Non domestic Rates Update (England and Wales)

Date: 17 February 2017
CLA Guidance Note Reference: GN04-17 (replaces GN15-16)

The Issue

Non Domestic Rates – more often referred to as Business Rates – are always an issue for rural businesses. Non Domestic Rates are a significant outgoing which are often outside the business’ control and does not reflect the intensity of use or the profitability of the business. Local authorities and the Valuation office are always looking for more premises to rate, and this will become more of a priority the greater proportion of rates that can be retained by an authority.

The 2017 Draft Rating list has seen a large increase in the rate liability for many rural businesses.

In order to achieve the best benefit for our members in our lobbying we need as many case studies where businesses face a large increase in their rateable value, together with an assessment of how that increase will affect their businesses. Please could you send all case studies to andrew.shirley@cla.org.uk

SUMMARY OF 2017 CHANGES

- New rateable values
- 100% Small Business Rate relief increased from £6000 to £12,000, then tapered to £15,000
- Rural Rate Relief increased from 50 to 100%
- New Multipliers plus Small Business Multiplier increased £15,000 – £51,000
- New Appeals system

Background

Non Domestic Rates are levied on all non domestic premises that are not covered by an exemption or benefit from a relief. The Valuation list is prepared by the Valuation Office Agency (VOA) and the rates are billed by the local authority.

Over the last few years we have seen the Valuation Office in conjunction with Local Authorities finding more properties, who in the past had avoided paying rates, now being rateable. Signage, advertising, the internet and social media are often good sources for them to identify business activity. In addition, recently, they have had an active campaign to rate festival sites and other locations that are used for other non-agricultural events. The CLA has been active in discussing this campaign, and its impact, with senior VOA Staff.

There are some exemptions to the requirement to pay rates and they are for land and buildings solely used for agriculture, areas used for the training and welfare of disabled people and places
registered for public religious service. It should be noted that the assessment for rates arises not from the existence of a business, or any profitability, but on the use of that land or building.

There are a number of reliefs available for those who pay business rates. These are Small Business Rate Relief, Rural Rate Relief, Charitable Rate Relief, Enterprise Zones. In addition, there is exemption on most empty buildings for 3 months unless they are listed.

In order to assess the rates payable the Rateable Value is subject to a multiplier which the government publishes each year. The current rates are shown later in this Guidance Note.

**Exemptions**

You do not have to pay business rates on¹:

- Agricultural land and buildings (including fish farms) – however these must be solely in agricultural use. There are de minimis rules, but these are easily exceeded.
- Buildings used for training or welfare of disabled people.
- Buildings registered for public religious worship or church hall.

Empty properties are exempt for 3 months unless²:

- Industrial premises (e.g. warehouses) which are exempt for a further 3 months
- Listed buildings and buildings with a rateable value of under £2,600 are exempt until they are re-occupied.
- Properties owned by charities, if their next use will be charitable.
- Community amateur sports clubs buildings – if their next use will be mostly a sports club.

Since empty property rates were introduce the CLA has opposed them, however the government has been unwilling to consider removing them, with the exception of listed buildings which, at the time, was a considerable success.

**Reliefs**

**Small Business Rate Relief (SBRR)**

This is currently available for businesses with a rateable value of under £12,000. If the rateable value is under £6,000 then 100% relief is available, if it is between £6,000 and £12,000 a tapering relief from 100% to 0% is available (e.g. if your rateable value is £9,000 you get 50% relief). If you own a number of different rateable premises you can still qualify for small business rate relief if the total is below £12,000, but your relief is only applicable to the first hereditament.

From 1st April 2017 SBRR will be increased giving 100% relief up to £12,000 and tapering relief up to £15,000³

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³ Para 2.4

Rural Rate Relief (RRR)

If your property is in an area with a population below 3,000 you can get 50% off your rates which your local authority can top up to 100%.

Properties qualify if they are the only

- village shop or post office with a rateable value of up to £8,500 or
- the only public house or petrol station with a rateable value of up to £12,500.
- Furthermore the local council has the discretion to give up to 100% relief to other rural businesses with a rateable value of up to £16,500, although few have taken up this option.

From 1st April 2017 RRR will be increased to 100% under the current threshold values\(^4\).

Charitable Relief

Charities and amateur community sports clubs can apply for relief of up to 80% if a property is used for charitable purposes. Local councils have the discretion to increase this up to 100%.

Enterprise Zones

If you are starting up or relocating to an enterprise zone you could qualify for business rate relief of up to £55,000 over 5 years)

Transitional Relief England 2017

2010 Valuation list\(^6\) - The government has extended into 2015/16 and 2016/17 their previous Transitional Relief scheme for eligible properties with a rateable value of up to and including £50,000. The cap on increases for smaller properties (RV less than £18,000/£25,500 in London) should be assumed to be 15% before the change in multiplier. The cap in other properties up to £50,000 RV should be assumed to be 25% before the change in multiplier.

The (Draft) 2017 Valuation list\(^6\) - The Government in its response to its own consultation in Sept 2016 outlined its proposed scheme which would limit each annual increase as follows:

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<tbody>
<tr>
<td>Max £22,000</td>
<td>5%</td>
<td>7.5%</td>
<td>10%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>£22,001 – £999,999</td>
<td>12.5%</td>
<td>17.5%</td>
<td>20%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Over £100,000</td>
<td>42%</td>
<td>32%</td>
<td>49%</td>
<td>16%</td>
<td>6%</td>
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This means that in the lower rateable value band over 5 years these businesses would still only pay 65% of their full rateable value, where as larger businesses would pay a larger proportion sooner.

**Transitional Relief in Wales 2017**

Transitional relief in Wales will be available solely to ratepayers who currently receive small business rate relief, and who will receive less small business rate relief as a result of the 2017 revaluation. All such ratepayers will have any increase in their rate bills phased in over a four year period. 25% of the increase will apply in the first year following revaluation (i.e. 2017-18); 50% in the second year; 75% in the third year; and the full increase will apply in the fourth year.

**Multiplier**

In order to arrive at the rates payable it is necessary to apply a multiplier to the rateable value. The government has also changed the multiplier and small business multiplier threshold for 2017.

<table>
<thead>
<tr>
<th>Multiplier</th>
<th>2017/18</th>
<th>Indicative for 2018/19</th>
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<tbody>
<tr>
<td>Small business Multiplier</td>
<td>48.4p</td>
<td>46.7p</td>
</tr>
<tr>
<td>Up to £18000 RV</td>
<td>Up to £51,000 RV</td>
<td></td>
</tr>
<tr>
<td>Standard Business Multiplier</td>
<td>49p</td>
<td>48p</td>
</tr>
<tr>
<td>Wales</td>
<td>48.6</td>
<td>49.9p</td>
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**Rating revaluation**

The rating revaluation is usually undertaken every 5 years and the new rateable list takes effect two years later. The last rates were assessed as at 1st April 2008 to make the current 2010 list. However, the coalition government delayed this revaluation to 1st April 2015 because of the recession – it is this new list that is referred to as the Draft 2017 Rating List.

This delay has meant that the revaluation rather than being carried out at a 5 year interval is now being reviewed after 7 years which will bring greater and unwelcome increases for many.

If this revaluation shows that your rates have increased they will become payable on 1st April 2017, even if you start the appeals process.

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7 Para 2.5
14. This delay has meant that the revaluation rather than being carried out at a 5 year interval is now being reviewed after 7 years which will bring greater and unwelcome increases for many.

15. If this revaluation shows that your rates have increased they will become payable on 1\textsuperscript{st} April 2017, even if you appeal the valuation.

**VALUATION OFFICE AGENCY APPROACH TO THE 2017 LIST**

16. The CLA had 2 meetings with Valuation Office Agency to discuss the individual hereditament types that have produced the greatest concern for our members to date. The objective of these meetings were to assess the VOA’s approach to the valuation

Self catering holiday accommodation

17. The VOA have 42,000 self catering hereditaments on their books with the average 2017 rateable value being £5,000. These range from 2\textsuperscript{nd} homes where the owner has the holiday cottage which is available for let for more than 140 days to re-coop cost on to more commercial holiday letting businesses.

18. 2 years ago the VOA sent out forms of returns to these businesses asking for details of their operation and income. They had an 80\% return which enabled them to model what was a “fair maintainable level of trade”. This also allowed them to examine the letting season which in some areas is just summer and other areas benefit from an extended season or strong Christmas lettings.

Where an owner has up to 4 cottages then each VOA region values these per bed space based on a grid valuation based on 4 locational grades and a quality of offering drainage. Where there are 5 or more cottages then this is assessed on a receipts and expenditure method of valuation and the rateable value is in the range of £17 – 25\% of gross receipts although there is some market evidence showing in some access rent being paid of 20 – 40\% of turnover.

Kennels and catteries

Over the last 7 years, according to the VOA these businesses have become far more commercial and have invested heavily to improve standards but profitability has increased too which has lead to an average increase in valuation of 80\%.

Equine

The VOA sent out Form of return to 10,000 businesses and received a 30\% return. Livery Stables and Riding Schools will see an average increase in RV of 14\%. Loose Boxes and Stables 53\%, Stud Farms 67\% and racing stales 53\%. Many will fall into the Small Business Rate Relief band with exception of racing stables where most are above that ceiling.

There was a suggestion that the £4,200 allowance for studs might be increased, but there has been no announcement on this to date.

Renewables

Solar – the last valuation was before the feed in tariff and £8/kw was applied, the 2017 valuation list is based upon the 1\textsuperscript{st} April 2015 FiT thus £23/kw. It should be noted that the way the
valuation scheme works you are disproportionately affected if you use some, but not all, of your electricity yourself.

Anaerobic digestion – the VOA have only picked up on 70 out of more than 200 sites and have valued on a contractors basis to arrive at a new charge of 4-8% of turnover as the RV.

A more detailed Guidance Note on the rating of renewables will be published shortly.

If your valuation has increased

If you have received a Draft 2017 Valuation Notice that shows an increase you should take immediate action to check whether the increase is, in your opinion, justifiable. Firstly consider whether your rental value has gone up (or should have gone up) by a similar proportion over the period, consider whether the area used by your business has increased over the last 7 years. Are there any other issues that could have lead to your rates increasing? If you have submitted a “Form of Return” to the VOA you should review the information that you gave to them on that form.

It is worth checking on the VOA website to see whether similar properties have had a comparable rates rise and check those that you know locally and further afield. This site also contains the VOA Rating Manuals which outlines the VOA approach to valuing nearly every assets.

The Appeals Regime

It is important to consider that there are, at the time of writing 2 valuation lists.

- 2010 Rating list based on a valuation date of 1 April 2008
- The draft 2017 Rating List based on a valuation date of 1 April 2015. On 1st April 2017 this will become the 2017 Rating List

It should be noted that even if you appeal your are still responsible for paying the rates that you have been billed.

APPEALS AGAINST THE 2010 RATING LIST IN ENGLAND

If you are appealing a rating valuation in the 2010 list then you must appeal before 1st April 2017.

You can appeal online or in writing. Once you have submitted your appeal the VOA will check

- Whether the appeal is valid and inform you if it’s not.
- Contact you immediately if you have financial hardship.
- Contact you in 2 months if you have given information a physical change to the property, use or an exemption.
- Group your appeal with similar cases and inform you of the dates when they can discuss your case.

https://www.gov.uk/business-rate-appeals/how-to-appeal
• If agreement cannot be reached then your case will be sent to the Valuation Tribunal.

You need to remember that any valuations are done with reference to the valuation basis on 1 April 2008.

**APPEALS AGAINST THE 2017 RATING LIST IN ENGLAND**

If it is in your opinion that the amount of increase that you have been given is not justified then you should consider appealing against your new rateable value as soon after 1st April 2017 – there is no information on time limits by which to lodge you appeal.

By 1st April 2017 the government will have introduced a new three stage appeals mechanism called “Check, Challenge and Appeal” which is supposed to allow an easier review of cases.

The first stage the VOA will check, with reference to your representations, whether all the facts of the case are correct – are the areas and values attributable correct or are there any errors in the valuation assumptions? This enables any erroneous detail to be rectified without going to a full hearing.

The second stage is when you challenge the Valuation Office Agency on the valuation – this allows them internally to review the valuation detail that you have put forward.

The 3rd Stage is an appeal to the Valuation Tribunal which will independently review all the information submitted by both sides and make a decision on the correct rateable value.

Whilst the new system replaces the old one stage process with a 3 system, it should enable appeals to dealt with more expediently and avoid the need for so many having to progress towards tribunal – and make it easier for individuals to control cost and risk.

You need to remember that any valuations are done with reference to the valuation basis on 1 April 2015.

**APPEALS AGAINST THE 2010 AND 2017 RATING LIST IN WALES**

In Wales, appeals should be made to the Valuation Office Agency. Where an appeal is unsuccessful, it can be progressed to the Valuation Tribunal for Wales. Appeals may be submitted at any time during the life of the valuation list; but each occupier can only appeal once against any particular set of facts. This system is the same as the one that will operate in England until 1 April 2017.

Some property consultancies, such as Gerald Eve and Blake Penfold, have suggested that the Welsh Government may follow England in changing the appeals process for cost reasons, as it would be more costly to engage the VOA to continue with the current process in Wales when it changes in England.

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The practice of the Valuation Tribunal for Wales differs slightly from that in England. Its best practice protocols for appeals state that:

- the Welsh Tribunal, wherever possible, will arrange for the first hearing of an appeal within 6 to 8 weeks of the target date unless it has been determined that the appeal should proceed initially to a pre hearing review (shorter timescale than in England where it is intended that appeals take place within 6 months of the target date);
- the Welsh Tribunal will give a minimum of 28 days’ notice of the date, time and place of the hearing (less than in England where it is 6 weeks);
- the Valuation Officer must provide details of the rental evidence that they wish to refer to at the hearing at least 3 weeks before the hearing date (in England the VOA must submit its Statement of Case at least 4 weeks before the hearing date);
- the Welsh Tribunal expects that all parties to the appeal discuss and exchange evidence at least 2 weeks before the hearing day (in England those making an appeal must submit their Statement of Case to the VOA at least 6 weeks before the hearing date).

CLA Action

The CLA has met with senior Valuation Office Agency staff on two occasions to ascertain their approach to the draft 2017 Rating List and we will continue that dialogue.

The CLA is writing to David Gauke, The Chief Secretary to the Treasury, on this issue in order to demonstrate the problems created, particularly for rural businesses, by the increases within the Draft 2017 ratings list.

Please could you send any case studies to andrew.shirley@cla.org.uk

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