



HM Treasury

Summary of Responses to the Business Rates and Investment: Call for Evidence

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Foreword

The Government is determined to drive good growth in every postcode, backed by the necessary investment, so that businesses and communities in every part of the country can prosper.

The tax system should support businesses to invest while raising the revenue needed for public services and ensuring fiscal sustainability.

That is why we want to reform business rates so that they better support investment and growth, while providing businesses with certainty, protecting local government funding, and keeping the system fair and sustainable.

The Call for Evidence on Business Rates and Investment sought views on how the system affects investment and where proportionate reform could unlock growth without undermining the public finances.

The responses summarised here will inform the next phase of reform. The Government will also explore how business rates can better support fiscal devolution, as a key mechanism to drive good growth in every postcode.

I am grateful to everyone who contributed. Your evidence will help shape long-term reform, and ensure the system remains fair, with everyone paying their share, reliefs working as intended, and the necessary action taken to address avoidance where it occurs.

James Murray, Financial Secretary to the Treasury and Paymaster General

Executive Summary

The Business Rates and Investment: Call for Evidence sought views on how business rates influence investment decisions and whether proportionate reforms could better support investment.

It covered the structure of the tax, Small Business Rates Relief, Improvement Relief and Empty Property Relief, as well as valuations under the Receipts and Expenditure methodology and the pre-list discussion process.

The Government received 372 responses from businesses, representative organisations, local authorities, advisers, property owners and individuals. These were supplemented by targeted roundtables with businesses and other stakeholders.

Respondents reported that business rates could affect investment through the fixed nature of the tax, uncertainty about future liabilities and limited transparency over how valuations were determined.

However, views on individual reforms were mixed, and the evidence did not establish the relative importance of business rates compared with the wider financial and non-financial factors affecting investment.

The Government has considered this evidence alongside its wider programme of business rates reform, and its focus on fiscal devolution, investment, and growth in every postcode.

As next steps, the Government will therefore prioritise measures that support high streets, and that improve stability, predictability, and support for long-term infrastructure investment.

The Government will also explore how the business rates system can better support fiscal devolution, while protecting business certainty, local government funding and fairness between places.

Chapter 1

Overview

Introduction

1.1 This document summarises responses to the Business Rates and Investment: Call for Evidence. It covers business rates' role in investment decisions and proposed reforms, including a slab-to-slice tax structure, Small Business Rates Relief (SBRR), Improvement Relief (IR) and Empty Property Relief (EPR). It also covers views on Receipts and Expenditure (R&E) valuations, pre-list discussions and transparency.

1.2 The Call for Evidence formed part of the Government's wider business rates reform programme. It followed the Transforming Business Rates: Interim Report, which set out the ambition for a fairer system that protects the high street, supports investment and is fit for the 21st century.

Analytical method and overview of respondents

1.3 A total of 372 responses were received. These included responses from businesses, representative organisations, local authorities, advisers, property owners and individual respondents across a range of sectors.

1.4 All 372 responses were reviewed as part of the analysis. Where statistics or percentages are presented, these are based on the 277 responses that could be consistently categorised and compared, with the remaining 95 considered qualitatively. These figures should be read as showing the frequency with which particular issues were raised, rather than the balance of opinion across all respondents.

1.5 Responses from the short-term lets (STL) sector were treated separately when calculating frequencies (except in the About You section, a breakdown of which follows) because their high volume and close format could otherwise have disproportionately influenced the aggregate findings.

1.6 Questions 1-11 collected information about the respondents, summarised below:

1.6.1 **Sector** – 100% of respondents answered this question. Of these, 37% were from the short-term lets sector, 19% each from retail, hospitality and leisure and business representative organisations, 5% from non-retail, hospitality and leisure businesses, 4% from airports, 3% each from infrastructure, local authorities, real estate and tax advisers, and 2% each from agents and other sectors.

1.6.2 Geographical location – 43% responded. Of these, 25% operated nationally or across the UK, 6% were based in the South West, and 2% each in the East of England, London, the South East and the West Midlands.

1.6.3 RV distribution – 55% of respondents answered this question. Approximately two-thirds of RVs were below £25k. The median RV was £10,500; the lower quartile was £3,600; and upper quartile was £59,250. 30 respondents noted having RVs of £50k and above with 27 noting RVs of £100k+.

1.6.4 Business size – 68% of respondents answered this question. Of these, 49% were micro businesses, 7% were small, 2% were medium-sized and 9% were large, while 32% did not specify their business size.

1.6.5 Owner/Occupier - 59.4% of respondents answered this question. Most were owners (44.0%), but this was largely driven by the STL sector (>80%). 7.7% were leaseholders/renters and 7.7% recorded a mix/both.

Chapter 2

Summary of Responses

The role of business in investment decisions

2.1 This section relates to questions 12-20 in the Call for Evidence, which sought:

- Evidence on how features of the system have affected investment in practice – for example, information on where the business rates system has influenced specific decisions or instances where investment has been delayed, reduced, or redirected.
- Evidence on the relative significance of business rates alongside other financial and non-financial factors influencing business investment in the UK.

2.2 Overall, almost half of respondents reported that business rates were a significant factor influencing investment decisions, with one in five respondents noting that property improvements had been delayed or not taken forward where increases in business rates bills and reduced profitability made investment less viable. Some respondents indicated that business rates were one of many factors that were considered when making investment decisions, alongside VAT, National Insurance contributions, energy costs, labour costs, borrowing costs and compliance requirements such as Energy Performance Certificates. However, the evidence did not support a firm conclusion on the relative importance of business rates compared with these other factors.

2.3 Those respondents who identified business rates as a major factor most often highlighted the fixed nature of the tax, which applies regardless of profitability, the difficulty of predicting future liabilities, and a perceived lack of transparency around valuations.

2.4 Respondents also suggested administrative changes that they considered would support investment. The most common suggestions were greater transparency from the Valuation Office (VO) on valuation methods, a more streamlined Check, Challenge, Appeal process, and improving the notice given to businesses on changes, for instance earlier visibility of draft rating lists to reduce uncertainty and support planning.

2.5 Respondents identified a range of investment decisions affected by business rates, including property ownership, development, refurbishment and expansion. They also pointed to investment in existing premises, including maintenance and upgrades, extensions

such as mezzanines or additional floor space, and safety, environmental and compliance works.

2.6 Views on who typically undertakes property improvements varied according to the ownership and occupation model. Owners were most frequently identified, but this was largely driven by the STL sector, where almost all respondents identified the owner. Excluding STLs, respondents identified occupiers more frequently than owners, although occupiers did not constitute a majority in all sectors. Occupiers were identified by 49% of RHL, 60% of non-RHL and 40% of infrastructure respondents.

2.7 These differences partly reflected different ownership models. Businesses operating largely from owner-occupied properties, such as airports, identified owners as undertaking improvements. Agents, business representatives and tax advisers more commonly said responsibility was shared or depended on factors such as the nature of the improvement and the sector.

2.8 Lease length was also an important factor in investment decisions: 18% of non-STL respondents identified the beginning, renewal or termination of a lease as a decision point. Respondents noted that shorter leases could limit the period over which occupiers could realise a return on investment.

Transforming business rates: reforms to incentivise investment

2.9 This section relates to questions 21-33 in the Call for Evidence, which sought input on:

- The tax structure (moving from 'slab' to 'slice')
- Small Business Rates Relief
- Improvement Relief
- Empty Property Relief

The tax structure (moving from 'slab' to 'slice')

2.10 Almost half of the respondents indicated that cliff edges within the tax structure damage investment, mentioning that crossing thresholds could dramatically increase rates liability and reduce profit margins, which could deter or delay investment plans.

2.11 Respondents' views on moving to a slice-based tax structure (i.e. a marginal tax rate) were mixed, and there was no overall consensus on moving to a slice-based system. Three in ten respondents were supportive of a move towards a slice-based system, perceiving it could smooth marginal increases and make them more proportionate, enabling investment or upgrades, and potentially improving investment certainty, confidence and long-term planning. Respondents suggested this could support a range of investments, with refurbishments, energy-efficiency improvements, accessibility

improvements, technological upgrades and compliance works most frequently mentioned.

2.12 However, some respondents also raised concerns that a slice-based system would be complex to administer and/or add administrative burden or complexity to the system (18%) and could increase the tax burden on high-value properties (15%). Among the small number of respondents completely opposed to moving the business rates structure to a slice, concerns most commonly related to the impact on properties liable to the high-value multiplier. A few respondents also raised concerns about the impact on local authority revenue.

2.13 Government Response: The Government recognises that a slice-based structure could reduce cliff edges and support investment. However, respondents did not reach a consensus, and significant concerns remain about complexity, distributional impacts and the implications for local government funding. The Government will therefore continue to consider the case for change as part of its wider business rates reform programme.

Small Business Rates Relief

2.14 Among respondents who identified specific cliff edges, the loss of SBRR was the most frequently raised issue, cited by around a quarter of respondents. This was particularly associated with businesses exceeding the rateable value eligibility thresholds or expanding beyond a single property. Some respondents identified the introduction of the high-value multiplier as a cliff edge in the system. Other perceived cliff edges, raised by a minority of respondents, included the loss of non-SBRR reliefs, movement onto the standard multiplier, and the effect of frozen thresholds bringing more firms within higher liabilities over time through fiscal drag.

2.15 Government Response: The Government has announced an increase to the SBRR thresholds for RHL properties to £18,000 (full relief) and £21,000 (tapered relief) until the 2029 revaluation. Support for smaller RHL properties has been prioritised to help businesses at the heart of high streets and local communities. This will take around a further 70,000 businesses out of business rates.

2.16 The CfE sought views on the business rates treatment of short-term lets (STLs), in particular SBRR eligibility. Most respondents had not seen evidence of second-home owners using SBRR to manage their tax liabilities, citing the strengthened occupancy requirements - including at least 70 days of occupation and 140 days of availability to let - or a lack of awareness or direct experience of the practice. Some considered the recently introduced occupancy rules an effective means of ensuring that SBRR supports genuine STL businesses rather than second-home owners.

2.17 Government Response: Based on the feedback received through the Call for Evidence, and subsequent engagement with both

the STL sector and LAs, the Government did not see evidence that the current occupancy rules are insufficient in ensuring that business rates reliefs support genuine businesses. The Government will, however, continue to monitor the evidence and keep this policy under review.

Improvement Relief

2.18 Predictability and certainty were central concerns. A small number of respondents said that other “investment-friendly” reforms should be pursued, such as changes to IR (detailed below), greater predictability over the scale of changes in rateable values at future revaluations and the resulting impact on bills once multipliers are applied, and valuations on the Receipts and Expenditure methodology (covered in the following section).

2.19 Reliefs were generally seen as important tools for supporting investment and efficient use of property, but their effectiveness depends on design, awareness, and certainty of application.

2.20 Regarding IR, nearly four in ten respondents considered the relief period too short. They suggested that the relief would be more effective if it aligned more closely with typical investment payback periods and tapered over time, rather than ending abruptly. These respondents called for IR to apply for a longer period, such as 3 to 5 years, with some proposing 5 to 10 years for major capital projects.

2.21 One in five respondents called for the eligibility criteria for IR to be expanded to cover a wider range of improvements. This included plant and machinery, decarbonisation investments, and security investments (e.g. CCTV). Around one in ten respondents called for clearer guidance and reduced administrative burden. Suggestions included clearer criteria on what qualifies for IR, earlier confirmation of eligibility, and automatic application without the need to submit a claim. Finally, one in ten respondents also identified the occupation condition, which requires businesses to occupy the property during and after improvement works to qualify for IR, as a barrier to the effectiveness of IR.

2.22 Government Response: Improvement Relief is currently scheduled to end in April 2029. The Government will review the relief before then, taking account of emerging data on its use and the feedback summarised in this document.

Empty Property Relief

2.23 Views on whether EPR effectively incentivises reoccupation were mixed. A quarter of respondents considered the current relief period too short to allow properties to be marketed, leases negotiated, tenants secured and fit-out works completed, particularly in weaker markets, and suggested extending or tapering the relief. Conversely, one in ten said the relief’s generosity or duration could reduce the incentive for owners to bring empty properties back into use. A quarter said EPR supported reoccupation by making long-term empty properties more costly to hold once owners became liable for business rates after the

relief period. Around one in ten expressed positive views of the relief, while a similar proportion said it had little or no influence on investment decisions. A small number reported widespread avoidance through arrangements such as short occupations used to reset the relief period but cautioned that reforms should not disadvantage ratepayers not engaged in avoidance.

2.24 Government Response: The Government will introduce a General Anti-Avoidance Rule (GAAR) for business rates at the earliest opportunity, after consulting this winter. We will work closely with local authorities, businesses and other stakeholders to design a GAAR that is fair, targeted, and proportionate, whilst giving local authorities the tools they need to counter avoidance. Following the mixed responses to the effectiveness of EPR, the Government will engage with businesses and local government further to understand how the system can better incentivise the reoccupation of empty properties.

Valuations on the Receipts and Expenditure methodology

2.25 This section relates to questions 34-46 in the Call for Evidence, which sought input on:

- The Receipts and Expenditure (R&E) valuation methodology, including its transparency, predictability and the extent to which it affects ratepayers' investment decisions.
- Whether changes to valuation practices would better enable high-value, long-term investment.
- The pre-list discussion process, including potential improvements to engagement with ratepayers.

2.26 Approximately one in five respondents to questions on the R&E valuation methodology were airports, with a further one in ten representing large infrastructure operators. Other respondents included business representative organisations, RHL businesses, STLs, tax advisers and rating agents.

2.27 Overall, respondents commonly described R&E valuations as less predictable than other valuation methodologies. Respondents most often attributed this to an over-reliance on subjective valuer judgements and inconsistent treatment of key inputs, including the tenant and landlord asset split, rates of return, and treatment of costs. Respondents also noted changing assumptions between valuation cycles and inconsistent use of 'stand back and look' tests.

2.28 Respondents also reported a lack of transparency regarding the VO's application of R&E and how it reached its decisions, which was seen to make rateable values more difficult to understand and forecast.

2.29 Many respondents linked what they felt to be a lack of certainty and consistency in R&E valuations to investment decisions. Airports and other major infrastructure respondents reported that R&E valuations

had materially affected investment planning by increasing uncertainty, with the result that investment was reduced, delayed, or cancelled. These respondents also highlighted wider risks to trade, connectivity, and regional growth.

2.30 The evidence provided therefore points to two distinct policy issues. First, uncertainty about valuation inputs, processes and outcomes can make future R&E valuations difficult to understand and predict. Second, respondents, and particularly airports and other major infrastructure, argued that the business rates bills implied by those valuations, particularly once transitional support unwinds, will themselves reduce the viability of long-term infrastructure investment.

2.31 To improve investment outcomes, many respondents suggested improving the operation and application of R&E. The most common suggestions centred on improving transparency and consistency, including clearer sector-specific guidance, publication of VO assumptions and workings, and earlier sight of VO analysis. There was also support for more consistent use of 'stand back and look' tests and enhanced pre-list discussions.

2.32 Views on alternative approaches to R&E were mixed and varied by sector. Most large infrastructure respondents did not advocate for a fundamentally different methodology, indicating that R&E could provide an appropriate basis for liabilities if applied more consistently and transparently. A small number suggested structural reforms to multipliers and reliefs, as well as specific modifications such as simplified schemes or greater recognition of substantial upfront investment.

2.33 Some airport respondents suggested moving away from the current form of R&E or adopting hybrid approaches. Suggested alternatives included a return to the contractor's basis, revenue-linked caps to limit volatility, a valuation scheme like the one currently applied to ports and novel approaches like a per passenger charge.

2.34 Respondents, and large infrastructure in particular, were generally open to a greater degree of prescription in the valuation process, where this would improve consistency, transparency and predictability. However, some emphasised the importance of maintaining the integrity of the valuation process, and others were concerned about the potential for prescription to impose inaccurate outcomes.

2.35 Many respondents considered that other jurisdictions better support high-value, long-term investment through lower property tax burdens, more favourable treatment of capital investment, targeted reliefs and exemptions, and simpler, more asset-based valuation approaches.

2.36 Government Response: It is vital that all valuation methodologies, including R&E, are applied in a predictable and transparent fashion, to underpin a fair business rates system. In response to concerns about predictability and transparency in R&E

valuations, the VO has engaged with airport representatives to agree sector-specific valuation guidance and will consider developing guidance for other sectors in future. The VO will also strengthen and formalise pre-list discussions (covered in more detail below).

2.37 The Government recognises the particular challenges that exceptional increases in rateable values can create for strategically important infrastructure investment with long-term horizons. The Government is committed to providing further support for those most acutely affected, such as airports, once the current transitional relief package expires.

The Pre-List Discussion process and transparency

2.38 This section relates to questions 42-46 in the Call for Evidence, which sought input on how the pre-list discussion (PLD) process could be improved, and how valuations can become more transparent.

2.39 Respondents were generally positive about the PLD process, particularly its contribution to improved understanding, accuracy and certainty of valuation outcomes.

2.40 Nevertheless, the feedback made several suggestions about how PLDs could be improved. Respondents highlighted information sharing and transparency as a central area for improvement, calling for a more open, balanced and reciprocal exchange of information supported by clearer consideration of the data required. There was also broad support for process improvements that would bring greater structure and consistency to PLDs while preserving sufficient flexibility to reflect sector-specific circumstances. Respondents favoured mutually agreed timetables, clearly defined milestones and sector-based frameworks to improve consistency, efficiency and predictability. They also suggested that principle-based discussions should be clearly separated from evidence-based discussions and that guidance on expected outcomes should be strengthened. Although views were mixed, only limited support was expressed for placing the process on a statutory footing.

2.41 Timeliness and responsiveness in terms of the VO responding to ratepayer engagement during PLDs were also identified as areas of potential improvement. Respondents considered the compressed revaluation timetable to be a barrier to meaningful engagement and argued that earlier, more substantive discussions, supported by more timely feedback, would improve the value of the PLD process. Resource constraints and the availability of sector-specific expertise were also seen as important factors reducing the effectiveness of PLD, particularly in smaller but high-value classes.

2.42 Looking beyond the immediate process, some respondents suggested that the VO could undertake mid-cycle valuation refresh discussions in highly complex sectors to improve certainty regarding valuation outcomes at future revaluations. There was also some support for introducing a form of dispute resolution, including mediation, as

part of the PLD process prior to list publication. However, respondents also noted practical concerns about how such arrangements would operate.

2.43 Government Response: In response to feedback on PLDs and the need for transparency, consistency and predictability of valuations, the Government will introduce a series of reforms to strengthen PLDs ahead of the next revaluation. The Government will work with stakeholders to develop an improved framework that supports earlier engagement with ratepayers, helping businesses to better understand their valuations. The refreshed process will establish clearer procedures and expectations, supported by stronger governance, oversight and monitoring, and will ensure sufficient sector expertise is available to support effective discussions. The VO will publish further details of the framework before the next PLD process begins, and together these changes will help deliver a more transparent, consistent and predictable valuation process for businesses.

2.44 Following feedback received through the Call for Evidence, the Government has taken the decision to defer the introduction of the Duty to Notify, which had been due to be mandated in April 2029, by three years. This deferral reflects a commitment to reducing administrative burdens on business and provides further time to work with businesses and stakeholders on how the future requirements to report property changes might work in practice.

2.45 The Government will also abolish the £150 and £300 fees charged by the Valuation Tribunal in England for non-domestic rating appeals. This will apply to the 2026 rating list and future lists and enable refunds of fees already paid for appeals relating to the 2026 list.

Chapter 3

Next Steps

3.1 The Government is committed to a business rates system that supports growth in every postcode, strengthens local economies and gives businesses and local government greater stability. The evidence received through this Call for Evidence will inform the next phase of reform, focused on supporting investment, enabling places to thrive and improving the predictability of the system.

3.2 As next steps in this process of reform, the Government will:

- a) **Strengthen support for high streets** through taking more high street properties out of the rates system by increasing the SBRR thresholds, consulting on a General Anti-Avoidance Rule to support productive use of property, and engaging with businesses and local government on how business rates can better incentivise the reoccupation of empty properties.
- b) **Encourage good growth in every postcode** through exploring how the business rates system can better support fiscal devolution, while protecting business certainty, local government funding and fairness between places, and further considering improvement relief ahead of its scheduled end in 2029.
- c) **Improve stability, predictability, and support for long-term infrastructure investment** by strengthening pre-list discussions, developing sector-specific valuation guidance for airports, with the potential to extend this to other sectors, and committing to legislate to provide to further support for those most acutely affected by exceptional valuation increases, such as airports, once the current transitional relief package expires.
- d) **Provide immediate breathing space for businesses** through targeted fiscal intervention for those facing acute pressure.

3.3 The Government will continue to work with businesses and local government as these reforms are developed and implemented, while protecting stable funding for local services and the sustainability of the public finances.

3.4 In August, the Government launched an Independent Review of how Pubs and Hotels are valued for Business Rates, led by leading

business rates expert Jerry Schurder. This review will work with pubs and hotels to ensure the system is fair and transparent and ensure businesses in those sectors can plan better for the future.

3.5 The Independent Review began with a Call for Evidence, which has now closed. The Government looks forward to receiving the Reviewer's report, which it expects to take account of the conclusions of this response.

HM Treasury contacts

This document can be downloaded from www.gov.uk

If you require this information in an alternative format or have general enquiries about HM Treasury and its work, contact:

Correspondence Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 5000

Email: public.enquiries@hmtreasury.gov.uk