What can businesses expect to hear about inflation in the autumn budget?

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In the last few weeks and months, a steady wave of business leaders has written to the government calling on them to scrap the inflation-linked increase expected. With the 2023 autumn budget right around the corner (22nd November), this only becomes more relevant for commercial property owners and tenants.

Anthony Hughes, Managing Director at [RVA Surveyors], expressed his concerns for the upcoming autumn budget.

“This is something everyone in the rating industry has been following for a while,” Hughes said, “It could quite easily spell disaster for many. Spending is decreasing for businesses and consumers alike. The knock-on effect being that even with the typical spike in holiday trading, this won’t necessarily equate to keeping businesses afloat. Clarity is needed here, and the government need a strong plan going forward that gives businesses the support they need – not a bill worth more than £1.5 billion looming over their heads.”

Kate Nicholls, chief executive of UKHospitality said: “The freezing of rates and extended relief could be the ‘lifeline’ needed for the hospitality sector.”

Business rates are often the third or fourth biggest expense for any commercial property owner or tenant. At the beginning of the 2023 revaluation, the average national increase for rateable values (RV) in England and Wales was 7.1%. Now, business rates payers face another increase. One almost as large as the national average increase that came into effect earlier this year; even before the upcoming proposed end date for the Retail Hospitality and Leisure (RHL) relief.

Unchanged inflation means higher costs for businesses

While inflation estimations saw it fall to around 6% for September, it in fact stagnated at 6.7% before dropping to 4.6% for October. This means that the significant rise in business rates predicted for 2024, will be even higher. This inflation – measured against the Consumer Price Index (CPI) – indicates to government by how much they should raise business rates by, in the next financial year.

However, this is an unprecedented inflation. Beset by two factors in particular: multipliers are at the currently highest level since they were introduced (1990), and that RHL relief is currently set to end at the same time. The multiplier determines the amount of pence in the pound you pay against your rateable value. It is this figure that projected increases (calculated by CPI) will be directly impacted by.

RHL was expanded to cover 75% of the rates payable per property (up to £110,000) for 2023/2024. This was part of the business support package introduced in the 2022 autumn budget. While not directly influenced by the inflation-linked rise, it is currently set to end at the same time business rates are supposed to increase. With no backup or next stage yet to be announced. The government have been strangely tight-lipped considering. With nothing forthcoming, it leaves business rates payers wondering just what exactly to expect.

UKHospitality has projected that the jump in tax bills paid by pubs, restaurants, and hotels alone will be around £234m. If the expected end of RHL and other support goes ahead as currently predicted, they estimate this will add a further £630m to businesses outgoing costs.

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