

# *rating times*

Winter 2008

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newletter



## Government Finalises Plans for the Reform of Empty Rates

A few days before Christmas the Local Government Minister, John Healey, announced the Government's final plans for its reform of empty rates relief, which will come into force on the 1st April 2008.

Despite intense lobbying from the property industry the Government is set to introduce the changes it first announced in last year's Budget. The main details of the reforms are:

- Most empty properties will attract full business rates after an initial rate-free period.
- All empty properties will receive a 3 month rate-free period.
- A further 3 month rate-free period (six months in total) will be given to industrial premises, stores and warehouses.
- If a property has been vacant for some time, and empty rates relief has already been given for at least three (or six) months, it is likely that full rates will be payable from the 1st April 2008.
- Exemption will be given to empty property where:

- It is a listed building. This concession was made following the response to the Government's consultation paper "Modernising Empty Property Relief". The Government accepted that owners and occupiers of listed buildings have additional constraints placed on them, and more work is needed to bring the buildings back into beneficial use compared to other properties.
- The ratepayer is a charity and the next use of the property is for charitable purposes.
- The ratepayer is a community amateur sports club and the next use of the property is as a community amateur sports club.
- The ratepayer is a company in liquidation.
- The ratepayer is a company in administration – another late concession by the Government in response to its consultation paper.
- The rateable value is below £2,200.
- The occupation is prohibited or prevented by the operation of the law or by action taken by a public authority e.g. property subject to a compulsory purchase order.
- There will be no change to the time period a property needs to be occupied before it qualifies for its rate-free period. This remains at six weeks.

## Anti-Avoidance Legislation is Postponed

In a surprising but welcomed move, the Government has decided not to introduce 'anti-avoidance' measures despite there being three different proposals for a scheme in the consultation paper 'Modernising Empty Property Relief'. These 'anti-avoidance' measures were originally thought necessary in order to stop owners from deliberately rendering their properties incapable of beneficial occupation and thereby avoiding business rates e.g. by removing roofs, or demolishing the buildings completely.

The suggested proposals were very complicated and would have been difficult to apply within normal rating law and practice. However, the main reason for the Government's concession was provided by John Healey 'it would be an extreme step for a property owner to go to the lengths of deliberately vandalising a potentially valuable asset so that it is beyond economic repair, and I do not believe this is a likely response to the Government's reforms to make more efficient use of land'.

The Rating (Empty Properties) Act 2007 allows the Government to introduce anti-avoidance measures at any time. This power is likely to be used if there is evidence that property owners are taking action to avoid paying rates on their empty property. The Government intends monitoring the situation closely.

## Uniform Business Rates for 2008/09

	2008/2009	2007/2008
England	45.8p	44.1p
Wales	46.5p	44.8p
Scotland	45.8p	44.1p

In addition, most businesses have to pay the small business rate supplement which will increase from 0.3p to 0.4p in both England and Scotland. This adjustment is being made even though the Government has stated that the amount collected in 2005/06 and 2006/07 exceeded the amount paid out by way of small business rates relief. However, estimates for 2007/08 suggest an under-collection – hence the justification for the increase.

Ratepayers in the City of London pay an additional supplement as a contribution towards the City of London Police and security in the area. The exact amount has yet to be announced but we expect it to be in the region of 0.4p for 2008/09.

## Transitional Arrangements for 2008/09

Most rates bills for 2008/09 will be calculated as:

Rateable Value X Uniform Business Rate  
However, transitional arrangements continue to apply in England, where appropriate.

2008/09 is the final year of this scheme which is as follows:

### Maximum Increases in real terms

Small properties up to RV £15,000 (£21,500 in London) 15%  
Large properties over RV £15,000 (£21,500 in London) 25%

### Maximum decreases in real terms

Small properties up to RV £15,000 (£21,500 in London) 60%  
Large properties over RV £15,000 (£21,500 in London) 25%

## Full Steam Ahead for the 2010 Rating Revaluation

The Government's plans for the 2010 rating revaluation are well advanced despite the current turmoil in the financial markets, which is having a significant effect on property values. New rateable values, which come into force on the 1st April 2010, will be based on rental levels at the 1st April 2008. So far rental levels seem unaffected by the financial turmoil but we believe the unpredictability of the current property market will give the Valuation Office Agency an extremely difficult job in determining accurate rateable values for the 2010 revaluation. This will be exacerbated by the changes to empty rates relief which will create even further uncertainty in the rental market.

Our early indications suggest that businesses in the City and West End of London are likely to fare the worst following the 2010 rating revaluation with rates liabilities potentially doubling, although a transitional relief scheme will soften the blow.

We will produce a detailed research document in the Spring showing our analysis of the property sectors by region and our predictions for rateable value and rates liability changes following the 2010 revaluation.

## Supplementary Rate to be Introduced in 2010

Last October, the Government published "Business Rate Supplements: a White Paper" in which it announced the introduction of a new power for local authorities in England to raise and retain local supplements on the national business rate. These supplements will be raised and retained locally, with local decision-making on the duration of any supplement and the specific projects it will fund. The proposals will be subject to detailed statutory consultation but will broadly involve the following:

- A national upper limit of 2p in the pound will be set on the level of 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 exempt.
- Where the supplement will support more than a third of the total cost of the project there will be a full 'double-lock' vote of businesses affected.

The Mayor of London has already 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 for the construction of Crossrail.

The Government will legislate to enable local authorities that wish to levy the first supplements by April 2010. The Government will consult on technical issues before finalising the detailed arrangements.



# The National Business Rates Team Expands

## Rates Audit Service



**Andy Gray** joins us from Birmingham City Council and will head our business rates audit service. Andy was Business Rates Operational Manager responsible for the administration and collection of annual rates liabilities totalling £320million. He has 16 years experience and extensive knowledge of law and local authority practice and procedure. This expertise allows us to expand our comprehensive **rates bill audit service** to include a forensic review of historic rates bill calculations and payments, focussing on potential billing errors and securing maximum rates savings for our clients. Our audits to date have produced millions of pounds of savings already.

## Boost for Scotland



**Gordon Martin** joined the rating business unit as an Associate in September 2007 based in Edinburgh. Gordon brings a total of 19 years rating experience to the team, most recently as an Assistant Assessor within Fife. Gordon was a member of the Scottish Assessors Association and had responsibility for various types of contractor's based valuations, specialising in MOD and waste water treatment works properties. Gordon was also part of the Assessors Portal Project Team which successfully delivered the Assessors' Association website.



**Kevin Elder** came aboard in November 2007 as an Associate in the Edinburgh office. He also brings a wealth of rating experience having worked for 24 years within Fife Assessors and more recently as a Divisional Assessor during 3 years working in Lanarkshire. Kevin has wide-ranging rating experience covering all types of subjects but also specialised as part of the Assessors' Association in contractors valuations.

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