



HOUSE OF COMMONS
LONDON SW1A 0AA

18th February 2017

Dear Colleague,

In the coming weeks, all businesses in England will start receiving rates bills based on a new valuation of their premises. This revaluation, which happens every few years and is carried out by the independent Valuation Office Agency (VOA), is a legal requirement and is a vital step in keeping the business rates system fair, transparent and accurate.

Unfortunately, this year's revaluation has been preceded by a series of reports claiming that rates are going to soar, that appeals are being banned and that hundreds of thousands of businesses will be forced to close.

Such claims are simply untrue.

In recent days such claims have gained traction in the media, causing great concern among hardworking owners of small businesses. We are writing today to set the record straight.

Most bills will not rise

The first myth is that we are imposing across-the-board rate rises. This is simply not true. 2017-18 will see the biggest ever cut in businesses rates.

Three-quarters of all businesses, right across the country, will see their rates either fall or stay the same. Thanks to our unprecedented £6.7 billion package of rate relief, the largest ever cut in business rates, being introduced alongside the revaluation, 600,000 smaller businesses will stop paying business rates altogether, forever.

From Cornwall to Northumberland, the average business rates bill will fall in every region of England apart from London. Of the 326 local billing authority areas in England, average rates will fall in 259. Even some areas where the headline average rate is rising, many businesses will still see no increase – particularly where the numbers are being skewed by one or two very large properties.



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The retail industry will benefit from a six per cent reduction in rates, saving £400 million overall. Businesses in rural areas will see their bills fall by an average of 4.4 per cent, saving more than £180 million overall. Small- and medium-sized pubs will see rates decrease, saving them more than £11 million a year.

And many rural businesses will benefit from rate relief too. Where there is only one petrol station, pub, post office or general store in a village, from April 2017 they will generally receive 100% rate relief. This was doubled from 50% at the last Autumn Statement.

The revaluation is fiscally neutral. It is emphatically not being used to hide a stealth rise in taxes – in fact it's against the law to use revaluation to raise additional income.

You may have seen reports claiming that revaluation will raise an additional £1 billion for the Treasury. This figure is unrelated to the revaluation but rather reflects the fact that the number of businesses is growing and that some have been renovated and extended. There are more, and bigger, businesses paying into the pot.

Inevitably, a fiscally neutral revaluation will see some bills rise as others fall. When a local economy is relatively stronger, the value of their property inevitably rises. Around a quarter of businesses will experience a rise and, due to the rapid growth of London's economy since Labour's financial crash of 2007-08, the year used for the last valuation, many of them will be in the capital.

We have long recognised this, which is why we have put in place a £3.6 billion package of transitional relief to help slow the rate of change over the next five years. More than 140,000 properties in London will benefit from this, the majority of them occupied by smaller businesses.

The right of appeal is not being scrapped

The second myth is that firms will be illegally blocked from appealing against their revaluation if it sits within a 15 per cent "margin of error". Again, this has no basis in fact.



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The appeals process is currently slow and congested, which is unfair on businesses with a genuine case. It's a problem caused, for the most part, by the business rate equivalent of PPI cold-callers or ambulance-chasing lawyers – rating agencies that clog up the system with entirely unjustifiable and unwinnable cases. Not only does this slow down the process for businesses with bona fide cause for complaint, it can even lead to firms whose premises have been under-valued being hit with larger bills.

We are determined to help businesses by making the appeals process fairer, simpler and more efficient, so that businesses don't feel they have to rely on disreputable agencies to win their appeal. Last summer we consulted on a variety of proposals for doing so. The results of this consultation, and our response, will be published shortly.

One of the proposals included that the Valuation Tribunal for England should only change a valuation where it "outside the bounds of professional judgement". We have not, and nor do we intend to, specify a fixed percentage for what this means.

The 15 per cent figure is completely made-up. It does not appear in the consultation or any government proposal.

The public sector is not being treated differently

The third myth states that the public sector is either avoiding any increases altogether or being hit by a ruinous increase.

The public sector pays business rates just like any other organisation and, just as with the private sector, the rateable value of all government property is set by the independent VOA. That means some will rise while others fall or stay the same, just as with the private sector.

We do not recognise claims that schools will be hit by bigger bills – in fact, we estimate that the overall bill for state schools will decrease by £16 million a year, a fall of two per cent. In addition, some schools are also eligible for further voluntary sector reliefs.



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The importance of business rates

Business rates are a vital part of the economy. They raise around £23 billion every year, helping to pay for public services including adult social care, and contributing to public spending that directly benefits businesses, providing the infrastructure and skills that all companies need in order to thrive and to grow. By 2020, all local authorities will be able to retain all revenue raised from business rates in their area, allowing local people and businesses to benefit from local economic growth.

The system is not perfect, but it has widespread support from businesses large and small. In 2015 we asked businesses for their views on the future of the system, and the overwhelming response – including from the Confederation of British Industry, the British Chamber of Commerce, the Institute of Directors and the Association of Convenience Stores – was that we should stick with the status quo.

Conclusion

This Government has always been and always will be relentlessly pro-business. We've slashed red tape so companies can focus on growth and productivity rather than box-ticking. We've cut Corporation Tax so that companies can re-invest more of their profits and aren't penalised for being successful. We've lifted 450,000 employers out of National Insurance Contributions altogether, so they're not taxed for creating jobs. And, from 2020, we'll be switching the inflation measure used to calculate business rates from RPI to CPI – a move that will save businesses £370 million in the first year alone.

Britain is home to more private sector businesses than at any time in history, and why more people are in work than ever before.

We would never do anything to jeopardise the future of businesses in this country, particularly the small businesses that form the backbone not just of our economy but of our communities. That's why we're taking long-planned serious action to lower many business rate bills and offer relief to those who will see their bills rise.



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Yet it seems that the relentless campaign of distortions and half-truths has had an effect – one report says that three-quarters of small firms are now worried about rate rises, even though three-quarters of businesses will actually see no rise or a fall.

With misinformation circulating in the news, it is understandable that business owners and lobby groups have raised concerns with many of you. We hope that the facts set out in this letter will help you to reassure your constituents.

The forthcoming changes to business rates are not something to be afraid of. Most businesses will benefit, and it will make the system fairer than ever before. I have enclosed detailed information on the average change to business rates in each part of the country.

Please feel free to contact either of us if you would like to discuss the issue further.

S. Javid, David Gauke

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