

Business Rates Revaluation 2017

What it means for licensees and how to prepare

Background

Business rates place a huge burden on pubs, and along with beer duty, the rates make up a considerable cost to the sector. The BBPA has long campaigned for reform, as pubs foot 2.8 per cent of the total rates bill yet represent only 0.5 per cent of business turnover.

Despite successful campaigns to achieve rates relief for pubs, the sector has been unfairly weighed down by the business rates system for too long. Overall, the new revaluation procedure should alleviate some of the pressure on the sector, particularly at a time when pubs face added costs through further planned increases to the National and Living wages, alongside the additional costs of the Apprenticeship Levy, and auto-enrolment of pensions for small businesses.

In future, the BBPA wants to see more frequent revaluations of business rates, at least every three years, with a new self-assessment system for pubs. This would make the system more responsive, and help reduce the additional costs and administrative burdens on the pub sector.

Revaluation 2017 - What happens next?

From 1st April 2017 every business across England, Scotland and Wales will be issued with a new rateable value (RV) – the estimated annual rental value of your business. This figure is used to determine the business rates bills you will receive for the next few years.

This is the first time this figure has been amended since 1st April 2010. It could see some big changes, and licensees need to ensure they are prepared and factor it into any financial plans for 2017.

This guide focuses on the system in England. There will be variations in how this operates in both Scotland and Wales, as business rates is a devolved area.

How is my property being valued?

Valuations in the pub sector are carried out by the Valuation Office Agency (VOA) based on a methodology set out in an 'approved guide', published by the organisation. This guide allows the Agency's assessors to make a valuation based on a number of factors, including the geographical location of the outlet, the type of business that is being operated and the trading levels achievable by a 'reasonably efficient operator'. The end result is a rateable value (RV) that should reflect the annual rental value of the property.

The 2017 Approved Guide for pubs was developed by the VOA in partnership with five trade bodies, including the BBPA, and independent expert industry surveyors. This was built on data obtained by the VOA from pub operators on the relationship between turnover and rent. The guide will be published on the Gov.uk website.

When will I know my new rateable value?

Valuations have been ongoing throughout 2016, and a provisional rateable value for each property will be published online on 30th September 2016. Individual properties will not be sent their updated rateable value, but can find out the RB by registering for an email notification at <http://www.gov.uk/guidance/revaluation-of-business-rates>.

What if I disagree with my valuation?

After the provisional RVs have been published, businesses will have the opportunity to notify the VOA of any obvious errors that have been identified with the valuation. This is not an official appeal (see below) but does provide the opportunity to identify obvious mistakes before the RV is used to generate your rates bill from April 2017. The sooner any anomalies are identified the sooner they can be resolved.

If the discrepancy is not a straightforward mistake, then it is more likely that this will need to be appealed. This will need to take place under the new 'Check, Challenge, Appeal' process that will come into effect from April 2017.

How does my rateable value affect my business rates bill?

The RV is the fundamental element of the calculation that determines how much you will be paying in business rates. The other elements that need to be factored in are the 'multiplier', which is effectively the tax rate, and any reliefs to which you may be eligible.

The multiplier is set by the Chancellor of the Exchequer. There will be two multipliers published in England, one for properties with an RV of £51,000 and below and one for properties above this level. It is expected that draft multipliers will be published in Autumn 2016. The threshold between smaller and larger businesses has changed from previous years, and the overall tax rates have yet to be announced.

The other key factor that needs to be considered is the reliefs. For pubs, the most likely relief that will apply is Small Business Rate Relief (SBRR).

From April 2017 businesses with an RV of £12,000 or less will receive a 100% discount on their rates bill, so will pay nothing at all. For those with an RV of between £12,000 and £15,000 there will be a tapered discount. For example, at an RV of £13,500 the discount will be 50%. The calculation to work out your discount will be: $(£15,000 - \text{rateable value}) / \text{divided by } £3,000$. The discount will be smaller the closer the RV is to £15,000, and there will be no discounts for RVs above £15,000.

The Government is planning to publish a calculator alongside the draft RVs that will help to give an indication of how much your final bill will be.

The above information is accurate as of August 2016.