

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Fourth Delegated Legislation Committee

LOCAL GOVERNMENT FINANCE ACT 1988
(NON-DOMESTIC RATING MULTIPLIERS)
(ENGLAND) (NO.2) ORDER 2021

Tuesday 25 January 2022

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Saturday 29 January 2022

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The Committee consisted of the following Members:

Chair: †MRS MARIA MILLER

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|--------------------------------------------------------------------|--------------------------------------------------------------------|
| † Eagle, Maria (<i>Garston and Halewood</i>) (Lab) | McKinnell, Catherine (<i>Newcastle upon Tyne North</i>) (Lab) |
| † Frazer, Lucy (<i>Financial Secretary to the Treasury</i>) | † Mak, Alan (<i>Lord Commissioner of Her Majesty's Treasury</i>) |
| † Henry, Darren (<i>Broxtowe</i>) (Con) | † Murray, James (<i>Ealing North</i>) (Lab/Co-op) |
| † Holden, Mr Richard (<i>North West Durham</i>) (Con) | † Nici, Lia (<i>Great Grimsby</i>) (Con) |
| † Holmes, Paul (<i>Eastleigh</i>) (Con) | Rees, Christina (<i>Neath</i>) (Lab/Co-op) |
| † Hunt, Jane (<i>Loughborough</i>) (Con) | † Twist, Liz (<i>Blaydon</i>) (Lab) |
| † Johnson, Dr Caroline (<i>Sleaford and North Hykeham</i>) (Con) | † Williams, Craig (<i>Montgomeryshire</i>) (Con) |
| Johnson, Kim (<i>Liverpool, Riverside</i>) (Lab) | Nick Taylor, Natalia Janiec-Janicki, <i>Committee Clerks</i> |
| † Knight, Sir Greg (<i>East Yorkshire</i>) (Con) | † attended the Committee |
| McCabe, Steve (<i>Birmingham, Selly Oak</i>) (Lab) | |

Fourth Delegated Legislation Committee

Tuesday 25 January 2022

[MRS MARIA MILLER *in the Chair*]

Local Government Finance Act 1988 (Non-Domestic Rating Multipliers) (England) (No.2) Order 2021

The Chair: Before we begin, may I remind Members that we are expected to wear face coverings unless we are speaking and to maintain distancing as far as possible? That is in line with the current guidance from the House of Commons. I remind everybody to send their speaking notes to *Hansard* by email, which would be incredibly helpful.

2.30 pm

The Financial Secretary to the Treasury (Lucy Frazer): I beg to move,

That the Committee has considered the Local Government Finance Act 1988 (Non-Domestic Rating Multipliers) (England) (No. 2) Order 2021.

It is a pleasure to serve under your chairmanship, Mrs Miller.

Businesses are at the heart of this country's economy, and as the United Kingdom starts its recovery from coronavirus that is more the case than it has been before. That is why at the Budget the Chancellor announced a package of measures to benefit businesses large and small. It included key reforms to business rates to ease their burden and create stronger high streets. To help business in the short term, the Chancellor announced that we would cancel this year's planned increase in the business rates multiplier. The statutory instrument before the Committee contains the legislation that will turn that change into reality. It freezes the business rates multiplier at its current rate for the coming year, instead of increasing it in line with the consumer prices index, as is usual.

I will remind the Committee of how the business rates multiplier works and some of the key reforms we have already made. The 'multiplier' is effectively a tax rate used to calculate business rates. There are two kinds of multipliers. The standard multiplier applies to businesses with a rateable value of more than £51,000. The small business multiplier applies to businesses with a rateable value of up to £51,000. Historically, those multipliers would rise in line with the preceding year's retail prices index inflation figure. At the 2016 Budget, the Government announced they would switch to uprating the multiplier in line with the consumer prices index measure of inflation, instead of RPI.

Members will recall that the following year, the Government brought forward the implementation date from April 2020 to April 2018. The switch from RPI to CPI is worth around £15.3 billion to businesses over the next five years, and that benefit will grow with time. But we are not stopping here. As I outlined earlier, at the autumn Budget we announced a package of measures worth £7 billion over the next five years to support businesses large and small. It included a new temporary

50% business rates relief for retail, hospitality and leisure businesses next financial year, worth almost £1.7 billion. We are also providing £750 million-worth of investment incentives to businesses—for instance our new green investment relief. From next year, our business rates improvement relief will allow businesses to make property improvements and pay no extra business rates for 12 months.

In addition we have pledged to make the business rates system fairer and timelier with more frequent revaluations every three years. The new revaluation cycle will be delivered from 2023. However, while that support is wide-ranging, the Government also recognise that businesses need help even sooner. That is why we are introducing this SI, which will allow us to freeze the inflationary increase in business rates for next financial year to this year's levels.

The freeze means that the small business multiplier next financial year will be 49.9p, rather than 51.4p, and the standard multiplier in 2022-23 will be 51.2p rather than 52.7p. This measure provides relief to millions of small businesses, by saving firms an estimated £4.6 billion over the next five years. The measures contained in this order apply to England, but the Government will provide the devolved Administrations with equitable funding. In addition, we will fully compensate local authorities for the income that they will lose because of this measure.

Our small businesses are the beating heart of our economy. It is only right that we do all we can to support them, particularly at a time like this. The SI is a significant element of the action the Government are taking to reduce the burden of business rates. The order reflects the Government's commitment to businesses large and small. It will provide businesses with much needed certainty and security so they can continue to power the economy. And it will help them to flourish following these recent difficult times. For all those reasons I commend the order to the Committee.

2.35 pm

James Murray (Ealing North) (Lab/Co-op): It is a pleasure to serve under your chairship for the first time, Mrs Miller.

As we heard from the Minister, we know that national non-domestic rates are calculated as the product of a hereditament's rateable value, as determined by the independent Valuation Office Agency, and the relevant multiplier. The small business non-domestic rating multiplier applies in relation to hereditaments with rateable values of less than £51,000. The national non-domestic rating multiplier applies in relation to hereditaments of £51,000 or more. We understand that the delegated legislation effectively maintains the non-domestic rating multiplier rates in the financial year 2022-23 at the same level as they were in 2021-22 in relation to the payment of business rates.

The Opposition will not oppose the SI, but I have a few small points to raise. The impact assessment in the explanatory memorandum notes that no impact assessment has been made of the order because

"it amends a local tax regime",

and because businesses, charities, voluntary bodies and public and private sector entities will not see an increase to their rates. However, we know that inflation is at its highest level in decades, and businesses continue to face

challenges associated with the pandemic. What assessment has the Minister made of the recovery of UK businesses? Can she outline what further support her Government will offer businesses that are still struggling?

Furthermore, the explanatory memorandum notes

“The operation of this instrument will be monitored and reviewed as part of the operation of the national non-domestic rates system as a whole.”

I would be grateful if the Minister outlined the detail of that review process.

Of course, we in the Opposition have set out our broader position in relation to business rates. We would scrap the current system and replace it with a fairer system in the future. On a wider point, we are disappointed that the Government have abandoned their promise to review business rates fundamentally. However, we will not oppose the SI and we welcome any benefit that it is able to bring to businesses at this difficult time.

2.37 pm

Lucy Frazer: I thank the hon. Gentleman for saying that the Opposition will not oppose this sensible measure, which will support and protect businesses. As he rightly said, there was no need for an impact assessment for the reasons that he outlined. If we were to conduct one, of course it would show that the proposal is hugely beneficial to businesses, which will not be paying a significant amount of business rates that they would otherwise pay. They can therefore use that money in their own businesses, benefiting the economy.

The hon. Gentleman asked me to outline the support that we are giving to businesses. He will know that in the past 18 months, we have given significant support to

businesses through the provision of loans and grants, and he will have seen the extensive measures contained in the Finance Bill that we had the pleasure to debate together. They include not only the multiplier that we are debating today, but the business rate relief, the investment allowance and a number of other measures.

On business rates, we did a review of those rates and as a result made changes that will benefit businesses to the tune of around £7 billion. But that is not all we have done. The hon. Gentleman will know that we announced our intention to review the online sales tax. That will be conducted shortly.

James Murray: To clarify, I asked about the detail of the review process of the SI. The explanatory memorandum says

“The operation of this instrument will be monitored and reviewed as part of the operation of the national non-domestic rates system as a whole.”

I am sure the Minister has a copy of the explanatory memorandum. Can she outline the detail of that review process?

Lucy Frazer: As the hon. Gentleman will know, we keep all our taxes under review. The SI will be reviewed in due course, and I would be happy to update him when any such reviews are undertaken.

I commend the order to the Committee.

Question put and agreed to.

2.40 pm

Committee rose.

