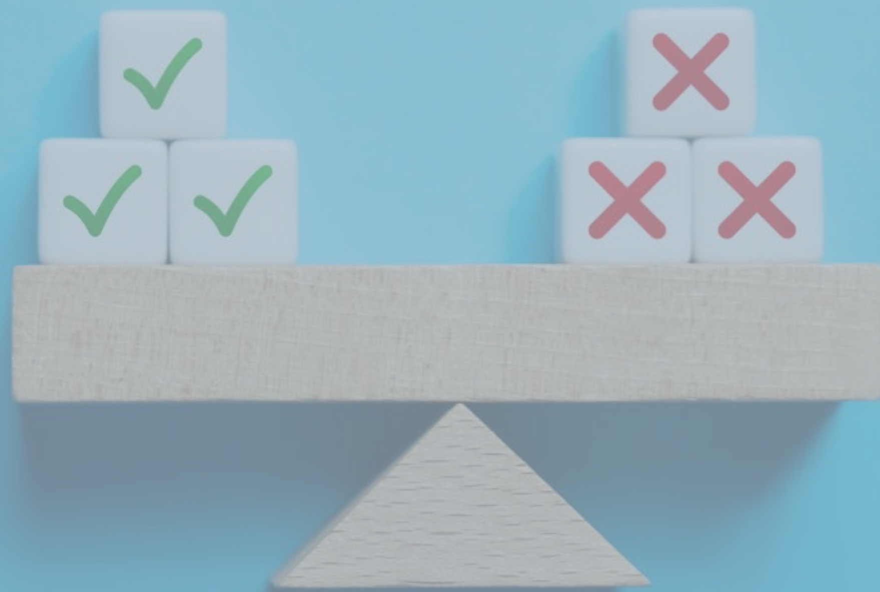
The Pros & Cons of the New Business Rate Bill

What does this mean for you?



How the Non- Domestic Rating Bill will change Business Rates

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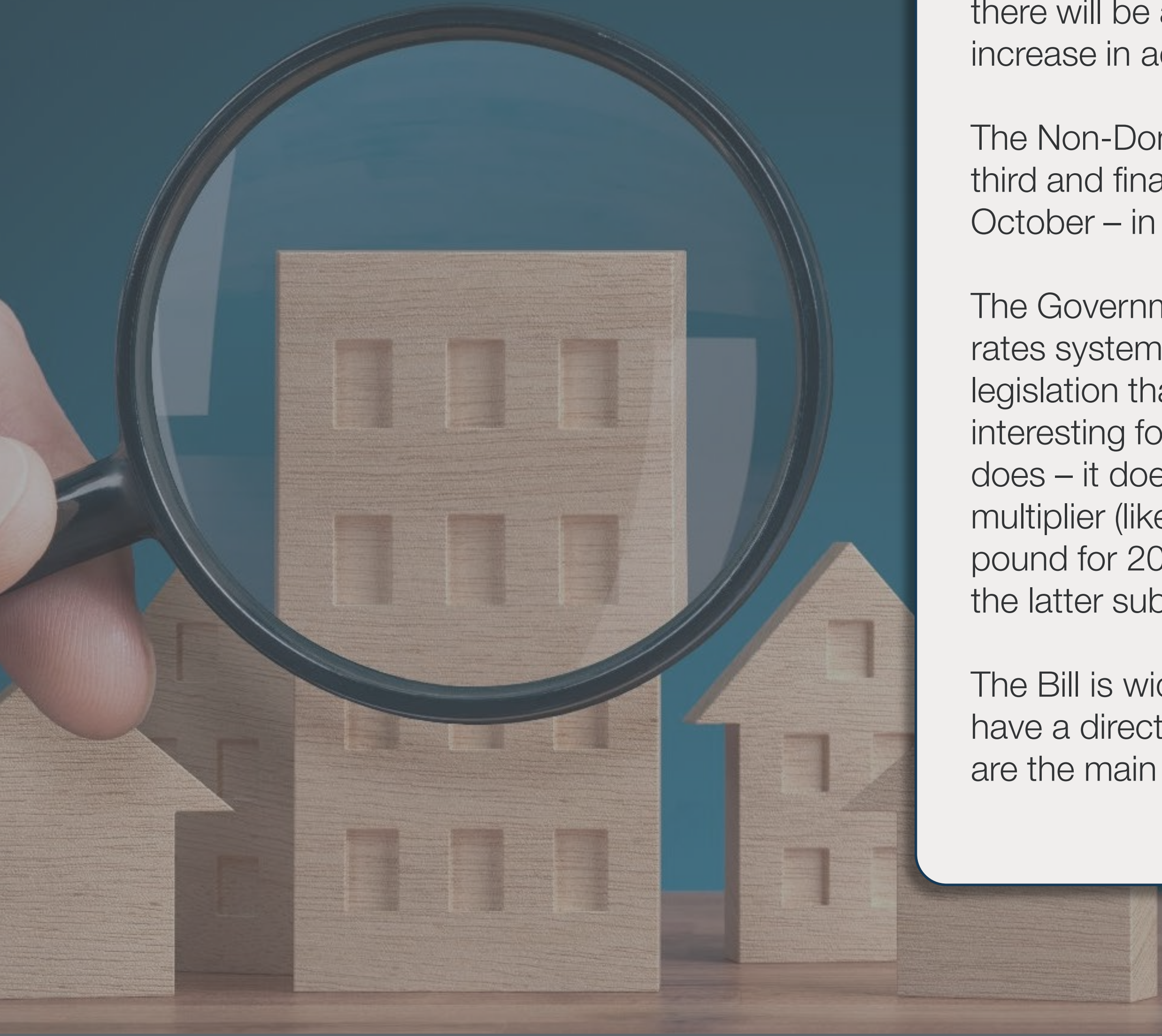

The Business Rates system will change (slightly) and there will be an impact for ratepayers, including an increase in administration and possible hefty fines.

The Non-Domestic Rating Bill will soon be enacted; the third and final reading in the House of Lords is on 16th October – in time for the Autumn Statement.

The Government has wanted to amend the business rates system for years. This is the first piece of primary legislation that sets a tone for future changes but it’s interesting for what it doesn’t cover rather than what it does – it does not tackle the incredibly high rates multiplier (likely to be increased to well over 50p in the pound for 2024/25) nor empty property rate provisions, the latter subject to another recent consultation.

The Bill is wide ranging, and some measures will not have a direct impact on your business. But the following are the main points to note…

Main points of the new rating bill

Confirmation of 3 year Rating Lists:

As of 1st April 2023, Rating Lists will be three years in duration. Previously, this was 5 years (often extended mid-List). The valuation date will remain 2 years pre-revaluation. We are already collating evidence for the next Rating List, which starts on 1st April 2026 (valuation date 1st April 2024).

Duty to Notify

This change will be an enormous administrative burden for ratepayers and changes the current status quo: at present the onus is on VOA to collect and gather property data – ratepayers currently do not have to show their hand. This emphasis will be flipped, and that statutory duty of the Valuation Officer removed.

Ratepayers will be obliged to make an annual confirmation that the premises' data held by VOA is correct.

The ratepayer must also inform HMRC within 60 calendar days when they become a new ratepayer of a premises and notify VOA within 60 days of any changes to a property or lease terms. From 2026 the government will introduce a sanctions regime; potentially punitive financial penalties will apply for non-compliance or false information (the latter is a crime).

Three new Reliefs

1. **Green energy and decarbonisation** – mentioned in the Spring Budget and linked to below, some plant and machinery will receive 100% first year relief on capital allowances, including rooftop solar panels, battery storage used with renewables and electric charging points
2. **Low carbon heat networks** – new 100% relief for eligible low carbon heat networks which have their own rates bills
3. **Improvement Relief** – This measure is to provide relief against the increase in RV following improvements made to a commercial property, for one year post completion of the works to improve a premises. There are eligibility requirements, including the ratepayer must remain in occupation during the works. This provision will last until 2029.

Main points of the new rating bill (cont'd)

Transitional Measures:

Up to the 2023 Rating List, where there have been large increases or decreases in Rateable Value ("RV"), transitional measures were in place to lessen the impact on cash flows – a large increase in RV saw annual upward phasing. Correspondingly, a large decrease in RV saw a premium included in the liability, with annual downward phasing. Downward phasing has been removed for 2023 Rating List.

Completion Notices - refurbishments

Completion notices are a way of forcing a nearly completed 'new' property into the Rating List, where a Local Authority considers a property complete or where it can be reasonably expected to be completed within three months.

The Bill intends to advance the definition of a new building. An existing property subject to redevelopment, that could become capable of beneficial occupation, will be considered a 'new building'. This includes structural alterations of an existing building to create new assessments and buildings, or parts of a building, within an assessment which is or was in the list and subject to alteration – a loss for ratepayers.

Material change in Circumstances ("MCC") reform

Ratepayers can no longer appeal their RV if government guidance and regulations which affected the use of a property, or changes in a locality, are instigated. This continues the approach when government changed the law in light of the huge impact of Covid-19 lockdowns and distancing rules – another loss for ratepayers.

How does this impact you?

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Measures	Pros	Cons
Three Year Rating Lists	This will bring Rateable Values closer to actual rental levels.	This could be an administrative minefield for ratepayers, particularly those with large portfolios or serviced office providers.
Duty to Notify	None - other than Government having more accurate data from ratepayers	This could be an administrative minefield for ratepayers, particularly those with large portfolios or serviced office providers.
Three New Reliefs	Helpful measures to promote green P&M and sustainability credentials. Investment relief will provide some assistance on rates for occupiers who update or improve the quality or offer of the property they occupy.	All measures are only available for one year. Improvement relief will likely not assist landlords, particularly now that the government is looking to amend empty rate regulations. There are a lot of questions on the mechanics of the improvement relief: • When/how does the ratepayer claim the relief? • Will it take a long time to get the relief? - VOA will need to certify the increase in RV/ Local Authority needs to confirm validity – relief could be granted well after completion. Is one year's grace in RV increase sufficient to encourage occupiers to improve their existing premises? Will this discourage seeking deletions from the List? We doubt it.
Transitional Measures	For sectors that have seen significant decreases between Rating Lists (retail, hospitality and leisure particularly) no downward phasing is hugely welcomed.	Currently, the law requires transitional measures to be self-funding. Removal of downward transition means there is no direct funding for upward phasing – no confirmation from government as yet on how it will be funded. May we potentially see an increase in the multiplier?
Completion Notices - refurbishments	None	This allows the Local Authority more opportunities to force developers' hands into paying rates where properties are only partially. In effect, Government is trying to close a perceived loophole on avoiding empty property rates on legitimate cases. A pre-curser to changes in empty rate relief regulations too?
Material change in Circumstances ("MCC") reform	None	Government initiatives that previously were deemed MCCs, such as the smoking ban in 2007, will not now get any temporary reduction in RV to reflect (e.g.) for loss of revenue etc… But theoretically the scope is huge and open to exploitation by the Government and cover indirectly related guidance/regulations, further reducing the opportunity for ratepayers to appeal their rates through no fault of their own.

Conclusion

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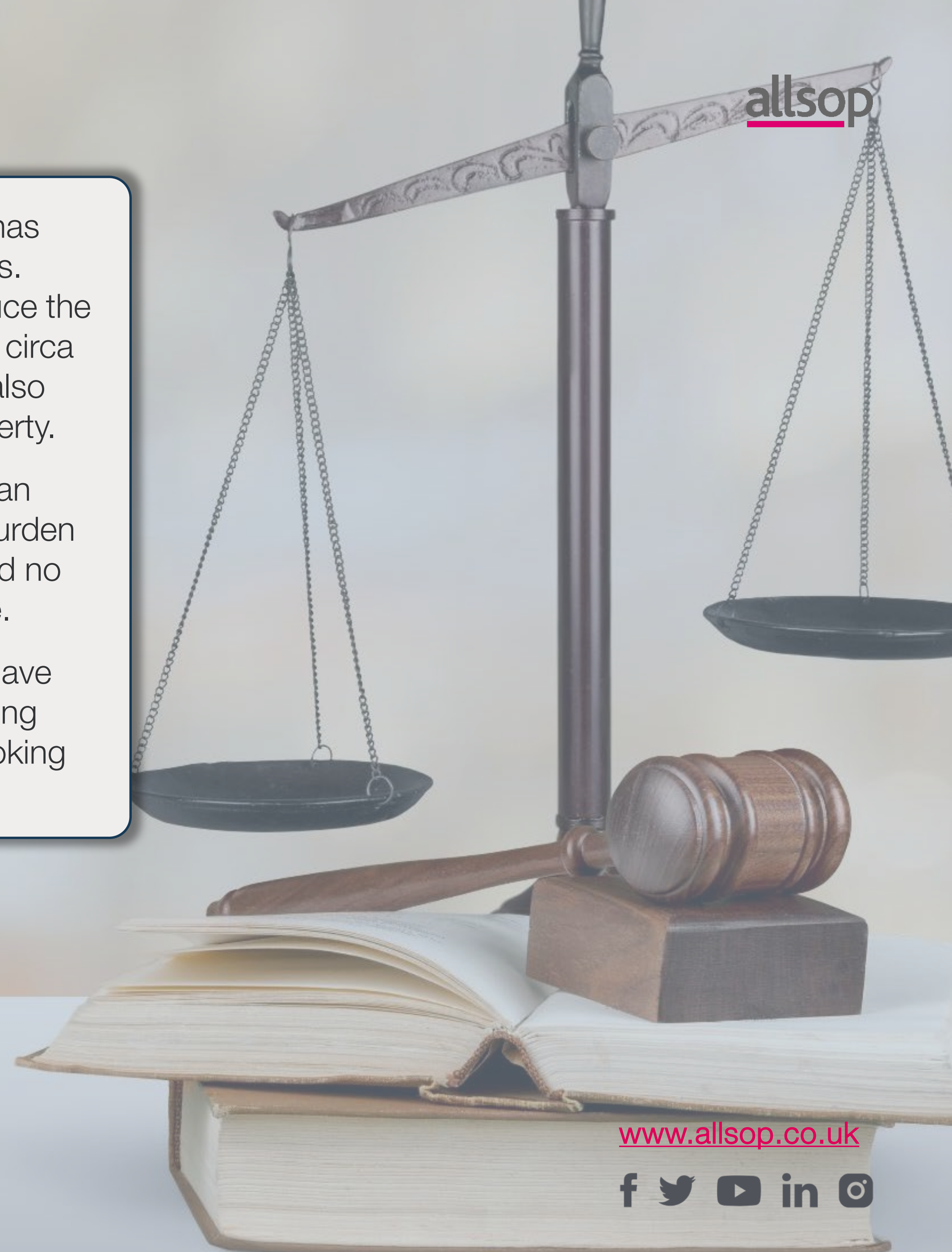

The Bill addresses a lot of changes that Government has wanted to make to the business rates system for years. What ratepayers really need is for Government to reduce the monstrously high rates multiplier through reducing the circa £26bn per annum business rates expectation and to also not penalise occupiers and landlords with empty property.

The measures in the Bill will likely ease the burden on an underfunded and understaffed VOA by stacking the burden on ratepayers, incurring headaches on compliance and no doubt the occasional onerous fine for non-compliance.

Regardless as to the level of impact these measures have on your business, engaging the services of Allsop Rating Department will be more important than ever when looking to mitigate your business rates.

Have a question?

If you would like more information on this bill, or advice on how to approach your business rates bills, please get in touch with a member of the Allsop rating team.

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