£600 Million Increase In Business Rates - Knight Frank Autumn Statement Response

Wednesday 3 December, 2014

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Business Rates Set to Increase by 2 %

The Chancellor confirmed that the planned 2.3 % increase in Business Rates will be capped at 2 % for next year. Although welcome, it still represents a £600 million increase in rates to a record high of £ 26.85 billion.

Small Business Rates Relief to remain at current level

The Chancellor also confirmed that they are to continue the doubling of the Small Business Rate Relief (SBRR) for another year. This means that any business with a rateable value below £6,000 will be exempt from rates. This relief will then taper off to zero once the rateable value reaches £12,000.

Retail – increase in relief from £ 1,000 to £ 1,500

Businesses who occupy any retail, food and drink premises with a Rateable Value less than £50,000 will have their discount increased from £ 1,000 to £ 1,500 for next year only.

Reform of Business Rates – Consultation launched

The Chancellor responded to the calls from the industry to reform business rates and announced that there will be a consultation to review structural changes to the system.

Keith Cooney, National Head of Business Rates Service commented:

"The Chancellor has no justification to continue to increase the business rates tax by over £600 million to a record of £ 26.85 billion. He grandly announced that the increase will be capped at 2% but this is because he continues to use the Retail Price Index to adjust rates which the Government replaced with the Consumer Price Index for almost all other measures in 2003. If this was applied then the increase would only have been 1.2%.

He conveniently ' forgot' to announce the position on his pledge to clear the chronic backlog of rating appeals by July next year. A look at the facts show that the number of appeals fell by 2% per month between April (105,000) and November (89,300). There is no sign that this rate will change by his deadline of July next year leaving a significant and unacceptable 68,000 appeals.

The announcement of yet another consultation on business rates, will be greeted with a healthy dose of scepticism by the industry as it is the third in the last 14 months. The previous two consultations consumed significant resources with promised changes that never materialised.

In reality there can be no fundamental changes in this significant tax take as it is one of the few taxes that it is difficult for International Companies to avoid. Until there is international agreement on corporation tax policy the Government will simply do nothing to risk it."

For further information, please contact:

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