

Insights

UK BUDGET 2021: BUSINESS RATES UPDATE

3 March 2021

Business rates present ratepayers and ultimately the Chancellor with challenges both short term and systemic. Some, but not all, of those short term challenges have been addressed in the 2021 budget.

The good news for hospitality, leisure and retail operators is that the 100% business rates holiday introduced last year is being extended to the end of June 2021. From July 2021 to the end of March 2022 there will be a 2/3rds discount for these sectors. This will be subject to a cap of £2 million per business for properties that were required to be closed on 5 January 2021, or £105,000 per business for other eligible properties. Those sectors can breathe a sigh of relief. Taken together with the recovery loan scheme, the continuation of reduced rates of VAT and the extension of the furlough scheme these measure provide some cheer.

The government will legislate to ensure that the business rates relief *repayments* that have been made by certain businesses are deductible for corporation tax and income tax purposes. This will ensure that these businesses are no worse off from a tax perspective than if they had paid the business rates in the first place. This will apply for repayments made to the devolved administrations as well as to those made in relation to England.

Property owners who have enjoyed no specific reliefs and whose ability to collect rents has been severely restricted since last March remain liable to pay rates on empty property that has been empty for more than 3 months. For some landlords, this has become almost intolerable.

The systemic challenges must await the solutions due to be proposed when the fundamental review of business rates by HM Treasury is published this autumn. In the meantime, the Valuation Office has to value all rateable units at 1 April 2021 so that the resulting valuations are effective from 1 April 2023.

The transitional relief, which means that those whose rateable values would have reduced on 1 April 2017 (when the last revaluation took place) compensated those whose rateable values would have gone up, remains a major problem.

And the fundamental issue is that business rates are levied at over 50%; a level at which that which might have been bearable say at 30% becomes a significant problem.

A considered and well-judged package of proposals is needed from HMT so that the Chancellor can continue to enjoy a tax that is easy to collect but so that ratepayers are not pressed unsustainably.

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