

A man in a plaid shirt is working on a bicycle wheel in a workshop. The background is filled with various tools and equipment, including a large metal frame and a red object. The scene is dimly lit, with a focus on the man's hands and the wheel.

BUSINESS RATES AND THE 2017 REVALUATION

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fsb^{co}

Experts in Business

WHAT ARE BUSINESS RATES?

Householders pay Council Tax on domestic property. Businesses pay business rates on non-domestic property that they occupy. If the property is empty, the owner pays the rates. The revenue raised is used as part of the funding for local services.

HOW ARE BUSINESS RATES CALCULATED?

Business rates are calculated by multiplying the rateable value of your non-domestic property by the correct multiplier (also known as the UBR or rate in the pound) set by the Government. The rateable value is based on the rental value of the property. The multiplier is increased each year by the September RPI rate of inflation to ensure that the Government consistently collects the same amount of money each year in real terms.

2017 REVALUATION

2017 will see a revaluation of business rates. These occur every five years when the Valuation Office Agency conducts a revaluation exercise to determine the rateable value of non-domestic properties. However, the planned Revaluation in 2015 did not take place and was instead postponed until 2017. All businesses were able to find their new rateable value from September 2016 and will receive their new bills from the end of March 2017.

HOW WILL YOU BE AFFECTED BY THE REVALUATION?

The government has estimated that 510,000 businesses are set to see an increase in their business rates, 420,000 will stay the same and 920,000 will see a decrease.

London as a region is the only net loser from the revaluation. Businesses in the capital will see an average increase of 11%, but some areas of central London will see far greater increases.

Outside of London the picture is much more mixed. While the government has estimated that on average all other regions will see a decrease in rateable values, there are pockets that will see increases.

You can see how the revaluation has affected your rateable value at the VOA website here - <https://www.tax.service.gov.uk/view-my-valuation/search>

THE GOOD NEWS

At the Budget in March 2016, the last Chancellor, George Osborne, listened to our calls for action and announced a series of significant reforms to the business rates system.

From April 2017:

- Businesses occupying a single property with a Rateable Value of less than £12,000 will now pay no rates at all.
- Businesses occupying a single property with a Rateable Value between £12,000 and £15,000 will be given tapered relief.

The above changes were a huge victory for FSB and our members who have campaigned on these issues for many years. They mean that over 600,000 small businesses now won't pay any business rates, giving them a saving of more than £6,000 a year, while a further 250,000 firms will also see their rates cut.

To help those firms affected by the revaluation, the government has also announced a series of additional measures at the Spring Budget this year:

- £300 million business rates hardship fund to enable local authorities to grant discretionary relief to those hardest hit.
- A one year £1,000 business rate discount for pubs with a rateable value of up to £100,000.
- A limiting of the annual increase for small businesses losing Small Business Rate Relief to the sum of £50 per calendar month or the real terms transitional relief cap.

Local Authorities will be tasked with creating their own scheme for delivering the hardship fund in their areas, so please contact your local council for details on how to apply for this additional relief.

WHAT IF I SEE A LARGE INCREASE IN MY RATES?

To prevent businesses being too badly affected by changes in their rates bill, the government has introduced a transitional relief system which limits the percentage increase any business can face in any one year. The current transitional relief scheme is as follows:

Final: Transitional Arrangements 2017 revaluation (before inflation) funded by 3 caps on reductions						
Property Size		2017/18	2018/19	2019/20	2020/21	2021/22
Upwards Cap	Small	5.0%	7.5%	10.0%	15.0%	15.0%
	Medium	12.5%	17.5%	20.0%	25.0%	25.0%
	Large	42.0%	32.0%	49.0%	16.0%	6.0%
Downwards Cap	Small	20.0%	30.0%	35.0%	55.0%	55.0%
	Medium	10.0%	15.0%	20.0%	25.0%	25.0%
	Large	4.1%	4.6%	5.9%	5.8%	4.8%

Note: these are year on year caps on increases. For instance, the maximum increase for small properties over 5 years would be 64%. But a small property with an increase of 7% would reach their full bill in year 2. Medium is above £28,000 rateable value in London and £20,000 elsewhere. Large above £100,000.

As the table shows, any increases in rates will now be tapered in by up to five years. For a small business (less than 20,000 RV and 28,000 RV outside of London) this means that any increases will be limited at 5% for year one.

HOW TO APPEAL?

From April 1 2017, the government is introducing a new three stage online process for appealing business rates called Check, Challenge and Appeal. If you would like to appeal against your business rates bill you must be able to supply your reasons with evidence to support your statements. There are many reasons you may want to appeal, including an incorrect valuation or you may have a change to your property that isn't shown in the rateable value. A full list for grounds to appeal can be found on the government website here: <https://www.gov.uk/business-rateappeals/types-of-appeals>.

Many small businesses employ a rating surveyor to make an appeal on their behalf. FSB has been working with the Royal Institute for Chartered Surveyors (RICS) to tighten their code of conduct for the industry. We therefore recommend any business that decides to employ a rating surveyor to act on their behalf ensures they are RICS accredited and reads their new guidance note: http://www.rics.org/Global/Rating_consultancy_4th_edition_PGguidance_2017.pdf

RATES RELIEF

Local authorities are able to grant discretionary relief to struggling businesses. If your rates bill is likely to bring the future of the business into question, it may be worth thinking about how you would prove this to your local authority. If you think this would affect you, and would like some support, please get in touch with your local Development Manager. Other reliefs and assistance are available to small businesses, including rural relief and enterprise zone relief, but these only apply in special circumstances. You can find out more information on the government website here: <https://www.gov.uk/apply-forbusiness-rate-relief/overview>.

For more information about changes to business rates or how you may be affected, please get in contact with your local Development Manager.

We will be updating this advice regularly as more information becomes available.

The guidance provided above in relation to business rates is for general guidance on your rights and responsibilities only and is not financial advice. You are advised seek professional advice in relation to your business rates before taking any further action. FSB has tried to ensure that the information provided is accurate. However, FSB will not accept liability for any loss, damage or inconvenience arising as a consequence of any use of or the inability to use any information provided. We are not responsible for claims brought by third parties arising from your use of this information.