POA2026/04471

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Your ref: MG/AB/4184
22 June 2026

Dear Mr Greene,

Thank you for your letter of 25 February to the Chancellor of the Exchequer about business rates. I am replying as Minister responsible for the UK tax system. I am sorry for the delayed response.

At the Budget, the Valuation Office (VO) announced updated property values from the 2026 revaluation. This revaluation is the first since the pandemic, which has led to significant increases in rateable values for some properties.

The Government has also been unwinding the temporary business rates relief for the retail, hospitality and leisure (RHL) sectors since the pandemic.

In recognition of the impact of the revaluation on bills, the Government has introduced a support package worth £4.3 billion, to protect against ratepayers seeing large overnight increases in bills. As a result, over half of ratepayers see no bill increases in 2026/27, including 23 per cent whose bills go down. This also means most properties seeing increases have them capped at 15 per cent or less in 2026/27, or £800 for the smallest.

The support package includes:

· A redesigned transitional relief scheme which caps bill increases over the next 3 years. Compared to the 2023 transitional relief scheme, the redesigned scheme provides generous support for larger properties, including airports, hotels and key Industrial Strategy properties, who are facing large increases and are important for growth in the UK.

· A supporting small business scheme capping bill increases for the smallest businesses losing some or all of their small business rates relief or rural rate relief. The Government has gone further, by calculating the relief from a baseline that includes the effect of the RHL relief. This means that many of those who received RHL relief now benefit from Support Small Businesses relief, as they transition to permanently lower multipliers.

The Government has already started the work of reforming our business rates system by introducing new permanently lower multipliers for eligible RHL properties. These new multipliers are worth nearly £1 billion per year and benefit over 750,000 properties.

The Government is paying for this through a high-value multiplier on the top one per cent of most expensive properties. This includes many large distribution warehouses, such as those used by online giants. The high-value multiplier is 33 per cent more than the multiplier for small RHL properties.

The new RHL multipliers replace the temporary RHL relief that had been winding down since the pandemic. Unlike RHL relief, the new multipliers are permanent, giving businesses certainty and stability, and there is no cap, meaning all qualifying properties on high streets across England benefit.

Supporting Small Business (SSB) supports businesses who lost some or all eligibility for Small Business or Rural Rate Relief (SBRR or RRR) at the revaluation, by capping bill increases.

At the 2026 revaluation the Government has continued the SSB scheme, applying different caps and expanding eligibility.

· The 2026 scheme caps eligible ratepayers' bill increases by the higher of £800 or the transitional relief (TR) percentage caps.

· The Government has also expanded eligibility for SSB for ratepayers who previously were in receipt of Retail, Hospitality and Leisure Relief.

· For 2026/27 only, the Government is rolling over for the 2023 SSB scheme, applying the caps of the higher of £800 or the TR caps.

All the above support is applied before reliefs and supplements.

SSB is providing over £500 million of support for over 80,000 of the smallest businesses. In addition, there is further support through the SSB scheme for over 200,00 RHL properties, including independent pubs or family-owned grocers, offering additional support as they transition to permanently lower multipliers.

Eligibility for the Supporting Small Business scheme is set out in guidance for local authorities, which was published by the Ministry for Housing, Communities and Local Government, and can be found at:

http://www.gov.uk/government/publications/business-rates-relief-2023-supporting-small-business-relief-local-authority-guidance/business-rates-relief-2023-supporting-small-business-relief-local-authority-guidance

The SSB relief is applied automatically to bills for eligible ratepayers.

I hope this response is helpful. Thank you again for taking the time to make me aware of your concerns.

Yours sincerely,

DANIEL TOMLINSON MP
EXCHEQUER SECRETARY TO THE TREASURY