



BUSINESS RATES REVALUATION 2023:  
CONSULTATION ON THE TRANSITIONAL  
ARRANGEMENTS  
**CONSULTATION RESPONSE**

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**PREPARED AND SUBMITTED BY**  
Dominic Curran  
Assistant Director, Commercial &  
Retail  
T: 020 7802 0107  
E: [dcurran@bpf.org.uk](mailto:dcurran@bpf.org.uk)

## Introduction

1. The British Property Federation (BPF) represents the UK real estate sector, an industry which contributed more than £116bn to the economy in 2020 and supported more than 2.4 million jobs.
2. The BPF is pleased to respond to this consultation. Transitional relief is an issue that has contributed significantly to ratepayer unhappiness with the business rates system. It is a core reason why many ratepayers consider it to be overcomplicated and to actively hinder the smooth operation of market forces in property – particularly retail property – which in turn undermines Government’s ability to level up and regenerate many locations in the north of England.
3. The BPF’s view is that once more frequent revaluations (i.e. three-yearly or more often) are in place transitional relief should be abolished, meaning that there would be neither upwards nor downwards transition. Instead, the correct rateable value and rates bill would apply to each hereditament from day one of each new list. This would provide ratepayers with greater certainty, and particularly allow those whose rents have fallen to benefit from the associated fall in business rates liability. Transitional relief inhibits these market forces from working, which in turn creates adverse impacts in areas burdened by downwards phasing of transitional relief.
4. However, the extended period since the last revaluation means that significant changes in valuations have built up, particularly in the retail and logistics sectors, with increases in the latter broadly mirroring reductions in the former. Accordingly – and to mitigate the large increases that logistics facilities are likely to face – we are supportive of an upwards-only transitional scheme following the 2023 revaluation.
5. In this way, businesses who have seen reductions in their rateable values would see these immediately fed through in whole to lower rates bills, while those with increased rateable values would face a gradual increase in rates bills. We understand that transitional arrangements are required to be self-funding, but would strongly argue that in this instance centrally-funded upward transition is warranted.
6. In our view, the principles that should govern the transitional scheme are:
  - **Accuracy** - those with reduced rateable values following the 2021 revaluation should pay them immediately;
  - **Support** - protection should be given to those facing increases in bills through upwards transition; and
  - **Affordability** - the cost of upwards transition should be spread across all taxpayers (i.e. centrally funded).

We elaborate on these principles in the answers below. However, in brief, the BPF agrees with the proposition being put forward by the Shopkeepers’ Campaign, which is set out in the answer to question 2, below.

## **BPF RESPONSE TO CONSULTATION QUESTIONS**

**Question 1: How do you believe the government should strike the balance in the 2023 transitional arrangements between supporting ratepayers facing increases to their bills and allowing the effect of the revaluation to flow through into bills?**

The current ratings list started in 2017, and is based on 2015 values. Its valuations are therefore currently seven years out of date, rising to eight by the time the new list starts. This long period affects some sectors more than others – the change in retail and logistics values (in opposite directions) since 1 April 2015 clearly means that some valuations are wildly out of kilter with current market conditions. This is an unsustainable period between revaluations, as the Government has recognised through the move to three-yearly revaluations. The length of time between revaluations has added to the pressure for transitional relief – more frequent revaluations should reduce this in future.

The effect of downwards phasing on the current list is considered by many to be significant and damaging. It has particularly affected retail, which accounts for around half of the total cost of the current list's transitional relief scheme, where many stores in the north of England have effectively been rendered uneconomic due to their business rates liability not reflecting their current market value. Conversely, upwards transitional relief has on the whole benefited properties in London, where arguably less support is required (notwithstanding the fact that the business rates burden is too high across the whole of the UK).

The priority for the 2023 list should therefore be to redress this imbalance. This should be achieved through the abolition of downwards phasing, so that properties whose revaluations have resulted in lower rateable values (RVs) can benefit from this from day one of the new list. Support can still be given to ratepayers facing increases to their bills without jeopardising this using the approach set out below.

**Question 2: What format of transitional relief do you think should be provided for the 2023 revaluation?**

The BPF has worked closely with the Shopkeepers' Campaign, and we agree with their suggested format for the provision of transitional relief. The key characteristics of this are as follows:

- Properties that are seeing an increase in their RVs pay this over two years, with caps in increases based on RV in year 1 and paying in full by year 2
- These caps would be 10% for small properties below £20,000 RV); 20% for medium ones (£20,000-£100,00 RV) and 40% for large ones (over £100,000 RV).
- There is no scheme of downwards phasing to pay for this – any ratepayer whose RV falls in the 2023 list will pay accordingly on the basis of that lowered RV
- Upwards phasing is paid for through central funds, i.e. out of general taxation revenue (we recognise that this will require a change in legislation to enable business rates to be funded from outwith its own envelope)

We believe that this approach satisfies the need to give relief to ratepayers who have effectively 'overpaid' on their rates bill for the last five years; protects those facing increases in bills; and satisfies the current legal requirement to have a transitional relief scheme.

**Question 3: Do you think that we should continue to provide assurances through transitional relief that bills will not rise by more than a set percentage due to the revaluation?**

As set out above, the proposition from the Shopkeepers' Campaign provides percentage caps on increases in bills.

**Question 4: Do you think we should provide different caps for different sizes of properties?**

Yes – see answer to question 2.

**Question 5: What are your views on how we should fund transitional relief within the requirement for the government to have regard to the object of securing (so far as practicable) that the scheme is revenue neutral over its life?**

As set out above, in the medium-term the BPF would prefer to see complete abolition of transitional relief – or at least removal of the requirement that there must be a scheme in every list regardless of circumstances. The Secretary of State should have more discretion to take into account the economic context that applies at the time and decide for each list whether there should be a transitional relief scheme, and if so, what format it would take.

Additionally, we would like to see an amendment to the legislation that currently requires the business rates system to be internally self funding, so that any upwards phasing does not necessarily have to be paid for by other ratepayers. Again, we want to see greater flexibility and discretion for Ministers to determine how best to fund any tax reductions, as they are able to do with any other tax, giving them scope to fund business rate relief through central funding, and not necessarily from other ratepayers, as per the answer to question 2.

**Question 6: Do you have any other views on the format of the transitional arrangements for the 2023 revaluation**

No.