In the short-term we also call for two measures to improve the existing business rate system:

- **Introduction of annual revaluations** to soften the blow of increased bills as a result of revaluation.

The Government has committed to moving from revaluations every five years to every three years. We believe that there should be annual revaluations which would minimise the impact of the revaluation and result in fewer appeals.

- **Revalue within regions** - this would freeze the percentage of the tax paid by each region.

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1 Westminster City Council Business, Planning and Transport Policy and Scrutiny Committee report June 2017 (£78 million retained from £2 billion raised)  
2 Average provided by Gerald Eve for New West End Company  
3 British Retail Consortium, quoted in HCLG Select Committee report “High Streets and town centres in 2030” para 68  
Business rates are not appropriate in a growing digital economy. A review of all business taxes should be undertaken to create a modern tax system that helps a post-Brexit Britain thrive.

Business rates based on the amount of commercial space used and the relative value of the property, hits high street and town centre businesses hardest. While retail generates just 5% of GDP, it pays 25% of business rates.

The impact of this unfairly high tax on high street stores is made worse with the growth of online retail businesses, such as Amazon, whose model requires much less commercial space in less valuable areas. The Housing, Communities and Local Government Select Committee report “High streets and town centres in 2030” showed Amazon, in 2017, paying £63.4 million business rates on a UK turnover of £8.77 billion. Marks & Spencer’s, on a turnover of £9.6 billion, paid over £140 million.

Business rates are crippling retailers across the country and threatening the very existence of our beloved Great British High Street.

The industry is undergoing a structural change and retailers have to offer customers a fantastic in-store experience that they won’t find anywhere else, namely online. But the burden of business rates is preventing long-term planning and inhibiting retailers from making these necessary changes. Instead retailers have to focus on short term cost cutting to meet these increased fixed costs.

At £2 billion annually, Westminster collects over 25% of London’s £8 billion total and this one authority collects around 8% of the total business rates in England.

Due to central government redistribution, Westminster keeps just 4p out of every £1 it collects and 96% of Westminster business rates are spent elsewhere.

In the revaluation implemented in 2018 London was the only English region to experience an increase. Every other region saw a decrease in rates bills. West End businesses faced average business rate rises of 80%.

New report shows business rates not fit for a 21st century economy

In 2018 New West End Company commissioned a report from Arup and Professor Tony Travers of the London School of Economics on the current business rate system and potential alternatives. The report highlighted the overwhelming dependence on property-based tax to fund UK local government compared with other countries. The UK, through business rates and the Council Tax, funds almost 100% of local government expenditure. In comparison, in France the figure is around 50% and in Germany around 10%.

New West End Company believes that business rates, as a tax on property occupied, is not an appropriate method of taxing businesses to fund local government services in a 21st century digital economy. As outlined in the Arup/Travers report, it should be replaced by some form of revenue-based tax.

The UK’s main business taxes focus on property (business rates), profit (Corporation Tax), people (National Insurance) and value added (VAT). As the UK leaves the EU it must review how VAT is used. This is the opportunity for a wholesale review of the UK business taxation system to ensure that it is fit for purpose for a 21st century economy.

Many digital businesses use less property, record smaller profits in the UK and use hiring methods that minimise their national insurance payments.

Our current business tax system was not designed for digital business models - the tax base will continue to shrink, placing more tax burden on traditional businesses whilst a growing proportion of businesses will avoid paying their fair share.

However, business rates should not be looked at in isolation

Business rates are not appropriate in a growing digital economy. A review of all business taxes should be undertaken to create a modern tax system that helps a post-Brexit Britain thrive.