to keep 50% of any uplift in revenue over a baseline figure. These new proposals go further however and by 2020, the grants will be phased out and Local Authorities will keep all revenue raised from Business Rates.

In addition, Billing Authorities will be empowered to lower the multiplier applied to the Rateable Value to calculate rates payable. This is a change to the current system where a 'Uniform Business Rate' multiplier is applied across the country and subject to alteration annually - traditionally in line with inflation.

Elected mayors in big cities such as London, Manchester and Sheffield will also be able to add up to 2p for every £1 of Rateable Value in order to fund major infrastructure projects, provided they are supported by the local business community.

Does this mean some councils will be better or worse off?

Early reports suggest the existing system of top-ups, transfers and tariffs will continue in order to take account of the fact that some councils (e.g. Westminster) generate significantly more business rates than most, but these transfers will be frozen, diminishing their effect over time. It is hoped that the scheme will promote enterprise, ultimately growing the income generated by each respective Billing Authority.

How will the scheme impact on businesses?

At present we believe this could have three significant implications for ratepayers:

- Competition between Billing Authorities may result in lower multipliers in order to retain current occupiers and lure new business, resulting in lower rates liability.
- Increased difficulty in budgeting for future business rates liabilities due to uncertainty over multipliers.
- Increased interest in levels of assessment (Rateable Value) potentially leading to expanded appeal rights, allowing Billing Authorities to challenge individual assessment set by the Valuation Office Agency (VOA).

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Rating Relief Update

In his Autumn Statement, the Chancellor made changes to some of the rating relief measures which were introduced in a move to stimulate construction and reduce vacancy levels. A number of other measures remain in place.

Small Businesses

- This was due to end in March 2016, but has now been extended for a year, to March 2017. The relief is available for properties with a rateable value of up to £12,000 or less. 100% relief is available for properties with a rateable value of up to £6000: this decreases gradually as the rateable value increases.

Enterprise Zone Relief

- Businesses starting up or relocating to an Enterprise Zone before March 2018 will qualify. 100% business rate relief for five years is available, up to a maximum of £275,000. There are currently 24 Enterprise Zones in England, including Manchester Airport, Liverpool Mersey Waters and London Royal Docks. In his Autumn Statement the Chancellor announced plans to create 26 new or extended Enterprise Zones.

New Builds

- All newly built commercial property completed between 1 October 2013 and 30 September 2016, if vacant, will be exempt from empty property rates for the first 18 months.

Retail Premises

- Help for the High Street by maintaining a "reoccupation relief". Businesses moving into retail premises that have been empty for a year or more will receive a 50% discount on their business rates.
- Retail relief of £1,500, for premises with a Rateable Value of up to £50,000, has been abolished from April 2016.

2017 Revaluation

The 2017 Revaluation, which will adjust the value of business rates to reflect the changes in the property market, draws ever closer. Every non-domestic property will have a new assessment based on rental value at 1 April 2015, and to ensure swift settlement of appeals it is important action is taken to review the Draft Rating List as soon as it is published by the Valuation Office Agency in the second half of 2016.