The Shopkeepers’ Campaign

Call for Evidence: Non-Domestic (Multipliers and Private Schools) Bill
Shopkeepers’ Campaign submission

Introduction

The Shopkeepers’ Campaign welcomes the Government's efforts to address long-standing challenges within the business rates system through the Non-Domestic (Multipliers and Private Schools) Bill. This submission aims to highlight areas where the proposals could be refined to enhance their effectiveness in supporting retail, hospitality, and leisure (RHL) businesses while addressing broader issues of fairness, complexity, and predictability in the system.

The retail sector, particularly high street shops, plays a vital role in local economies and communities. It is, however, disproportionately affected by the outdated and onerous business rates system. Reform offers an opportunity to stimulate investment, reduce vacancies, and future-proof high streets against economic uncertainties. This response outlines key issues with the current proposals, offers practical alternatives, and highlights broader systemic changes necessary for long-term success.

Challenges arising from the current proposals

The proposed adjustments to the non-domestic rating system would see the introduction of multipliers designed to provide relief to specific RHL properties while imposing additional charges on properties with a higher value, regardless of property type.

However, several aspects of the proposals risk undermining their effectiveness and creating unintended consequences:

1. Complexity and administrative burden

The current proposals introduce up to two new lower multipliers and a potentially unlimited number of higher multipliers. While these measures aim to support certain RHL properties, they exacerbate the complexity of an already complicated system. Businesses, particularly smaller ones, often lack the expertise to navigate these changes without professional assistance, increasing administrative costs and reducing the perceived benefits of the reforms.

2. Uncertainty in implementation

Retailers face an extended period of uncertainty, with implementation 16 months away and no clarity on their liabilities for another year. This lack of predictability makes it challenging for businesses to plan effectively, delaying investment decisions and hindering growth. Moreover, the Bill does not guarantee that multipliers will remain fixed for each revaluation period, leaving businesses vulnerable to frequent changes that further complicate long-term planning.

3. Arbitrary Rateable Value (RV) thresholds

The proposed cut-off of £500,000 RV for the lower multipliers and the imposition of supplements on more valuable properties lacks clear justification. This threshold disproportionately impacts larger retail properties, including department stores and other anchor tenants which give the high street its vitality. This cap means that there are 3,990 shops that, despite being retail properties, would have to pay a higher rate of business rates.[1] The aggregate RV of these shops is over £4.5bn (in England) and the imposition of the maximum allowable UBR supplement of 10p on these properties would require retailers to pay an additional £450m pa in business rates. This is antithetical to the Government's stated objective of levelling the playing field between physical and online retail.

Shopkeepers' Campaign proposals

The following adjustments and recommendations aim to address the issues identified above while enhancing the effectiveness of the proposed reforms:

1. Expand the current definition for retail, hospitality and leisure properties to include retail car parks

The Bill aims to give the Treasury the power to "*define the meaning of qualifying retail, hospitality and leisure hereditament,*" which they intend to "*define… to broadly align with the definition in the current Retail, Hospitality and Leisure Relief Scheme.*"[2]

There is no need to deviate substantially from the current definition of RHL properties unless the Government is planning to specifically exclude certain types of properties. The most suitable adjustment to the current definition of an RHL hereditament would be to expand it to include retail car parks, acknowledging their essential role in supporting high streets and town centre shopping centres. The absence of retail car parks as part of this definition serves as a longstanding lacuna and can be amended by this legislation.

Definitions are best made in legislation and interpreted by courts; if HM Treasury can create definitions in an arbitrary fashion, some occupiers will inevitably feel they are being discriminated against. Giving HM Treasury this power will further complicate the application of the new RHL multiplier to qualifying properties.

2. Do not apply arbitrary rateable value caps for qualifying properties

The ultimate objective for any reforms to the non-domestic rating system should be to have a lower, non-prohibitive uniform business rate that applies to all properties, regardless of type or size. As a first step to show how lower rates lead to more investment, this Bill could apply a lower RHL rate for all RHL properties. This could serve as a pilot, so that the policy impact can be evaluated before a decision is taken to reduce the multiplier for all properties.

The Bill in its current form applies an arbitrary £500,000 RV cap to the RHL multiplier, with certain properties set to be excluded under a new RHL hereditament definition. There are several problems with this RV cap:

- Many larger retailers act as anchor tenants on high streets and draw in shoppers that then spend their money in other outlets (coffee shops, restaurants etc). These retailers are

[1] Non-domestic rating: stock of properties including business floor space, 2023
[2] Non-Domestic Rating (Multipliers and Private Schools) Bill Explanatory Notes – p.8

already paying the unsustainably high standard business rates multiplier (54.6p, due to increase to 55.5p in April 2025) while not deriving any material benefit from existing reliefs (like RHL Relief).

- The Government was elected on a promise to "*level the playing field between the high street and online giants.*"[3] The application of this RV threshold will instead place more of a burden on the larger high street retailers (Marks & Spencer's, John Lewis etc) that do not benefit from reliefs (RHL relief, Small Business Rates Relief etc) that smaller businesses enjoy.
- Investment will be stifled by the looming threat of a possible 10p increase to any property with an RV over £500,000. This, added to the already unsustainably high multiplier could see larger retailers paying a fixed rate at nearly 70p of a property's RV.
- This arbitrary RV cap will discourage investment into property upgrades, particularly for those that sit on the limit that won't want to tip their property's value past the £500,000 RV threshold.

3. Clarity surrounding the multipliers

To provide businesses with the stability needed for effective planning, the Government should commit to fixing multipliers for the duration of the revaluation period. As a first step, they could introduce one additional multiplier for all RHL properties, leaving the following three multipliers in place for the 2026 revaluation:

Name	Property type	Rate
Standard multiplier	Properties (excluding RHL properties) with an RV >£51,000	Standard rate (say 50p)
Small business multiplier	Properties (excluding RHL properties) with an RV <£51,000	Standard rate minus 5p (say 45p)
Retail, hospitality and leisure multiplier	All properties presently defined as RHL properties under the RHL relief guidance[4]	Small business rate minus 15p (say 30p)

This could be a pragmatic first step before reducing the multiplier to 30p for all properties on the Non-Domestic Rating List. The possibility of annual changes to multipliers, as well as the possibility of introducing an unlimited number of new multipliers, would undermine confidence and discourage long-term investment. This legislation must be used to provide long-term clarity concerning the direction of the system.

In the short-term, it is important that all RHL hereditaments are included in this discount, and that this discount is not susceptible to the same fluctuations as the existing business rates multipliers owing to their classification as "*permanently lower multipliers.*"[5] The assumed policy mechanism that would be applied to the new multipliers is annual increases in line with the Consumer Prices Index (CPI). The Government should take this opportunity to introduce certainty and stability by retaining multipliers at the level they are introduced.

The legislation must also clarify the rates liabilities for empty properties that are above the £500,000 RV threshold. Business rates already present a significant cost for property owners after the initial three-month rate free period. The Empty Property Relief in its current form does not adequately

[3] Labour Party Manifesto 2024 – p.31
[4] Business Rates Relief: 2024/ 25 Retail Hospitality and Leisure Scheme
[5] Non-Domestic Rating (Multipliers and Private Schools) Bill Explanatory Notes – p.3

account for the structural realities of vacancies in the property market in the because the current rate-free period does not reflect the length of time that a property would be empty while owners are either sourcing a tenant or upgrading the premises.

4. Broader Systemic Reforms

Beyond the immediate proposals, the following systemic changes are essential for creating a sustainable and equitable business rates system:

a. **Annual Revaluations and Reduced AVD.** The current system of three-year revaluations, based on an antecedent valuation date (AVD) two years prior, creates significant lag between market conditions and rateable values. Moving to annual revaluations with an AVD of one year would ensure that rates reflect current economic realities, increasing fairness and reducing volatility.

b. **Extended Empty Property Relief.** Extending the Empty Property Relief period to 12 months would encourage landlords to invest in green retrofits and longer-term tenancy agreements. This measure also reflects the true void periods between lettings, particularly in challenging economic conditions.

c. **Inclusive definitions for retail car parks.** Recognising the integral role of shopping centre car parks in supporting retail activity is critical. Including these facilities within the retail definition ensures a more holistic approach to supporting high streets.

Wider Impacts and Benefits

The proposed reforms, if refined and implemented effectively, have the potential to deliver significant benefits:

- **High street revitalisation**: Equitable support for all RHL properties will reduce vacancy rates, attract investment, and foster vibrant local economies.
- **Increased fairness**: Simplified and predictable rates reduce the administrative burden on businesses, enhancing their capacity to invest in growth.
- **Environmental gains**: Incentives for green retrofits will not be hampered by fears of pushing a property's RV past the £500,000 threshold.

Conclusion

The Shopkeepers' Campaign urges the Government to refine the Business Rates Bill to address the outlined challenges and adopt the proposed alternatives. These adjustments will create a more equitable, transparent, and sustainable system that benefits retailers of all sizes and locations while bolstering Britain's high streets and local economies.

We remain committed to supporting this process and are available to provide further input or clarification as needed.

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