

JOINT STATEMENT TO GOVERNMENT BY CBI AND 41 TRADE ASSOCIATIONS ACROSS THE UK

14th October 2021

ACTION ON BUSINESS RATES INVESTMENT NEEDED AT NEXT BUDGET

Government and business are united in a mission to Build Back Better and Greener from the global pandemic. If we as a country are to truly level up and meet our net zero commitments, leading by example in the year we host COP26, then unleashing a wave of business investment should be the focus. Up to 50% of business investment is potentially subject to business rates, so the financial burden on firms is high and the 2023 revaluation could see it increasing further. Therefore, with the current business rates system acting as a tax on investment, action is needed to rebuild the UK's international competitiveness.

The Government has confirmed that policy announcements as part of the long-awaited reform of the business rates system will now be made this autumn. Firms need to see fundamental reform of the system to address long-standing barriers to investment. The Government has backed business throughout the pandemic with short-term reliefs, but as businesses begin to rebuild, they need the confidence to invest.

However, the current system hasn't kept pace with the challenges and opportunities we face as a country. No business begrudges paying into the tax system, and the pandemic has shown how important and valued our public services are. But in their current form, our business rates system is uncompetitive, unproductive and unfair.

Uncompetitive, when compared to international rivals. UK property tax levels are four times higher than Germany's, and 50% higher than the G7 average, as a proportion of GDP.

Unproductive, in that they directly put firms off from investing to make their business more energy efficient or competitive. If a business invests in solar panels, or other plant & machinery to improve their property, this increases their rates bill. As these investments take several years to yield a return, the immediate increase in rates often makes the investments unviable.

And unfair, when the current system helps ingrain considerable inequalities between the richest and poorest areas of the country, penalising businesses in areas of slower growth.

Reform to address these inefficiencies can be acted on through this Autumn's policy decisions. We as business organisations representing 261,000 employers, want to see government act now to:

1. Reduce the overall burden of the business rates system to unlock business investment in net zero and support levelling-up. Allow business rates liabilities to fall in line with property values, and without further increases in the headline rate, equivalent to a reduction in the uniform business rate for these businesses. Ensure firms can instantly benefit from any fall in property values following a revaluation, while maintaining a phased transition to a higher bill where property values increase.
2. Increase the frequency of business rates revaluations and ensure rates adjust quickly to economic changes to ensure business rates reflect firms' ability to pay.

3. Create a 'Greener' business rates system to support the government's net zero ambition, unlocking investment to make buildings more energy efficient and decarbonising property stock, starting with exempting green Plant & Machinery and new technologies that directly link to the 'green' agenda, including solar PV and heat pumps, from business rates.

Reforms will have real-world ramifications for investment in local communities, in creating the jobs of the future, and to help meet our net zero ambitions. They will unlock business investment to boost the UK's international competitiveness.

Decisions this Autumn must lead to real change and set the parameters for a new, modern system that rewards investment, turbo charges net zero and kickstarts growth for the next decade.

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