

# Business Rates Bulletin

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# Matthews & Goodman

Property Advisers

## Businesses could face increases in rate bills next year of over 45%, following consultation

A Government consultation paper concerning the transitional relief arrangements for the forthcoming 2017 rating list looks set to have significant impact for ratepayers.

Businesses paying on larger assessments which increase upon the 2017 revaluation (due to come into force on 1 April 2017), could end up footing the cost of reductions for those paying on rateable values which decrease.

Generally, we expect to see a net drop in rateable value across the country when the revaluation comes into force, with the exception of London where assessments look set to increase.



### What is the purpose of transitional relief?

Transitional relief is designed to smooth the effect on rates liability resulting from a revaluation. It does this by capping upshifts and downshifts in 'base' liability (liability before any supplements are applied) and is designed to be self funding. The percentage caps are therefore increased or decreased each year to phase out the influence of the scheme on liability as the rating list progresses.

### What is outlined in the consultation paper?

Published on 28<sup>th</sup> September, the paper confirms that a scheme of transition will apply with effect from 1 April 2017 and that a new band of percentages will be introduced for 'large' properties. 'Large' properties are now defined as having a rateable value above £100,000 and 'small' properties are defined as having a rateable value below £20,000 (£28,000 in London). The paper seeks responses on two options:

**Option 1:** Increases in year one base liability would be capped at 33% for 'large' properties (12.5% under the current list) and decreases would be capped at 4.1% for 'medium' and 'large' properties (4.6% under the current list).

**Option 2:** The cap on year one base liability increase for 'large' properties would be set higher still, to 45%. This would allow for a revised cap on decreases for 'medium' properties to 10%, phasing out over the proposed 5-year life of the rating list.

Otherwise, the percentages remain the same under both options as they are under the 2010 list for 'small' properties and for 'medium', all upward caps remain as they were for all other properties under the current list.

### What will be the impact for ratepayers?

The proposed changes will mainly impact ratepayers on 'large' properties in areas where rateable values have increased following the revaluation. If the Government's preferred Option 2 gets the green light, the impact will be positive for ratepayers occupying 'medium' properties where rateable values have dropped. The Government justifies their position in saying that larger businesses are "better placed to anticipate and manage the impact of the revaluation".

**To discuss the potential impact to your business in more detail, please contact a member of the Rating team.**