BPF

TRANSFORMING BUSINESS RATES

CONSULTATION RESPONSE

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INTRODUCTION

The British Property Federation (BPF) represents the UK real estate sector, an industry that contributes more than £107bn to the economy and supports 2.3 million jobs. Our members are invested in commercial and residential real estate in communities across the UK - revitalising our cities and shared spaces, re-imagining our town centres, and creating vibrant new places designed for the way we live today.

We recognise the importance of a well-functioning, fair and responsive property tax system, which incentivises investment and growth - and as such, we welcome the opportunity to engage with Government on the future of this important tax.

EXECUTIVE SUMMARY

This consultation captures some really important aspects of the business rates system where reform could support a fairer tax system which better incentivises investment and growth. In particular:

1. Reform Empty Property Relief - the current 3 to 6 month period of Empty Property Relief is woefully inadequate and does not reflect the time it typically takes to re-let a property to a new tenant – let alone carry out refits and energy efficiency improvement works. Imposing a 100% business rates charge on empty units after a 3-month period is penal and makes investment riskier, especially in less thriving areas where vacancy rates are already high. We would suggest extending the initial Empty Property Relief period to at least 6 months and ideally 12 months, for all properties, to better reflect actual vacancy periods - followed by a 50% discount thereafter.
2. More frequent revaluations – in order to achieve a fair and responsive business rates system, rateable values must be kept up to date. The previous Government made some steps in the right direction, by moving from five to three yearly revaluations. However, with a two-year valuation period (the antecedent valuation period), the system still results in businesses paying rates bills based on property values which are 5 years out of date at the end of the valuation cycle. In a fast-moving economy, this isn't quick enough – it prevents Government from supporting those businesses and industries that are struggling fast enough – and it also prevents the Exchequer from capturing revenues from thriving and growing industries and areas as soon as possible. More frequent revaluations and a reduction in the antecedent valuation period should be a key priority for Government in order to create a fairer tax system.
3. Fix the tax rate – at the moment the tax rate fluctuates at each valuation and increases by inflation between revaluations. It would be simpler, fairer and more predictable for business if the tax rate was fixed (as it is for all other taxes!). This way, businesses' tax bills would simply and more predictably go up and down based on changes in their properties' rateable value (which are a proxy for rents in many cases). We acknowledge that this will result in greater fluctuation in exchequer revenues which would need to be managed by Central Government – but given almost all other taxes are managed this way, this should not be insurmountable. This should also avoid the need for Central Government to intervene and provide ad hoc support when redistributions of the tax burden at revaluations create unexpected or challenging outcomes for some sectors or geographies.

In addition to the three reforms above, given the wide-ranging nature of this consultation, it seems remiss that it has not directly considered two further relevant areas, noted below.

1. The total tax burden on business – the UK has a property tax burden which is over double the OECD average [1]– and a business rates tax rate currently standing at 55%, which is well above most other business tax rates. There is a point at which the high tax burden has an impact on UK competitiveness and therefore investment and growth.

   We conducted research this year: *Business Rates: The Wider Economic Impact*[2] - to examine the impact of an increase or decrease in business rates on our wider economy. If Government choose to increase the total business rates burden by the cost of the current temporary reliefs for retail, hospitality and leisure (RHL) in 2025/26, we estimate that the total business rates burden would increase by approximately £1.7bn. Our research shows that an increase in the overall business rates burden in the magnitude of £1.7bn would have the following ramifications for our wider economy:

   - £2.3bn of lost output.
   - £1.5bn reduction in Gross Value Add.
   - Circa £170m of wider Government tax revenues lost.
   - Up to 22,000 jobs potentially at risk in the wider economy.

   In light of the risk to jobs and growth in our wider economy, Government should not increase the business rates burden further, from its already very high levels.

2. Impact assessment needed for the Autumn 2024 Budget measures – given the risks to jobs and growth of further increasing the business rates burden, a thorough impact assessment should be conducted, and published, which assesses the costs and benefits of these proposals. Without proper consultation, it is difficult for Government to ascertain whether this is the best approach to support our high streets, whether it represents good value for money, and indeed, if the ramifications on those businesses that will end up paying more could inadvertently hamper other Government objectives, like economic growth or jobs. The Government should have consulted on these measures to better understand the costs and benefits – and we welcome government's commitment to at least publish an impact assessment in advance of the Autumn Budget 202would encourage Government to publish an impact assessment of these measures without delay.

FORMAT OF OUR RESPONSE

We have provided our responses and recommendations in respect of each of Government's objects in turn:

1. Appendix 1: Protecting the high streets
2. Appendix 2: Encouraging investment
3. Appendix 3: Creating a fairer system
4. Appendix 4: Data on typical vacancy periods
5. Appendix 5: Data: the wider economic impact of business rates

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[1] Tax on property | OECD

[2] ay-business-rates-economic-impact-final-report-with-foreword-17-march-2025-003.pdf

Appendix 1: Protecting the high street

Summary

We support Government's objective to protect the high street – and recognise the importance of the high street to local communities.

While we recognise that a permanent discounted tax rate for RHL (as announced at Autumn Budget 2024) will provide better certainty and predictability to business (compared to the temporary reliefs this sector has received in recent years), there are a number of other reservations and consequences of this measure which have not been consulted on. It is not clear to us that the potential benefits of this measure will outweigh the costs – and could even hamper growth in our economy and in turn, the strength of our high streets.

Our reservations are as follows:

1. **The Budget 2024 measures do not lower the overall burden of business rates.** The Government isn't introducing new funding for the permanent reduction in RHL multipliers – the new permanent discount will be funded within the business rates system, thereby increasing the rates burden overall. Ultimately, we believe Government should reconsider whether imposing the cost of this policy within the business rates system is the right approach – and outweighs the wider consequences on jobs, productivity and growth (as our recent research highlights – see more details in Appendix 5). However, **if Government choose to maintain the introduction of new higher tax rate, we would not support further concentrating the tax burden borne by excluding some sectors from the higher value properties (of RVs >£500k)** – it is already incredibly concentrated on only 1% of commercial properties – further concentrations would render that tax revenue even less sustainable.

2. **The measures risk making business rates more contentious, more complex and more likely to make more frequent revaluations harder to achieve.** New thresholds for different asset classes and valuation points, and the definition of "RHL" will make valuations more contentious – which will make appeals more likely – and ultimately use more VOA resource.

3. **More cliff edges:** The legislation allows for a spread of over 30p in the pound (depending on the asset class and valuation of the property). This will create cliff edge points where a small investment results in a disproportionate uplift in business rates because the property is pushed into a higher tax rate – recent estimates from Avison Young on likely tax rates from April 2026 suggest that for a RHL property valued at just below the £500k threshold, **a £1 investment could result in an additional £80k tax bill**. Clearly the exact tax rates will be announced at Autumn Budget 2025 – however, this shows just how drastic the impact of these cliff edges could be on investment decisions. In order to mitigate some of the worst effect of this new legislation, we would suggest the following:

    a. **Provide for a progressive 'slice' system –** whereby all properties can access the lower tax rates for the relevant proportion of their property's value (e.g. up to £500k) – and only the portion above £500k, is subject to the higher rate of tax as would be the case under income tax or SDLT.

b. Extend improvement relief to landlords Given over 50% of property is owned by landlords, it is important that investment in such a huge proportion of our commercial property stock is not disincentivised, particularly around these new 'cliff edge points.

c. Reduce the range of tax rates – the bigger the range in tax rates, the more material the cliff edges will be in terms of the additional tax burden that could result from a relatively small investment in a property. The legislation currently allows for a spread of over 30p in the pound - we'd recommend restricting the legislation to a smaller spread, at least in the first instance, until the impact of 'cliff edge' points on investment is better understood.

Other measures to support our high streets:

We have long advocated for initiatives to support our high streets, including:

- Use of 'Town Centre Investment Zones' – to bring together and incentivise local stakeholders, which are often diverse and disparate, to come together on a shared vision to support and improve their high streets.
- Planning reforms and resourcing to ensure the planning system supports responsive changes of use where needed.
- Landlord and Tennant Act reform – to allow for quicker changes of use of properties – allowing the offering on the high street and retail destinations to respond more quickly to the needs of local communities.

Further details on our wider policy recommendations in relation to thriving high streets and retail destinations can be found here.

Appendix 2: Encouraging investment and growth

Summary

The best way to support investment and growth is to have a fair, responsive and predictable tax system. In order to achieve this, the Government should prioritise:

1. More frequent revaluations - so that the business rates system responds to changes in the economy more quickly.
2. A lower tax burden – the UK already has almost the highest property tax burden of all OECD countries (it is over double the OECD average). The recent proposals to fund a permanent discount to RHL with a higher multiplier for larger properties will only increase this tax burden further. The UK risks being wholly uncompetitive for industries that use lots of large or expensive property – many of which will be in the growth sectors which the Government is seeking to champion as part of the Industrial Strategy.
3. A fixed tax rate – the current system of changing the tax rate at every revaluation and uplifting the rate by inflation between revaluations adds unpredictability into the tax system. The tax rate should be fixed, like all other taxes – which will provide business with better certainty and predictability over their tax bills.
4. Reform Empty Property Relief (EPR) – the current 3 month EPR period for retail and offices is wholly inadequate and does not reflect typical reoccupation periods (see appendix 4 for further data on typical vacancy periods). Furthermore, imposing 100% tax charge on an empty unit after the EPR period makes investment in some property riskier – particularly for investment generally in less thriving areas that already have high vacancy rates – and also for speculative developments or refurbishments, where it could take some time to find an occupier for a property or allow for a multi-let property to be fully let. EPR should be increased to at least 6 months for all properties, and ideally 12 months, followed by a 50% discount thereafter.

The efficacy of Improvement Relief which was introduced in April 2024 and provides 12 months of relief for qualifying improvements to a property

Improvement relief is currently only available where the occupier of a property is the same before and after the works have been carried out. Given over 50% of commercial property is owned by landlords – who would typically seek to carry out improvement works between tenants, we suggest either extending this relief to landlords or introducing an equivalent relief which is available for landlords. We also suggest that the period in which the uplift in rates bills is delayed is extended from 1 year to 5, in order for the relief to have a more meaningful impact on investment decisions

The relative importance of business rates and other tax factors, e.g. capital allowances, when businesses are making investment decisions;

Simplicity and predictability in the tax system are very important for businesses in making investment decisions. In order to keep the business rates system as simple as possible, we would consider that other fiscal and regulatory levers are more appropriate to encourage investment – for example, we have previously advocated for capital allowances reform (notably a green 'super deduction'), to provide fiscal support and incentives undertake energy efficiency retrofit work. We also consider that Land Remediation Relief should be reformed to encourage investment in brownfield sites and we will engage in Government's forthcoming separate consultation on this.

In the context of the business rates system, Government should focus on ensuring that the business rates system *does not create a barrier to investment* – namely by:

- Reducing and fixing the tax rate.
- Making the tax system more responsive (with more frequent revaluations).
- Reforming Empty Property Relief so that it better reflects true reoccupation periods and avoids making speculative development and investment in properties in high vacancy areas even more risky and less attractive.

The impact of losing Small Business Rates Relief (SBRR) on expansion to a second property unless certain conditions are met;

We would agree the cliff edge in tax due when SBRR is lost on expansion to a second property is undesirable and would support consideration of alternative approaches to ensure small businesses can be supported to grow.

Small business rates relief – how it applies to shared workspaces like serviced offices
There is particular issue for shared workspaces, notably services offices, in the context of access to SBRR – as depending on whether the whole property is assessed for business rates or not, will depend on whether the occupiers can access SBRR or not.

It is very common for small start-ups and growing businesses to use a serviced office facility – allowing them to upscale or downsize with significant flexibility as their needs change. In order to ensure small business and start-ups can access the SBRR intended for them, it is important that SBRR can be applied to the serviced office sector. For this reason, we are concerned that where serviced offices have been assessed as a single unit by the VOA, many small businesses and start-ups would have inadvertently lost access to SBRR which was intended for them. In order to provide greater clarity and certainty to investors and businesses in this sector, it would be helpful if the VOA could publicise their guidance which sets out the relevant assessment criteria which allow SBRR to be accessed by individual small business occupiers in a serviced office or workspace.

The presence of cliff-edges in the system which may act as a disincentive to expand, exacerbated by the 'slab' approach which means the whole property becomes subject to the higher tax rate if a threshold is crossed meaning very high effective tax rates around thresholds.

The slab approach creates cliff edges and will disincentive investment at the margins. This will be exacerbated by the Autumn Budget 2024 measures which propose to introduce new lower rates for RHL, and a new higher rate for properties of >£500k rateable value, A slice system, like SDLT, would be far preferable and would mitigate some of the worst effects of the cliff edges.

The efficacy of Empty Property Relief in supporting landlords to make improvements to their properties.

The current 3-month Empty Property Relief (EPR) period for retail and offices is wholly inadequate, and doesn't represent actual reoccupation periods. We conducted research with the Local Data Company in 2023 (see data here), which shows that it takes closer to 12 months for the majority of vacant retail units to become re-occupied. We also collated data from agents and investors within our membership on typical reoccupation periods for other asset classes, which we fed into our response to Government's previous business rates consultation on avoidance and evasion. Somewhat surprisingly, this showed that the other asset classes, notably offices and logistics – had similarly lengthy re-occupation periods – well above the existing EPR period – and some parts of the office market had even longer reoccupation periods than retail.

In addition to the initial relief period being inadequate to cover typical reoccupation periods, the 100% tax charge on empty units after the initial 3 months EPR period adds significant risk to many potential investments – particularly in high vacancy areas, and for speculative development generally. We would suggest reverting to a partial relief, similar to the pre-2008 rules, whereby a 50% discount was available on rates bills after the initial, more generous, EPR period.

The energy efficiency 'retrofit' challenge – is exacerbated by the inadequate Empty Property Relief periods
Recent BPF analysis of VOA data shows that 83% of all of our commercial buildings in our 7 largest cities will need works done to them in order to meet EPC B. We know that a landlord will typically want to do most improvement works between tenants so as to minimise any disruption to occupiers. It is also typically cheaper and more efficient to carry out works to an empty building. Therefore, it is important that Empty Property Relief not only reflects typical reoccupation periods today – but also adequately allows for additional works needed to buildings to improve energy efficiency between tenants.

We propose the following reforms to Empty Property Relief (EPR), to ensure that it does not create a disincentive to investment in our towns and cities – and to the energy efficiency upgrade works we need to undertake:

A. *Extend the Empty Property Relief (EPR) period to at least 6 months for all properties, and ideally closer to 12 months – this will better support property owners through more realistic vacancy periods, and allow a greater time period to carry out retrofit works. A longer EPR period is also likely to incentivise tenants to take on space quickly so they can benefit from the end of the EPR period during their pre-occupancy fit our period.*
B. *Bring back the 50% discount on rates bills on vacant units, after the initial EPR period. This relief was in place before 2008 – and it provided certainty to property owners that their costs would be more manageable during an indeterminate period where no rental income is coming in – and especially helpful for those properties that take longer to re-occupy. It is also important to note that we didn't typically see any empty property rates mitigation schemes in the market when this 50% discount applied to vacant units before 2008. By reducing the possible savings that can be made through rates mitigation, the benefits of mitigating rates reduce significantly. Alternatively, to streamline the number of tax rates and*

retain simplicity in the system, tax rates for empty properties could be equal to the lowest available tax rate for an occupied property.

C. ***The EPR should be targeted at landlords –*** *there is currently uncertainty for landlords as to how much EPR will be available, as in some cases, a tenant will use up the relief before their tenancy ends. This could be addressed by introducing a similar separate relief for occupiers, if Government choose – or simply targeting the existing relief solely at property owners.*
D. ***Incentivising energy efficiency improvement works –*** *given the challenge to retrofit our commercial property stock is so widespread - affecting 83% of properties in our seven largest cities - we believe that reforms to Empty Property Relief which generally incentivise investment would be preferable and simpler than a very targeted relief for energy improvement works. However, if Government are not minded to make the reforms to EPR which we propose above - at the very least, we would suggest a targeted relief where energy efficiency improvement works have been conducted. We know that financial viability is one of the biggest barriers to retrofitting our property stock – the reforms we propose to EPR would allow property owners to keep hold of much needed capital, at the very time they need to make these investments.*

Appendix 3: A fairer system

The best way to create fairness in the system is to prioritise reforms which create a responsive and predictable tax system. A number of reforms noted in the previous appendix will also support fairness – in particular:

1. More frequent revaluations - so that the business rates system responds to changes in the economy more quickly – and businesses are paying rates based on up to date values.
2. A fixed tax rate – the current system of changing the tax rate at every revaluation and uplifting the rate by inflation between revaluations adds unpredictability into the tax system. The tax rate should be fixed, like all other taxes – which will provide business with better certainty and predictability over their tax bills.
3. Reform Empty Property Relief (EPR) – the current 3 month EPR period for retail and offices is wholly inadequate and does not reflect typical reoccupation periods. Furthermore, imposing 100% tax charge on an empty unit after the EPR period makes investment in some property more risky – particularly for investment generally in less thriving areas that already have high vacancy rates – and also for speculative developments or refurbishments, where it could take some time to find an occupier for a property – or indeed find multiple tenants to fill a multi tenanted building. EPR should be increased to at least 6 months, and ideally 12 months, for all properties, followed by a 50% discount thereafter.

Tackling avoidance and evasion

a) The government will consider whether the extension of the reset period from 6 weeks to 3 months has effectively reduced the financial incentive to avoid business rates.

The Government should start by ensuring that the Empty Property Relief (EPR) is appropriately supporting property owners through typical re-occupation periods – at the moment, it is wholly inadequate and the 100% charge after the initial EPR period is punitive and disincentivises investment in high vacancy and often less thriving areas. By reducing the rates on empty properties to 50% (after the initial longer 100% EPR period), the financial incentive to mitigate rates would reduce significantly. Once Empty Property Relief is fit for purpose and fair – we would expect to see a significant reduction in any avoidance activity.

b) The government is committed to making further progress to tackle avoidance and will publish a consultation on adopting a "General Anti Avoidance Rule" for business rates in England.

A new General Anti Avoidance Rule (GAAR) should be applied consistently across the country with a central body, ideally administered by HMRC. It should not be up to different local and billing authorities to apply their discretion – this would result in significant inconsistency and uncertainty for businesses.

Making the system more responsive

c) *The government will work with businesses to assess the potential costs and benefits of shortening the gap between the Antecedent Valuation Date and valuations coming into effect, and increasing the frequency of revaluations, while also assessing the delivery considerations.*
d) *To note, progress in this area is considered to be reliant on the following:*
   i. *New transparency requirements (from 2026 – and rental evidence from 2029)*
   ii. *Information Duty (Phased rolled out from 2026 – mandated by April '29)*

We strongly advocate for more frequent revaluations – ideally annual in the long term. In the short/medium term, in advance of the duty to notify measures being rolled out, Government should work towards reducing the Antecedent Valuation Date (AVD) period from 2 years to one. A more responsive business rates system is the best way to make the tax system fair and responsive. A more responsive tax system will more quickly support struggling businesses/areas – and also generate tax revenues for the Exchequer from growing businesses and sectors more quickly. As part of efforts to move towards more frequent revaluations, we would reiterate our calls for greater VOA transparency around their rateable value assessments. While it right that some limited data will need to remain confidential, ratepayers need to better understand the basis of their business rates assessments in order to avoid the need for a lengthy appeals processes simply to understand the basis of their building's rateable value.

A proportionate burden

a) *Individual ratepayers' bills are influenced not just by changes in the value of the property they occupy, but also by the change in all other property values. The government will explore whether this feature of the system creates sub-optimal outcomes in economic and fiscal terms, and whether bills for business should move with changes in the value of the property occupied.*

The tax rate should be reduced and then fixed, like it is for all other taxes. This will create a fairer and more predictable tax base for business – where business rates bills fluctuate only by reference to rateable values. It would be much easier for business to predict how their business rates bill was likely to change over time if it simply fluctuated with changes in rateable values.

Appendix 4: Vacancy period data

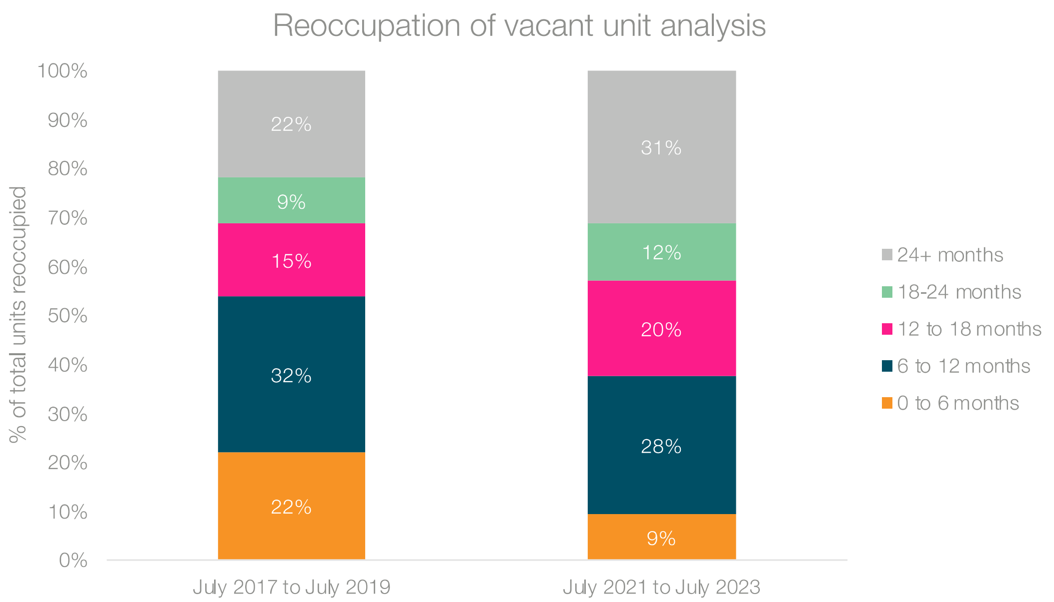
RETAIL:

1. We commissioned the Local Data Company (LDC) to provide data on re-occupancy periods in our retail locations (high streets, retail parks and shopping centres). The analysis can be found here.

Methodology and background

2. The Local Data company visit the larger retail destinations every 6 months and track data on which units are vacant (it's estimated that the larger destinations visited by the LDC capture between 40-50% of the whole UK retail universe). The data looks at vacancy periods in two different time periods – the last two years, and the two years just before Covid, to see how long reoccupied units were vacant for before they became occupied.

	Percentage values	
Period	**July 2017 to July 2019**	**July 2021 to July 2023**
0 to 6 months	22%	9%
6 to 12 months	32%	28%
12 to 18 months	15%	20%
18-24 months	9%	12%
24+ months	22%	31%
Total	**100%**	**100%**



3. This data shows that in the 2 years from 2021-2023, only 9% of vacant retail units were reoccupied within 6 months – it took 12 months for 37% of units to be reoccupied, and 18 months for 57% of units to be reoccupied.

4. The picture was slightly better before Covid – with the data showing that only 22% of units were reoccupied within 6 months; 54% within 12 months; and almost 70% within 18 months.

5. This data shows that the current 3-month empty rates relief period for retail properties is not sufficient – and period of closer to 12 months would be more appropriate to support average re-occupancy periods.

6. Further details on this data, which includes some sectoral and geographical analysis, can be found here.

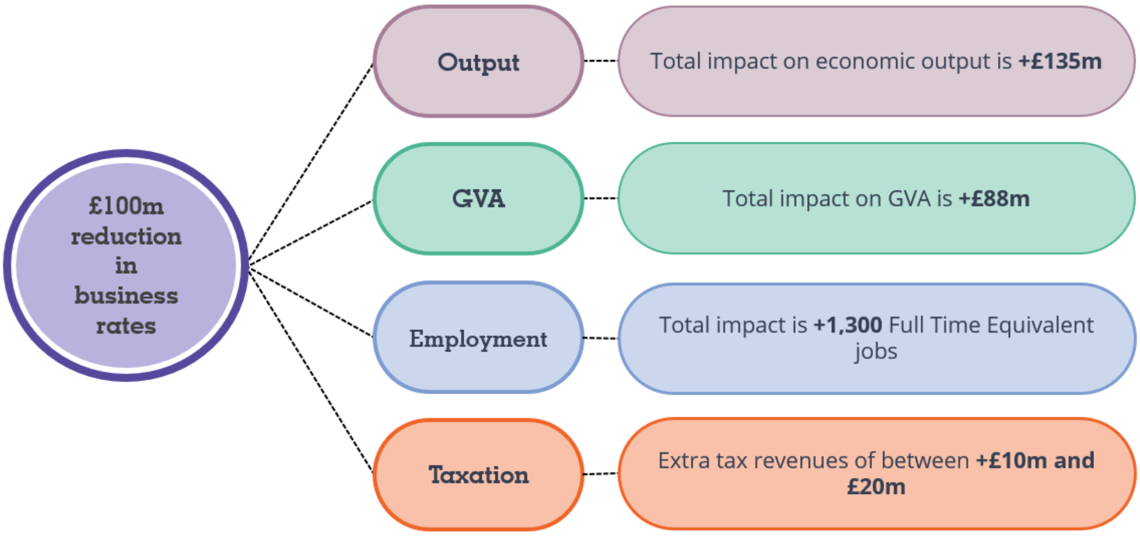
OFFICES AND LOGISTICS

We also included a sample of re-occupation period data in respect of other asset classes from our members in our response to the Government's previous business rates consultation on avoidance and evasion. While the data sets were not as comprehensive as the LDC sample for the retail sector, they did indicate similar re-occupation timeframes – well in excess of the current EPR periods for those sectors.

Appendix 5: Business rates research: the wider economic impact

We recently commissioned Avison Young and Chamberlain Walker to conduct some research to better understand and quantify the implications of increases or decreases to the business rates burden on our wider economy. The full research can be found here.

Our study shows that a business rates reduction worth £100m to the sector would stimulate changes in economic output, Gross Value Added (GVA)3, employment and taxation of:



The research also shows that the inverse of this would also be true – i.e. an increase in the business rates burden would have corresponding damaging implications for our wider economy. We can put this into the context of Government's intention to fund the new permanently lower tax rates for retail hospitality and leisure (RHL) properties (from 2026), from *within the business rates system*, by introducing a new higher tax rate for higher value properties. If Government choose to increase the total business rates burden by the cost of the current temporary reliefs for RHL in 2025/26, we estimate that the total business rates burden would increase by approximately £1.7bn. An increase in the overall business rates burden in the magnitude of £1.7bn would have the following ramifications for our wider economy:

- £2.3bn of lost output.
- £1.5bn reduction in Gross Value Add.
- Circa £170m of wider Government tax revenues lost.
- Up to 22,000 jobs potentially at risk in the wider economy.

[3] GVA is a measure of productivity – capturing the value of an industry's outputs less the value of intermediate inputs used in the production process.

The shows how important it is for Government to conduct an impact assessment on introducing higher tax rates for high value properties – and to fully understand the consequences for growth, productivity and jobs in the rest of our economy. Given the UK already imposes over double the OECD average in property taxes, we do not think the Government should be considering yet further increases to business rates – especially given this will have adverse implications for the rest of our economy – and notably, jobs.