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BUSINESS RATES



Business Ratepayers face substantial increases at next rate revaluation in 2010



Many ratepayers across the country will be facing a substantial hike in their business rates at the next rating revaluation. This fact will be of deep concern to businesses who are already reeling from the Government's changes in the empty rates regulations.

Rates are set to soar because they are based on the rental market which has undergone significant change since the last revaluation. The last time properties were assessed was in April 2003 which was a period of deep recession. In stark contrast, the next revaluation will be based on the rental market of April 2008. Over this five

year period rents have soared and as a result some businesses could be facing a doubling of their rating assessments.

The increased assessments will come into force in two years time on the 1st April 2010. This delay is to ensure that the Valuation Office Agency (VOA) have sufficient time to carry out the revaluation as accurately as possible. However, if the economy continues to cool over this period it will mean businesses will face these increases when they are least able to afford it. This has happened for two out of the last three revaluations and the Government have been regularly lobbied to reduce the revaluation cycle from five to three years to no avail.



Rent Return Forms

So what steps can a business take to minimise the increase in their rates? The first step is to look out for the forms issued by the Valuation Office Agency (VOA) entitled 'Request for Information. Non-Domestic rating' which will be arriving in the post shortly. The Valuation Officer will use the information to revalue the property so it is important that it is completed accurately.

Although these forms have been simplified over the years they can still be daunting and professional advice should be sought. It is a civil offence not to complete the form and the fine can be as high as the rateable value of the property concerned so action needs to be taken. In my experience these forms very often don't give sufficient information to the VOA to use them accurately. This means that assessments can be far higher than they should be.

Draft Assessments

The VOA has committed itself to produce most of the draft assessments by early 2009. The intention is to publish these draft assessments well before they come into force to enable businesses to budget for the changes.

At the present time this is likely to be in October 2009 and businesses will be able to access the VOA web site to view the proposed assessment. Indications are that there will be a limited opportunity to make representations where an assessment is clearly wrong. The VOA have also indicated that they would like to consider the option of prior agreeing assessments but this will be limited given the short time frame involved and the fact that they are dealing with over 1.7 million assessments.

Transitional Relief Protection

In view of the substantial increases in the level of assessments proposed, it is hoped that the Government will once again reintroduce transitional relief to cushion the impact. Transitional relief places a cap on the level of increase in rate liability.

However, this system is controversial as the caps would also apply to decreases which mean some ratepayers would be paying higher rates than warranted by their assessment. Thus ratepayers who are in declining locations would in effect be subsidising the more prosperous areas.

Appeal Current Assessments

One of the most important steps to minimising the impact of

the revaluation is to look closely at the current assessment. It is now possible to look on the VOA web site and see a summary breakdown of the valuation of the assessment. This is a great opportunity to check that the areas being used by the VOA are correct and the assessment only includes the accommodation occupied. In addition the web site will enable the ratepayer to check comparable assessments to see if the valuation basis has been successfully reduced on appeal. In such circumstances it is worthwhile lodging an appeal and securing a reduction.

As the reduction can now be backdated to the 1st April 2005, even a small reduction could produce a worthwhile refund. In addition this reduced assessment will be used to calculate the starting point for the cap on the Transitional Relief scheme for 2010 so the lower it is the better. The worrying issue is this right of appeal will be lost come 2010. This is particularly concerning given the fact that the current level of appeals against the 2005 List remains at an historic low with less than half that of the last two rating lists.

Whatever the reasons for this, it is clear that large reductions are still being achieved on appeal. Most professional practitioners will not charge to review the potential.

Important rating dates leading up to 2010 rating revaluation

Jan 2008	Rent Return Forms issued by the VOA
April 2008	Empty Rates Relief restricted to three months for commercial and six months for industrial. Full rates payable thereafter.
April 2008	Valuation Date for Rating Assessments
Summer 2008	Local Government Bill on decap rate
Spring 2009	VOA completes bulk of revaluation
April 2009	All Transitional relief ceases.
Sept 2009	Draft Rating List Assessments sent to some ratepayers and published on VOA web site
Oct 2009 onwards	VOA willing to correct obvious errors in draft list. Also willing to consider prior agreement on some cases.
Oct 2009	Government to Announce Uniform Business Rate
April 2010	Right to Appeal 2005 List Assessment ends except under exceptional circumstances.
April 2010	New Rating List comes into force
April 2010	Likely that Supplementary Business Rate Charge comes into force.

Business ratepayers face substantial increases at next rating revaluation behind an appeal so it is worthwhile seeking advice.

Empty Rates



The Rating (Empty Properties) Act 2007 came into force on the 1st April. This heralded changes which have not been seen since the 1970's with vacant industrial properties charged at full rates if they remain empty after the six months exemption has expired. In addition commercial properties will also be charged full rates if they remain vacant at the expiration of the three months exemption.

In many cases these changes will

catch businesses unaware as there has been little consultation about this. The change could have serious implications for businesses, with the Government indicating that they will be charged close to 1 billion in extra taxes. In December 2007 the Government announced further details on the changes which were contained in the report Modernising Empty Properties. The report stated Vacant Listed Buildings will continue to be exempt and that the Government is not going to bring in any anti-avoidance legislation. Instead they have decided to monitor the actions of the ratepayer's to determine if it is warranted.

It is important to note that this legislation is retrospective in that ratepayer's whose property has already been empty for the exempt period prior to 1st April will be hit with the full rate charge from day one. This is likely to result in many ratepayers seeking to take measures to avoid this punitive tax and it may well result in further legislation in the near future.

Spotlight on Liverpool

Are the commercial ratepayers of Liverpool going to pay increased rates at the next Revaluation in 2010 for the benefit of winning and hosting the European Capital of Culture in 2008?

Since winning the bid to host this prestigious event, Liverpool has seen a massive resurgence of interest in property within the City, which has led to investment and significant regeneration. A major new shopping development, Grosvenor's Liverpool 1, is nearing completion, there are office and other developments taking place in the Centre and the whole City is subject to numerous other works collectively known as 'The Big Dig'.

The new shopping scheme is likely to move the current prime pitch, which could affect parts of Church Street. Current indications are that this uncertainty, coupled with a less buoyant retail sector generally, is holding back the current rental values. Although the increases in 2010 may be modest occupiers are already being surcharged by a supplementary rate resulting from the City Council's designation of a business improvement district (BID).

The Office sector will see the greatest growth. Current assessments peak at £140 sq m but new lettings at developments such as St Pauls Square have headline rents showing 50% increases.

A further issue is that ratepayers have experienced nearly two years of disruption and have the right to make appeals against their current assessments because this cannot be done after the event and the Valuation Office will not give allowances without the appeals or evidence to support them.



The inside view

It is clear that 2008 is going to be a testing year for the Valuation Office Agency. The changes in the empty rates charges are likely to bring in a wave of appeals against the current rating assessments. This is unfortunate timing for the Valuation Office Agency as it is just at the point when they will be looking to use their resources to press ahead with the 2010 Rating Revaluation.

These resources may well be further tested given the recent agreement to cuts in their annual budget of 5% up to 2011. As part of this exercise they have announced that they are consulting with their employees on at least six Valuation Office closures across the country. To make up for this loss in human resources they have invested in new technology to assist in the Revaluation. Perhaps this will result in an improved service from the Valuation Office but it is hard to see how the loss of experienced surveyors will readily achieve this.

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Get all the expertise you need, including:



Nick Bell, Associate Partner, London

- a five year rate liability forecast for each assessment for budgetary purposes
- a detailed audit on each rate accounts current and past payments
- checking the rate demand to ensure they are correctly calculated, valid and all reliefs are applied for in time
- a detailed review of the rateable value of the assessment using our extensive commercial data base
- lodging appeals within the statutory time restrictions
- negotiating with the Valuation Office Agency and when necessary, presenting a case at the Valuation Tribunal
- ensuring that regular reviews and good communications with the client are established so that all opportunities to maximise rate savings are taken