

GUIDANCE NOTE Business Rates

WHO PAYS BUSINESS RATES (NON DOMESTIC RATES)?

Business Rates are a local tax levied by the local authority to raise revenue from local businesses for the provision of the local services and are an annual tax placed on non-domestic property. The Business Rate Assessment is based on the rental value of the property at a certain point in time. The assessment is set once every 5 years with the last being set in April 2005. However, the next revaluation is just around the corner and new rateable values will be published in October 2009, to take effect from April 2010. It is widely anticipated that most rateable values will increase, in some locations quite considerably, and such increases should be budgeted for, although they will be introduced and phased upwards basis over a 5 year period.

The liability for these costs rests with the occupant whether they are the owner occupier or tenant. Rarely, unless the occupation is documented using a Licence Agreement, will the costs be met by the Landlord.

HOW ARE BUSINESS RATES CALCULATED?

The local authority submits the invoices each year and these are received by the occupant in time for payments to commence at the start of April. Central Government dictates the multiplier (Uniform Business Rate (UBR)) applied to the Business Rate Assessment and this dictates the annual payment required to be made by the occupant. Each year the multiplier is adjusted, generally in line with inflation. This figure is a 'rate in the pound' and is multiplied by the rateable value of the property, to reach the 'rates payable' figure.

THE RATEABLE VALUE; WHAT IS IT?

The Rateable Value is the assessment set by Government identifying the lettable value of the premises, and is reviewed on the same date every 5 years. This value is determined by the Valuation Office Agency (VOA) which is part of the Government. This rateable value is published by the VOA and is held on the Rating List. The last valuation date was 1st April 2008 and can be viewed using the address link below. The VOA endeavours to work on a valuation tenet of "right first time" to reduce the need for the huge number of appeals to Rateable values.

<http://ratinglists.voa.gov.uk/irl2k5/index.jsp> <<http://ratinglists.voa.gov.uk/irl2k5/index.jsp>>

IS IT POSSIBLE TO CHALLENGE THIS VALUE?

The Rate Payer, (Tenant or Landlord) can challenge the rateable value of a property at no cost, or a rating agent can be appointed to act on your behalf and appeals against these new values will be lodged with the VOA. It is a busy time for them as they will need to review many of these appeals.

The rating assessment is based on the rental value of the property at a certain point in time and in order to successfully appeal against the value, this will involve challenging the rental levels adopted as well as measurements, location and current market conditions. Unless you are confident in understanding all of these aspects, it would be prudent to refer the matter to a qualified Rating Surveyor. For full details of the Rating Institute please use the address link below.

www.irrv.net <<http://www.irrv.net/>>

GUIDANCE NOTE Business Rates

Importantly, should you appoint an agent to act on your behalf your Landlord may be interested in your appeal against this value as it may be a requirement of your lease or they themselves may be appealing against similar values if they have vacant property in close proximity to yours. In all cases it would be prudent to make your Landlord aware of your actions.

EMPTY PROPERTY RATES

When a property becomes vacant, the entity responsible for rates payment (the rate payer) will be eligible for Empty Property Rate RELIEF. If you are subletting an empty floor, for example, this would be you.

This area of law is presently the subject of some acrimony as the government introduced a significant limitation to this relief, effective from the 1st April 2008. Prior to this date, the first 3 months of vacancy entitled the rate payer to exemption and a 50% rate thereafter until re-occupied (with industrial properties being exempt indefinitely). Post April 2008, once the 3 month initial period is over, the full rates liability will become payable again (6 months exemption for vacant industrial property, followed again by 100% liability.)

There are a number of rules surrounding prolonged vacancy but for general guidance no rates are payable for 3 months (or 6 months for industrial properties) from when the property became vacant.

Additionally a Listed Property is not liable for Rates if vacant.

Should you need to contact our advisers about anything contained in this note then please feel free to call us on 0800 865 44 50

This Guidance Note is not a substitute advice on specific matters and should not be seen as providing legal advice.