BUSINESS RATES
2017 RATING REVALUATION

Basis of Assessment

All commercial properties throughout the United Kingdom are subject to a rating revaluation, normally, every 5 years. The 2017 rating list came into force on 1 April 2017 and the assessments contained therein are based upon the Valuation Officer's opinion of the rental value of the property at a date of valuation set by Parliament.

2017 Rating List

For the purposes of the 2017 Rating List, the date of valuation is 1 April 2015 and accordingly, the assessments appearing in the Rating List reflect the Valuation Officer's opinion of the rental value at that time. The Valuation Officer will take into account the rental evidence available in the building and other buildings in the locality at or around the antecedent date of valuation in arriving at his opinion of value. The rent and hence, rateable value, should take into account all the physical circumstances of the property including benefits such as air conditioning, raised floors etc as well as any disabilities.

UBR

England

In order to calculate the rate liability each year the Local Charging Authority multiply the Rateable Value by the Uniform Business Rate (UBR) which is set annually by Parliament. For 2017/18 the UBR is 0.479 pence in the pound.

Small properties, which are defined as those where the assessment is less than RV £51,001 attract a small level of relief through a lower UBR. The small property UBR for 2017/18 is 0.466 pence in the pound.

Parliament is not allowed to increase the UBR by more than the increase in RPI in any one year.

The UBR figures above apply to the whole of England with the exception of the City of London who have the powers to make an additional precept. In 2017/18 the additional precept is 0.4 pence in the pound.

Wales

There is a single UBR of 0.499 for 2017/18 notwithstanding the size of assessment.

Scotland

For properties where the assessment is up to RV £51,000 the UBR is 0.466 for 2017/18 but this rises to 0.492 for properties where the assessment is RV £51,001 or above.

Cross Rail Supplement

All ratepayers in Greater London with an assessment of RV £70,000 or greater are required to pay a business rate supplement based upon the RV multiplied by £0.02 as a contribution to the construction of Crossrail. Parliament passed legislation in 2010 permitting this additional charge for a period of up to 34 years.

Transitional Arrangements

As a result of a rating revaluation assessments may rise or fall significantly. For example the 2017 revaluation has led to a dramatic increase in the level of assessments on central London offices whereas elsewhere around the UK provincial offices have seen their assessments stay the same or in many cases diminish. In view of the significant changes the Government announced Transitional Phasing provisions, in order that ratepayers were not faced with an immediate increase overnight in their liability where an assessment had increased. In order to

pay for this relief the Government announced downward phasing provisions where assessments had reduced so that ratepayers did not get the immediate benefit of the reduced assessment. The following table shows the maximum increases and decreases allowed under the current regulations.

Final: Transitional Arrangements 2017 revaluation (before inflation) funded by 3 caps on reductions						
	Property Size	2017/18	2018/19	2019/20	2020/21	2021/22
Upwards Cap	Small	5.0%	7.5%	10.0%	15.0%	15.0%
	Medium	12.5%	17.5%	20.0%	25.0%	25.0%
	Large	42.0%	32.0%	49.0%	16.0%	6.0%
Downwards Cap	Small	20.0%	30.0%	35.0%	55.0%	55.0%
	Medium	10.0%	15.0%	20.0%	25.0%	25.0%
	Large	4.1%	4.6%	5.9%	5.8%	4.8%
Medium is above RV £28,000 rateable value in London and RV £20,000 elsewhere. Large above RV £100,000.						

The Local Charging Authority are allowed to take into account inflation in calculating transition so in practice although the upward cap in 2017/2018 for large properties is 42% this is adjusted by 2.0% (the RPI increase), thus the cap is 44%.

The above transitional arrangements only apply in England and do not operate in either Scotland or Wales.

Empty Rates

A) Rate Relief where an Entire Property is Vacant

Where an entire hereditament (property) becomes vacant, the Regulations state that no rates will be payable for three months and thereafter full rates will apply until the property is reoccupied. This relief applies to all hereditaments with the exception of industrial properties i.e. those described in the rating list as a warehouse, workshop or factory which have the benefit of nil rates for 6 months and thereafter full rates are paid.

Where a property, other than an industrial property, is reoccupied for a minimum period of 6 weeks and then vacated again, a further 3 month exemption can be claimed and thereafter full liability is charged again. In the case of industrial properties a further 6 months will apply.

B) Rate Relief for a Partly Occupied Property

The general principle in rating is that “occupation of part is occupation of the whole”. There are two courses of action which may, in certain circumstances, defeat this principle, however.

a) Section 44A of the Local Government Finance Act 1988 gives rating authorities a discretion to grant relief where it appears that part of a property is going to be unoccupied for a “short time only”. There is unfortunately, no guidance as to what is meant by a “short time only” and it is left for an authority to decide each case on its own merits.

Where a charging authority decides to exercise its discretion, it will require the Valuation Officer to apportion the rateable value of the hereditament between the occupied and unoccupied parts. The ratepayer will then get the benefit of 3 months charged at Nil on the empty part (in the case of an industrial property 6 months) but thereafter will have to pay full rates.

b) The second option, where the unoccupied part is likely to remain vacant for a long period of time, is to request a division of the hereditament to create separate assessments. To apply, each part must be used for wholly different purposes and, having established different uses, each part must then be capable of separate occupation.

Once separate assessments have been established no rates will be charged on the vacant hereditament for 3 months (6 months for industrial properties) by right as opposed to the relief being discretionary under S44A.

Statutorily listed buildings (Grade I, II & II*) are exempt from empty rate charges.

Material Changes in Circumstance (MCC's)

The Rating Regulations state that only one appeal may be lodged against an assessment during the 5 year period of a rating list. However the exception to this rule is where there has been a material change in circumstance (MCC).

An MCC is a physical change either to the hereditament itself or a physical change outside of the hereditament but in the same locality.

Economic changes, such as falling rents, are not MCC's as the quinquennial revaluation is supposed to take into account economic changes between lists.

In the case of offices an MCC may be a subletting reducing the physical size of a hereditament, the installation or removal of items such as air-conditioning, raised floors etc. all of which will impact on the RV.

A common MCC is building works outside of the property but in the immediate locality of the property. Claims are negotiated based upon the facts. Clearly building works that abutt a party wall with the subject hereditament are generally more severe than works taking place across the road and one would therefore expect to negotiate a higher allowance for the duration of the works but each case is determined on its merits.

The Appeal Process

From 1st April 2017 there is a new three stage appeal process known as Check, Challenge and Appeal. The first stage will be purely factual where the ratepayer has the opportunity to check the facts upon which the assessment is made ie areas, age of building, specification etc. The VOA have up to 12 mths to agree the facts. Once facts are agreed the ratepayer then has the opportunity to challenge the valuation and at that stage the ratepayer has to present the rental evidence in support of that challenge. There is no encumbrance on the VOA to prove their valuation or indeed show how they have arrived at that valuation. The onus is on the ratepayer to present the case. The VOA then have up to a further 12 months to either agree that the assessment is too high or not. If they remain happy with the assessment they will issue a certificate stating the same and it is only then that the appeal procedure commences and the ratepayer would then effectively make an appeal to the Valuation Tribunal (VT) submitting a written statement of case for determination. At that point it is suggested that the ratepayer will have to pay a charge to the Tribunal which is only refundable if the appeal is accepted and the assessment reduced by the VT.