Three months in – has the 2023 rating list affected your business rates?

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In April, the 2023 Rating list came into effect. With it, a supposed business support package of almost £14 billion. A large portion of which was dedicated to helping business owners and leaders with their business rates. Just a month earlier, rates bills were arriving with new and higher rates.

Anthony Hughes of RVA Surveyors was happy to contribute:

“The 2023 rating list proposed a huge shift in how commercial property owners and tenants needed to look at their business rates liability. The political and economic climate of 2022 had a massive influence on what support for businesses would become available, and to their longevity.”

So how much has this support package actually helped?

Well, newly appointed Chancellor of the Exchequer Jeremy Hunt was very pleased to announce in November 2022 that part of this business support package would include freezing the multiplier. Considered that for 2023 the multiplier was at its highest level since it was introduced, this seemed like a huge relief to many. Over £9 billion of the support package would help fund this.

So, in actuality, freezing the multipliers has created a stealth increase onto these new rates bills that all but a few would realise.

A few weeks after announcing this support package, the government published their findings. In it included the expected national increase of Rateable Values (RV) in England and Wales. At just over 7%, this was considered a modest increase – slightly below the predicted 12%. However, this value does not take into account the stealth increase of the frozen multipliers which will in fact push the increase in business rates to a national average of around 14%.

“Business owners and leaders are now struggling and many in the rating industry do not feel like the support package has gone far enough to support them.” Hughes added.

Take the retail sector for example. In March, the government crowed quite heavily that this sector as a whole, would in fact see a -10% decrease in RV. However, the net effect of business rates on retail, even with the expanded support, means many are still struggling. Since April, those who pay business rates on a pharmacy (within/adjacent to a surgery/health centre) are likely to have seen increases of around 13.9%.

Even the expanded Retail, Hospitality, and Leisure (RHL) relief is simply a stopgap measure with a finite deadline. In 2022 this was increased to cover 50% of a property’s business rates, but it has been expanded once for 2023/24 to cover 75%. While the opportunity to increase savings is one business owners and leaders have welcomed cheerfully, the reality of the deadline means that instead of these savings going towards investment or expansion, they will be used to pay business rates for the following year. As from the 1st of April 2024, they will go back to paying 100% of their business rates liability. While only applicable for businesses in England, it is worth £2.1 billion of the support package announced last November.

So how has the 2023 rating list affected your business rates?

For most, RVs for the 2023 rating list have seen a significant increase that is only going to stay elevated. RHL is set to end completely after the 31st of March 2024, with currently nothing planned to replace it. Businesses are still struggling – inflation, the cost of living, staffing, overhead increases – and their outgoing costs do not appear to be going away anytime soon. As support packages are gradually reduced, businesses will be expected to bear the full brunt of their business rates liability with much less support that is normally seen.

The current economic situation while has influenced much of the current situation in which businesses find themselves, is also having a continuing effect. While spirits were lifted at the news of a 0.2% rise in GDP for April, there is still speculation as the whether the British economy can hold on to it as core inflation stubbornly remains high.

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Charles-Henry Monchau, CIO at Bank Syz, has warned that inflation has acted as nothing more than a red flag to a bull, to many larger companies, to increase prices excessively higher than inflation demanded. Studies published in 2022 have found that excessive corporate profits drove almost 59% of inflation during the cost-of-living crisis in the UK alone.

One thing we do know is that businesses have stretched budgets, increased overheads, and –for many – lower turnovers. Many of these businesses are also beholden to their consumers. As the consumer worries more about their own tight budgets, the less likely they are to continue visiting these businesses at the same levels. Historically, this has not signalled a period of economic prosperity.

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

Additional Assets:
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