

Business rates relief: Government Announcement

Business ratepayers adversely affected by COVID-19 are to get a £1.5 billion discount on their bills.

- *new Business Rates relief fund of £1.5 billion for businesses affected by COVID-19 outside the retail, hospitality, and leisure sectors*
- *targeted support delivered as appeals against rates bills on basis of material changes of circumstance due to the pandemic to be ruled out*
- *the relief fund will get cash to affected businesses in the most proportionate and equitable way*

Ministers have set out plans to provide an extra, targeted support package for businesses who have been unable to benefit from the existing £16 billion business rates relief for retail, hospitality and leisure businesses. Retail, hospitality and leisure businesses have not been paying any rates during the pandemic, as part of a 15 month-long relief which runs to the end of June this year.

Many of those ineligible for reliefs have been appealing for discounts on their rates bills, arguing the pandemic represented a ‘*material change of circumstance*’ (MCC).

The government is making clear that market-wide economic changes to property values, such as from COVID-19, can only be properly considered at general rates revaluations, and **will therefore be legislating to rule out COVID-19 related MCC appeals.**

Instead, the government will provide a £1.5 billion pot across the country that will be distributed according to which sectors have suffered most economically, rather than on the basis of falls in property values, ensuring the support is provided to businesses in England in the fastest and fairest way possible.

Allowing business rates appeals on the basis of a ‘*material change in circumstances*’ could have led to significant amounts of taxpayer support going to businesses who have been able to operate normally throughout the pandemic and disproportionately benefitting particular regions like London.

Secretary of State at the Ministry for Housing, Communities and Local Government Robert Jenrick said:

The £1.5 billion pot will be allocated to local authorities based on the stock of properties in the area whose sectors have been affected by COVID-19. Local Authorities will use their knowledge of local businesses and the local economy to make awards.

We’ll work with and support local government to enable ratepayers to apply as soon as possible this year, once the legislation relating to MCC provisions has passed and local authorities have set up local relief schemes. By contrast, individual appeals based on MCCs could have taken years to resolve in some cases.

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Around 170,000 businesses have made claims for MCCs. Initial claims were confined to a discrete cohort of properties and handled by the Valuation Office Agency, but claims multiplied as the pandemic and public health measures evolved. Covid restrictions have affected all or nearly all commercial properties in England – well beyond the scope of any previous application of the MCC provision.

A core principle of the business rates system is that economic factors are captured at revaluations, with the MCC system usually applying to issues such as physical changes to the property or surrounding area – for example significant roadworks near a property that affect its value.

Further information:

- *The £1.5 billion pot will be distributed according to official data on the impacts of the pandemic on different sectors, ensuring an even and more proportionate allocation of support across England based on the economic impacts of COVID-19 and not on estimates of the impact on a property's value.*
- *The Government will support local government to enable ratepayers to apply as soon as possible this year, once the legislation relating to MCC provisions has passed and local authorities have set up local relief schemes.*

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