

It WAS in the Budget!

All medium-sized Retail, Hospitality and Leisure businesses will see a substantial increase in their business rates from 1st April.

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It's strange how time can play tricks on our memories. Many business owners in Retail, Hospitality and Leisure (that includes your local pub /gym / coffee shop / night club/ restaurant / convenience store) will have forgotten that the 75% business rates relief they currently receive was brought in to support them to recover from Covid. It was due to end in April 2025 but in the autumn budget the Chancellor announced it would stay in place but only at 40%. There is no change for those claiming Small Business Rates Relief (SBRR) with a rateable value below £12,000, but it will affect those able to claim SBRR with a rateable value between £12,00 and £15,000, as well as every other privately operated retail, hospitality or leisure business. SEE https://www.centre-p.co.uk/Small_Business_Rates_Relief.pdf

Many businesses, be they in retail, hospitality or leisure, will have a shock in early March when their Business Rates Demand lands on their desk. Many rates bills will rise by thousands of pounds on the 1st April. We have set out below some examples of this major change, for 'Shop', also read any business in Hospitality or Leisure.

EXAMPLE 1

Shop with a Rateable Value of £25,000, now in theory pays £25,000 x 0.499 (49.9 pence in the pound) = £12,475 - but gets 75% relief, so only pays £3,118.75 per year. From 1st April 2025, the same shop will see no rise in the multiplier (as it's less than £51,000 rateable value) and in theory will again pay the £12,475 - but as a result of the government's announcement in the autumn budget will now get just 40% relief and will therefore pay £7,485! This shop owner will see an increase in the rates payable between 2024/ 25 and 2025 / 2026 of £4,366.25.

EXAMPLE 2

Shop with a Rateable Value of £40,000 now in theory pays £40,000 x 0.499 (49.9 pence in the pound) = £19,960, but gets 75% relief, so only pays £4,990 per year. From 1st April 2025, the same shop will see no rise in the multiplier (as it's less than £51,000 rateable value) and in theory will again pay £19,960, but as a result of the government's announcement in the autumn budget will now get just 40% relief and will therefore pay £11,976. This shop owner will see an increase in the rates payable between 2024/ 25 and 2025 / 2026 of £6,986.

EXAMPLE 3

Shop with a Rateable Value of £52,000 (so above the small business multiplier threshold of £51,000) now in theory pays £52,000 x 0.546 (54.6 pence in the pound) = £28,392, but gets 75% relief, so only pays £7,098. From 1st April 2025, the same shop will see an increase in the multiplier (as it's more than £51,000 rateable value) up to 55.5p in the pound, and in theory might pay £28,860, but as a result of the government's announcement in the autumn budget will now get just 40% relief and will therefore pay £17,316. This business owner will see an increase in the business rates payable between 2024/25 and 2025 / 26 of £10,218.

EXAMPLE 4

Shop with a Rateable Value of only £13,500 currently claiming Small Business Rates Relief www.centre-p.co.uk/Small_Business_Rates_Relief_2024_2025_.pdf now in theory pays £13,500 x 0.499 (49.9 pence in the pound), but gets SBRR at 50% so will only pay £3,368.25 but can then at present also claim 75% Retail Relief, so only actually pays £842.06. From 1st April 2025, the same shop will see no increase in the multiplier (as it's less than £51,000 rateable value) and in theory might pay £3,368.25, but as a result of the government's announcement in the autumn budget will now get just 40% relief and will therefore pay £2,020.95. This business owner will see an increase in the business rates payable between 2024/ 25 and 2025 / 26 of £1,178.89.

Finally have some sympathy for the operators of any large family-run convenience store with a Rateable Value of say £52,000, who will see an increase in rates payable of 144 % (one hundred and forty four percent) from £7,098 to £17,316, whilst the M&S FOOD outlet, for example 50 metres down the road, will see an increase of just 1.7%. National retailers with units across the country, will see very little variation in their total rates bill. The business rates multiplier will rise from 54.6p in the pound to 55.5p like all others with rateable values above £51,000, but they will still be able to claim the maximum £110,000 relief per business and they will simply spread this relief over say 2 or 3 outlets rather than the 1 or 2 most do at present!

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