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Business rates: hikes and headaches

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Over half a million business occupiers are bracing themselves for a sharp rise in rates when the new valuation list takes effect on 1 April.

Business rates can represent close to half of a property's rental value, so they are a very significant overhead. It is the areas where rents have soared in recent years that will be hardest hit: huge increases will apply to prime locations in the City and the West End. (The overall tax 'take' remains the same, so there will be corresponding decreases in locations that are struggling.) The highest increases will be phased in over one or more years: small comfort to the businesses affected.

Challenging a rateable value

Where business owners believe that the new rateable value is incorrect, they should seek advice from a surveyor who specialises in rating valuations. They will generally charge a 'success fee' based on a modest percentage of the saving achieved. (We would be happy to recommend surveyors who are experts in this field.) It makes sense to challenge the rateable value as soon as possible because the assessed rates are payable until such time as the 'rating list' is actually amended, and that takes time. Time-limits apply to the new challenge system which will apply from 1 April, so that is a further key reason not to delay taking advice.

We can advise owners and occupiers in relation to liability for business rates, and where they believe premises have been wrongly entered in the rating list.

Premises in multi-let buildings

Business with premises on different floors of a multi-let building face even higher rates. Ordinarily, a substantial 'volume' discount applies to rates as the size of the rateable unit (or 'hereditament') increases. However, the recent *Woolway case* showed that a rate payer with premises on two separate floors in the same building would be treated as having two entirely distinct rating hereditaments. In essence, where you occupy premises which could be let independently and which are principally accessed via a common 'core', you are likely to be seen as having separate units for rating purposes. To achieve the status of a single rating unit, it may be worthwhile in some cases installing a staircase and/or a lift so that 'private' intercommunication is possible between the relevant spaces. This is something to consider when deciding whether to take more than one floor in a multi-let building rather than a single large floor-plate with the same total floor area.

Empty rates relief

Empty retail premises such as shops and offices benefit from an exemption from rates for just three months. Empty industrial premises benefit from an exemption for six months. However, premises will be temporarily removed from the rating-list while they are incapable of being occupied. The range of circumstances in which premises are incapable of being occupied is narrow.

Premises undergoing fitting out works or refurbishment works are generally considered to be capable of being occupied. A recent Supreme Court decision (*Newbigin v S J & J Monk* [2017]) considered the treatment of premises undergoing refurbishment and which of two competing principles in rating law should apply:

- First, that the valuation for rating assumes that the premises are in a state of reasonable repair; and
- Secondly, the 'reality principle', that the property is to be valued on the basis of its condition on the date of valuation.

Thankfully, for the rate payer, the reality principle is not displaced when premises undergoing refurbishment are valued, and as a consequence, the rateable value during substantial refurbishment works may be reduced.

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