

GERALD EVE'S RATING NEWS UPDATE – AUTUMN STATEMENT

DECEMBER 2013

The Chancellor's Autumn Statement was packed with business rates measures many of which can be welcomed warmly. Having said that, we think that not everything is quite as it seemed initially and some of the detail cannot yet be revealed as it has still to be formulated by the Department for Communities and Local Government (DCLG).

UBR CAPPED AT 2%

For the first time ever, the Government will be increasing the Uniform Business Rate by less than the Retail Price Index for the previous September. That figure was 3.2% but the Government has heeded calls from the CBI and other industry representative groups and will limit the increase next year to 2%.

The UBR applicable to small properties in England will therefore increase from 46.2p this year to 47.1p in 2014/15 (a 3.2% increase would have meant a small UBR of 47.6p – which is in fact only a 3% increase as a result of the rounding methodology used for setting UBR).

The legislation does not permit the Government to recoup in any subsequent year the 1.2% discount it is providing next year.

The downside which was not revealed by the Chancellor but which we have gleaned from close examination of the data in the documentation supporting the Autumn Statement, is that the UBR supplement paid by large properties to fund part of the Small Business Rates Relief scheme will increase from 0.9p to 1.1p. **The large property UBR will therefore be 48.2p in 2014/15 which will apply to properties above Rateable Value £18,000 (£25,500 in London).**

Whilst the UBRs in Scotland and Wales are devolved matters, we anticipate that the administrations in those countries are likely to also limit UBR increases to 2%.



RATES CUT FOR RETAIL PREMISES

In a surprise move to support the high street, the Government will cut rates bills by £1,000 in each of the next two years for retail premises with Rateable Values of up to £50,000. 'Retail premises' have yet to be defined formally but the Autumn Statement documentation identifies that this will include pubs, cafés, restaurants and charity shops. We are led to believe that when guidance to local authorities is produced this will clarify that property uses excluded from the £1,000 discount will include betting offices, payday loan shops and bank premises.

We also understand that there will be one further key criterion which is not mentioned in the documentation which is that the discount will be subject to the usual European State Aid de minimis rules, barring a company from receiving more than 200,000 Euros by way of State Aid across a rolling three year period. This is presently equivalent to about £56,000 per annum which will limit the scope for multi-site retailers to obtain this discount for all of their shops, especially if their business is already in receipt of other forms of State Aid.

It also raises the spectre of a possible need to apply for the £1,000 discount rather than receive it automatically and to declare to each local authority that the applicant would not fall foul of the State Aid rules by receiving the relief. DCLG has yet to prepare its guidance to local authorities both as to the specific property uses which will and will not qualify and the recommended approach to the State Aid issues.

As can be seen from the examples in the table below, for qualifying retail properties the £1,000 discount leads to a cut in rates payable next year, with the biggest savings applicable to the lower value properties.

Example of effects of Autumn Statement changes for qualifying 'retail' properties below RV £50,000 reflecting a 2% UBR cap and £1,000 rates discount

RV	Liability 2013/14	Liability 2014/15	Reduction	Reduction
£15,000	£6,930	£6,065	£865	12.5%
£30,000	£14,130	£13,460	£670	4.7%
£45,000	£21,195	£20,690	£505	2.4%

A NEW 'TEMPORARY REOCCUPATION' RELIEF SCHEME

In an almost direct copy of a similar, but snappier titled 'Fresh Start', scheme applicable in Scotland, the Government will grant a 50% discount from business rates to those occupying retail premises below RV £50,000 which have been vacant for at least 12 months. The relief will last for 18 months for those moving into such properties between 1 April 2014 and 31 March 2016 and the expectation is that this will encourage the take up of vacant retail premises. Guidance is again awaited on the detail of the operation of this scheme and whether its application will be limited to 'retail' or extended to the other types of property in the high street to which the £1,000 discount will apply.

SMALL BUSINESS RATES RELIEF (SBRR)

The existing enhanced SBRR scheme which has applied since October 2010 and has been extended at previous Autumn Statements but was due to expire next March, has been extended for a further year to 31 March 2015. The Government claims that under this scheme 360,000 small businesses with assessments below RV £6,000 pay no rates at all and it is therefore a near certainty that the Chancellor will in 12 months' time extend the scheme for a further year. He is hardly likely to send rates bills to hundreds of thousands of ratepayers for the first time in four and a half years just five weeks before the General Election.

He announced one small refinement to the SBRR scheme. The rules are somewhat complex but essentially a business can qualify for the relief if it occupies only one property in the country. This has been criticised as anti-growth as a business could lose its relief if it expanded and took on further properties. The Government will therefore amend the legislation so that the existing SBRR can continue for a further year following such expansion.

MONTHLY RATES PAYMENTS

In a welcome move which will enhance cashflow for all businesses, the Chancellor announced that from April 2014 local authorities will have to offer ratepayers the facility to discharge their rates liabilities by making 12 monthly instalments rather than the 10 payments from April to January which has been the norm.

REFORM OF THE BUSINESS RATING SYSTEM

Confusion prevails as to the Government's intentions for the future of the rating system. There has been an unprecedented cacophony of complaints about business rates in recent months with almost every trade and industry representative organisation calling on the Government to lead fundamental reform.

In his statement to Parliament, the Chancellor referred to 'reform of business rates on the agenda for the 2017 revaluation'. The Autumn Statement documentation states, at paragraph 1.165,

“The Government has heard business' concerns about the operation of the business rates system more broadly, its transparency, complexity and responsiveness to economic circumstances.”

suggesting perhaps that it would review the system. The paragraph continues, however, to refer to the plan to allow 12 monthly payments which, whilst important, hardly addresses the business concerns just identified and concludes

“The Government will also discuss with business options for longer-term administrative reform of business rates post-2017.”

This proposed 'discussion' on 'administrative reform', seems to us to fall way, way short of what many business organisations are seeking, as does the post-2017 timescale. The Government also makes clear that this reform will be required to 'maintain the aggregate tax yield' which is clearly why it can be little more than 'administrative'.

The only immediately planned reform is to the rates appeals system where, in addition to a commitment to resolve 95% of outstanding cases by July 2015, the government announced it

“will consult in 2014 on changes to provide greater transparency over how rateable values are assessed, improve confidence in the system and allow well-founded challenges to be resolved faster, preventing backlogs building up in future.”

2014 arrived early as just a few hours after the Chancellor's Statement, a consultation paper was issued by DCLG. It is available at <https://www.gov.uk/government/consultations/checking-and-challenging-your-rateable-value>. The consultation runs until 3 March 2014 and the intention is to implement its proposals as soon as October 2014.

The Government recognises that there is presently no duty placed on the Valuation Officer to justify his rating valuation and to explain how it has been derived from an analysis of the relevant rental evidence. This therefore encourages ratepayers to appeal, as this is the only way to extract this information often at a late stage in the appeals process and after considerable delay.

A brief outline of the proposed new arrangements is, as follows:

- For properties valued by the direct rental method, i.e. most shops, offices, factories and warehouses, the VO will have to provide limited rental information up front – an example of what this might look like is included in the consultation paper
- If a ratepayer wishes to challenge the assessment, he will need to explain his grounds in a proposal form and provide supporting rental evidence which shows why the assessment is incorrect. Presently a proposal is valid even if it says no more than the assessment is incorrect and should be reduced.
- The VO will have to issue a decision notice within 12 months and reduce the assessment if that is his decision
- If the ratepayer is still dissatisfied, an appeal can be lodged with the Valuation Tribunal within two months of the decision notice, or after 12 months if no decision has been issued.

We have often called for greater transparency in the rating system and for the VOA to be required to share relevant rental information, especially at the outset of a revaluation, which would better enable ratepayers to audit their assessed values. The principle of greater disclosure is therefore to be welcomed but our initial view is that the very basic, high level, rental evidence that the Government suggests the VO should disclose will be insufficient to allow ratepayers to adequately audit their assessments, especially as the properties the subject of the evidence will not be identified.

As the proposals are drafted there would be no reduction in the workload required of both the VOA and ratepayers' advisers. We shall be working with DCLG seeking to influence improvements in the consultation proposals and would be pleased to hear your thoughts.

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