HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Chair of the Treasury Select Committee
House of Commons
Palace of Westminster
London
SW1A 0AA

10 March 2026

Dear Meg,

Thank you for your letter of 26 February enclosing three follow-up questions to the oral evidence I gave to the Committee on the 11 February on business rates. Given one of your questions was also addressed to HMRC, the below is a joint response.

You asked what assessment HM Treasury has conducted regarding the impact of recent changes to business rates on small business owners. As I'm sure you're aware, the Valuation Office Agency (VOA) is responsible for maintaining accurate rating lists in England, independently of central Government, and updates ratepayers' rateable value (RV) every three years at a revaluation. These revaluations ensure that the RVs of properties (i.e. the tax base) remain in line with market changes. At the Budget, the VOA announced updated property values from the 2026 revaluation. As this is the first revaluation since the pandemic, some properties will see significant increases in RVs.

It is important to note that around a third of properties pay no business rates, as they receive 100 per cent Small Business Rate Relief, with an additional 85,000 benefiting from reduced bills as this relief tapers. This remains the case following the 2026 revaluation. The Government recognises, however, that given this revaluation is the first since the pandemic and as we withdraw pandemic-era reliefs, some small businesses owners will see increases in their bills. This is why the Government announced a support package worth £4.3 billion package at the Budget. We are also introducing new permanently lower multipliers for eligible retail, hospitality and leisure (RHL) properties. These new multipliers are worth nearly £1 billion per year and will benefit over 750,000 properties, including small business owners. More recently, the Government has announced further support so that from April, every pub and live music venue will get 15% off its new business rates bill, on top of the support announced at Budget, and then bills will be frozen in real terms for a further two years.

The Government has also extended the Supporting Small Business scheme to those businesses currently receiving RHL relief. This scheme caps the increases in bills they can face in each of the next 3 years, calculated from a baseline that includes the effect of the RHL relief. This means that many of those currently getting RHL relief will benefit from Supporting Small Business relief next year. I should note that transforming the business rates system is a multi-year process, and the Government remains committed to collaborating with stakeholders throughout this process to achieve meaningful change.

You also ask what HM Treasury and HMRC are doing to clearly communicate recent changes in business rates to small business owners. These changes were included in the Government's Budget publications (https://www.gov.uk/government/collections/budget-2025). Among these was a policy paper on the effects of the new RHL and high-values multipliers (https://www.gov.uk/government/publications/effects-of-the-business-rates-retail-hospitality-and-leisure-multipliers-and-high-value-multiplier). The Government also published a factsheet following Budget to give further information, linked here for reference: https://www.gov.uk/government/publications/budget-2025-retail-hospitality-and-leisure-factsheet/budget-2025-retail-hospitality-and-leisure-factsheet. After the pubs and live music venues relief was announced, the Government created a business rates liability estimator tool for those receiving the relief. HM Treasury also produced an explainer video for social media, where I set out the recent changes to business rates, linked here for reference: https://www.instagram.com/p/DUBHFzzjf1r/?hl=en. This is in addition to the engagement I regularly undertake on business rates with a range of businesses, trade associations, and MPs.

It is also important to note that business rates are administered by Local Authorities, including issuing bills, applying reliefs and handling day-to-day enquiries, and they are often the main point of contact for businesses on how the system operates in practice. MHCLG, through statutory guidance and regular communications, supports authorities on administration and policy implementation. In the first instance, Local Authorities will be able to help businesses with queries about their bill, eligibility for reliefs or other property-specific issues.

The VOA publishes draft valuations ahead of the date they come into effect. This allows businesses to understand and prepare for their future business rates. Throughout the process of publication, the VOA shared information with stakeholders, including with small business representatives, and engaged with representative bodies and agents about the revaluation. In addition to this, the VOA communicated about revaluation changes through GOV.UK stories and social media, as well as writing directly to 200k customers and their agents through the Gov Notify service.

Finally, you have asked how recent changes to business rates affect Barnett consequentials. Each devolved government has full control of the structure and level of business rates within its jurisdiction. They set business rates policy, retain all of the revenues generated, and determine how they are spent. The Barnett formula will apply in the normal way, as set out in the Statement of Funding Policy, to changes in business rates revenue. Barnett consequentials were confirmed as part of the Spring Forecast.

I hope this response is helpful. Please pass on my thanks to the rest of the Committee for their thoughtful questions.

Best wishes,

DMTomlinson

DAN TOMLINSON MP
EXCHEQUER SECRETARY TO THE TREASURY