

# The 2023 List – where we are now a business rates update

Wednesday 19 June 2024



# Agenda

- Update on the 2023 List
- Impact of large store closures
- VOA compliance & agent standards
- Party Manifestos
- Timeline to 2026
- Planned changes
- Q&A

# Update on the 2023 List



# Burden of business rates

## Multipliers across the UK

- 2024-25 multipliers

England – 54.6p

Scotland – 55.9p

Wales – 56.2p

Northern Ireland – up to 67.2p (varies by district)

- Compare with around 35p when the system was introduced in 1990

## International property tax levels

Country	Prop tax as % of GDP	Prop tax as % of total taxation
Australia	3.2	10.9
Belgium	3.2	7.7
Canada	3.4	10.5
France	3.7	7.9
Germany	1.1	2.8
New Zealand	1.9	5.6
<b>UK</b>	<b>4.1</b>	<b>11.3</b>
USA	2.9	10.6
<b>OECD average</b>	<b>1.9</b>	<b>5.6</b>

*Comparing the UK with selected other countries – OECD Data (2022)*

# Case Law

- With eight notable Supreme Court Cases over the past decade, we have seen very few in the past 12-months.
- Major issue emerging concerning the meaning of '*locality*' in relation to material change of circumstances.
- Rushden Lakes, Northamptonshire.



# Large store closures



# Impact of large store closures

- Post pandemic closures.
- Proactive approach to 2017 List.
- Opportunities through the 2023 List.

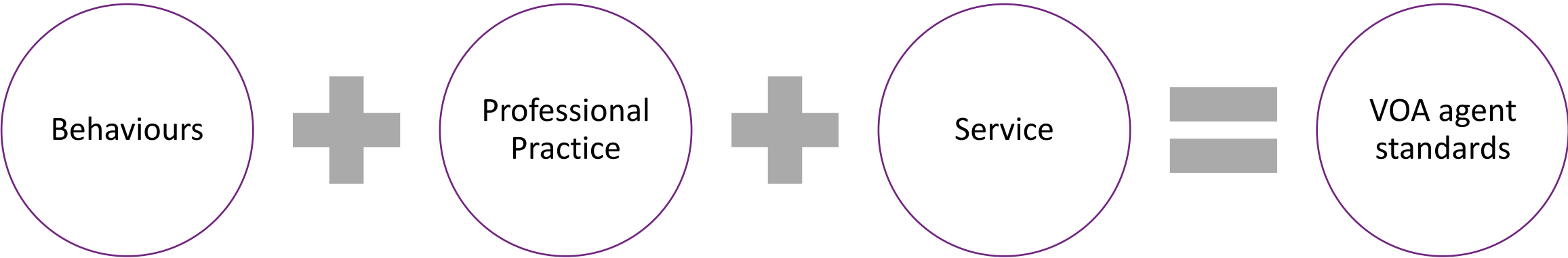


# VOA agent standards





# VOA agent standards



# Standard



# Expectations



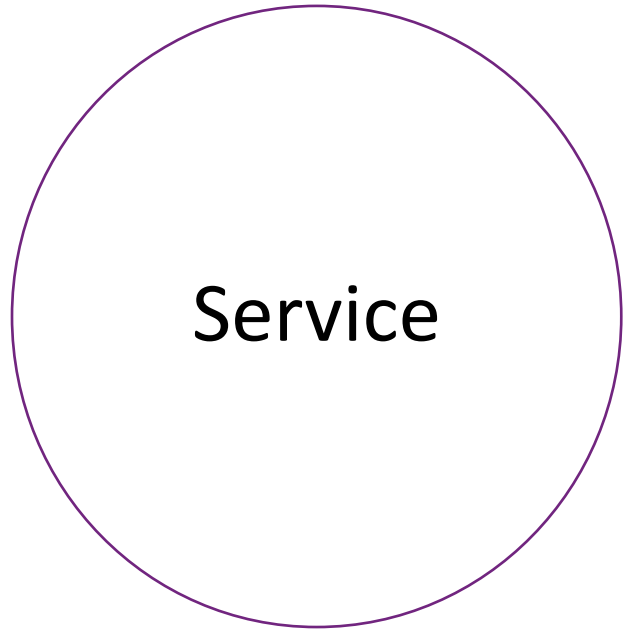
# Standard



# Expectations



# Standard



# Expectations



# At first glance a positive change...

- A reasonable and appropriate policy to deal with rogue agents.
- A benefit to the client to help to ensure honesty and integrity.
- The principle is supported by professional bodies.
- Agents that are not members of a professional body to be held to a higher standard than before.



# Non-compliance

- VOA intend to proactively identify agents that do not comply.
- Persistent offenders may see strong action taken by VOA:
  - Temporarily blocking access to VOA services.
  - Referrals to appropriate partners such as HMRC Fraud investigation Service or the Advertising Standards Agency.
  - Referral to relevant professional bodies through a Public Interest Disclosure.
  - Refusal to deal with the agent entirely.



# Timeline to 2026

The background of the image is a blurred photograph of a clothing store. It shows several racks of clothes in various colors, including yellow, green, and brown. The store has a modern aesthetic with bright, linear lighting fixtures on the ceiling. The overall scene is out of focus, emphasizing the text overlay.

# Timeline to 2026: Where Next For Business Rates

## Business Rates Reform Options Being Floated by the Industry

//

Just cut the multiplier and recover the revenue from someone else.

//

//

Annual revaluations would remove most distortions – but can the VOA deliver that?

//

//

The reliefs system is too complicated and needs to be simplified so that it's fairer.

//

//

The valuation date should be one year before, not two years before, to keep up with the market.

//

//

The multiplier should be fixed rather than being reset at each revaluation.

//

//

There's no objection to tax – it's the level playing field with online retailers that matters.

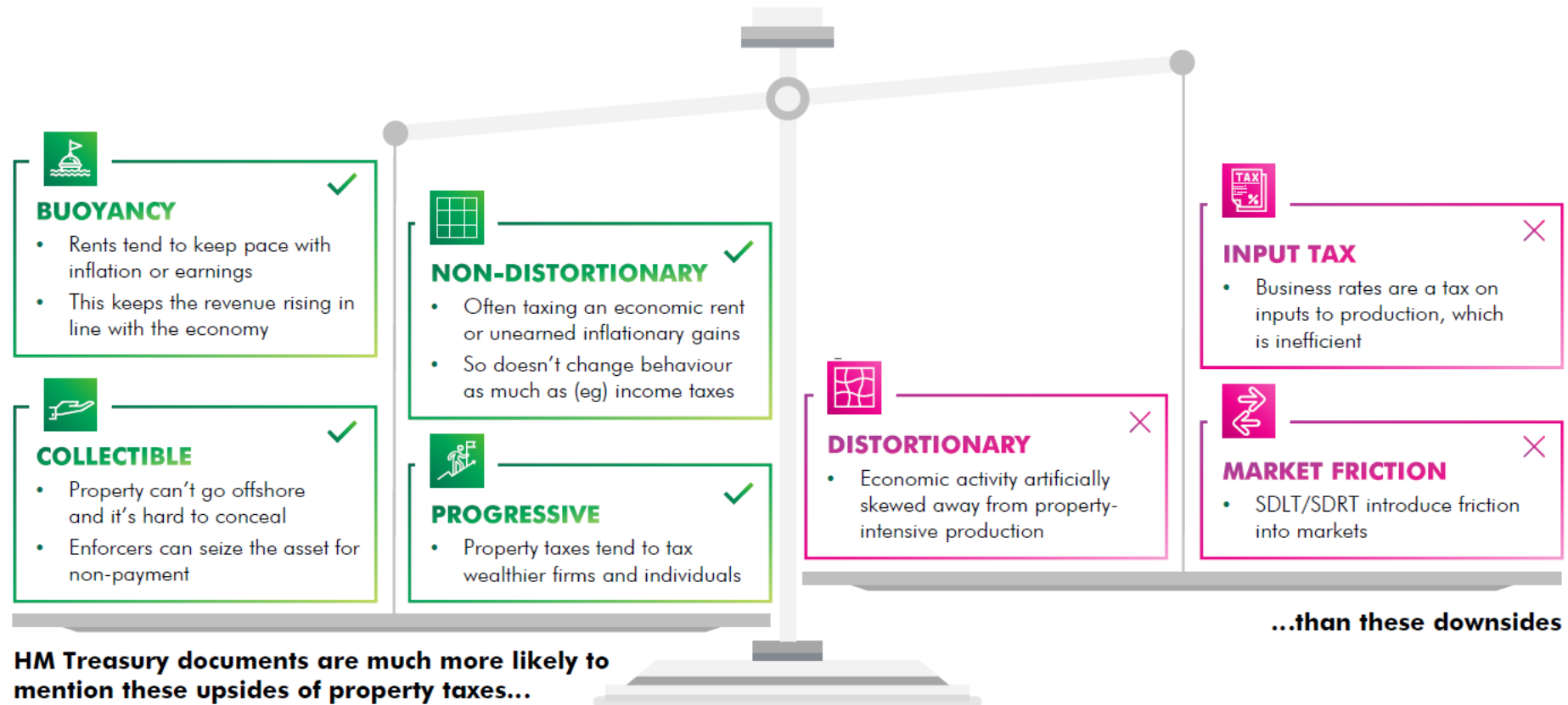
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Source: CBRE Research – anecdotal views received.



# Timeline to 2026: Where Next For Business Rates

For the UK Government, the Balance of Arguments Favours Property Tax



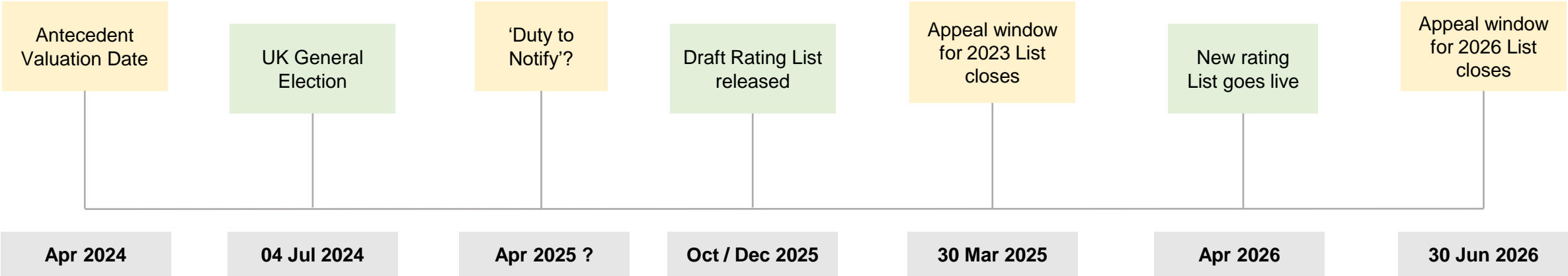
Source: Mirrlees Review (2010, 2011) Ch 16; HM Treasury Fundamental Review Terms of Reference (2020); CBRE Research

# Timeline to 2026: Where Next For Business Rates

## **BUSINESS RATES HERE TO STAY?**

- Continued tactical management by HM Treasury to remove most controversial elements and widen the tax base.
- Possibly evolving into a formal Land Value Tax in the long term but with formidable practical challenges.
- So, extension of business rates tax base more likely simplified reliefs, plus inclusion of vacant, derelict or agricultural land as well as empty property.
- Online Sales Tax remains is still a consideration.

# Timeline to 2026



Planned changes



# Planned Changes

- 3 yearly revaluation cycle which commenced in April 2023. This to ensure the tax more accurately reflects current market trends.
- The introduction of compliance legislation 'Duty To Notify' (DTN). A tax return confirming the factual and leasehold data relating to each property where the tax is due.
- Shortened appeal window of 3 months post the rating list going live in April 2026 (currently the appeal window runs for the life of the rating cycle).
- Further consultation on 'rates avoidance'.

# Duty to Notify & Digitalisation of Business Rates

Timeline	Who is this for?	Duty to provide:	Timeframe to comply with duty	Compliance	How?	Additional costs per year for a ratepayer to comply with the new duty
<ul style="list-style-type: none"> <li>• 2023 Rating List</li> <li>• Phased Launch</li> </ul>	<ul style="list-style-type: none"> <li>• Occupier</li> <li>• Person(s) entitled to occupy</li> <li>• Owners</li> </ul>	<ul style="list-style-type: none"> <li>• Tenure</li> <li>• Lease Details</li> <li>• Areas</li> <li>• Occupation and vacation dates</li> <li>• Rent / Lease changes</li> <li>• Alterations to a property</li> <li>• Trade accounts or costs</li> <li>• Tax reference Numbers</li> </ul>	<ul style="list-style-type: none"> <li>• Within 60 days of change to occupier / owner or property</li> </ul> <p>AND / OR</p> <ul style="list-style-type: none"> <li>• Annual Return</li> </ul> <p>AND / OR</p> <ul style="list-style-type: none"> <li>• 60 days after the 30th April for Trade accounts / costs and Tax reference numbers</li> </ul>	<ul style="list-style-type: none"> <li>• Reminders</li> <li>• Warnings</li> <li>• Penalties</li> </ul> <p><b>Failure to Provide</b></p> <ul style="list-style-type: none"> <li>• 2% of RV with</li> <li>• Min £300 &lt;£15K RV</li> <li>• Min £600 &lt;£51K RV</li> <li>• Min £900 &gt;£51k RV</li> </ul> <p><b>False Information</b></p> <ul style="list-style-type: none"> <li>• £500 plus</li> <li>• 3% of RV change</li> </ul>	<ul style="list-style-type: none"> <li>• Online Portal</li> <li>• Potential for bulk upload</li> </ul>	<p><b>Year 1</b></p> <ul style="list-style-type: none"> <li>• &gt; £50 per property</li> </ul> <p><b>Following Years</b></p> <ul style="list-style-type: none"> <li>• &gt; £35 per property</li> </ul>

# Party manifestos





*“The current business rates system disincentivises investment, creates uncertainty and places an undue burden on our high streets. In England, Labour will replace the business rates system, so we can raise the same revenue but in a fairer way. This new system will level the playing field between the high street and online giants, better incentivise investment, tackle empty properties and support entrepreneurship.”*



*“Unfair tax hikes have further dented our prosperity, and our town centres and high streets are crying out for a fair business rates system.”*



*“We are supporting firms with a business rates support package worth £4.3 billion over the next five years to support small businesses and the high street. We want small businesses to get a bigger share of public contracts and have improved the public sector procurement system to that end.”*

- *“Ease the burden of business rates for high street, leisure and hospitality businesses by increasing the multiplier on distribution warehouses that support online shopping over time.*
- *A promise of a business rates support package worth £4.3 billion over the next five years to support small businesses and the high street”.*
- *Create more Freeports and Business Rates Retention zones.*
- *Prioritising pubs and hospitality businesses for Business Rates relief.”*







*“SMEs represent over 95% of UK business and two thirds of all employment. Abolish Business Rates for High Street Based Small & Medium Firms. Offset this with Online Delivery Tax at 4% for large, multinational enterprises to create a fairer playing field for high streets.”*



**Green Party**

*“Elected Greens will push for a wealth tax. This will tax the wealth of individual taxpayers with assets above £10 million at 1% and assets above £1bn at 2% annually. Only a very small minority of people would be subject to the wealth tax, while the overwhelming majority would benefit.”*

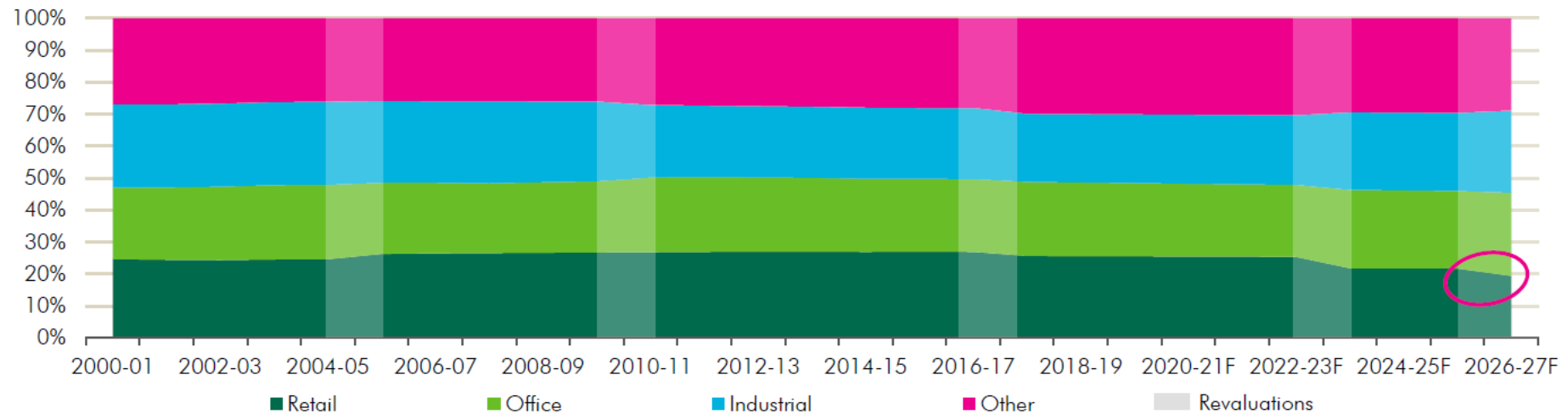
*“In the next parliament, elected Greens will take steps towards this by pushing for:*

- Re-evaluation of Council Tax bands to reflect big changes in value since 1990s.*
- Removal of business rate relief on Enterprise Zones, Freeports, petrol stations and most empty properties.*
- A survey of all landholdings to pave the way for fair taxation of land.”*

*“Give local authorities discretionary powers to exempt socially and economically essential local enterprises from business rates.”*

# Outlook For Retail

Share of rateable value borne by property sector, % (2000/01 201 9/20 actual; CBRE 2020/21 2026/27 forecast)



Retail will bear just 19% of business rates by 2026, down from 27% at its recent peak in 2016.

Both Office and Industrial will each represent 26% of RV, up from 22% in 2016.

Q&A

