

LESS THAN APPEALING: CHALLENGING BUSINESS RATES BILLS

Recommendations (England only)

- Urgently reform the Check, Challenge, Appeal (CCA) system, making it easier to check whether to appeal a bill and, if so, to lodge the appeal without a disproportionately high evidence bar.
- The Valuation Office Agency (VOA) should be tasked with harnessing innovation in business rates. This could include new possibilities through local data opened up by the Government's new Geospatial Commission, and requesting the Behavioural Insights Team to look at how to improve small business understanding, experience and engagement with the system.
- The Government should consider how standardisation of business rates bills could help small businesses improve their understanding of the system.

Small businesses on the high street with valuations around the discretionary thresholds (£10,000 to £20,000) are those most likely to gain from challenging incorrect valuations, as falling within the Small Business Rate Relief (SBRR) could make a significant difference compared to falling just outside the £15,000 cut-off point.

However, challenging a business rates bill is an increasingly difficult task, battling with red tape, unclear online portals, a very high evidence threshold, and fines if mistakes are made.

Recent FSB research revealed that a third of small businesses say they find the current business rates system difficult to understand.¹ With increasing diversity of small independent businesses on our high streets,² this figure only looks set to grow. They are unlikely to have the time, expertise and resource to make going through the current Check, Challenge, Appeal (CCA) process a viable option.

For those who do go through this process, they are faced with an overly bureaucratic and time consuming process. This is exemplified by recent VOA data showing that 23 per cent of checks and two thirds of challenges made are still not resolved.³

CCA was introduced in April 2017 to allow businesses to query their business rates bill. However, since its launch the number of revaluation appeals has dropped by 93 per cent according to VOA statistics.⁴ This drop in the number of appeals can largely be attributed to the difficulty businesses have understanding how their bills have been calculated, and the overly bureaucratic and penalising process imposed on small businesses under CCA. In the first 12 months of CCA, 88 per cent of small businesses that used the system said they were 'dissatisfied' (17%) or 'very dissatisfied' (71%).⁵

An urgent review of CCA and possible standardisation of bills are desperately needed to ensure businesses understand what they are being changed for, and have the confidence to challenge their valuation.

Legislation must be amended to ensure smaller businesses can be informed by the VOA about how their rates bills have been derived without having to lodge a formal complaint (including information about the rental evidence of comparable properties that the VOA has relied on), and reduce the evidence burden placed on smaller businesses at the 'challenge' stage.

If this is not possible then the Government should create a new streamlined process that sits outside the CCA for smaller businesses.

¹ FSB Tax Survey, Q10 32.97%

² Local Data Company/bira release 23 April 2018.

³ Ibid

⁴ VOA web page, Non-domestic rating: challenges and changes, 2017 and 2010 rating lists, August 2018, available at: <https://www.gov.uk/government/statistics/non-domestic-rating-challenges-and-changes-2017-and-2010-rating-lists-june-2018-experimental>

⁵ VOA FOI response to Colliers International

Case Study: FSB member, coffee shop, Peterborough

“My business faces serious financial difficulty after the local council failed to inform me that a transitional charge would be added to my business rates bill. This is despite calling them ahead of signing my lease to confirm the billing amount.

“I had budgeted for a monthly amount of £1,500, but the bill was actually for £3,333 a month for the first four months and is now £2,500 a month. The charge is double what the council first told me to expect and is putting the business under immense financial pressure and very possible risk of closure.

“I was expecting to have paid around £12,750 in business rates by the end of July but have actually been charged £24,322 - a huge cost to a new start-up business that I simply cannot afford.

“Businesses rates are difficult to work out without hiring expensive agents and lawyers. I had hoped that by contacting the council they would be able to help, but it feels like they don't understand it either.”