

Rt Hon Philip Hammond
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Wednesday, 3 May 2017

Dear Mr Hammond

FUNDAMENTAL REFORM OF BUSINESS RATES

We believe that the future of the business rates system will shape investment and growth in the UK economy for decades to come. How the next government decides to address the complexity and unfairness of the existing business rates system is therefore a key question for us all. The challenges we face as we negotiate our future relationship with Europe has made reducing the burden of business rates and fundamentally reforming the system even more critical.

The fact remains that the burden of property taxation is too high. A system under which rates are the highest in the G7 and have risen from a third of rateable value in 1990, to half today, is not financially sustainable. Business rates will not cease to be an issue for businesses until we have a fair system of business taxation, which is internationally competitive and encourages investment.

During the past few years, businesses applauded the announcement of a 'radical' and 'comprehensive' review of business rates believing that it would lead to a new system that is fairer, more competitive and more responsive to economic conditions. At the time, we encouraged government to take a broad view of the 'fiscal neutrality' requirement that was a condition of the review. We continue to agree any future review should be considered across all business taxation and across the Treasury's defined budgeting cycle.

We would also like to state our broad agreement on the following key issues:

- The overall burden of business rates is too high and at a tipping point
- There is a need to increase the frequency of revaluations beginning in 2020 alongside a straightforward valuation process
- Current RPI indexation is unfair and not reflective of economic conditions, therefore, CPI indexation should be implemented beginning April 2018
- The system should incentivise businesses that invest in and improve properties

How the future government structures the business rates system and how we can best support are key priorities for our organisations and its members. From our perspective there is broad agreement across the business community on what aspects of business rates are most in need of change, and we all strongly agree the burden is too high and unsustainable making fundamental reform necessary.

The business rates system will be a key factor in shaping investment and growth in the UK economy for decades to come. We respectfully ask the next government consider our views and to fundamentally reform business rates making them fit for purpose in the future.

On behalf of

Helen Dickinson OBE
Chief Executive
British Retail Consortium



Martin McTague
National Policy Director
Federation of Small Businesses



Melanie Leech CBE
Chief Executive
British Property Federation



James Lowman
Chief Executive
Association of Convenience Stores



Adam Marshall
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