

# Written evidence from The Heritage Alliance on 'The impact of business rates on business'



2 April 2019

The Heritage Alliance is England's largest coalition of independent heritage interests. We unite over 130 organisations which together have over 7 million members, volunteers, trustees and staff. The vast majority of England's historic environment is owned, managed and cared for by Heritage Alliance members.

The Heritage Alliance is responding to [the Treasury Committee inquiry](#) on the impact of business rates on business.

The Heritage Alliance recognises that Business Rates can represent a substantial financial burden for businesses. We share the Committee's concerns on the impact that Business Rates may have on high street businesses. However, many heritage businesses are not necessarily on the high street, and also need consideration. Of particular concern for members of The Heritage Alliance is the impact of business rates on charitable heritage organisations and heritage business that provides charitable income.

We pointed out in [our response](#) to the MHCLG 2017 consultation on discretionary business rates relief scheme, that Government should provide a framework which prioritises helping charities affected by the rates revaluation. Failure to do so would see them having to reduce their activities which may have wider societal impacts.

Since the beginning of 2019, we have heard from members who say that the system still presents a burden on charities. One of our members reported that their charity was requested by a local authority to pay business rates when it had an agreement to occupy a space free of charge with the property owner and did not even have running water. They were required to prove these facts in order to save the charity from being forced to close, as it would not have been able to afford to pay the amount requested.

Furthermore, we highlighted in [our response](#) on the Charity Tax Commission review of charitable tax relief, that the Valuation Office appeared to not been consistent in its approach to dealing with heritage charities and their trading arms and whether shops and cafes have been rated independently of the property they are attached to. It is believed that, largely, where a shop is located in a part of the property that is not considered to serve any other function, it is subject to a separate valuation. Yet in most cases, the shops are also the admissions and membership recruitment points for Heritage Alliance member sites. Both these income streams are classified as charitable income and should therefore be subject to charitable relief.

We gave the example of Kenwood House, which is free to visit and due to the terms on which the house was endowed, English Heritage (Alliance member) pays the business rates for the café operated by a concession caterer. The payable rates were raised after revaluation, which saw the amount rise from £14,000 to £146k. English Heritage applied to Camden Council for charitable relief but was told that this would be unlikely. English Heritage stressed that the profits from commercial activities undertaken at heritage and cultural sites are critical contributors to financial sustainability.

Museums are also affected by business rates, from smaller to larger institutions. Following significant rises in rates across England and Wales, several of these institutions have successfully appealed business rates.

The case of the York Museums and Gallery Trust appeals at The Upper Tribunal in 2017 in particular set a precedent for appeals from other institutions. A more recent example in which this case was cited was an appeal from Exeter City Council to the Valuation Tribunal in July 2018, which was to alter the entry made by the VO into the 2010 Rating List for Royal Albert Memorial Museum and Art Gallery (to divide it from the Café and Premises hereditament). This appeal was also allowed.

We also wish to point out that the business rates regime can also place a huge burden on owners of heritage businesses, who already shoulder a disproportionate burden compared to business owners not based in listed buildings. The owners of these businesses also contribute to public benefit/community value, as they all seek to preserve the properties of historic importance in their care for future generations to enjoy. This is particularly in cases where the houses are open to the public.

We share the concerns of Historic Houses over small businesses and would second the importance of the Small Business Rates Relief (SBRR) provisions to small heritage businesses. There should however be measures taken to avoid a cliff edge for these properties, which are very often fragile rural businesses. The £1.38 billion backlog of repairs and maintenance of Historic Houses member properties alone is an important issue to raise, not to mention the backlog in repairs and maintenance for other historic properties, privately and publicly owned, across the UK.

Finally, we would like to register our support for the continuation of the listed building empty business rate exemption. The scheme does not, as many argue, incentivise people to keep buildings empty, for a small tax exemption does not compensate for the disadvantages of keeping a property empty. The scheme is crucial for the continued protection of listed buildings. More information on the issue can be found in the government's '[Modernising Empty Property Relief](#)' summary, which explains why the relief was kept, after a challenge in 2007.

The Heritage Alliance believes overall that relief should be given consistently across charities and those businesses that generate charitable income within heritage organisations, as in examples such as those listed above. We would want to see further consideration of heritage businesses throughout England and Wales in future legislation and guidance produced on the subject of business rates, following the 2017 revaluation.