Spring Budget 2017: Chancellor gives little certainty to ratepayers with Revaluation 2017 just weeks away

Despite providing some relief for the smallest businesses, today’s Budget will give no certainty for ratepayers concerned at plans to restrict their ability to appeal incorrect bills, rating experts said today.

The new system would see businesses unable to reduce their bill if the error is within the bounds of ‘reasonable professional judgement’, often considered to be 10% of the value of a property. This would force some businesses to overpay, even though they can prove their property is overvalued.

Emily Francis, head of rating at BNP Paribas Real Estate, said: “This is ratepayers’ greatest concern, and they will be disappointed that it was not addressed at all by the Chancellor.

“With the revaluation coming in to force on 1 April, the new appeals system is still not in place and there is no indication that HMRC’s online portal through which appeals will be made is ready. Businesses will wonder how they are expected to appeal their bills.”

Today’s announcements

The Chancellor today announced a package of support including a £1,000 business rate discount for public houses with a rateable value of up to £100,000, support for small businesses losing small business rate relief and a £300m fund for local authorities to support business in their local area.

Emily Francis said: “Today’s announcements will be welcome for the smallest of businesses but offer little respite for the vast majority of ratepayers, and far less relief than those in Scotland have been given by the Scottish Government.

“Although 90% of public houses will be theoretically eligible for today’s relief, the fact that it is subject to state aid rules means only a fraction of operators will benefit.

“This will do virtually nothing to compensate for the restriction of appeals, which will leave the hospitality industry badly out of pocket and overpaying millions without recourse.

“Our research shows that over the last seven years, 6,000 hospitality businesses saw their rateable values lowered by up to 10%, leading to a reduced rates liability in excess of £95m. Under the new system proposed by the Government, these appeals could be dismissed with no recourse.”
Further reform

The Chancellor also repeated a previous commitment to consult on holding revaluations more frequently, with the consultation to take place before 2022, and said that the tax system would be reviewed to capture more activity in the digital economy.

Emily Francis said: “Business rates are an analogue tax in a digital age although the chancellor made it clear that they are here to stay. His commitment to more consultations before the next revaluation ties in with placing all corporate taxes on the HMRC portal by 2022. This suggests that there may be a plan for business rates to be self-assessed in the future, something that the top civil servants are keen on”.

More frequent revaluations will reduce big swings in rateable value, ensuring businesses liabilities are more in line with prevailing economic conditions.

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NOTES TO EDITORS

Last month, the Scottish Government announced a package of support that included:

- Almost 8,500 hotels, pubs, restaurants, cafes and other accommodation will benefit from a cap on any increase to bills of 12.5%,
- Support for more than 1,000 offices in Aberdeen and Aberdeenshire with increases in bills capped at 12.5%,
- Confirmation of free revaluation appeals – with no fees or restrictions as in other parts of the UK,
- Early Government action on the findings of the Barclay review into Business rates – due in July,
- Working with any local authority to introduce a local rates relief scheme to support key sectors or localities.

Business rates announcements from today’s Budget can be found below:

3.15 Business rates – At Budget 2016 the government announced reductions in business rates worth almost £9 billion over the next 5 years. This included permanently doubling Small Business Rate Relief and extending the thresholds of the relief to ensure that 600,000 businesses will not pay business rates again.

3.16 The business rates revaluation takes effect in England from April 2017. In addition to the £3.6 billion transitional relief which was announced in November 2016, the government will provide £435 million of further support for businesses facing significant increases in bills from the English business rates system. This includes:
• support for small businesses losing Small Business Rate Relief to limit increases in their bills to the greater of £600 or the real terms transitional relief cap for small businesses each year (6)

• providing English local authorities with funding to support £300 million of discretionary relief, to allow them to provide support to individual hard cases in their local area (5)

3.17 The government will also introduce a £1,000 business rate discount for public houses with a rateable value of up to £100,000, subject to state aid limits for businesses with multiple properties, for one year from 1 April 2017. (7)

3.18 Local government will be fully compensated for the loss of income as a result of these measures.

3.19 At Budget 2016 the government announced an aim to deliver more frequent revaluations of properties – at least every 3 years. The government will set out its preferred approach for delivering this aim at Autumn Budget 2017 and will consult ahead of the next revaluation in 2022.

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BNP Paribas Real Estate, one of the leading international real estate providers, offers its clients a comprehensive range of services that span the entire real estate lifecycle: property development, transaction, consulting, valuation, property management and investment management. BNP Paribas Real Estate supports owners, leaseholders, investors and communities in their projects thanks to its local expertise through 36 countries (16 direct facilities and 20 through its Alliance network) in Europe, Middle-East and Asia. BNP Paribas Real Estate generated € 704 m revenues in 2016 with, for property development, 154 000 sqm of completions and more than 1,500 homes launched; € 24.1 bn assets under management in Investment Management; 38m sqm managed in Property Management; 6.2m sqm taken up and € 19bn invested in Transaction; and three main types of Consulting services: Real Estate Advisory for occupiers, Building Consultancy and Outsourced Real Estate Management.

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