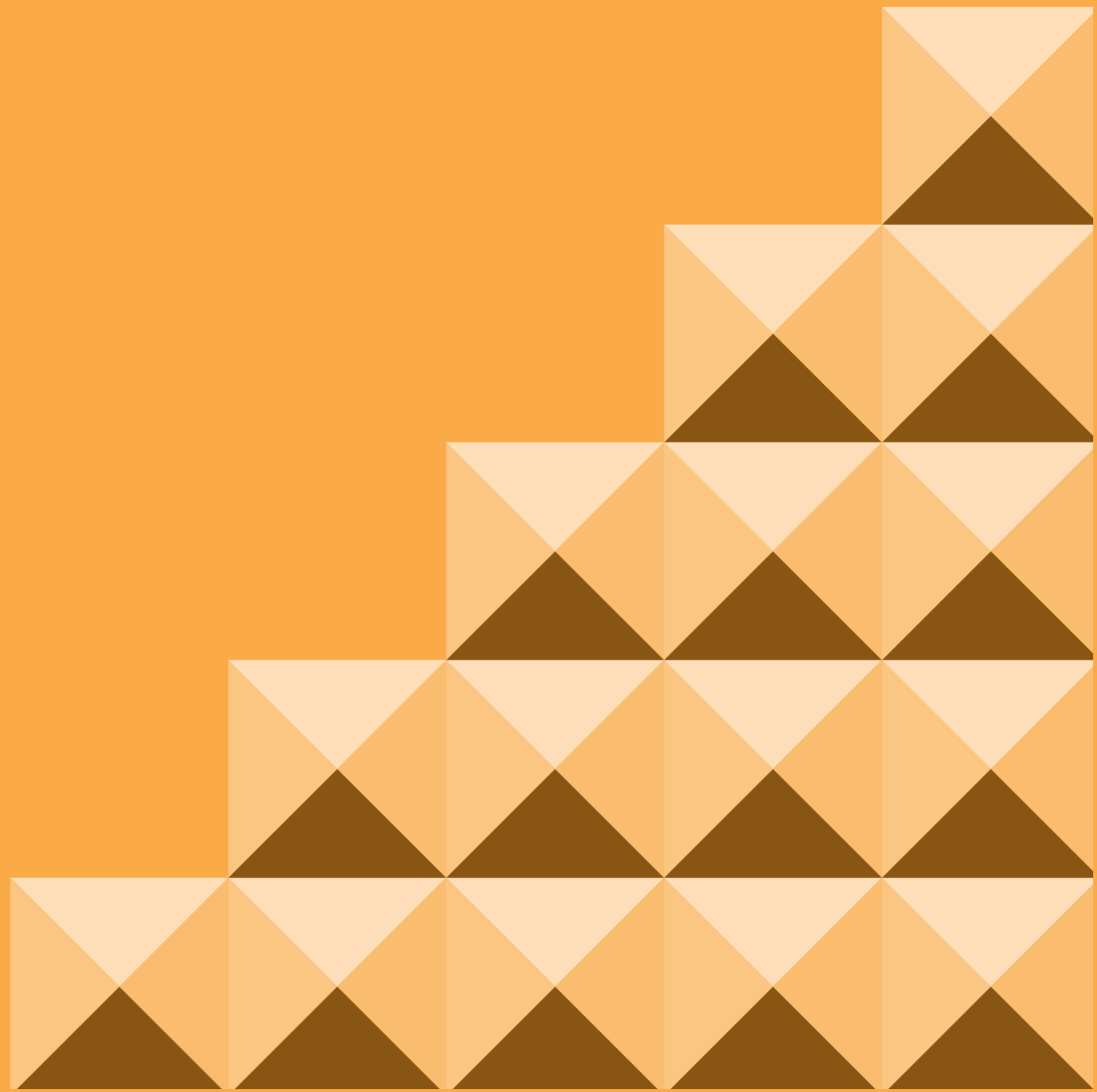


BUSINESS RATES

THE COST OF A DISPROPORTIONATE
SYSTEM



KEY FINDINGS

- **Nearly 9/10 manufacturers have reported an increase in their revaluations** for April 2026. It is estimated the sector will pay an additional £939m a year on their rates
- **1/5 manufacturers operate in a facility that is valued at more than £500k**, risking exposure to the new “high value” multiplier
- Only 6% of manufacturers have a rateable value (RV) of less than £20,000, limiting access to reliefs such as the Small Business Rates Relief
- Manufacturers are considering **cutting jobs** as the primary route to rebalancing costs. It is estimated that approximately **25,000 jobs could be put at risk** across the UK (*worst case*)
- **3/4 of manufacturers say Business Rates are one of their top 5 largest costs** in the business, nearly 1/3 say it is one of their **two** biggest costs
- Manufacturers want a more “**proportional**” system to property taxes, such as incorporating the definition of “SME” or linking to turnover for rate calculations.

SUMMARY

1. Make UK, is the voice of manufacturing in the UK, representing all aspects of the manufacturing sector. Representing over 20,000 businesses employing almost one million workers, Make UK members operate in the UK, Europe, and throughout the world in a dynamic and highly competitive environment.
2. To assess the impact of the incoming revaluation of business rates on UK manufacturing businesses, Make UK analysed publicly available data from the Valuation Office Agency (VOA) on rateable value changes between 2023 and 2026. In addition, Make UK conducted a short survey of manufacturers to better understand the impact of new rates on business decisions (investment, employment, innovation) and what businesses want to see from future reforms to the system.
3. Business Rates is one of the biggest, non-performance related costs in a manufacturing business. For nearly 1/4 (23%), business rates are the **second largest cost** on their financial accounts, with nearly one in ten (8%) indicating it is their single biggest expense. For more than 3/4, business rates is one of the five largest costs to a manufacturing business¹. **This means that business rate bills play a substantial role in the decision-making process for investment, innovation and recruitment** with every revaluation leading to possible negative consequences for the wider economy.
4. Business Rates are one of the major anti-growth taxes in the UK, and we have one of the most burdensome property tax regimes in OECD2. It is a tax on physical space that penalises businesses from improving their facilities or expanding to increase their capacity. Total business rates receipts are substantial for HM Treasury, generating approximately £29billion to the UK, which accounts for 2.8% of total tax revenues for the Government. Whilst it is not the biggest source of income, it is a substantial cost on businesses that impacts investment choices.

¹ Make UK, Business Rates Survey, 2026

5. The response at the firm level could be potentially dramatic following the recent revaluations that started in April 2026. Make UK research finds that manufacturers will mainly consider job cuts in response to higher business rates, whilst others will also cut back on investment and innovation. Of those considering a reduction in business activity, the majority (57%) of manufacturers will prioritise reducing headcount as their immediate response. Our modelling of the potential impact of higher business rates on jobs suggests over 25,000 jobs could be at risk of redundancy as a result of the upcoming 2026 revaluation.⁴ However, this represents the highest order impact, and in reality the benefits of Transitional Relief will ensure the risk is spread over three years.
6. Two in three manufacturers indicated their rateable values (RVs) have increased by up to 20%, which aligns with the VOA’s assessment. However, it is alarming that 17% of businesses are reporting increases of between 20% and 50%, while a minority (3%) have seen their RV increase between 50% and 100%.
7. Below is a summary of the policy recommendations based on feedback from the manufacturing sector:

Policy Recommendations	Descriptions
Proportionality	Explore alternative models of taxing physical properties that account for business performance or occupancy type. For example, link business rates to business size and type, so charges better reflect who is occupying a property with a reduced multiplier for SMEs, or link directly to turnover and sales to ensure taxes are proportional to performance.
Accountability	Businesses do not see the local value of what they pay. Local authorities should provide impact reports showing how business rates are used to support local communities.
Certainty	Give businesses 12 months’ notice before new rates take effect. Following a revaluation, any increase should not apply for at least one year. This can be delivered with a far more generous Year 1 Transitional Relief for businesses receiving higher rates.
Transparency	Require the VOA to clearly explain the justification for rate changes before a new valuation comes into force. This would improve transparency and reduce unnecessary appeals.
Maximise digital process	Expand the Government Business Rates portal to include firm specific information on final bills, accessible reliefs and reasons for changes in revaluations.
Automated enrolment for Green Technology investments reliefs	Make clear how businesses can apply for the green investment exemptions, such as for investments in solar panels. This can be done through automatic enrolment of such reliefs. Currently the burden is on the business to apply for green reliefs.
Cancel the 2026 revaluations	<i>To be considered during extenuating circumstances, such as a new energy crisis:</i> By cancelling the revaluation for 2026 the Government can ensure it benefits all businesses with an immediate boost to cashflow by cutting nearly £1bn in bills for the sector. This would not remove the need to achieve overall reform in the Business Rate system long-term.

²Tax Foundation, Real Property Taxes report, 2025 (based on OECD data). It should be noted that the OECD data accounts for all types of property taxes including Stamp Duty in the UK, therefore, this burden does not exclusively refer to the impact of business rates.

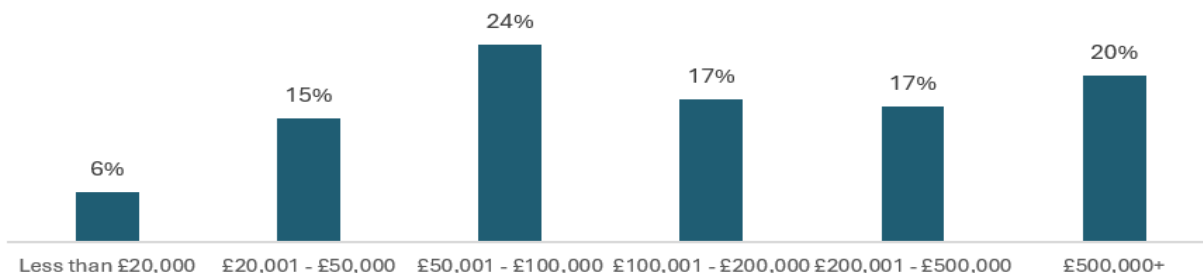
³Institute of Fiscal Studies, 2025

⁴Make UK estimate using data from the Valuation Office Agency (VOA). The analysis explores the impact of higher rateable values on final bills, and estimates the number of jobs that could be required to be cut by the sector in order to break even on a typical business’ bills.

OVERVIEW OF THE MANUFACTURING SECTOR'S PROPERTY BASE

1. The UK manufacturing sector contributes approximately £220bn in gross value add, provides 2.6 million jobs and pays an average wage that is 8% above the national average. The sector also accounts for 48% of all R&D expenditure, and 17% of total investment.⁵ The manufacturing sector invested over £41 billion in 2024, with capital equipment accounting for 81% of total spending⁶.
2. Across England and Wales there are over 560,000 properties that sit within the 'Industry' category as categorised by the VOA. Whilst this group does not solely include manufacturing companies, it is estimated that the majority of rateable properties (68%) are in this category.
3. Facilities that house manufacturing businesses make up a substantial share of total rateable values. For example, in 2025, property types that include "industrial", "factories, mills & workshops" where most manufacturing businesses would be classed in was worth £14bn, accounting for 21% of the total rateable value of properties across England and Wales⁷. Given the manufacturing sector accounts for 10% of the UK economy, and 17% of capital investment, it indicates that businesses in the industrial sector are contributing disproportionately more to Business Rates than other sectors. This is also not including the value of warehousing which will impact some manufacturers, though it would also include industries within logistics and e-commerce. It is estimated that "factories, workshops and warehouses" together account for 68% of the RVs of the Industry group, with factories accounting for the largest share of them⁸.
4. Make UK conducted a survey to supplement publicly available data, and to understand specifically how the upcoming revaluations will impact the manufacturing sector. More than half (55%) of the industry's RVs exceed £100,000, and 20% of manufacturers also sit in a facility that is worth more than £500,000. This means one in five manufacturers will be negatively impacted by the new "high value" multiplier. This is illustrated in Chart 1.

Chart 1: Manufacturing facilities in different rateable value (RV) bands, % share of businesses in each category



Source: Make UK Business Rates Survey 2026

⁵Make UK, UK Manufacturing – The Facts, 2025

⁶ONS, Business Investment by Industry and Asset, 2025

⁷VOA, Stock of Non-domestic rating: stock of properties, 2025

⁸Make UK analysis of VOA data

HOW DO BUSINESS RATES PENALISE MANUFACTURERS?

- The current system which utilises mainly “expected rents” based on square footage can directly penalise manufacturers for being physically “big” even if they are a small or medium sized business (in terms of employment or turnover).
- For example, if there were two businesses of similar size (i.e. both SMEs, with 30 staff, and £15m turnover in a similar location) but differed in terms of occupied space they could face very different business rate costs. This is illustrated diagrammatically below in Figure 1 (based on a real-world example provided by a Make UK member who rents out a small space of their facility to a service-led company):

Figure 1 – An illustrative example of the discriminatory impact of business rates, based on multipliers for April 2026



A non-manufacturing SME, with 30 employees. Small facility with an RV less than £12k.

BUSINESS RATES: £0



A manufacturing SME, with 30 employees. Operates in a large facility with an RV of £50,000.

BUSINESS RATES: £21,600

- The example illustrates how two different businesses with similar economic values may be treated under the business rates regime. Both businesses are important to the UK economy, but the manufacturing plant ensures value is created on British soil – such as critical processes in chemicals, pharmaceuticals or aerospace. It is not possible for a manufacturing plant to operate on digital platforms in the same way some service companies can, and it is also not possible to achieve the economies of scale required to make a manufacturing plant viable without a substantial amount of square footage to incorporate capital investments and staff requirements (e.g. health & safety requirements).
- As a result, manufacturers are penalised simply for the physical size of their businesses. Unlike large office buildings, such as skyscrapers in the City of London with enormously high rateable values, these are divided among numerous businesses, each paying only for the space they use. In other sectors, a small business generally occupies a small space, but in manufacturing a small business can occupy a large space. This is the first fundamental problem with the current business rate system.

THE ECONOMIC COST OF HIGHER BUSINESS RATES – IMPACT ON JOBS

- There are a multitude of ways a business can respond to higher costs. Traditional methods generally prioritise cost management, such as scaling back on headcount (either through redundancies or hiring freezes), cutting back on investment or innovation (either cancelling projects or spending less than expected). Alternatively, businesses can also opt for a pro-growth strategy, by diverting efforts to increase sales/turnover or raise prices.
- There's no correct method to ensure business continuity, and most businesses will explore a combination of the above. However, in uncertain economic conditions cost management strategies can overtake growth practice, and our latest Business Rates survey suggests that businesses will prioritise scaling back on headcount as a “first response” particularly as the cost of employment was highlighted by businesses as their biggest risk for 2026.⁹ Raising prices is also often a preferred approach but given our data suggests domestic demand is falling¹⁰, price rises will be more difficult to implement.

HIGHER BUSINESS RATES RISK ECONOMIC SCARRING TO A GENERATION OF ENGINEERS:

- Make UK modelled the potential impact on jobs across England and Wales because of the April 2026 revaluation, which will see the sector pay **£939m more per year** in their business rate bills.
 - Make UK estimates that for the manufacturing sector to **break even** on its bills just on higher business rates alone, **could risk approximately 25,000 jobs in the sector.**
- This risk on over 25,000 jobs does not include the impact of higher wages, national insurance contributions (NICs), the incoming impact of the Employment Rights Act (ERA), or the rise in gas prices. The increase in business rate costs to the sector alone will be so great, and without any material benefit to the business directly (unlike the cost of labour which has a direct relevance to output), that the impact will be passed on to workers through a reduction in jobs. This is the worst case scenario, but clearly demonstrates the seismic impact business rates can have on business choices.

⁹ Make UK/ PwC, Executive Survey 2026

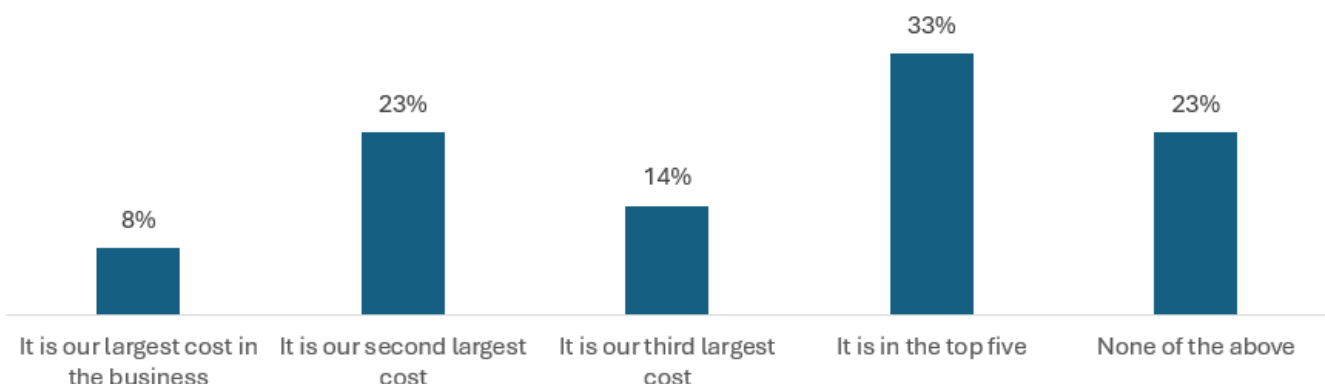
¹⁰ Make UK, Manufacturing Outlook Q1 2026



HOW MUCH MORE WILL BUSINESS RATES COST MANUFACTURERS FROM 2026?

- **Industrial property values up 21%:** According to VOA data, in England and Wales the Industry Sector property type rateable value in total increased from £19bn in 2023, to £23bn in 2026 – 21% increase for the sector. In some regions the increase in the value of industrial properties were even greater (e.g. North East and North West up by 25%). This is in comparison to the Retail sector (+9%) and Office sector (+14%). Only the “Other” sector has fared worse, with RVs increasing by 28% between 2023 and 2026.
- **But bills are going up by 10%:** However, due to the change in multipliers the total change in bills will be less significant. It is estimated that the total tax intake will rise on average by 10%, increasing from approximately £9bn to just over £10bn from April 2026. Make UK estimates that the industrial property sector will pay approximately £939m more per year starting from April 2026.¹¹
- **Make UK research indicates that most manufacturers (66%) were notified their rateable values will increase by up to 20%.** 17% of manufacturers highlighted that their RVs would increase by between 20% and 50%, and a small minority (3%) are experiencing a far bigger increase of between 50% and 100%¹². Despite the rise in bills being less significant than RVs, the impact on firm level decisions will be major as this is a substantial cost to manufacturers.
- **Business Rates is one of the largest costs to a business, with many manufacturers indicating it is one of their two largest costs.** This is illustrated in Chart 2.

Chart 2: 3/4 of companies say Business Rates is one of their top five largest costs, % of manufacturers highlight how significant business rates are as a cost relative to other costs (such as labour and capital)



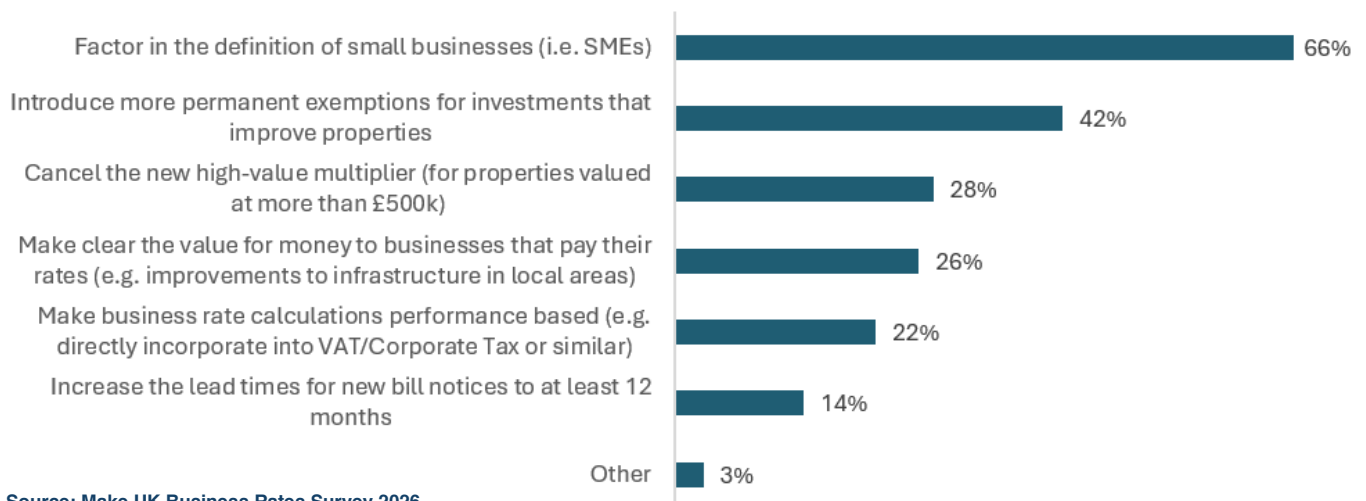
Source: Make UK Business Rates Survey 2026

¹¹ Make UK analysis using data from the Valuation Office Agency (VOA)

¹² Make UK Business Rates Survey 2026

- The average increase in cost following the revaluation is substantial, particularly when in combination with rising National Minimum Wage and National Living Wage costs and higher energy prices. Especially on the latter point, many manufacturers report that energy contracts are due for renewal in April 2026, which risks a compounding effect of higher costs to businesses – and risks their viabilities long-term.
- It is not surprising that 66% of manufacturers want the definition of SMEs to be accounted for in rate calculations¹³, whilst many others believe a more proportionate system that's linked to business performance would be a more equitable system. This is illustrated in Chart 3, where businesses were asked about potential reforms to Business Rates.

Chart 3: What reforms should the Government consider to make Business Rates fairer for manufacturers?



Source: Make UK Business Rates Survey 2026

RECOMMENDATIONS:

- **Proportionality:** A proportional model that incorporates business size or performance would be a more equitable tax. Businesses are not against any system that taxes to fund public services or distributes wealth to create a more equitable society. However, if such a tax, like business rates, are not linked to any intrinsic performance metrics of a business then the cost has no direct benefit to the business and only behaves as purely a cost for employment/investment decisions. A system that is built 'proportionality' will remove disincentives for growth.

Example models which should be considered:

- **A model on turnover/Sales:** Linking business rate bills directly to turnover/sales would ensure that a tax is proportional on the performance of the business.
- **Recognise the type of occupier with an SME multiplier:** SME manufacturers can occupy larger spaces than SMEs in other sectors, leading to a disproportionate burden of costs. A small business multiplier that incorporates the definition of SMEs (by employment or turnover) will ensure the type of business using the facility is accounted for in revaluations.

¹³Make UK Business Rates Survey 2026

WHAT MAKES BUSINESS RATES DIFFERENT TO OTHER TYPES OF COSTS IN A BUSINESS?

- **Costs should have a relationship to output:** The problem with business rates, in relation to other costs, is that there is no direct link to inputs and output for a business. For example, the average wage in the manufacturing sector is £41,220, 9% above the national average. Labour productivity, as measured by Gross value added per job is, £91,636¹⁴. For a manufacturer, although labour is costly there is a clear benefit to a business that can increase its output and value through the efforts and skills of its workers. A similar logic can apply to investment (cost of capital vs returns from production), energy costs (through use of energy intensive equipment and machines), R&D (intentional experimentation for new products and processes that improve productivity). Each direct cost in a business has a direct intent to improve output. Business Rates cannot make such a claim for a manufacturer, and therefore businesses see no relationship between costs and output. As such, business rates can only impact investment decisions in a negative way.
- **Indirect benefits of business rates:** It is worth recognising that Business Rates do potentially lead to indirect benefits to a manufacturer. The funds raised by local authorities play a pivotal role in supplying essential services to communities, however in line with the logic outlined above this impact from rate collections is not clear to the manufacturers that pay them. Many manufacturers highlight to us that they cannot see any visible benefit to their businesses (such as waste collection services, maintenance of streets, schools etc.). Businesses often also reject the comparison of Business Rates to Council tax, as businesses do not vote in elections in the same way that households do, therefore they have little say over how a council should support them. Given businesses, particularly in manufacturing, employ local people the impact of business rates may be weighted more to the negative side. A wider economic impact study is required to assess this claim.

RECOMMENDATION:

- **Accountability:** Local government in charge of collecting business rates should be accountable to demonstrating the impact of business rates to communities so that manufacturers can understand their contributions. This can be done so with an annual impact report delivered by the local government.

¹⁴ ONS, GVA per job was selected as a comparator due to annual aggregations being more closely aligned with annual wages

CHECK, CHALLENGE, APPEAL (CCA) – SIMPLE TO EXPLAIN, COMPLICATED TO PRACTICE

- **An inaccessible CCA system:** Manufacturers report to Make UK difficulties in engaging with the Check, Challenge, Appeal (CCA) process. Businesses cite challenges with long wait times for hearings, complexity in understanding how to collect evidence and make a reasonable challenge against the VOA, and fear that conclusions to any appeal take far too long at which point the damage to a business may already be done. The lack of information to independently assess the “probability” of winning an appeal against its revaluation makes it difficult to understand whether going through the CCA process is worthy of allocating resource away from productive activities in the business (such as R&D, capital investment, training). This is more difficult for small-medium sized (SME) manufacturers who are often already constrained in its resource. As a result of this complexity, a market failure has been created and “Business Rate” consultants are a common feature in the industry.
- **Be transparent upfront:** This above case is an inefficient outcome, regardless of intent, and can be overcome with clearer communications from the VOA or Local Authorities on the reasons why valuations have changed (i.e. whether they occurred due to a specific investment or not). This must be delivered at the initial notice once a revaluation has occurred. This will also enable businesses to assess whether it is appropriate to challenge a valuation and would limit the number of challenges to the VOA to only cases with reasonable doubt. In practice, manufacturers highlight to us that they do not often engage on challenging their valuations, and opt for short-term solutions such as cutting jobs, reducing investment or R&D to rebalance their budgets (in cases where revaluations result in substantial increases in rate bills).
- **Making full use of the “Find your business rates valuation” portal:** Manufacturers have reported that the Government’s own Business Rates “Find your Valuation” portal has been useful for understanding its own potential costs for cost planning. However, they have criticised the missed opportunity to include information on multipliers, potential reliefs, and what exemptions they could apply for which should be accessible in a centralised format. Harnessing a tool the Government has already invested in by expanding its features to include additional information is an appropriate way to improve communications with the business community.



- Lack of information is a deterrent to investment and growth: Make UK members highlight that it is very challenging to factor in revaluations into business planning, when there is so little information about what factors directly impact their final bills. Manufacturers often point to the lack of information provided by the VOA or Local Authority on the factors that influence higher business rate costs, and without going through the process of Check, Challenge, Appeal (CCA), many businesses are unaware about what to expect in the future. This is demonstrated by the upcoming April 2026 revaluation, with many manufacturers highlighting they were receiving their new rate bills between December 2025 and January 2026, only 4-5 months before the end of the financial year. For businesses experiencing sharp increases to their rates, they are left with insufficient time to re-budget their business plans.
- There are three areas Make UK believe should be addressed to simplify the system and improve its efficiency. These are:

RECOMMENDATIONS

- **Certainty:** Introduce a 12-month grace period before new bills activate to allow businesses enough time to prepare their budgets, as well as challenge inaccurate valuations. This would also reduce “knee-jerk” decisions that may result in increased redundancies or reduced investment. (*This would be the equivalent of a 100% first year Transitional Relief*)
- **Maximise Digital processes:** Expand the Government Business Rates portal to include firm specific information on final bills, accessible reliefs and reasons for changes in revaluations.

THE ENERGY TRANSITION AND ENABLING GREEN INVESTMENTS

- **Green investment exemptions:** Manufacturers frequently point out that investments in energy efficiency technologies, such as solar panels, can lead to higher revaluations on their facilities. Although, a known green relief exists until 2034, manufacturers are not aware of how to apply for the green exemption relief. The lack of information and clarity on how to apply this exemption fails to remove the disincentive to invest in sustainability, with many businesses indicating they believe their rates have increased due to such investments.
- **Incentivising short-term investments:** Manufacturers highlight limited impact on investment decisions based on ownership structures. There are indications directly from businesses that long-term investments may prioritise “non-permanent” structures in the event a business were to re-locate its production then the capital investments would relocate alongside the business (such as CCTV/Security cameras). The impact of this is likely minimal as manufacturing businesses do not move frequently and are therefore more likely to make long-term structural investments (such as installing solar panels, lifts, escalators etc.)

RECOMMENDATION

- **Automated enrolment for green exemptions:** In the same way that other business rate reliefs are applied (automatically by local authorities), the green exemption should be delivered through automatic enrolment rather than expecting businesses to apply to the VOA directly. Long-term it should be a goal for the UK that all facilities are equipped with energy efficiency assets so that they no longer have an impact on potential “rents”.

SUPPORTING BUSINESSES DURING THE CONFLICT IN IRAN

- Many of the Government’s recent fiscal decisions were made before current circumstances in geopolitics, such as the conflict in Iran that has led to a substantial spike in oil & gas prices, impacting energy costs. The Government should keep all options on the table to protect businesses, and jobs where possible which must include cancelling the upcoming April 2026 revaluation for all commercial properties across the UK.
- Such a move would immediately result in a cashflow benefit to businesses who are currently exploring how to pay their new bills.

RECOMMENDATION (UNDER SPECIAL CIRCUMSTANCES)

- **Cancel the 2026 revaluation:** By cancelling the revaluation for 2026 the Government can ensure it benefits all businesses with an immediate boost to cashflow. This will support manufacturers who are critical to the national infrastructure and allows us to produce the products our citizens need in times of crisis. This would not remove the need to achieve overall reform in the Business Rate system long-term.

ANNEX

SURVEY DATA

A survey was conducted between the 28th of January 2026 and 19th February. A sample of 132 manufacturers were collected to understand how manufacturers will respond to their new revaluations and inform our assumptions for modelling the impact on businesses.

METHODOLOGY: THE NEW REVALUATION PUTS OVER 25,000 JOBS AT RISK ACROSS ENGLAND AND WALES

Make UK survey data indicates that manufacturers will mainly respond to higher business rate bills with an increase in redundancies. This is because, as the National Minimum Wage and Employments Rights Act increase the cost of labour, labour costs are now the biggest bottleneck to business survival.

It is acknowledged in the report that business can respond in several ways to protect their companies, including reducing investment and innovation or increase prices/sales. However, the former are costs that are difficult to cut back on if projects are already ongoing, and the latter is highly dependent on external demand which businesses have little control over. Therefore, as our data strongly indicates, employment will be hit first, we have made the following assumptions in our calculations

- Manufacturers will only cut jobs as a means to reduce their business costs, and forgo alternative means
- The value of one job is determined by the median wage in manufacturing (according to the ONS ASHE tables)

To calculate how many jobs are put at risk, we aimed to estimate an answer to the question “*How many jobs would be required to be cut for the sector to “break-even based **only** on the increase in business rate bills starting from April 2026”*”. This leads to a conservative estimate of jobs that could be put at risk, even when not including the impact of rising wages and energy prices that will hit manufacturers from April 2026.

Regional level data on Business Rate revaluations from the VOA on England and Wales was used to estimate the value of higher bills to the Industry sector, and the value of median wages for manufacturing in each region was used to estimate the number of jobs that could be lost.

The analysis does not factor into account the Transitional Relief which slows down the impact of higher rates on some businesses. We believe this relief will only slow down job losses by spreading it over 3 years.



The Manufacturers' Organisation

About Make UK

Make UK, the manufacturers' organisation (formerly known as EEF), is the representative voice of UK manufacturing, with offices in London, Brussels, every English region and Wales. Collectively we represent over 20,000 companies of all sizes, from start-ups to multinationals, across engineering, manufacturing, technology and the wider industrial sector, who altogether employ approximately 1.2 million people. Everything we do – from providing essential business support and training to championing manufacturing in the UK and the EU – is designed to help British manufacturers compete, innovate and grow.

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