The Newsletter from GL Hearn Business Rates ISSUE 5 | MAY 2009

GL HEARN
Property Consultants

business rates news

The Uniform Business Rate (UBR) for 2009/10 and Option to Defer Part of the Rates Increase

The UBR for England and Scotland is 48.1p for 2009/10 (45.8p for 2008/09). The Small Business Relief UBR Supplement remains at 0.4p giving a total UBR for 2009/10 of 48.5p for medium and large businesses (46.2p for 2008/09). The City of London UBR supplement remains at 0.4p. The UBR for Wales is 48.9p for 2009/10 (46.6p for 2008/09).

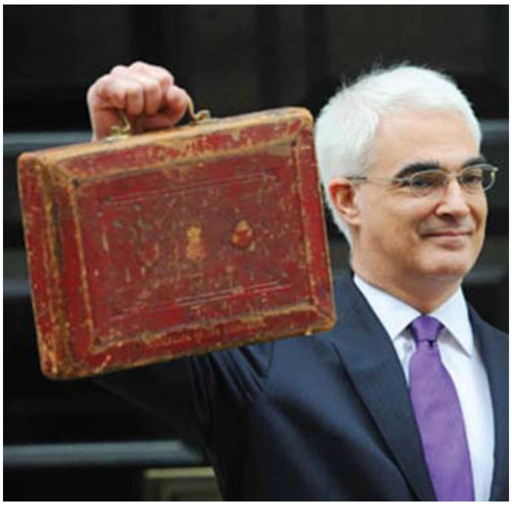
Full details of the UBR and Transitional Adjustments for the 2005/06 to 2009/10 period are in the attached Briefing Paper.

Business rate bills each year are calculated by multiplying the rateable value (RV) by the UBR multiplier, which is increased in line with RPI inflation each year. The RPI inflation figure for the previous September is used and in September 2008, RPI peaked at 5%. The March RPI was minus 0.4% and is expected to fall further in 2009. Despite intensive lobbying by businesses and representative bodies including GL Hearn, the Government confirmed the full 5% increase in bills in line with inflation for 2009/10.

However, at the end of March the Government announced that businesses would be offered the option to defer 60% of the increase in rates and spread the payment of this deferred amount over 2010/11 and 2011/12. Until Regulations setting out the detail on how this will be implemented are published in the summer, ratepayers must continue to pay rates as normal. When the Regulations are issued, Local Authorities will write to ratepayers in England, Scotland and Wales providing the option to adjust outstanding rates due for 2009/10 to show a 2% increase in rates and giving details on when the deferred 3% of the increase must be paid. We can provide clients with details of the estimated effect of this measure on their 2009/10 rates instalments on request.

It is very disappointing in the current challenging economic situation that the Government has not responded to calls to freeze the 2009/10 UBR increase or at least to reduce it to below the full RPI increase of 5%. Although very late, the announcement allowing deferment of payment of part of the increase is welcome but the assistance is limited as the deferred rates will still have to be paid in 2010/11 and 2011/12 in addition to normal rates for those years. Furthermore, the Regulations necessary to implement the deferral option are likely to be complex. Because there is a deferred liability we believe for accounting purposes this would need to be shown in the balance sheet. Some ratepayers may opt not to exercise the option so that a deferred future liability is not shown in the accounts.

Please contact Paul Dickinson by email paul_dickinson@glhearn.com or on 07768 381814 or your normal GLH contact if you require an estimate of the effect of the deferral option on your rates payable and instalments 2009/10



The Budget 22 April 2009

The Chancellor in his Budget statement on 22 April 2009 made no new announcements on Business Rates but confirmed those made in the Pre Budget Report in November 2008 which are summarised below.

This is very disappointing to business ratepayers who were hoping for further measures to assist them in the current very difficult economic conditions, for example re-introducing rates relief for ratepayers liable for full rates on unoccupied properties which cannot be re-let or sold in the current climate.

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TEMPORARY INCREASE IN RATES RELIEF ON EMPTY PROPERTY UNDER RV £15,000

For 2009/10 only, empty properties with a rateable value of less than £15,000 (up from £2,000) are exempt from business rates.

This measure is of little comfort to many owners of vacant property. Whilst demand remains so weak there is little that owners can do to let property, and a tax on idle assets does not help regeneration and redevelopment. By proportion of value, this exemption covers only about 12.5% of the total amount of empty rates being paid. It will be very disappointing to ratepayers holding larger empty properties that empty property rates relief has not been re-introduced.

RELIEF FOR PROPERTIES SUBJECT TO NEW DEMANDS FOLLOWING BACKDATED INCLUSION INTO THE RATING LIST

When premises are identified that should have always been subject to business rates, but have not previously been assessed by the Valuation Office Agency (VOA), the VOA can backdate assessments to 1 April 2005 and backdated business rates bills will be issued. To reduce the cash flow impact on businesses, the Government has introduced legislation to give businesses more time to pay backdated business rates bills issued before 31 March 2010. Businesses facing such bills will be able to pay their liability for previous years in equal interest-free instalments over 8 years, rather than immediately. To qualify, there has to have been an accrued liability of at least 33 months to qualify. This issue has particularly affected businesses around ports.

This problem would not have arisen but for the VOAs insistence on backdating these new assessments. However, it is welcome news to see that the Government at least recognizes the hardship caused by the VOAs approach.

EXTENSION OF SMALL BUSINESS RATE RELIEF

The Government has in effect extended small business rate relief in England by allowing eligible small businesses in England to claim relief from business rates retrospectively from the day they began to occupy a new property with a low rateable value.

This relief applies to businesses occupying property with an RV below £10,000. The system of relief has been criticised for low take-up, perhaps because of a complex application system. Although this change enables relief to be applied for retrospectively, the relief still has to be applied for and how effective this measure will be for small businesses remains to be seen.

The 2010 Revaluation - England, Scotland, Wales & Northern Ireland

There is a 2010 Rating Revaluation of all non-domestic property in England, Scotland, Wales and Northern Ireland. The new rateable values (RVs) will come into force on 1 April 2010 based on rental values at 1 April 2008. It is the first time the revaluation date has coincided for all four countries in the United Kingdom.

In England and Wales the Valuation Office Agency (VOA) completes the valuations of 1.79m properties by 31 May 2009 and the 2010 Draft Rating List will be published on 1 October 2009. The extent to which the VOA is able and willing to reflect the current market downturn is something which will only be known when they publish their RV figures in October 2009.

There is current lobbying for a postponement of the revaluation or the rental value date (1 April 2008) on which it is based (called the antecedent valuation date). The concern is that in the current difficult economic conditions the timing of the pending revaluation is not ideal. Not all business representative bodies are in favour of a postponement however.

Feedback from the Government to the lobbying appears not to be favourable to a postponement. The Chancellor argues that the Revaluation is a redistributive measure, not a revenue raising one, and some parts of industry will benefit. If the Revaluation is postponed, the effective redistribution of the tax base across the sectors as at the valuation date of 1 April 2008 will not be reflected.

If you have any questions about the revaluation or its effect on your business please contact Blake Penfold on 020 7851 4958 or your normal GLH contact.

Business Rates in the Republic of Ireland

There is a revaluation currently taking place in the Republic of Ireland on a rolling 'county by county' basis. The valuation date is 31 September 2005. The revaluation started with South Dublin County Council, effective 1 January 2008. Fingal County Council is to follow, coming into effect 1 January 2010. It is expected that Dun Laoghaire Rathdown will be the next county subject to a revaluation, effective from 1 January 2011.

It is anticipated that Proposed Valuation Certificates for Fingal County will be issued in early June 2009, setting out the proposed Rateable Values. If these are to be challenged it is very important to forward the Valuation Certificates received promptly to us as there are strict time deadlines. It is understood that full Valuation Certificates will not be issued until December 2009 - if challenges remain unresolved at this stage, appeals can be submitted but are again subject to strict time constraints.

If you have any questions about business rates in the Republic of Ireland please contact David Hackett on 02380 210690 or your normal GLH contact.

Vacant Properties in Retail Locations

In many retail locations there is now a significant number of vacant units. In some locations this has reduced the attraction of a centre compared to other locations and created an oversupply of shop units. In many cases the vacancies will be restricted to certain parts of a town centre. There are also a number of retail parks with significant numbers of vacant units.

There are a number of precedents of retailing locations which have received business rates allowances due to the level of vacancies. Many new shopping centres are granted a pioneering allowance to reflect the reduced level of occupancy when first opened. Offices in the City of London and elsewhere have negotiated rateable value (RV) reductions due to the vacation of office space within buildings previously occupied.

We have worked with our clients and the Rating Surveyors Association (RSA) to produce a list of locations where there is an opportunity to issue material changes of circumstance business rates appeals seeking a reduction in RV due to the increase in the number of vacant properties in that location. Evidence of allowances previously agreed for vacant units including pioneering allowances is being collated.

Note that the law in Northern Ireland does not recognise "Material Changes of Circumstances" as such. At present we have no plans to make appeals in Northern Ireland.

Business Rates Supplements Bill

The Government is pushing ahead with introducing this legislation with a view to its introduction from 1 April 2010.

In summary this will be a new power for certain local authorities in England to raise and retain local supplements on the national business rate in order "to fund projects that will promote economic development". Only the highest tier authority in any area will be entitled to levy supplements. Shire counties will be required to consult their districts on any new supplement proposals. In London, the power will rest with the Greater London Authority (GLA) which is likely to levy a business rate supplement of 2p in the pound across the GLA area from April 2010, with revenues to be used to service debt for construction of the Crossrail railway project.

Revenue from supplements will only be available for spending on economic development that is in addition to existing plans. Proposals will be subject to detailed statutory consultation. A national upper limit of 2p in the pound will be set on the level on supplements that can be levied. To protect smaller businesses from disproportionate burdens, properties liable for business rates with an RV of £50,000 or less will be exempted from paying supplements. Where the supplement will support more than a third of the total cost of the project there will additionally be a full 'dual-key' vote of businesses affected.

This is further very unwelcome news for business as it will represents a supplementary payment which could be up to 5% on top of existing business rate liabilities. Businesses in London appear very likely to have to pay this supplement from 1 April 2010 to help fund a project (Crossrail) which is not expected to be operational before 2015.

For further information on this proposal contact Blake Penfold on 020 7851 4958 or your usual GL Hearn contact.

Managing Rate Demands and Refunds and Interest Rate on Refunds 2009/10

Rate Demands for the new rate year arrive in large numbers from March to May and this year there may be a further bulk issue in the summer if the option to defer part of the rates increase is taken up (see above).

The administration of rate demands is daunting for companies with large property portfolios. Apart from checking that each demand relates to a property in which the organisation has an interest giving rise to a liability and is correctly calculated for the period in question, systems have to ensure that the correct installment amount is paid at the optimum time throughout the rate year.

GL Hearn were the first major surveying company to establish a rate payment and refund management service and we have been handling client's rates demands and refunds now for over 10 years. We have an established and experienced rate payment and refund management team in place.

GL Hearn systems manage rates and provide accurate rates calculations for all parts of Great Britain Northern Ireland, The Republic of Ireland, The Isle of Man and The Channel Islands.

INTEREST RATE ON RATE REFUNDS 2009/10

The Government has confirmed that the amount of interest to be applied to any refunds directly relating to 2009/10 will be 0%. This figure is based on one percentage point below the standard rate as it was on 15th March of the preceding year and as this was 0.5% it is not surprising that there is to be zero interest on refunds for 2009/10.

If you would like more information on our cost effective rate payment and refund management service, please contact Paul Dickinson on 07768 381814, Robert Giles on 02380 221361, Janice Tobin on 020 7851 4986 or you regular GL Hearn contact.

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BUSINESS RATES SERVICES

- Rates Appeals and Negotiations
- Rates Payable and Budgeting Reports
- Rates Payment Management
- Rates Refund Management
- Empty Rates and S44A Applications
- General Business Rates Advice

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For further information on *'business rates news'* or on any general business rates matter please contact **Blake Penfold on 020 7851 4958** or **Paul Dickinson on 07768 381814** or your usual GL Hearn contact.

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