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Bulletin

March 2024 Issue #1

Welcome to the first of our regular Rating Bulletins. We intend to keep you updated on changes in legislation, case law and the Government's thinking in the field of Rating. We will also use this opportunity to introduce you to members of the team and their specialisms.

Happy New Rate Year!

The 1st of April is always an interesting time for ratepayers and their advisors. You will be receiving or have received new rate demands to cover the period commencing 1st April 2024. These will set out your liability for the full rate year. It is important to ensure that the demands have been calculated having regard to the correct multiplier, relief (where available) and the calculation of transitional relief.

In some circumstances a supplement may apply, for example, for crossrail within Central London.

In England there is an important change for the calculation of an empty rate liability. The multiplier used to calculate the empty rate charge will be the same multiplier that is used to charge the occupied liability. Up to 31st March 2024 all liabilities are calculated with reference to the large property multiplier of 51.2p.

Set out below in the tables are the multipliers to be used in England, Scotland and Wales from 1st April 2024.

	England		Wales	Scotland		
	RV below £51,000	RV £51,000 and above	All	RV up to £51,000	RV £51,001 – £100,000	RV £100,000 and above
Multiplier	49.9p	54.6p	56.2p	49.8p	54.5p	55.9p

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>> Reliefs and subsidies that may apply include:

Empty Rate Relief – This will apply to a property following its initial vacation. Three months relief will be applied to the property following which full rates become payable. In the case of industrial or storage premises there will be an initial 6 month period before full rates become payable. There are strategies available to manage an empty rate liability upon which we can advise.

Retail, Leisure & Hospitality Rate Relief – Relief of up to 75% of the liability is available for qualifying ratepayers and properties and subject to a maximum cash cap of £110,000 per business (as opposed to property).

Small Business Rate Relief – Applies to qualifying properties and occupiers. 100% exemption below RV £12,000, tapered relief up to RV£15,000.

City of London supplement – A supplement of 1.8p is payable upon properties within the City.

Crossrail Subsidy – A subsidy is payable by business ratepayers in London which is set at 2p per £1 of Rateable Value above a threshold of £75,000. It will apply to the entire GLA area.

BID Levy – These are separate to business rates and are charged by Local Authorities to raise funds for specific local initiatives. Usually, they are chargeable irrespective of whether the property is occupied or vacant.

> *Members of the Cluttons rating team can advise upon the application of reliefs and supplements to ensure the correct calculation of the liability and to lawfully help you manage the liability.*

Business Rates Avoidance & Evasion – Consultation

In the Autumn of 2023, the Government consulted on business rates avoidance, with particular reference to empty rates. There are various strategies available to ratepayers some of which stretch the legal imagination whilst others have been ruled in the High Court as being perfectly lawful and which ratepayers are entitled to follow. The Government has consulted on a range of issues in England.

The Government has published its response to the Consultation Paper which coincided with the Annual Budget Statement. Ratepayers are currently entitled to 3 months relief (6 months in the case of Industrial or Warehouse premises) following the physical vacation of a property. Ratepayers are entitled to go back into occupation of a property for a minimum of 6 weeks and 1 day following which further periods of relief are allowed. The Government has indicated that they will be increasing the "reset period of occupation" from 6 weeks and 1 day up to 13 weeks.

The practical implications are that the strategy is still cost effective, but it will mean that the annual savings available to ratepayers will reduce from 65% down to 50% where three months relief is allowed and in the case of Industrial and Warehouse premises from 78% down to 50% in any 12 month period.

Of all the options available to the Government this was probably the most favorable for ratepayers albeit it still does come with an increase in annual liability.

The Government has also announced a general consultation on the adoption of a "General Anti Avoidance Rule" for business rates in England.

The Scottish and Welsh Governments have introduced more draconian rules and other tax avoidance measures which effectively make the management of empty rates more difficult.

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Non-Domestic Rating Act 2023

This provided a range of measures some of which are in place and others which will be introduced gradually over the course of the next 12 months. Importantly, ratepayers should be aware of the following:

1. **A Duty to Inform –** there will a be a duty to inform the Valuation Office of a physical change to a property or the terms under which a property is occupied (lease details). The duty will require the ratepayer to notify the Valuation Office of details within a 60 day period of that change. Furthermore, there will be a requirement to provide an annual declaration within 60 days of 30th April each year to confirm the details held by the Valuation Office are correct. We continue to await further details on the nature and form in which the information will need to be provided. We expect details to be provided over the course of the next few months.

2. **Completion Notice for Rating Purposes –** Local Authorities have the ability to certify a property as being substantially complete for rating purposes which in turn allows the Valuation Office to bring a property into assessment even though it may physically be incapable of occupation. This allows Councils to frustrate builders and developers who leave a property incomplete so as to avoid rates if they have no occupier on the horizon. The provision only applied to new properties and did not apply to properties that had been taken out of the Rating List during refurbishment. The law has now been changed so that it will apply to all properties irrespective of whether they are new buildings, new properties created as a result of a reorganisation of existing properties or properties that have been deleted during refurbishment works. Ratepayers have 28 days in which to appeal a notice which can be served on the registered head office of the ratepayer or on the building. If received, urgent advice should be taken otherwise if no appeal is lodged it will generate an empty rate liability.

3. **Improvement Relief –** from 1st April 2024 qualifying occupiers in England will benefit from a 12 month exemption from the payment of rates on the increase in liability as a consequence of an improvement to the property. The property must have remained in occupation by the ratepayer during the works. The relief does not apply to Landlords.

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The Non-Domestic Rating Act 2023 will place a significant onus on rate payers to provide information to the Valuation Office Agency in a timely manner.

Gareth Buckley, head of rating, Cluttons

Antecedent Valuation Date

The 2026 Revaluation may seem a long time away, however rating surveyors will be getting excited over what is known as the antecedent valuation date. 1st April 2024 will be the date to which all commercial properties will be revalued having regard to the economic circumstances at this date when the properties come to be assessed at the Revaluation on 1st April 2026. We will be giving some thought as to how sectors within the economy have performed between the last Revaluation and the new Revaluation date which we will form part of the next update.

Did you know

During building works it may be possible to reduce in part or entirely the liability attaching to a property. Key to any reduction is challenging the assessment as close to the commencement of the works as possible. Works being undertaken outside the curtilage may also allow for a reduction in liability.

>> Please contact one of the team for further advice.

And finally...

I am delighted to welcome Simon Cosstick as an Associate Partner to our London Business Rates Team. Simon has some 30 years experience in the provision of rating advice across all sectors, particularly offices in Central London. Simon joins the team at a critical time in the expansion of our London and Manchester teams. He brings with him a wealth of experience and is available to discuss with you levels of value that may be applied to properties in London, the South East and how these may be challenged.

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Gareth Buckley
National head of rating
07891 810 253
gareth.buckley@cluttons.com

Michael Hampton-Riddington
Head of rating – South
07525 632 580
michael.hampton-riddington@cluttons.com

Ryan Jones
Head of rating – North
07725 372930
ryan.jones@cluttons.com