

Five Principles for Business Rates Reform

Business rates remain one of the biggest fixed costs facing retailers, costing the sector £307m alone last year. Independent retailers, particularly those operating on petrol forecourts, are the hardest hit from the changes last April. These businesses benefited proportionately more from reliefs that are now withdrawn and faced sharp increases despite the new RHL multiplier and transitional relief package.

Without further support and reform, rising liabilities will undermine investment, jobs, and the long-term viability of local shops. This framework sets out five principles to underpin reform of the business rates system. It provides both a basis for engagement with government on reform linked to the forthcoming High Streets Strategy, and a practical test against which Budget announcements can be measured.

1. Recognises the role of the high street

High street businesses deliver economic and social value that goes beyond commercial activity – supporting local employment, access to essential goods and services, footfall, community safety and the vitality of town and neighbourhood centres. Reform should support occupancy, resilience and diversity on the high street, and avoid adding pressure to the community-facing businesses central to place-making and local growth.

2. Recognises pressures on business and low-margin sectors

Many smaller businesses operate on tight margins with limited ability to absorb additional costs. This is particularly true in convenience retail, where high fixed costs, intense competition and long operating hours leave little financial headroom. The system should be proportionate and predictable for smaller occupiers, avoid sharp increases in liability, and provide meaningful, lasting support.

3. Incentivises investment rather than penalising it

Improvements to premises – including investment in energy efficiency, store upgrades, and plant and machinery – should not automatically lead to higher liabilities. The system should encourage businesses to modernise and expand, treating investment in productivity, sustainability and customer offer as something to support rather than deter.

4. Acknowledges the need to level the playing field

High street businesses carry significant costs linked to premises, staffing, regulation and community presence – costs that are not borne equally across all business models. The system should not disproportionately disadvantage brick-and-mortar businesses compared with competitors whose models rely less on physical locations. Reform should be part of a wider effort to create a fairer operating environment across the economy.

5. Allows ratepayers to engage positively with the appeals process

Ratepayers should be able to understand how their valuations have been reached and challenge them where necessary, without requiring specialist expertise. The appeals process should be transparent, accessible and timely, giving businesses confidence that errors can be identified and resolved without disproportionate cost or delay.