

TSMALL BUSINESSax & Finance

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Business rates

Sarah Bradford explores forthcoming changes to business rates

Business rates are charged on most non-domestic properties, such as shops, offices, pubs, warehouses and factories, and represent a significant cost for many small businesses, particularly those in town centre locations.

At the time of the 2014 Autumn Statement, the Government announced plans to conduct a review of business rates in light of concerns raised by business ratepayers. Terms of reference and a discussion document were published in March 2015. Following the conclusion of the review, proposals for reform were announced at the time of the March 2016 Budget.

Business rates system

Business rates are a tax on non-domestic properties. The tax is levied on all non-domestic properties that do not qualify for exemption and is generally payable by the user of the property rather than the owner. The tax charge is based on the rateable value of the property, which is set by the Valuation Office Agency. The rateable value is an amount equal to the annual rent which it is estimated that the property might achieve at a set date. The valuation date is set two years before the valuation comes into effect. The most recent revaluation came into effect on 1 April 2010, based on rateable values on 1 April 2008. The next revaluations will be in 2017 for England, Scotland and Wales. Businesses can check their rateable value on the gov.uk website at www.gov.uk/correct-your-business-rates.

Although the origins of business rates can be traced back 400 years to the Elizabethan Poor Law Act of 1601, the current business rates system has been in place since 1990 following the introduction of the uniform business rate, which is set by central Government. Business rates are fully devolved in Scotland, Wales and Northern Ireland.

Business rates are calculated by applying a multiplier to the rateable value. The multiplier indicates the percentage or pence in the pound of the rateable value payable as business rates. In England there is a standard multiplier and a small business multiplier and different multipliers apply to London and to the rest of the country. There is a single multiplier for Wales.

For 2016/17 the multipliers are as follows:

	England (excluding London)		City of London		Wales
	Standard	Small Business	Standard	Small Business	
2016/17	49.7	48.4	50.2	48.9	48.6

For business rates purposes, in England a property with a rateable value below £18,000, or below £25,000 in London, is considered a small business.

A number of reliefs are available that reduce the business rates payable.

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