GERALD EVE'S RATING NEWS UPDATE

FEBRUARY 2015

AUTUMN STATEMENT CHANGES – THE DETAILS EMERGE (MOSTLY)

It has been a couple of months since the Chancellor announced a raft of business rates measures in his 2014 Autumn Statement and we can now cease speculation and summarise the details.

The exception is in relation to the critically important planned 'review of business rates structure' for which the Government received much acclaim from those previously critical of its refusal to undertake a 'root and branch review' of the business rates system. Terms of reference for this review were to be issued 'shortly' and then 'in due course' but, disappointingly, have yet to materialise. These are now promised 'soon' but with only five weeks remaining until the period of purdah prior to the General Election it is clear that no material progress will be made until after the Election.

In the meantime, the following key changes come into effect on or before 1 April 2015.

UNIFORM BUSINESS RATES (UBR) 2015/16

The requisite regulations have been laid in England to facilitate the Chancellor's commitment to limit next year's UBR increase to 2%, instead of the usual linkage to September's Retail Prices Index which was 2.3%. There was an element of sleight of hand at play given that the UBR supplement paid by large properties (above RV £18,000 and above £25,500 in London) will increase from 1.1p to 1.3p, meaning that for these properties rates bills will actually increase by 2.3%!

The Scottish Government has similarly capped its UBR uplift at 2% and increased the large property supplement to 1.3p.

From 1 April 2015, business rates in Wales are being fully devolved to the Welsh Government. It too has capped the UBR increase at 2% but decisions are awaited as to whether it will follow suit on the other changes summarised below.

RESTRICTING RATEPAYERS' APPEALS

This most far reaching of the Autumn Statement measures was presented as one that is potentially beneficial to ratepayers as Valuation Officers' (VO) rights to backdate rates increases will be curtailed, albeit only from April 2016. Of much greater consequence is that new restrictions are to be imposed on appellants and unless formal appeals are made by 31 March 2015, consequential rateable value reductions will not be backdated.

The regulations which govern the new rules and relate to England only are complex and so we only summarise the key circumstances here and will advise clients individually on the implications of the new regulations for their properties.

For property already in assessment by 31 March 2015, any ratepayer appeal must be made by 31 March 2015 for the reduction to be fully backdated, potentially to 1 April 2010. If an appeal is made after 31 March 2015 the earliest any reduction can be backdated to is 1 April 2015.

There are some exceptions to this general rule, with the key one being that ratepayers will have six months from the date of a VO alteration to appeal it. For example, if on 1 February 2015 the VO enters a new property in the rating list, or alters an existing assessment, any appeal would have to be submitted by 31 July 2015 in order for any reduced RV to be fully backdated. If the appeal is made more than six months after the VO alteration, the earliest it could be backdated to would be 1 April 2015.

Whilst most ratepayer appeals therefore need to be made by 31 March 2015, VOs are being allowed an additional year to make back-datable assessment alterations. At the extreme therefore, the VO could alter the List on 31 March 2016 to bring a property into assessment with effect from 1 April 2010, immediately landing the ratepayer with six years' backdated rates bills. Businesses will need to retain until 1 April 2016 any accruals that have been put in place due to missing or undervalued properties.

The consequence of these changes will be readily apparent – appeals have mostly to be made by 31 March 2015. But this is not to say that every unappealed assessment should be challenged. There is no purpose in appealing without the prospect of achieving a reduction and only harm can arise from challenging a low valuation which might encourage the VO to increase and backdate the assessment in the extra year available to him. We suggest you resist the telesales approaches you are likely to receive over coming weeks encouraging you to 'use it or lose it' – these cold callers have a track record of promising reduced assessments but leaving their clients with increased bills when the VO realises the rateable value appealed was too low.

RETAIL AND FOOD AND DRINK DISCOUNT

In our **March 2014 Rating News Update** we provided details of the discount announced in the 2013 Autumn Statement reducing rates bills for qualifying property uses with rateable values no greater than £50,000. The discount was set initially at £1,000 for each of 2014/15 and 2015/16, however, it has now been increased to £1,500 for 2015/16.

This enhanced discount should be reflected in 2015/16 rates bills but multi-site occupiers should be aware that this could lead to them receiving European State Aid in excess of the maximum permitted of 200,000 Euros (circa £156,000 presently) over a rolling three year period. We summarised the complex State Aid provisions in our **March 2014 Rating News Update** and we would be pleased to advise clients further if you have specific queries regarding the £1,500 discount.

Whereas the initial discount applied in both England and Wales, there has so far been no announcement from the Welsh Government regarding any change to the scheme. For the present it is assumed that the £1,000 discount will continue unamended in Wales.

EXTENSION OF TRANSITIONAL RELIEF

Before the Government postponed the 2015 rating revaluation, the 2010 revaluation was originally intended to last until 31 March 2015 and the transitional relief scheme in England, which cushioned ratepayers from 'excessive' annual increases in rates payable, was therefore set for five years. The consequence of the revaluation postponement was that tens of thousands of (mostly lower value) properties were facing substantial hikes in rates bills in April 2015.

Gerald Eve's research into those likely to be affected was highlighted in the **FT** and the Chancellor therefore announced a scheme to continue to protect such ratepayers, albeit limited to those with assessments no greater than £50,000 rateable value.

The route that the Government has chosen to deliver this relief is the same as for many other business rates reliefs and discounts which it has implemented in recent years. It suggests that local authorities should exercise discretion to grant ratepayers relief in circumstances outlined by Government, in which case it will provide full reimbursement of the costs of the relief to the relevant authority.

The guidance as to which properties meet the criteria for further transitional relief is available **here**. In essence, it offers continuing protection in 2015/16 (and potentially 2016/17) to properties whose liabilities were subject to transitional relief in 2014/15, as follows:

- Maximum annual increases of 15% before inflation adjustment for RVs below £18,000 (below £25,500 in London).
- Maximum annual increases of 25% before inflation adjustment for RVs between £18,000/£25,500 and £50,000.

Whilst the Government expects local authorities to identify relevant properties and apply the transitional relief automatically, we rather doubt that their systems will be ready to do so in time for the March issue of 2015/16 rates bills and we would recommend clients taking the initiative and applying for relief. We shall therefore be in touch if we identify any client properties which should qualify.

THE GOVERNMENT'S REVIEW OF BUSINESS RATES ADMINISTRATION IN ENGLAND

Lastly, we will be responding to the interim findings of the **review of business rates administration** which the Government published shortly before Christmas. In truth, and rather disappointingly, the 33 page document contained just one finding – that properties will continue to be valued individually for business rates purposes rather than grouped together through a banding or zoning system, as had been considered.

The remainder of the document replays the themes that were trailed in the initial discussion document and to which we and 216 others responded in June. The review team is asking for comments by 28 February on mostly the same topics on which they have already heard ratepayers' views. There is talk of setting up working groups to progress discussion on frequency of revaluation, sharing of information, changes to the appeals process, improved rate billing and the like, but this looks and sounds like a Government kicking business rates into the long grass – for further consideration after 7 May.

CHANGES AFOOT IN SCOTLAND AND WALES TOO

Following up an earlier **consultation** on how business rates can support growth within the Scottish economy the Scottish Government is inviting views by 6 March 2015 on a further 34 page **consultation**. In essence it asks how can the appeals system be improved at minimal cost to the Government. The intention is to introduce any changes alongside the 2017 rating revaluation.

The opportunity for radical change exists in Wales with business rates being fully devolved from April 2015. The Business Rates Panel **reported** recently to the Minister with options for the future, but she has announced no changes of substance for 2015/16.

GERALD EVE'S UK OFFICE NETWORK

Gerald Eve are leaders in business rates. We currently advise a quarter of the FTSE100 companies on rating matters. We have saved our clients occupying over 70,000 properties throughout the UK more than £1.5bn in rates liabilities over the last five years.

For further information on how we can assist you please get in touch with **Jerry Schurder** on **+44 (0)20 7333 6324**, **jschurder@geraldeve.com** or your usual Gerald Eve contact.

In addition, you can also keep up to date with our latest comments and opinions on Twitter – @jerryschurder

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