



BUSINESS RATES AND INVESTMENT: CALL FOR EVIDENCE

Issued 17 February 2026

ICAEW welcomes the opportunity to comment on the call for evidence on business rates and investment published by HM Treasury on 26 November 2025, a copy of which is available from this [link](#).

MAJOR POINTS

- We believe that the business rates system in England is too complex. Simplification would make it easier for businesses to calculate their rates liabilities and focus on income generation, rather than compliance and administration.
- The rates system would better support economic growth and expansion if businesses could obtain certainty more quickly and easily around their rate liabilities.
- The myriad of reliefs adding complexity to the system arise because the system does not calculate liabilities based on ability to pay.
- Basing liabilities on property valuations requires considerable work by the valuation office agency which is not the best use of government resources.
- We are supportive of many of the proposals included in the call for evidence including moving from a slab to slice approach, enhancing improvement relief and targeting empty property relief more effectively.

ICAEW

Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK
T +44 (0)1908 248 250 F +44 (0)20 7920 0547 icaew.com

The Institute of Chartered Accountants in England and Wales (ICAEW) incorporated by Royal Charter (RC000246)
Registered office: Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK

ICAEW REPRESENTATION

This response of 17 February 2026 has been prepared by the ICAEW Tax Faculty. Internationally recognised as a source of expertise, ICAEW's Tax Faculty is a leading authority on taxation and is the voice of tax for ICAEW. It is responsible for making all submissions to the tax authorities on behalf of ICAEW, drawing upon the knowledge and experience of ICAEW's membership. Our response is based on input and evidence we have received from a variety of members in business operating in a variety of different industries and through organisations of varying size.

ICAEW Tax Faculty's Ten Tenets for a Better Tax System, by which we benchmark the tax system and changes to it, are summarised in Appendix 1.

ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of sustainable economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 172,000 chartered accountant members in over 150 countries. ICAEW members work in all types of private and public organisations, including public practice firms, and are trained to provide clarity and rigour and apply the highest professional, technical and ethical standards.

© ICAEW 2026

All rights reserved.

This document may be reproduced without specific permission, in whole or part, free of charge and in any format or medium, subject to the conditions that:

- it is appropriately attributed, replicated accurately and is not used in a misleading context;
- the source of the extract or document is acknowledged and the title and ICAEW reference number are quoted.

Where third-party copyright material has been identified application for permission must be made to the copyright holder.

For more information, please contact: Tax – taxfac@icaew.com

KEY POINTS

GENERAL COMMENTS

1. We appreciate the opportunity to respond to this call for evidence. We are pleased to see that many of the specific changes we have advocated for in previous consultation responses are being suggested by the government, which we continue to support.
2. However, we also note the difficulties that the government is currently facing in providing businesses with an environment in which they can thrive and grow. A tax system that is simple, well-functioning and not overly burdensome is an essential component of this. While extremely welcome, we do not believe that the proposed changes set out in the call for evidence are sufficient to provide that environment.
3. We therefore propose that the government commits to a more radical approach to the calculation of business rates. We note that the Labour Party proposed this in 2023 as part of its ‘[beating heart of our economy](#)’ paper:
“Labour will scrap the current business rates system and replace it with a fully costed and fully funded system of business property taxation that is fit for the 21st century.”
4. We appreciate that fundamental reform cannot be introduced immediately and that consultation would be required before further changes are introduced. That is why we believe the government should set out a bold vision for more fundamental reform so that it can be consulted on over the course of this parliament and be ready to implement at the end of the 2026–29 valuation cycle.
5. Ideally, we would like to see a rates system based on a business’ ability to pay rather than the value of the premises they occupy. In the meantime, we have set out below more piecemeal reform, based on the proposals set out in the call for evidence.
6. We have considered these reforms through the lens of our ten tenets for a better tax system. The tenets most relevant to business rates are as follows.

Simple

7. Many of our members have fed back to us that they find the business rates system increasingly complex and difficult to understand. The myriad of reliefs and discounts are welcome in reducing liabilities, but they also make it extremely complicated to calculate liabilities.
8. Ideally, we would like the system to be simple enough so that businesses can calculate their liabilities and apply for relevant reliefs without the need to engage external specialists. This would allow them to focus on their day-to-day activities, rather than spending unnecessary time and expense on compliance and administration.
9. Ultimately, we would like the business rates system to set liabilities that are affordable for businesses without the need to navigate a complex web of reliefs.

Certain

10. Our members repeatedly report to us that knowing what their rates will be over the short to medium term would help them plan and forecast more easily. Frequent tinkering with the system and yearly changes to multipliers make it impossible for businesses to gain any certainty of their fixed costs year-on-year.
11. Certainty has also been reduced by changes to the ways in which properties are valued and categorised.
12. A particular issue some of our members have encountered is a reclassification of serviced offices from a collection of hereditaments to a single hereditament. The valuation office agency (VOA) has confirmed in these cases that leases would need to be issued in respect of each office for them to be treated as separate hereditaments, but this provides more rights than the

ICAEW REPRESENTATION

landlord would like to give under a standard licence agreement. In one case this led to an increase in rates liabilities from c.£600,000 to £1m, due to the loss of small business rates and empty property relief. This demonstrates that basing liabilities on the value of hereditaments can give very random outcomes depending on how they are defined and is further evidence that a system based on affordability would give fairer results.

13. Certainty is also reduced when the VOA is slow to respond to information provided by the business. One of our members experienced a situation where it took two years for offices they own to be delisted and then relisted. They then received a demand to pay a lump sum amount they were not expecting and were not equipped to pay.

Fair and reasonable

14. We believe that rates liabilities should be determined with reference to ability to pay, rather than property valuations. Complexity arises due to the need to apply reliefs and discounts to translate valuation-based liabilities into something affordable to the rates payer. But if those liabilities were already calculated with reference to affordability, then those complexities would be unnecessary.
15. We recognise that there can be a conflict between certainty and affordability (eg, where a fixed cost is not flexed to take into account a fall in revenue or increase in other costs). From that perspective, we believe that affordability should take precedence.

Easy to collect and calculate

16. In addition to being difficult to calculate, rates liabilities are also expensive to collect, due to the considerable work that needs to be carried out by the VOA in determining valuations every three years.
17. We have received feedback from members that they have seen inconsistencies in the valuation methods used across the country. If a valuations-based system is to be applied fairly, it should involve benchmarking across different regions and industries. If the government does not have sufficient resource to fund this level of analysis, then it should move away from a valuations-based system.

Competitive

18. Setting rates liabilities at an affordable level would also enable businesses to thrive in a difficult economic environment. Many of our members (especially those in the hospitality sector) have told us that they are teetering on the edge of closing down. Recent changes to employers' NIC and the national minimum wage have significantly increased costs and a sizeable increase in rates only adds to the financial burden they are facing.
19. Many of these businesses (eg, local pubs and cafes) provide a vital service in supporting local community. If these businesses disappear, then the community loses more than just another employer. The rates system needs to be sufficiently flexible to support such businesses. One possible route could be to give discretion to local authorities to set liabilities that are affordable for struggling local businesses.
20. We understand the financial squeeze also being felt by local authorities, but local economies will not benefit from having restaurants, pubs and other local amenities removed from the high street.

Transparent

21. While this isn't one of our specific tenets, we believe that transparency in the tax system is also extremely important. If business rates continue to be set on a valuation basis, it's important that

businesses easily understand how those valuations have been calculated, why they have changed and how they can challenge them. This would help to create more trust in the system.

Our recommendations

22. **Move from a slab to a slice approach as proposed:** The main benefit here would be to remove the disincentive for smaller businesses to take on a second property or expand into larger premises that exceed the threshold for the small business multiplier.
23. **Enhancing improvement relief:** While we believe that more needs to be done to publicise the availability of this relief, making it more valuable, such as by extending the period over which it applies to 3 – 5 years, would create a fairer system and provide less of a disincentive to investment and business growth. We also believe that tenant rate payers should be entitled to improvement relief even where the relevant works were carried out by the landlord.
24. **Improving pre-list discussions:** More pro-active discussion between the VOA and ratepayers would help businesses plan more effectively based on more accurate future rates liabilities and increase trust and transparency in the system.
25. In addition, we believe that the following changes would help the rates system further in meeting these tenets.
26. **Setting future multipliers at the start of each valuation cycle:** Although there is some certainty provided by mandating that multipliers increase with inflation year-on-year, agreeing a set percentage increase each year upfront would give businesses exact figures to use in their planning over the course of the valuation cycle.
27. **Publicising valuations earlier than 3 months before the start of each valuation cycle:** Although moving the date of valuation closer to the date it applies from makes for a more accurate system, it also gives businesses less certainty and ability to plan if they find that their rates liabilities are higher than expected. This lack of certainty is one of the problems that the hospitality industry has faced this year, which led to the government having to introduce compensatory measures for pubs and live music venues at short notice.
28. **Targeting empty property relief more effectively:** Reforming the relief could encourage empty properties to be brought into productive use if it were focused on those landlords that are having genuine difficulty letting their properties or are carrying out improvement or refurbishment work to make their properties more attractive to prospective tenants.

ANSWERS TO SPECIFIC QUESTIONS

29. We have not responded to questions 1 – 11 because these ask about the nature of the business responding to the consultation. We are not responding on our own behalf but rather on behalf of our members in business.
30. We have answered only those questions where we have had sufficient feedback from members. In some cases, we answer multiple questions together in a single response (eg questions 14 and 15).

ROLE OF BUSINESS RATES IN INVESTMENT DECISIONS

Question 12) In your business or sector, are property improvements typically undertaken by the property owner or the occupier?

31. The experience of our members is mixed, with some tenants carrying on their own improvements, but improvements that would have an impact on the value of the property concerned are primarily carried out by the landlord.

Question 13) In your business or sector, do property investments typically occur on existing premises, or do other constraints require relocation or the acquisition of new property?

32. This depends on the strategy behind the investment concerned. For example, some businesses might take on additional properties to widen the geographical area they serve (eg, a restaurant chain wanting to expand its geographical reach), whereas others may prefer to double down on their existing location (eg, the same restaurant business might find that it is fully booked every night and so expands its existing site to cope with demand).
33. The anticipation of large rises in rates liabilities could deter some businesses from carrying out an expansion. This is especially common for those who would lose their small business rate relief were they to take on a second property. However, as set out below, many make such decisions purely based on commercial factors and deal with the impact on business rates at a later date.

Question 14) What is a typical investment in your business or sector that affects your business rates? Please provide specific examples (for example, capital-intensive projects, expanding floor space, opening a second site or moving to a bigger property) including relevant financial figures and other specific details.

Question 15) What is the typical lifecycle for these investments and their major decision points?

34. A typical situation our members have made us aware of is where businesses move to larger pre-existing premises to expand manufacturing operations. This can be problematic where the first property qualified under a small business multiplier but the new property falls under the equivalent standard multiplier and can lead to a significant increase in rates liabilities.
35. Even where the same multiplier applies across the two properties, large jumps in rateable value can result in business rates liabilities increasing significantly, which could deter the business from taking on the proposed expansion.

Question 16) How do business rates specifically influence investment decisions versus other factors? For example, other elements of the tax system, UK competitiveness, borrowing costs, labour costs, regulatory requirements, expected timeframes in which to see additional profit. If possible, please provide examples of specific investment decisions.

Question 17) How do business rates factor into your decisions about property ownership, development, or refurbishment?

36. We have received mixed input from members, with some indicating that rates liabilities are taken into account in the process of making investment decisions, but most indicated that such decisions would be made based on other commercial factors. This is often because rates payers don't have a good insight into the potential impact that such projects have on any additional rates liabilities arising.
37. If a rate payer's investment decision was not influenced by the anticipated impact on rates, additional liabilities may cause them to subsequently strip back their activities or, worse, close down their activities altogether.

38. As rates liabilities are so complex to estimate, many rate payers don't even try. This is due to the myriad of reliefs available and uncertainty with multipliers changing every year and revaluation cycles taking place every three years.
39. Business rates would have a more significant impact on investment decisions if greater transparency could be achieved over the impact on rates of those decisions. These could be achieved by:
- changing the way that rates are calculated, so that the factors involved in calculating liabilities are known further in advance;
 - setting multipliers applicable to a revaluation cycle at the start of that cycle;
 - mandating that local authorities advise businesses of the potential impact on rates liabilities of planned expansions (eg, as part of the notice of granting planning permission); or
 - deciding on the rateable value of each property more than three months before the start of each revaluation cycle (currently, they only need to be agreed by 31 December prior to the 1 April on which they take effect).

Question 18) How do you factor revaluations into business planning (at an individual property level and across your portfolio)? If possible, please provide examples.

40. As the outcome of each revaluation (and the multipliers applicable to calculate the first set of business rates) are not known until 3 – 4 months in advance of the start of the new revaluation cycle, this can make it difficult to factor these into business planning. Decisions to move could be made a year or more in advance which means that the business needs to use the previous valuation to estimate the likely rates applicable to the property.
41. Members noted a high level of uncertainty in extrapolating changes to existing valuations, due to the lack of transparency within which the VOA carries out its revaluation process and the lack of consistency of revaluations across regions.

Question 19) What are the benefits and downsides of a system where the property occupier is liable for business rates, versus the owner?

42. The fairest system would involve business rates being incurred with reference to the financial return obtained from the property. For example, in a case where a property is leased by a landlord to a trading business, both the landlord and the tenant share the burden as the landlord is receiving rent from letting out the building and the tenant is generating trading income. However, we can see practical difficulties in splitting rates liabilities in this way as this means that there are two debtors, rather than one.
43. If the owner were to pay the whole of the business rates due on a property, even where that property is occupied by a business tenant, the tenant would still be likely to suffer at least some of the financial burden as the rates would be factored into the amount of rent charged.
44. Our suggestion is that where a tenant occupies a building and incurs the associated rates liabilities, they should be entitled to improvement relief in respect of increases in the value of the property concerned, even where the improvement works were carried out by the landlord.

Question 20) What changes could be made to the administration of the system to support business investment?

45. It would be helpful if the VOA took a more transparent approach to its valuation process so that rates payers could assess the impact of future expansion and acquisition plans with more certainty. Hopefully, when the requirement to advise the VOA of relevant changes to properties

comes into effect from 1 April 2029, it will have more real-time data which it can then use to update valuations on a periodic basis, rather than waiting until the end of the revaluation cycle.

46. Transparency and certainty would also be increased by making valuations publicly available, such as on a database like the WOZ system used in the Netherlands. Valuations are carried out annually which means that liabilities are calculated on much more contemporaneous data. With the increasing use of AI, it should be possible in the future for the VOA to provide a similar level of service.

SLAB TO SLICE APPROACH AND CLIFF EDGES

Question 21) Do you have any specific examples where 'cliff-edges' in the system have been, or will be an impediment to investment?

Question 22) What types of investment would be supported by a move to a slice-based system?

Question 23) What are the wider benefits or downsides of a slice-based tax?

47. We support the proposed move to a slice-based system as it would help to smooth out increases in liabilities both when properties move from being charged under the small business multiplier to the standard multiplier and when small business rates relief is lost. Anticipated large increases in rates can be a deterrent to expansion and growth.
48. However, such a move would inevitably come at a cost to the exchequer and local government finances. Other reforms would be required if the government wished to ensure any changes were revenue neutral. For example, a higher multiplier on properties with a rateable value of at least £500,000 has been used to 'pay for' lower multipliers for retail, hospitality and leisure businesses. While such higher value properties could be targeted again, care must be taken not to place an unfair burden on more valuable properties, especially where they are occupied by established but struggling businesses.

IMPROVEMENT RELIEF (IR)

Question 24) What types of improvements have you considered, but not taken forward because of business rates? Where possible, please provide specific examples where Improvement Relief (IR) has factored into these decisions.

Question 25) Are there any other aspects of IR that you would like to make the Government aware of that would support investment?

49. We draw your attention to the improvement relief section of our [response](#) to the consultation on transforming business rates last year which includes various ideas for enhancing the relief so that it truly incentivises improvement works. These include:
- extending the availability of the relief from one year to a longer period corresponding with the property's next lease renewal date (typically three to five years);
 - allowing a tenant to claim the benefit of improvement relief even where the landlord carried out the related improvements work; and
 - an exemption for new plant and machinery installed in the building (or restricting this to P&M that meets certain green or renewable requirements).

EMPTY PROPERTY RELIEF

Question 26) To what extent does Empty Property Relief (EPR) influence your business's decisions to acquire, hold, invest in, or dispose of empty properties?

50. The evidence we have received suggests that decisions to hold onto or dispose of properties are not significantly impacted by the availability of the relief. For example, one member has told us that landlords often will not want to dispose of properties at a loss and so would rather keep properties on their books and suffer ongoing rates liabilities, even where the relief is unavailable. However, the lack of relief could provide an incentive for the landlord to find a suitable tenant.

Question 27) What are the main factors that contribute to bringing an empty property into use within your sector? Please provide details.

Question 28) The government is committed to tackling avoidance, while also ensuring that EPR supports business investment. How can the government best meet those aims through reform?

51. We believe that EPR should be aimed at those landlords who are having difficulty finding new tenants or who need to carry out renovation works to make properties suitable for tenancy. By restricting the availability of the relief for those landlords keeping properties vacant out of choice, this would provide more incentive for buildings to be put to productive use.

52. One option could therefore be to replace the reset period approach with one where the three/six-month period of relief is made available in all cases but if, after that period the landlord is not actively seeking tenants for the property or carrying out renovation work, the relief then comes to an end. Those who are seeking tenants or making renovations could have the relief extended for a further period without needing to demonstrate occupation of the premises.

53. A further period of EPR could be made available in the future but only after a tenant has been found to be carrying on genuine commercial activity in the property. We don't believe that 13 weeks is a sufficient period to demonstrate such activity and consider that a six-month period would be more appropriate.

Question 31) What evidence is there that SBRR is being used by second home owners whose main aim is not to operate a local business but to manage tax liabilities?

Question 32) How could SBRR be reformed to limit its use by second homeowners who are not mainly operating a local business while maintaining support for those who are?

Question 33) Does the current system for monitoring and enforcing which short term lets qualify for business rates work effectively?

54. We have heard some evidence from members in business that an increase in short-term lets, especially in areas with a high level of tourism, is making it difficult to attract talent to those areas, due to the lack of availability or cost of housing. We are unaware as to the impact that small business rates relief is having on this problem but agree that the government could do more to address this.

55. We have also been informed of a case where a buy-to-let owner has been trying claim SBRR but this has still not been resolved after 18 months. We have received feedback that the application form is difficult to follow and that even those processing it have trouble understanding the system.

ICAEW REPRESENTATION

56. The evidence we have seen therefore suggests that it is too difficult, rather than too easy, to claim SBRR.

APPENDIX 1

ICAEW TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

1. Statutory: tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament.
57. Certain: in virtually all circumstances the application of the tax rules should be certain. It should not normally be necessary for anyone to resort to the courts in order to resolve how the rules operate in relation to his or her tax affairs.
58. Simple: the tax rules should aim to be simple, understandable and clear in their objectives.
59. Easy to collect and to calculate: a person's tax liability should be easy to calculate and straightforward and cheap to collect.
60. Properly targeted: when anti-avoidance legislation is passed, due regard should be had to maintaining the simplicity and certainty of the tax system by targeting it to close specific loopholes.
61. Constant: Changes to the underlying rules should be kept to a minimum. There should be a justifiable economic and/or social basis for any change to the tax rules and this justification should be made public and the underlying policy made clear.
62. Subject to proper consultation: other than in exceptional circumstances, the Government should allow adequate time for both the drafting of tax legislation and full consultation on it.
63. Regularly reviewed: the tax rules should be subject to a regular public review to determine their continuing relevance and whether their original justification has been realised. If a tax rule is no longer relevant, then it should be repealed.
64. Fair and reasonable: the revenue authorities have a duty to exercise their powers reasonably. There should be a right of appeal to an independent tribunal against all their decisions.
65. Competitive: tax rules and rates should be framed so as to encourage investment, capital and trade in and with the UK.

These are explained in more detail in our discussion document published in October 1999 as [TAXGUIDE 4/99](#).