

Rating Times

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Spring 2010

2010 Rating Revaluation – Business Rates are Set to Change

The 2010 rating revaluation comes into force on the 1st April 2010 and businesses across the country will be affected. There will be significant changes in rates payable between different property types and geographic areas although there is no doubt that Central London offices and more specialised properties will be some of the worst affected.

Ratepayers in England can calculate their rate bills from April 2010 with some accuracy as the Government has announced the Uniform Business Rate (UBR) and the transitional schemes. However, there remains some uncertainty in Wales, and particularly in Scotland, which makes it extremely difficult for businesses to forecast their future rates liabilities.

Owners of vacant properties will also have to pay the charge although those qualifying for empty rates relief will be treated in the same way i.e. empty listed buildings, those owned by a charity and those empty for less than 3 months (or six months for industrial properties) will normally be exempt from the Crossrail supplement.

Properties in Wales

As for properties in England the draft 2010 rateable values in Wales were published in October 2009. The UBR for properties in Wales has also been announced and this will fall from 48.9p this year to **40.9p in 2010/11**.

There were no transition arrangements in Wales following the 2005 rating revaluation and we are not expecting any change for 2010. However, this will mean some businesses facing significant increases in business rates liability from April and the Welsh Assembly may still introduce some protection for the worst affected.

Properties in Scotland

The long-awaited draft rateable values have now been published on the Scottish Assessors Association website (www.saa.gov.uk).

The Scottish Government has confirmed that the UBR will fall to 40.7p with a supplement for large properties of 0.7p. The total will be the same as England at 41.4p

Early analysis of the new rateable values indicates that certain sectors and locations will see marginal uplifts whilst others, such as public buildings, will see rateable values increase by around 50%.

Importantly, the Scottish Government has decided that unlike in England, no transitional relief scheme will apply. In the past, transitional relief has cushioned the increase in liability for those worst affected at revaluation.

Renewable Energy Relief

In Scotland a new targeted relief for renewable energy producers will also be introduced as of 1 April 2010. It will offer discounts of up to 100% to support the producers' central role in the climate change agenda and encourage expansion of the sector.

Properties in England

Uniform Business Rate

The draft 2010 Rating List was published in October 2009 and the majority of ratepayers have been notified of their new 2010 rateable values.

Business rate bills are calculated by multiplying the rateable value by the Uniform Business Rate (UBR). For 2010/11 the UBR will be 40.7p although for large properties i.e. those of £25,500 or over in Greater London and £18,000 or over elsewhere, an additional small business supplement of 0.7p is added. **This brings the total for large properties to 41.4p.**

Transitional Adjustments

The Government has confirmed the transitional arrangements which will phase in both increases and decreases in liability. Whilst these will assist those facing the highest increases in liability by phasing them in over a period of up to five years, it is bad news for those businesses hoping to see reduced bills. The maximum increases and decreases in real terms are shown below:-



Additional Supplement for Greater London

The Mayor of London has recently announced that all businesses situated in Greater London with a rateable value of £55,000 or more (not £50,000 as expected), will face an additional supplement of 2p in the £ of rateable value to assist with the funding of Crossrail. We welcome the move to increase the rateable value threshold but it will have little impact on the majority of ratepayers in central London. This levy is outside the transitional relief scheme and will add at least 5% to rate bills.

| | Maximum Increases (real terms) | | Maximum Decreases (real terms) | |
|-----------|--------------------------------|------------------|--------------------------------|------------------|
| | Small Properties | Large Properties | Small Properties | Large Properties |
| 2010/2011 | 5% | 12.5% | 20% | 4.6% |
| 2011/2012 | 7.5% | 17.5% | 30% | 6.7% |
| 2012/2013 | 10% | 20% | 35% | 7% |
| 2013/2014 | 15% | 25% | 55% | 13% |
| 2014/2015 | 15% | 25% | 55% | 13% |

These figures, adjusted to reflect September's RPI of -1.4% means that the maximum increase in liability for a large property will be 10.9% and the maximum decreases 5.9%.

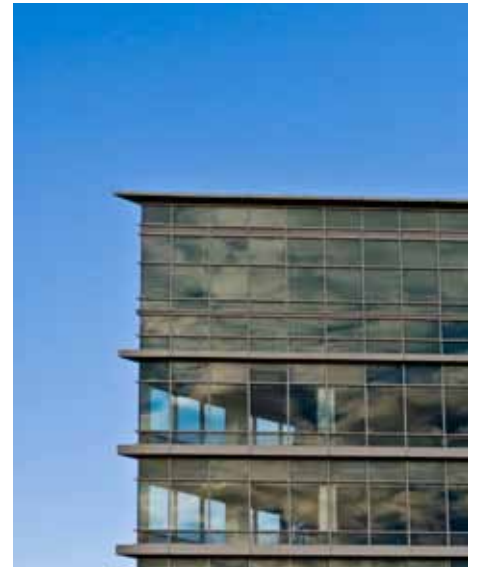
The same level of relief that applies to national business rates will apply to the Crossrail supplement. For example, charities will receive 80% relief in line with national mandatory charitable rates relief.

2005 Rateable Values – Last Chance to Appeal

Ratepayers have until the 31st March 2010 to appeal against their “2005” rateable values and reductions could be backdated to 1st April 2005.

As importantly, these rateable values will be used for calculating transitional relief from 2010 onwards, which makes it imperative that they are as low as possible.

Although ratepayers have no right to lodge an appeal against the 2005 rateable value of their property after 31st March 2010, the Valuation Officer can still alter a 2005 rating assessment up to 31st March 2011. In these cases an appeal can still be lodged.



Tramworks disturbance leads to 20% allowance

GVA Grimley has successfully represented a case before the Local Valuation Appeal Panel in relation to disturbance and nuisance caused to clients' properties on Princes Street, Edinburgh. The Committee were persuaded to grant an allowance of 20% for the duration of the tramworks, despite the Assessor's position being that no allowance was appropriate.

In a relatively complex case in which large numbers of other national retailers were also represented, GVA Grimley led photographic evidence showing the extent and nature of the disturbance along with footfall and turnover figures to prove that there had been a material change in circumstances that did indeed affect the valuation of the clients' properties. They were also able to quote examples of allowances previously granted for similar disturbance works in other U.K. cities.

There were a number of temporary rent reductions granted by landlords for retail subjects nearby, similarly affected by the tramworks, where the Assessor and the Committee had accepted that an allowance of 20% was appropriate.

The decision by the Local Committee has been appealed by the Assessor and will now be referred to the Lands Valuation Appeal Court. GVA Grimley remain hopeful that the decision reached will be ratified by the Higher Court and that the allowance will be applied to the valuation of all affected properties.

Empty Properties

Empty rates continue to cause problems particularly for those saddled with vacant property due to the economic recession. The Government has announced that it will continue, for a further year, the temporary increase in the threshold at which an empty property is liable for business rates. For 2010/11 vacant properties with a rateable value of less than £18,000 will be exempt. This should help to ease the burden for some landlords and developers.

We continue to pursue a number of different initiatives to help reduce our clients' empty rate liability. One interesting part of the legislation is that the property must be a “relevant non-domestic hereditament” for it to qualify for an empty rate charge. Outside this definition there is no liability hence land, car parks, communication stations etc are exempt from empty rates.

Changes to the Valuation Tribunal Service

New regulations have been introduced which aim to establish a modern and responsive Valuation Tribunal in England. This will also give us a much more organised and efficient Tribunal service. We await confirmation of the detailed operating procedures but are expecting a more stringent appeal timetable and formal rules for the appeal hearing.

Our Forensic Audit Team secures £15 million savings within past 12 months

Every year billing authorities send out thousands of new and revised rates demands. The volume of new bills issued and the many changes that are made to the Rating Lists means that errors occur, bills are miscalculated and overpayments made.

As part of the ongoing growth of our Rating team two years ago we established our own in-house Forensic Audit Team. The team, headed by Andy Gray has in-depth knowledge of the complex legislation governing rates and the regulations that govern the compilation and alteration of Rating Lists. The team identifies whether Billing Authorities have calculated demands correctly and whether historic rates liability can be reduced without the need for a formal appeal against the Rateable Value.

Over the past 12 months our audits have recovered over £15 million in overpaid rates. As well as undertaking audits of previous rates expenditure we also explore various rates saving initiatives ensuring all angles for potential savings are pursued.



For further information, please contact your usual GVA Grimley contact or alternatively any of our network of offices

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