

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Thirteenth Delegated Legislation Committee

DRAFT LOCAL GOVERNMENT FINANCE ACT 1988
(NON-DOMESTIC RATING MULTIPLIERS)
(ENGLAND) ORDER 2018

Monday 14 January 2019

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Friday 18 January 2019

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The Committee consisted of the following Members:

Chair: STEWART HOSIE

Ali, Rushanara (<i>Bethnal Green and Bow</i>) (Lab)	† Stevenson, John (<i>Carlisle</i>) (Con)
Coaker, Vernon (<i>Gedling</i>) (Lab)	† Streeting, Wes (<i>Ilford North</i>) (Lab)
† Dodds, Anneliese (<i>Oxford East</i>) (Lab/Co-op)	† Stride, Mel (<i>Financial Secretary to the Treasury</i>)
† Elmore, Chris (<i>Ogmore</i>) (Lab)	† Swire, Sir Hugo (<i>East Devon</i>) (Con)
† Jenkin, Sir Bernard (<i>Harwich and North Essex</i>) (Con)	† Tredinnick, David (<i>Bosworth</i>) (Con)
McKinnell, Catherine (<i>Newcastle upon Tyne North</i>) (Lab)	† Walker, Thelma (<i>Colne Valley</i>) (Lab)
† McDonagh, Siobhain (<i>Mitcham and Morden</i>) (Lab)	† Whittaker, Craig (<i>Lord Commissioner of Her Majesty's Treasury</i>)
† Menzies, Mark (<i>Fylde</i>) (Con)	Ian Bradshaw, <i>Committee Clerk</i>
† Merriman, Huw (<i>Bexhill and Battle</i>) (Con)	
† Shapps, Grant (<i>Welwyn Hatfield</i>) (Con)	† attended the Committee

Thirteenth Delegated Legislation Committee

Monday 14 January 2019

[STEWART HOSIE *in the Chair*]

Draft Local Government Finance Act 1988 (Non-Domestic Rating Multipliers) (England) Order 2018

4.30 pm

The Financial Secretary to the Treasury (Mel Stride): I beg to move,

That the Committee has considered the draft Local Government Finance Act 1988 (Non-Domestic Rating Multipliers) (England) Order 2018.

It is a pleasure, as always, to serve under your chairmanship, Mr Hosie. The order changes the annual inflationary increase in the business rate multiplier from the retail price index to the lower consumer price index for the coming financial year. The Government are committed to permanently switching to the use of CPI as an uprating measure for the business rate multiplier.

The multiplier is effectively the tax rate applied to the calculation of business rates. There are two business rate multipliers: the small business multiplier and the standard multiplier. Historically, those multipliers would rise in line with the preceding year's RPI figure. On that basis, the multipliers were due to increase to reflect the September 2018 RPI figure, which was 3.3%. The Budget 2016 committed to switching the multiplier uprating from RPI to CPI indexation from April 2020, and in the autumn 2017 Budget, the Chancellor brought forward the implementation date to April 2018, to deliver a key ask of the business sector.

That measure reaffirms the Government's commitment to supporting British businesses, of all sizes and from all sectors, to achieve their potential by reducing their tax burden. The switch is worth more than £5 billion to businesses over the next five years, and the benefit to business grows every year as the rate multipliers are uprated by the lower rate of inflation year on year. The Government introduced regulations to make the change for 2018-19, and the order will do the same for 2019-20.

The Government recognise that business rates can represent a high fixed cost for some businesses and that is why we have taken repeated action in recent years to cut the burden of rates for all businesses and make the system fairer. Since Budget 2016, the Government have announced reforms to the system worth more than £13 billion to businesses over the next five years.

The order is the secondary legislation required to effect the change in the inflationary increase of business rates from RPI to CPI for 2019-20. It sets out the new equation for setting the multipliers for the coming financial year so that the figure used is 2.4% instead of the 3.3% that I referred to earlier. That represents a cut in business rates every year, which benefits all ratepayers and frees up cash for businesses.

In conclusion, the order will change the annual inflationary increase in business rates from RPI to CPI, and I commend it to the Committee.

4.33 pm

Anneliese Dodds (Oxford East) (Lab/Co-op): It is a pleasure to serve with you in the Chair, Mr Hosie. I am grateful to the Minister for that helpful explanation of the order. As he explained, it is relatively straightforward, changing the indexing formula for business rates from RPI to CPI, which was announced back in the autumn 2017 Budget.

Initially, that change was anticipated to come into effect in 2020, but as the Minister explained, in the light of the rise in inflation, the Treasury wanted to bring the change forward by two years. That was done for the last financial year—from April 2018—through the 2017 Local Government Finance Act 1988 order, and will occur this year through this order.

As the Minister mentioned, many groups lobbied for the change, which appears to be appropriate given that the retail price index was de-designated as a national statistic in March 2013—many reports and useful sets of evidence have indicated its deficiency. Indeed, the decision seems to be supported across the board, with the Treasury Committee also welcoming the switch, as well as many in the business community.

There are many problems with the Conservatives' approach to business rates overall, not least the fact that the current system places bricks and mortar firms at a disadvantage compared with those that have an almost purely internet presence. Of course, there is still huge uncertainty on the future of local government funding, which is increasingly based purely on council tax and business rates. Those matters are not at issue here, however, with this relatively technical change. We therefore see no reason to oppose the order.

The Chair: Minister Stride?

4.34 pm

Mel Stride: I have nothing further to add, Mr Hosie, other than to thank the hon. Lady.

Question put and agreed to.

4.35 pm

Committee rose.