

The "Reform" of Empty Property Rate Relief in England and Wales from 1 April 2008

The Rating (Empty Properties) Act 2007 and supporting regulations implement important changes to empty rates legislation with effect from 1 April 2008. The Government's stated aim of the legislation is to increase incentives for empty property to be let or redeveloped and as a consequence reduce rents and prices for new and existing businesses.

In summary, all property remains entitled to 100% rates relief for three months from the date it becomes vacant. From 1 April 2008 most empty properties, other than industrial and storage premises, will pay 100% rather than 50% rates after three months of vacancy. Empty industrial and storage properties will now pay 100% rates after six months rather than receiving full rates relief indefinitely.

Complete exemption from rates is now given to empty properties held by charities and community amateur sports clubs. Empty property owned by companies in administration also now benefits from a permanent exemption from empty property rates in line with the exemption given to empty property where the freeholder is an individual who is bankrupt or a company in liquidation. Scotland has adopted this part of the change in empty rates legislation but otherwise empty rates legislation in Scotland has not changed.

Other property types continuing to benefit from 100% rates relief when empty include listed buildings, properties where occupation is prohibited by law and properties with a very low rateable

value. Land, or land with any buildings ancillary to the use of the land is not a relevant hereditament for the purposes of empty rates and therefore rates are not chargeable when this type of property is vacant eg surface car parks, sports grounds etc.

"Owner" in the rating context is the person entitled to occupy the property; the owner if the property is freehold and the leaseholder if there is a lease.

The Government has decided to defer making anti-avoidance regulations but is actively monitoring the impact of the reforms. It has stated that it will make regulations to prevent owners from avoiding rates on empty properties if there is evidence that such avoidance activity is taking place. The Act gives the Government the power to make these regulations retrospective with effect from 1 April 2007.

Notwithstanding the Government's justifications for this change in empty rates legislation these reforms are a revenue raising measure. The Government itself estimates it will raise £950m in 2008/09 and £900m pa thereafter. Had this new yield been used to reduce the tax rate for all ratepayers it could have reduced the UBR by almost 5%.

We are continuing to advise our clients with responsibility for empty properties on legitimate tactics to minimize the impact of these changes.

If you would like to discuss mitigation strategies, please contact Blake Penfold on 020 7851 4958 or Paul Dickinson on 07768 381814 or your usual GL Hearn contact.

The Uniform Business Rate (UBR) for 2008/09

The UBR for England and Scotland is 45.8p for 2008/09 (44.1p for 2007/08). The Small Business Relief UBR Supplement has been increased from 0.3p to 0.4p giving a total UBR for 2008/09 of 46.2p for medium and large businesses (44.4p for 2007/08). The City of London UBR supplement remains at 0.4p. The UBR for Wales is 46.6p for 2008/09 (44.8p for 2007/08).

Full details of the UBR and Transitional Adjustments for the 2005/06 to 2009/10 period are in the attached Briefing Paper. We have estimated UBRs for 2009/10 assuming inflation at 4%.



Rating news

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A NEW SMALL BUSINESS RATE RELIEF SCHEME FOR SCOTLAND

The 2008 Small Business Bonus Scheme in Scotland came into effect 1 April 2008 replacing the 2005 Small Business Rate Relief Scheme. The new Scheme offers rates relief for businesses with an RV of £15,000 or less (increased from RV £11,500) based on the total RV of all subjects occupied by the business in Scotland. If the total RV is less than £8,001 the relief is 80% (100% from 2009/10); RV £8,001 to £10,000, 40% (50% from 2009/10) and RV £10,001 to £15,000, 20% (25% from 2009/10).

Businesses are required to apply for relief under the Scheme although councils have the discretion to award relief if they are satisfied that the information they hold is complete, accurate and up to date. If a business is already in receipt of one of the other non-discretionary rates reliefs or discretionary relief for not-for-profit recreation clubs then that relief will be deducted from the notional amount of Small Business Bonus Relief available.

PROGRESS OF THE 2005 REVALUATION

At end of January 2008 the Valuation Office Agency (VOA) had 98,000 appeals of all types outstanding throughout England and Wales (compared to 429,000 at the same stage five years ago). It is estimated that the current figure is around 75,000 outstanding appeals - equivalent to around six months work. There have been fewer and more selective appeals issued against the 2005 Rating List and these appeals are being dealt with more quickly.

The average reduction in rateable value for compiled list appeals (appeals against the 1 April 2005 RV) in England and Wales according to the VOA is around 2.2% for 286,498 appeals settled. For our clients we have achieved on average nearly double this at just over 4%. We advise that appeal strategies are kept under continual review and that no opportunities for savings are missed.

The 2010 Revaluation - England, Scotland, Wales & Northern Ireland

There will be a 2010 Rating Revaluation of all non-domestic property in England, Scotland, Wales and Northern Ireland. The new Lists will come into force on 1 April 2010 based on rental values at 1 April 2008. It is the first time the revaluation date has coincided for all four countries in the United Kingdom. Rents on new leases, lease renewals, rent reviews etc. effective around 1 April 2008 will be strong evidence of value for 2010 rateable values and the rents that you agree now will be of particular significance in setting the 2010 rateable values.

In England and Wales the Valuation Office Agency (VOA) has commenced preparations for the revaluation. There are 1.79m properties to value and the aim is to provide Summary Valuations on line for 1.7m of them, up from 1.3m under the current 2005 List. The remainder mainly relate to properties where the valuation is determined from trade information or is otherwise confidential or sensitive. The valuations are to be undertaken between July 2008 and 31 May 2009 with the 2010 Rating List published on 30 September 2009.

In Northern Ireland the revaluation is being carried out by Land and Property Services, an executive agency within the Department of Finance and Personnel established in April 2007 from the merger of the former Rate Collection Agency and the Valuation and Lands Agency. Forms of Return (FORs) are now being sent out in Northern Ireland. We understand a reminder will follow after 28 days and fines for non completion can be up to £1,000. We can complete these on behalf of clients as part of our 2010 revaluation instructions.



VOA Rating Contact Scheme

The VOA tried similar schemes under different names (MERI, VORC) for the 2005 revaluation but with limited enthusiasm from ratepayers. The basic principle is to persuade multiple occupiers and owners to provide bulk rental data on their property portfolio to the VOA, preferably electronically. In return the VOA claims there will be a reduction in the number of FORs to complete, and also an improvement in the quality of information received by the VOA which will result in more accurate valuations. There is a requirement on the ratepayer to update the information every six months.

We do not believe there is evidence that the previous schemes reduced the number of FORs. Furthermore, tenure information is confidential and requires in many cases significant effort on the part of ratepayers to extract the data in a complete and suitable format. Finally the bulk provision of tenure information updated every six months is not in our view likely to result in lower rates outgoings for ratepayers. The VOA has a statutory means of obtaining targeted tenure information through Forms of Return (FORs) and we believe this is the appropriate means of obtaining the relevant tenure data required for a rating revaluation.

GL Hearn Research Project on the Impact of the 2010 Rating Revaluation

We have worked with IPD, the leading property performance analysis and research company, on a wide ranging research project to assess the impact of the 2010 revaluation for various property categories by region in England and Wales. This enables our clients more accurately to forecast and budget for rate liabilities from 2010 to 2015 and to assist with accurate long term financial planning for business rates.

The research project has involved us and IPD carrying out rental value forecasts for all sectors and areas of the country with the aim of forecasting UBR and relative rental/rateable value (RV) movements. This allows us to model rate liabilities for individual portfolios.

If this is of interest to you please contact Blake Penfold on 020 7851 4958. With regard to cost we are looking to cover the cost of the modelling and we would be pleased to let you have a quote based on your portfolio.

Business Rate Supplements: A White Paper

In our December 2007 News Release we gave details of the Government White Paper. All the indications are that the Government proposes to find parliamentary time for the measure with a view to its introduction with effect from 1 April 2010. This proposal is unwelcome news for business as it represents a supplementary payment which could be up to 5% on top of existing business rate liabilities.

TO SUMMARISE THE MAIN POINTS:

- This is a new power for local authorities in England to raise and retain local supplements on the national business rate in order "to fund projects that will promote economic development"
- Only the highest tier authority in any areas will be entitled to levy supplements. Shire counties will be required to consult their districts on any new supplement proposals. In London, the power will rest with the Greater London Authority (GLA). The Mayor for London has announced that he envisages levying a business rate supplement of 2p in the pound across the GLA area from April 2010, with revenues to be used to service debt for construction of the Crossrail railway project.
- Revenue from supplements will only be available for spending on economic development that is in addition to existing plans. Proposals will be subject to detailed statutory consultation.
- A national upper limit of 2p in the pound will be set on the level on supplements that can be levied.
- To protect smaller businesses from disproportionate burdens, properties liable for business rates with a rateable value of £50,000 or less will be exempted from paying supplements.
- Where the supplement will support more than a third of the total cost of the project there will additionally be a full 'dual-key' vote of businesses affected.

BUSINESS IMPROVEMENT DISTRICTS (BIDS)

There are now 68 BIDs in the UK and another in Dublin City Centre. A further 13 BIDs are in the pipeline. A BID is described as a partnership between a local authority and the local business community to address a gap or weakness in the services provided by the local authority that is a source of concern to local businesses. Suggested examples for BIDs are to pay for more frequent policing, CCTV, litter bins, street furniture, tree planting, repairs to pavements, faster clean up of graffiti, local training and employment schemes, or a more frequent rural bus service. BIDs can be located in town centres, one or two streets, industrial estates or anywhere else where business identifies a need. The majority of BIDs are currently in town centres but there are also now BIDs established for industrial and other areas. BIDs are often for two year periods and a number are seeking a further term.

The downside is that funding for a BID is normally derived from a levy on the rates which is borne by the ratepayer occupier of business premises within the BID boundary even though the owner will benefit from any increase in the value of its investment arising from improvements under the BID. This levy is typically between 1 and 2% of the RV and normally payable in one or two installments. We manage BID levies on behalf of our rate payment management clients.

BIDs have proved a popular means of enabling identified improvements to areas and services but at a cost to the ratepayer. As new BIDs are proposed and existing BIDs come up for renewal evidence of the success or otherwise of each one should be closely monitored before clients make a decision on whether to vote for or against the BID in question.

If you would like more information on BIDs and those in the pipeline please contact Paul Dickinson on 07768 381814 or you regular GL Hearn contact.



Managing Rate Demands and Refunds

Rate Demands for 2008/09 have been arriving in bulk over the past few weeks. The introduction of empty rates liability on industrial and storage property has resulted in many additional demands, often incorrectly identified and served on the wrong ratepayer by the local authority.

The administration of rate demands is daunting for companies, particularly those with large property portfolios. Demands have to be checked to ensure they relate to a property in which the organisation has an interest giving rise to a liability. They come in various formats, are frequently difficult to interpret and must be checked for accuracy. Systems have to be set up to pay the correct installment amount at the optimum time throughout the rate year. Amendments to bills, Business Improvement District and Council Tax demands, refunds management and calculation of interest adds to the burden. The complexity is increased for clients with properties in areas without a UBR such as Ireland, the Channel Isles and the Isle of Man.

GL Hearn were the first major surveying company to establish a rate payment and refund management service. We have been handling our client's rates demands and refunds for over 10 years and have an established and experienced rate payment and refund management team in place.

If you would like more information on this cost effective service please contact Paul Dickinson on 07768 381814, Janice Tobin on 020 7851 4986 or you regular GL Hearn contact.

Interest Rate for 2008/09 on Refunds of Overpaid Rates

This is set for any year at one percentage point below the standard rate at 15 March in the preceding rate year. As the standard rate on 15 March 2008 was 5.25%, the rate of interest to be applied for 2008/09 has been confirmed at 4.25%.

RATING SERVICES

- Rating Appeals and Negotiations
- Rates Payable and Budgeting Reports
- Rate Payment Management
- Rate Refund Management
- Empty Rates and S44A Applications
- General Rating Advice

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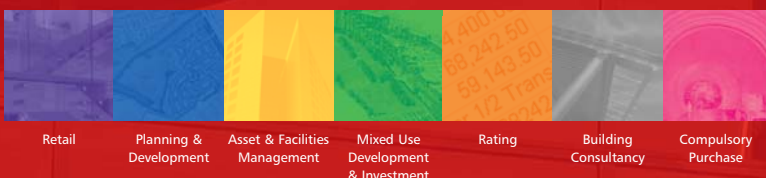
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