Business rates are due to rise next year, but how?

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As part of the government's 2022 autumn budget, the chancellor froze business rates as part of an overall business support package. To do so, they froze the multipliers at 51.2p (standard multiplier) and 49.9p (small business multiplier). The multiplier (the pence in the pound you pay against your rateable value) is linked to inflation as measured by the Consumer Price Index (CPI) and as such, it is expected to rise once again in April 2024, based on estimated inflation (6%) for September 2023. As such, the rise in multipliers next year is expected to add around £1.5 billion to business rates.

In the UK, business rates are determined by the open market rental values two years prior to the new rating list start date. This resulted in most sectors seeing a significant increase in their rates payable for the 2023 rating list. While the multipliers were frozen as part of a support package to mitigate this, they were in fact frozen at the highest level since their introduction in 1990.

What does this mean for business rates?

Typically, the value of each multiplier drops at the beginning of a rating list, rising slowly over the subsequent period. For 2023, this is not what happened.

Anthony Hughes of RVA Surveyors, was not surprised.

"It was frustrating," he admitted, "when they froze the multipliers. Especially as typically at the beginning of a rating list, they are lowered. Now business rates payers are facing a potential further 6% increase being shoehorned in. And at the same time as Retail Hospitality and Leisure [RHL] is set to end as well, which will be a shock for many in receipt of it."

Sectors across the country will be affected by this inflation-linked increase. RHL is due to end on the 31st of March 2024. For example, if a property's rateable value (RV) is £30,000, the rates payable is £14,970. If RHL is applied, the property owner would receive 75% off. Meaning, that until the 31st of March 2024, they are only paying £3,742.50. Unless an alternative is put in place, or RHL extended, business rates payers will have to go back to paying 100% of their property's rates payable. This is before the inflation-linked increase expected in April 2024, which could see individual liabilities rising by a further 6%.

This of course does not take into account other business rates reliefs, such as transitional. Dependent on several factors, Transitional Relief limits how much your rates bill can change each rating list. This often means that changes in bills are phased in more gradually.

In the UK, business rates liabilities can be one of the highest costs for a business. As everything from insurance to wage costs rise, an inflation-linked increase in business rates is the last thing commercial property owners need. Such an increase could be the reason many decide to close their doors for good.

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Scan Me:

Company Contact:

RVA Surveyors

T. 01614645977
E. press@rvauk.com
W. https://www.rvasurveyors.com/

Additional Contact(s):
molly.jackson-holm@rvauk.com

View Online

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