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Business rates

You are almost certainly liable to pay business rates if you occupy business premises. Business rates are a tax based on the rateable value of the property, which reflects its rental value. The rateable value can, however, be challenged. It may change in any case if the premises are altered or if their value is affected by changes in the locality. Some limited classes of property are exempt from business rates altogether.



Rating is complex and expertise is needed to chart a way through. Chartered Surveyors know the system and their knowledge may be able to save you money.

A detailed guide to business rates in England and Wales is available at gov.uk/introduction-to-business-rates

Different systems apply in Scotland and Northern Ireland and more information can be found at these websites.

scotland.gov.uk/Topics/Government/local-government/17999/11199/brief-guide

nibusinessinfo.co.uk/content/help-available-business-rates

RICS runs a rating helpline, offering half an hour of free advice from a local chartered surveyor specialising in business rates. You can access this service by calling the RICS Contact Centre (02476 868 555).

What follows is based on the rating system in England and Wales.

Who assesses the rateable value (RV) of business properties?

The Valuation Office Agency of HM Revenue and Customs assesses the rateable value of all relevant properties in England and Wales.

The Valuation Office Agency publishes a new rating list for each billing authority, which shows the rateable values of all properties in its area. The rating list can be seen at the office of your local Valuation Office Agency (and viewed online at voa.gov.uk) and a copy is also available at the offices of the billing authority.

What properties are subject to business rates?

Most business premises are assessed for rates and have a rateable value. Living accommodation is generally treated as domestic property and is subject to the council tax instead. Where business premises and living accommodation are within the same 'curtilage' and occupied by the same person the property is known as a 'composite'. Generally, business rates are payable on the business accommodation and the council tax is payable on the living accommodation.

Apart from living accommodation, there are several types of property that are exempt from business rates, including agricultural land and buildings, nursing homes, fish farms and most churches.

How are business rates calculated?

There are two main factors: the rateable value of the property and the level of the uniform business rate (UBR), which is

expressed as a fraction of a pound. Multiply the one by the other and in theory you would have the annual amount of business rates. However, there is a complication because increases (or decreases) in business rates may be phased in over a period and the actual amount payable could therefore be below or above the figure this sum produces.

There may also be business rates supplements in addition to the basis UBR, such as the Crossrail business rates supplement paid by larger properties in London to fund the construction of Crossrail.

Business Improvement District (BID) levies are paid based on rateable value but are separate to the normal business rates liability.

The rateable value of a property is broadly its open market rental value – the rent it would fetch in the market – assuming the tenant insures the premises and carries out all the repairs. This basis of valuation is the same for all properties, whether they are owner-occupied, leased or occupied under a licence.

There needs to be a fixed date at which the open market rental value is assessed, which is usually two years before each rating list comes into force. A revaluation took effect from 1 April 2010. It follows, therefore, that rental values were taken at market conditions prevailing at 1 April 2008.

Although the rating valuation is based on the rental value as at 1 April 2008, the physical state of the property and its locality is assessed as at 1 April 2010 (or, if the property was altered subsequently, at the date of the alterations).

What is the uniform business rate (UBR)?

The UBR is the multiplier that is applied to the rateable value to calculate the rates due. Each year, the UBR increases in line with inflation. For the rating year 2013/2014, which runs from 1 April to 31 March, the UBR was set at a level of £0.462 in England and Scotland (£0.464 in Wales). Thus, if you occupied premises in England with a rateable value (RV) of £15 000, you would have calculated your theoretical business rates liability as follows:

£15,000 x £0.462 rates payable of £6,930

This is not necessarily the end of the story. For larger properties (with RV above £18 000 or £25 000 in London) a supplement to the UBR is likely to be payable to fund the costs of Small Business Rate Relief (see overleaf). Other special rates levies or supplements may also be payable in particular locations (such as London) or on special classes of property in Scotland. As well as these supplements the amount actually payable may also be affected by a phasing scheme known as 'transitional arrangements' (further details of this are overleaf).



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What is a Business Improvement District (BID)?

A Business Improvement District (BID) is a business-led initiative where businesses and organisations are invited to come together, in partnership with local authorities and public service providers, to make decisions and to take action to improve the trading environment within a defined geographic area.

What are the benefits?

The BID itself provides a means by which businesses and organisations have the power to raise their own funds to address the priorities that matter to them, and to bring about positive improvements to the trading environment that benefits the whole community.

Whether its focus is attracting more visitors and encouraging customers to stay longer, or raising the standards of local services and facilities, action to deliver an agreed set of projects and services has the potential to transform an area through collective action.

How is it paid for?

Much of the income needed to deliver projects and services through a BID comes from a BID levy – an additional charge alongside the Business Rates. This is collected on behalf of businesses by the Rates and is held in a ring-fenced account and used only for costs directly associated with the delivery of the BID, in other words the projects agreed and voted for by the participating businesses.

Is it just another tax?

The levy is NOT a tax and does not go to either the Government or the local authorities. Business Rates, together with the Council Tax, pays for statutory and non-statutory services such as cleansing, lighting, policing etc. The BID levy is a separate, specific fund to invest in projects and services identified and controlled by the businesses themselves.

Who will pay and how much will it cost?

Any person, registered company or charity/non profit-making organisation are liable for the BID levy if they are the occupier/leaseholder of a property within the BID area.

The BID Levy is typically set at 1 or 2% of Rateable Value to keep it proportionate and affordable for ratepayers, occasionally with lower and upper end caps where these are considered necessary.



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Small Business Rate Relief

Rates relief is available for businesses occupying 'small' properties. Small properties in England are those defined as having an RV of **under** £18 000 (**under** £25 500 in London). The Small Business Rate Relief Scheme from 2010 offers relief at 50% (100% from 1 October 2010 now extended to 31 March 2014) for businesses with an RV of under £6 000, declining on a sliding scale to 0% relief at RV £12 000. Businesses occupying more than one property are eligible for relief only if their 'main' property has an RV under £12 000 and all their other properties are under RV £2 600 **and** the aggregate of all hereditaments occupied is under £18 000 (under £25 500 in London) – but note the relief will apply to the main property only. The Scheme is funded by the Small Business Relief Supplement.

There are special rate reliefs available for small businesses in rural areas.

There are different Small Business Rate Relief schemes in Wales and Scotland. Your local authority will be able to provide details of the Small Business Rate Relief that may be available to you.

Small Business Rate Relief in Scotland

From 1 April 2009, small businesses were offered varying rates of relief under the Scottish Government's small business bonus scheme. How much businesses are entitled to depends on the rateable value of the premises, although a business only qualifies if it pays non-domestic rates for properties with a combined rateable value of £25 000 or less.

Thresholds and percentage of relief offered from April 2013 (for tax year 2013 – 2014) are shown in the table below:

Combined rateable value (RV) of all business properties in Scotland	Rates Payable
Up to £10 000	100% (i.e. no rates payable)
£10 001 to £12 000	50%
£12 001 to £18 000	25%
£18 001 to £25 000	25% on each individual property with a rateable value not exceeding £18 000*

*This will allow a business with two or more properties with a cumulative rateable value of under £25 000 to qualify for relief at 25% on individual properties with a RV up to £18 000.

Further information, including advice about eligibility to apply, can be obtained from your local authority.

How does transitional relief work?

Broadly, transition adjustments were introduced to spread the impact of some of the largest changes in business rates arising from revaluation. The idea was to limit the amount by which rates payable could rise, in real terms, in any single year. The limits are different for large and for small properties and for different years – your chartered surveyor will be able to help with the detail. As an example, if you occupied a large property in England, the business rates you paid in 2010/2011 would not have risen above the old 2009/2010 level by more than 12.5%, plus the rate of inflation.

There is another side to this coin. If the rating revaluation results in a reduction in your business rates liability, there are also limits on the reduction in any one year in the amount that you pay. The transitional arrangements, whether upwards or downwards, do not apply to new properties or to extensions and alterations which increase the value of a property and which were completed after 1 April 2010.

There are no schemes of transitional adjustments in either Wales or Scotland.

When do I have to pay the business rates?

You will receive a rate demand from the appropriate billing authority around 1 April each year. Normally you will be able to pay in ten equal monthly instalments.

Business rates are payable by the occupier of the property. If you are a tenant, the lease will sometimes state that your rent is inclusive of rates. In this case the landlord takes responsibility for the payments. Where the property is empty, it is the person entitled to possession of the property who is liable.

Are business rates payable if the property is empty?

There is no liability for rates for the first three months (or six months for warehouse and industrial premises) that a property is vacant. After that, empty rates are payable at 100% of the occupied rate. Check with your surveyor on the definition of 'empty'.

Empty rates are not payable on land, listed buildings, premises with a rateable value below £2 600 and certain other special classes of property.

What if the premises are partly occupied?

The billing authority has discretionary powers to grant relief where a property is temporarily only partly occupied.

Are there other reliefs from business rates?

Charities receive 80% mandatory relief. Non-profit making organisations may apply to the billing authority for discretionary relief (up to 100%). A special range of reliefs is available for small businesses and certain properties in rural areas (see the details above).



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Other reliefs in Scotland

New Start Scheme

From 1 April 2013, the Scottish Government introduced a new business rates relief of up to 100% for new empty business properties in a bid to boost speculative development and investment.

From this date, any newly built business premise that remains empty after completion the developer, or owner, will not pay any rates until it is occupied for a period of 18 months.

This policy will end in 2016.

Fresh Start Initiative

From 1 April 2013, the Scottish Government introduced a new relief whereby occupiers can apply for a 50% rates discount for the first year of occupation of some previously long-term empty shops or offices.

This offer was made regardless of intention or future use.

Interested parties should contact their council for further information.

Do I have a right of appeal against the rateable value?

Occupiers (or other qualifying persons) may lodge an appeal against their rateable value. If you are wise you will have consulted your chartered surveyor about your business rates liability at an early stage. You are then well prepared to decide whether it is worth mounting a challenge. Fixed time limits apply to certain types of appeal and you need professional advice here.

You may appeal against your rateable value yourself or you can instruct your chartered surveyor to undertake the appeal procedure on your behalf. Appeals may be served on a specific form (available from the local Valuation Office Agency) or by letter. They may also be served via the internet at voa.gov.uk

Unless your proposal is judged invalid (in which case you will be told), the Valuation Officer will acknowledge your proposal and you will be advised in writing of the likely timescale within which your appeal will come up for discussion. It usually takes some months, before the appeal is discussed. If you are suffering hardship as a result of delay, you should tell the Valuation Officer as it may be possible for the appeal to be 'fast tracked'.

Most appeals are settled by agreement, but if this is not possible they are referred to the Valuation Tribunal (or Valuation Appeal Committee in Scotland). If this happens you will receive

notification of the date and time of the hearing. The tribunal will accept written representations, but it is usually better for you or your representative to appear in person. Costs are not involved, other than fees to your professional adviser if you employ one.

If you are pursuing your appeal to the Valuation Tribunal the processes that you must follow are set out in the practice statements published by the Valuation Tribunal for England. These are available from the Tribunal's website: valuationtribunal.gov.uk

Different processes apply in Wales and Scotland and you should speak to the tribunal clerk in Wales or the Secretary to the Appeal Committee in Scotland to find out about these.

If either party is dissatisfied with the tribunal's decision there is a further right of appeal to the Upper Tribunal (Lands Chamber). Costs begin to be incurred at this stage. Further appeals to the Court of Appeal may be made on a point of law only.

What if the rateable value is reduced?

If the rateable value is reduced, the rate payer should qualify for a rate refund (unless the effect of transitional relief is that liability has not changed, notwithstanding the reduction in rateable value). You may receive interest on the amount overpaid, provided that rate payments have been made on time and are up-to-date.

Are there any other pitfalls in the business rates system?

A lot. Unfortunately, rating legislation is very complex. The safe advice is to consult the professional – your chartered surveyor – at the earliest possible stage in the process. Beware of unqualified 'advisers' or 'consultants' who claim they can achieve a reduction in your business rates. The less scrupulous may take your money without delivering anything.



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