

## Business rates update

**David Clifton**, director of **Clifton Davies Consultancy Limited**, reports on recent developments in, and changes proposed to, the **business rates system**

**O**f particular note for the pub and bar industry in last month's Queen's Speech was the announcement that "legislation will allow local authorities to retain business rates, giving them more freedom to invest in local communities".

It was also announced that further powers will be devolved to directly elected mayors that will include the power to levy business rate supplements to fund infrastructure projects where they have the support of local businesses through the Local Enterprise Partnership.

This came as no surprise, given the government's previously stated intention to end the nationally set uniform business rate, enabling local authorities to set their own rates and to retain 100% of local taxes, including a total £26bn from business rates.

All such changes are to be contained in the Local Growth & Jobs Bill, which, if enacted as proposed, will apply in England only.

Whilst intended to incentivise local councils to support business and develop their local economy, concerns have already been expressed that some councils may choose to increase business rates to generate additional revenues.

The Local Government Association welcomed this aspect of the Queen's Speech but called for an "urgent" reform of the business rates appeals system, pointing to the 900,000 or so businesses that have challenged their business rates bill since 2010, forcing councils to put aside at least £1.75bn to cover the risk of backdated refunds arising from the appeals.

Such a new appeals system is contained in the Enterprise Bill currently progressing through the parliamentary process. It will involve a three-stage "Check, Challenge and Appeal" process, i.e.

- Check how the rateable value is calculated (enabling businesses to point out obvious errors)
- Challenge contentious issues by way of a dialogue with the Valuation Office Agency (VOA) that then makes a judgment
- Appeal against that judgment to the Valuation Tribunal

However, critics of this proposal point to a very time-consuming process (of up to three years for just the first two stages) that they consider could be shortened by a requirement for early disclosure of rental evidence that the VOA has used to value properties.

Fortunately there is some rather more positive business rates news from the industry's perspective, both of which were announced in the chancellor's March 2016 Budget.

The first is an increase in the small business rate relief threshold from £6,000 to £15,000. The BBPA has estimated that approximately 75% of pubs will benefit from this change, but the ALMR has called for more to be done "to address a system that currently sees pubs and bars paying 15 pence per pint in rates compared to about 1 penny per pint in supermarkets".

The second is a government discussion paper published in March (available on the gov.uk website) on the merits and challenges of delivering more frequent revaluations of business properties. The ALMR has long called for this to be on a three-yearly basis so that the business rates system is made more responsive to economic conditions. The paper neither sets out a preferred option nor discounts other options, but it invites views on two specific considerations, namely a self-assessment system and a formula system. Stakeholder responses are requested by 8 July 2016. ■



## Clifton Davies Consultancy Ltd



Clifton Davies Consultancy Limited is a consultancy business (not a law firm) which specialises in all licensing, gambling and regulatory issues affecting the pub and bar industry. David Clifton and Suzanne Davies are also consultants to Joelson JD LLP. The views expressed are given without any assumption of responsibility on their part. If you have any questions, do get in touch and they will be pleased to provide answers, either via this page or direct.

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## Questions & Answers



**Q: I've been told by the police I can't allow customers to drink in our pub's beer garden after 11pm when we stay open until 1am for the Queen's 90th birthday celebration. Is that right?**

**A:** The extended hours on the nights of 10 and 11 June do not apply to alcohol sales for consumption off the premises, which is why off-licences will not benefit from these extended hours. If your premises licence permits alcohol sales for consumption on and off your premises, it will only be the sales of alcohol for consumption on your premises that benefit from the extension. You therefore need to check your licence and the approved licensing plan to see whether the licensed area includes your beer garden as well as the pub building. If it doesn't, I'm afraid the police are correct.

**Q: When is the sugar levy on the soft drinks industry going to be introduced and will it apply throughout the UK?**

**A:** The government intends to introduce the new soft drinks industry levy in next year's Finance Bill. Intended to tackle childhood obesity, it will be targeted at producers and importers of soft drinks that contain added sugar from April 2018 and will apply throughout the whole of the UK. It remains to be seen whether this will result in additional cost being passed onto pubs and bars.

**Q: My pub premises licence solely covers the sale of alcohol. Can I serve my customers tea and coffee after 11pm?**

**A:** If you want to charge your customers for tea and coffee after 11pm, you will need to vary your premises licence to include the provision of late night refreshment as an authorised licensable activity. However, the supply of hot drinks (and hot food for that matter) that are genuinely free of charge is not licensable, so you can lawfully serve tea and coffee on this basis after 11pm as long as no other provision of your licence prevents it.