



MONTAGU EVANS TALKS...

WHAT DOES THE AUTUMN STATEMENT 2021 MEAN FOR BUSINESS RATES?

BY JOSH MYERSON

Whilst the Chancellor of the Exchequer did leave some questions unanswered yesterday in the Autumn Statement regarding reform, he made it very clear he believes in retaining the business rates system. Like us, he recognises they have a legitimate place in our UK's balanced basket of taxation, as opposed to what he described as the Opposition's "reckless and irresponsible" plans to abolish the system. Raising over £25 billion per annum and representing a major source of local authority funding, he made it clear that collecting these monies from other sources would be untenable. Josh Myerson, Head of Rating at Montagu Evans and President of the Rating Surveyors' Association has detailed the key points below.

The Chancellor announced that the multiplier would be frozen, not increasing by the usual September CPI figure, which would have given rise to a 3.1% increase. With the standard multiplier already at 51.2p, any additions here may be too much for ratepayers to absorb. This will be an initial relief to rate payers and the government has reported that this will save businesses in England c.£4.6 billion over the next five years. We would expect the devolved parties to adopt the same approach and freeze the multiplier. The elephant in the room remains the omission by government to commit to significantly reducing the multiplier. While they do suggest they will explore other sources of tax receipts, the current multiplier is unsustainable and, with it, the system more generally.

The expanded retail relief, which was due to be removed in April 2022, will be maintained albeit in a diminished form. The statement provides a reduced 50% relief to ratepayers in the retail, leisure, and hospitality sector for 12 months (2022-23) up to a maximum of £110,000, which we assume will be per business rather than per property. Whilst any further relief in this sector is appreciated by ratepayers, it is clear that many of the high street's retailers will fall foul of this cap.

As anticipated, the government has confirmed that they will implement a 3 yearly revaluation cycle from 1st April 2023. This formed the focus of the consultation that government undertook over the summer 2021. Alongside the Autumn Statement, Treasury have now published their report on Fundamental Review, as well as the delivery of more frequent revaluations, and we are pleased to see that the Treasury has listened to businesses, as well as the Rating Surveyors Association, in discounting a number of the more draconian measures.

Under the current business rates system, green additions made to buildings, such as solar panels and wind turbines, often lead directly to rateable value increases. Yesterday, the Chancellor announced that there will be a green investment relief, which will exempt business rates from being levied on green property improvements. This will undoubtedly represent a welcome tax break for businesses who are looking to invest in making their properties 'greener' and follows with the Government's aim to achieve net zero. Of course, we await further details on how this will work in practice.



To encourage business to invest in their properties, the Chancellor also announced yesterday an improvement relief which will provide for 12 months' delay in those improvements giving rise to rateable values increases. This will assist ratepayers who wish to reconfigure their premises, refurbish or add in air conditioning – all currently things which could increase their rateable value immediately. We will have to wait until 2023 for this relief to come in to play and at the same time we eagerly await the detail on how the Government will implement this relief. We look forward to working with them as they refine their plans.

It was further announced that transitional relief will still be adopted in next year's liability calculations, restricting bill increases to 15% for small properties (up to £20,000 RV) and 25% for medium properties (below £100,000 RV), which, unusually, is subject to subsidy control limits.

Overall, the statement from the Chancellor is balanced. Government has stated its intentions to continue with the rating system, whilst at the same time recognising the need for reform. The package of measures needed to deliver more frequent revaluations sees some of the more draconian suggestions removed and, whilst there remain some suggestions that might yet still be cause for concern, the decision to delay the implementation of these should be welcomed. It remains to be seen whether the immediate respite, in the form of a frozen UBR, continued translational relief and a continuation of a reduced expanded retail discount, will be sufficient to save struggling business in the here and now and for that reason alone we would strongly encourage government to press ahead with the release of their £1.5bn Covid relief fund without any further delay.

5 KEY TAKEAWAYS

- **MULTIPLIER FROZEN AT 51.2P FOR 2022/23**
- **EXPANDED RETAIL RELIEF MAINTAINED AT A REDUCED 50% FOR 12 MONTHS (CAPPED AT £110,000 PER BUSINESS)**
- **NEW "GREEN INVESTMENT RELIEF" TO SUPPORT NET ZERO AGENDA**
- **NEW "IMPROVEMENT RELIEF" FROM 2023 TO DEFER RV INCREASES FOLLOWING CAPITAL INVESTMENT.**
- **3 YEARLY REVALUATIONS CONFIRMED FROM APRIL 2023, WITH A PACKAGE OF ACCOMPANYING MEASURES.**

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