Has the Revaluation Balanced Business Rates?

Monday 21 August, 2023

The revaluation was framed as an opportunity for updating the business rates system. A new start. Never mind the 7.1% national increase in rateable values (RV) for England and Wales.

In March, the Non-Domestic Rating Bill was introduced in the House of Commons. This was the result of a lengthy review into modernising the business rates system. A big component of this new bill is more frequent revaluations. Supposedly, this is to ensure that information on commercial property's is updated more frequently and is therefore more accurate.

Attempting to modernise this tax system is not a new school of thought. It is a fairly common request among business owners and leaders, and one that ratings companies see on a daily basis. One that picks up steam momentarily around a new rating list. While shorter periods of time do offer the opportunity to update information more quickly, it is just that – an opportunity to do so. Without swift and dedicated involvement on behalf of the Valuation Office Agency (VOA), a shorter revaluation does not immediately offer a solution that fits everyone.

Requiring the relevant knowledge and expertise – information that is held by the VOA -, business rates payers are unable to challenge their liability without engaging a specialist. The amount of time needed alone to take out of running a business to do so, is simply not feasible for many. Let alone having a complex knowledge of the inner workings of the whole business rates tax system.

How has the revaluation helped business rates payers?

Currently, the 2023 rating list is set to last three years. For most, the only difference they will have noticed is an increase that is simply going to stay elevated. So how has the revaluation helped businesses?

Challenging your business rates liability requires a tremendous amount of expertise. While the VOA have the tools necessary to do so, they do not offer them to business rates payers to help individuals do so.

"We've said it before, and we're going to keep saying it." Anthony Hughes, Managing Director at RVA Surveyors, laughed.

"Unless each individual commercial property is inspected within the three-year rating list, based on its own merits and unique assets, the information held by the VOA can never be fully accurate. It is well within their ability to inspect every property within a rating list to ensure accuracy before a new revaluation. They have the manpower; they just need the willpower to do so."

After a tumultuous few years – which saw businesses closing at an alarming rate – a support package for businesses was quickly put into place. Included in this was freezing the multipliers. During Covid, expanded retail relief was renamed Retail Hospitality and Leisure (RHL) which now covers 75% of the rates payable. UKHospitality's latest analysis predicts that an increase in business rates and the end of such reliefs will see an additional
increase of £850 million in the next financial year for those in the hospitality industry alone.

While these have appeared as huge boons for business rates payers, they do come with limitations

When the sticking plaster is removed, business owners and leaders will be expected to pay the full liability. Of which, many businesses will run afoul, and insolvencies will surely increase. In the second quarter of 2023, there was an over 13% rise in insolvencies compared to the second quarter of 2022.

David Kelly, Head of Insolvency at PwC, said:

"[…] data shows the UK has had the highest quarterly number (6,342) of company insolvencies since the financial crisis in 2009. In total, in the first half of 2023, there have been approximately 13,000 corporate failures."

Due to a crippling economic outlook, many business rates payers are still struggling as people tighten their purse strings. While revaluations offer the opportunity for more accurate and fair business rates, it is the actions of the VOA and government agencies which will determine what effect it has for business

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