

Business rates as an example of why hypothecated taxes ..

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There is an excellent article by Paul Greenhalgh of Northumbria University on [The Conversation website](#) today. What he offers is a range of maps showing the decline in retailing in England and Wales.

He starts by plotting the change in rateable value, which is broadly related to rents:

The picture is very weak unless you are in one of a few tourist or inner-city areas.

Then he plots the change in total retail floorspace:

The change is almost entirely negative.

Finally he plots changes in aggregate rateable value, which effectively combines these trends.

Again, a few odd exceptions apart the trend is negative, or deeply so.

Why does this matter? Firstly, and very obviously it has local employment impact.

Second, it removes economic activity from the local economy.

But Third, as Greenhalgh says:

Our analysis delivers a sobering message: across most of England and Wales, the revenue generated from business rates on retail properties has diminished significantly. Local authorities in England and Wales — hit by significant funding cuts during austerity — are increasingly exposed to the vagaries of commercial real estate markets, since they now depend more on income from business rates to pay for local services.

To put it bluntly, this is precisely why hypothecated taxation does not work. When the

tax base shrinks - and hypothecated tax bases tend to either because they are already 'bads' or because they become overtaxed, then the yield suffers. And when, as is true of local authorities, yield is the basis for service supply, then hypothecation causes direct harm.

Can we forget it, forever, please?