# UK start-ups in shared offices face sharp rise in business rates after reform



Thousands of UK start-ups and sole traders based in shared office environments similar to WeWork are facing a potential surge in business rates bills following recent changes to small business rate relief (SBRR) eligibility. The Federation of Small Businesses (FSB) has raised serious concerns that the reforms, prompted by a legal ruling, could force many small firms to close as they lose critical tax relief that previously kept their costs manageable.

SBRR provides a vital discount or exemption on business rates for small firms, sometimes reducing their annual bills to zero. However, the Valuation Office Agency (VOA) has begun disqualifying tenants in shared office spaces from this relief. This follows a court decision that ruled individual rooms in barristers' chambers are not eligible for SBRR, setting a precedent affecting similar shared environments. For example, a sole trader renting a desk within a large shared office building averaging a rateable value near £230,000 may previously have been treated as occupying a small portion below the £12,000 threshold for relief. Under the new approach, those tenants might face bills upwards of £5,700 annually, the FSB estimates. This shift could impact approximately 150,000 businesses whose operations are based in co-working spaces, including some in food halls and market areas, with a broader VOA review expected soon.

The FSB’s policy chair, Tina McKenzie, emphasised to The Daily Mail that this “creeping change” threatens to limit growth opportunities for small enterprises and called for urgent government action to ensure shared-space tenants remain eligible for relief. She urged for a fairer business rates framework that supports vibrant high streets and the many start-ups relying on flexible workspace.

These developments come amid broader tensions surrounding business rates across the UK, with Chancellor Jeremy Hunt preparing to abolish some Covid-era rate reliefs for the retail, hospitality, and leisure sectors. He is also expected to introduce reforms that would increase charges for larger shops while easing the burden on smaller firms, a plan that has sparked debate among business groups.

Meanwhile, the shared office sector remains vibrant but evolving. Workspace, a major London-based provider of flexible office space, is responding to rising demand for smaller units by subdividing larger spaces, mainly targeting small- and medium-sized businesses and entrepreneurs. This trend reflects a shift toward more adaptable work environments following changing business needs.

WeWork, the pioneer of large-scale shared office spaces, is also reshaping its footprint. After its well-publicized financial difficulties in the US, the company has focused on renovating and refreshing its UK portfolio of around 40 sites. It aims to cater specifically to small and midsized businesses, signalling an intent to sustain growth by aligning its offerings with market demands. This repositioning follows the company’s completion of complex lease renegotiations to concentrate on high-quality, high-performing locations across London and other UK cities.

Controversy has also surrounded WeWork’s approach to business rates relief claims. The company reportedly classifies its properties into multiple individual hereditaments to maximise eligibility for relief on behalf of tenants and empty spaces. This practice has raised questions about the transparency and fairness of passing on tax benefits to small businesses occupying these flexible spaces.

In light of these challenges and market shifts, the government has announced an expansion of the small business rate support scheme. An additional £600 million fund has been introduced to provide grants to businesses in shared offices with rateable values under £15,000, and to certain retail, leisure, and hospitality businesses with values up to £51,000. This move attempts to plug the gaps left by earlier VOA assessments that excluded many shared-space tenants from relief.

Ultimately, the future of small businesses operating within shared offices hinges not just on market adaptations but also on how government tax policies evolve. The ongoing negotiations, legal clarifications, and sector restructuring underline the complex intersection of flexible work culture, commercial property taxation, and the survival of start-ups facing rising operational costs.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.dailymail.co.uk/money/markets/article-15139513/Thousands-UK-start-ups-facing-WeWork-tax-blow.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[4]](https://moneyweek.com/economy/small-business/601438/an-update-for-the-business-rate-support-scheme)
* Paragraph 2 – [[1]](https://www.dailymail.co.uk/money/markets/article-15139513/Thousands-UK-start-ups-facing-WeWork-tax-blow.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[4]](https://moneyweek.com/economy/small-business/601438/an-update-for-the-business-rate-support-scheme)
* Paragraph 3 – [[1]](https://www.dailymail.co.uk/money/markets/article-15139513/Thousands-UK-start-ups-facing-WeWork-tax-blow.html?ns_mchannel=rss&ns_campaign=1490&ito=1490)
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* Paragraph 5 – [[1]](https://www.dailymail.co.uk/money/markets/article-15139513/Thousands-UK-start-ups-facing-WeWork-tax-blow.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[5]](https://www.bisnow.com/london/news/coworking/bankruptcy-behind-it-wework-plots-next-chapter-for-3m-sf-uk-portfolio-127890), [[7]](https://www.estatesgazette.co.uk/news/wework-wraps-up-uk-lease-negotiations/)
* Paragraph 6 – [[1]](https://www.dailymail.co.uk/money/markets/article-15139513/Thousands-UK-start-ups-facing-WeWork-tax-blow.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[6]](https://www.wealthmanagement.com/investment-strategies/wework-gets-tax-rebate-meant-its-small-business-tenants)
* Paragraph 7 – [[4]](https://moneyweek.com/economy/small-business/601438/an-update-for-the-business-rate-support-scheme), [[1]](https://www.dailymail.co.uk/money/markets/article-15139513/Thousands-UK-start-ups-facing-WeWork-tax-blow.html?ns_mchannel=rss&ns_campaign=1490&ito=1490)
* Paragraph 8 – [[1]](https://www.dailymail.co.uk/money/markets/article-15139513/Thousands-UK-start-ups-facing-WeWork-tax-blow.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[4]](https://moneyweek.com/economy/small-business/601438/an-update-for-the-business-rate-support-scheme), [[5]](https://www.bisnow.com/london/news/coworking/bankruptcy-behind-it-wework-plots-next-chapter-for-3m-sf-uk-portfolio-127890)

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## Bibliography

1. <https://www.dailymail.co.uk/money/markets/article-15139513/Thousands-UK-start-ups-facing-WeWork-tax-blow.html?ns_mchannel=rss&ns_campaign=1490&ito=1490> - Please view link - unable to able to access data
2. <https://www.reuters.com/world/uk/london-focused-workspace-resizes-units-demand-rises-smaller-offices-2024-11-22/> - London-based flexible office space provider Workspace is adapting to rising demand for smaller office units by subdividing its larger floor areas. Targeting mainly small- and medium-sized businesses and entrepreneurs, Workspace offers unfurnished spaces on relatively short-term leases, unlike major UK office landlords. The company has seen the best rental growth in units under 1,000 square feet, which constitute about a third of its portfolio and saw a 3% price increase in the six months leading to September 30. Workspace owns 4.3 million square feet of space across 73 London and South East England locations. ([reuters.com](https://www.reuters.com/world/uk/london-focused-workspace-resizes-units-demand-rises-smaller-offices-2024-11-22/?utm_source=openai))
3. <https://www.businesstelegraph.co.uk/flex-space-provides-businesses-with-offices-for-our-times/> - The article discusses the rise of flexible office spaces, or 'flex spaces', which have become increasingly popular among businesses seeking adaptable work environments. It highlights the experiences of companies like What Works Wellbeing, which have benefited from shared office spaces, allowing them to move easily when their needs change. The piece also notes that major companies like IWG are expanding their 'flex space' offerings, with plans to add 1,000 locations to their global network over the next year, focusing on suburban and rural areas. ([businesstelegraph.co.uk](https://www.businesstelegraph.co.uk/flex-space-provides-businesses-with-offices-for-our-times/?utm_source=openai))
4. <https://moneyweek.com/economy/small-business/601438/an-update-for-the-business-rate-support-scheme> - The article reports on the UK government's addition of £600 million to its small business rates relief scheme, aiming to support businesses based in shared-office buildings that were previously excluded. The expansion ensures that companies operating in premises with a rateable value of less than £15,000 are eligible for £10,000 grants, and those in the retail, leisure, and hospitality sectors with a rateable value between £15,000 and £51,000 can apply for £25,000 grants. This move addresses the gap where businesses in shared offices, such as those operated by WeWork, were initially ineligible due to the Valuation Office Agency not assessing their units. ([moneyweek.com](https://moneyweek.com/economy/small-business/601438/an-update-for-the-business-rate-support-scheme?utm_source=openai))
5. <https://www.bisnow.com/london/news/coworking/bankruptcy-behind-it-wework-plots-next-chapter-for-3m-sf-uk-portfolio-127890> - The article discusses WeWork's plans for its UK portfolio following its Chapter 11 bankruptcy filing in the US. The company is focusing on renovating office spaces, leasing them up, and aiming for profitability. WeWork's UK subsidiary now operates 40 locations, 30 of which are in London, and is investing in refreshing and reconfiguring its spaces to cater to small and midsized businesses. The company aims to achieve a sustainable growth trajectory by delivering spaces that meet market demands. ([bisnow.com](https://www.bisnow.com/london/news/coworking/bankruptcy-behind-it-wework-plots-next-chapter-for-3m-sf-uk-portfolio-127890?utm_source=openai))
6. <https://www.wealthmanagement.com/investment-strategies/wework-gets-tax-rebate-meant-its-small-business-tenants> - The article reports on WeWork's practice of claiming business rates relief on behalf of its tenants in the UK. WeWork divides its properties into numerous individual areas, known as hereditaments, which are separately assessed for tax purposes. This allows the company to claim back taxes on any area that is empty or small enough to be eligible for relief if occupied by a small company with no other offices. The practice has raised questions about transparency and whether the relief is passed on to tenants. ([wealthmanagement.com](https://www.wealthmanagement.com/investment-strategies/wework-gets-tax-rebate-meant-its-small-business-tenants?utm_source=openai))
7. <https://www.estatesgazette.co.uk/news/wework-wraps-up-uk-lease-negotiations/> - The article reports that WeWork has completed its lease negotiations and restructuring in the UK and Ireland, leaving the company with 39 sites. The restructuring process involved nine months of negotiations with landlords, resulting in a portfolio that includes 30 sites in London and others in Cambridge, Edinburgh, Birmingham, Manchester, and Dublin. WeWork aims to focus on its highest-quality and best-performing locations to continue defining the future of flexible work. ([estatesgazette.co.uk](https://www.estatesgazette.co.uk/news/wework-wraps-up-uk-lease-negotiations/?utm_source=openai))