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A big bang for Business Rates: Devolution, Revaluation & Reform

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A few caveats

- Qualified Surveyor of 25 years standing
- Member of Valuation, Commercial Property and Planning & Development Professional Groups
- Academic not a 'practising' surveyor
- Contents of presentation do not constitute advice to be acted upon
- Advice can only be provided under University Consultancy Contract

Outline

- Vocabulary of Business Rates
- Revaluation
- Transitional Relief
- Appeals
- Wider Reform
- Intelligence

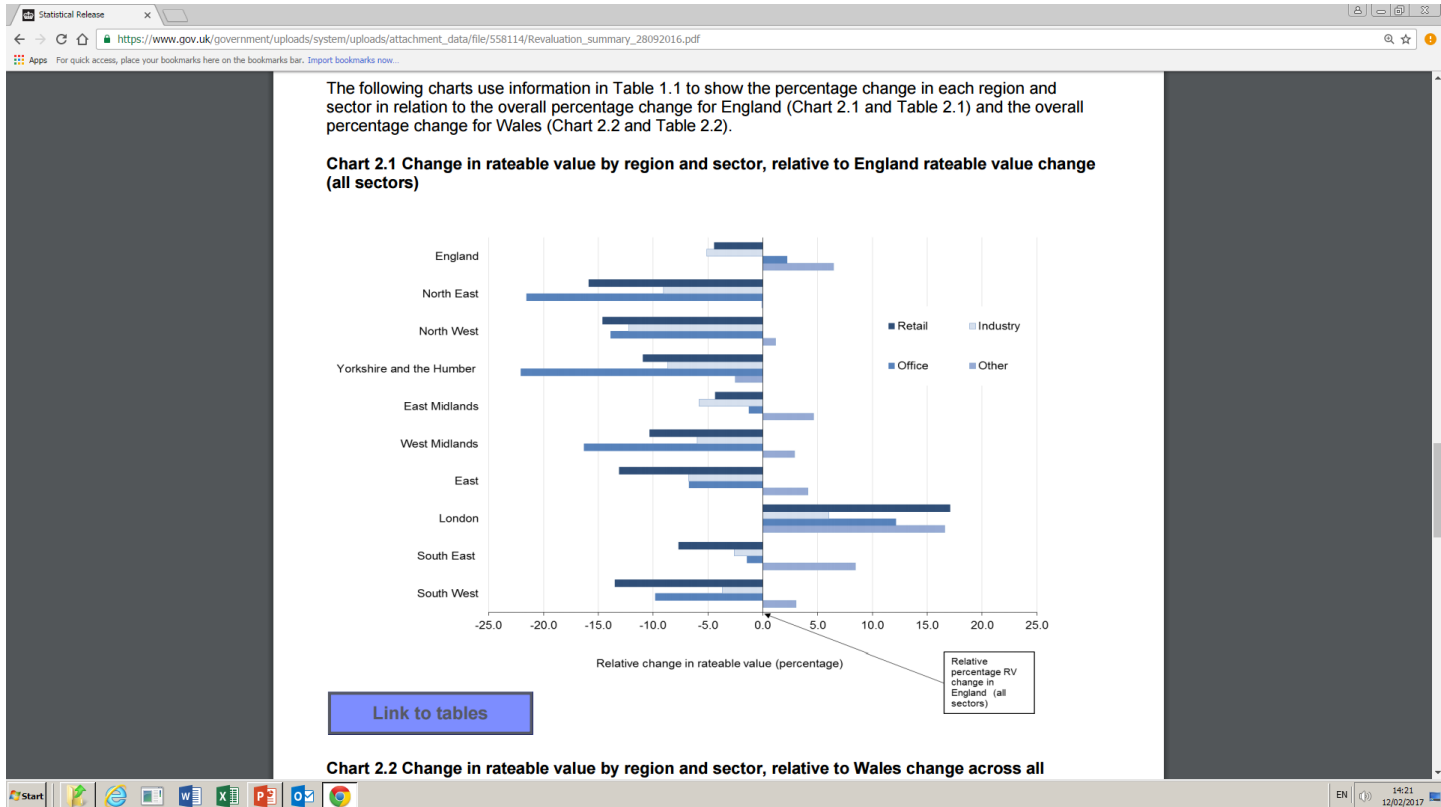
Vocabulary of Business Rates

- Hereditament: rateable unit of property
- Rateable Value (RV): annual rental value at antecedent date of valuation (DoV)
- Antecedent DoV: 1 April 2015
- Multiplier (formerly UBR): pence in the £ 'rate'
- Tone of the list: comparable market evidence
- Rates payable: $RV \times$ pence in the £
- Reasonable professional judgement: +/-10%?
- Material Change of Circumstances (MCC)
- Valuation Office Agency (VOA)

Good news for SMEs in the North?

- VOA has forecast reductions in business rates for retail and office sectors with no overall change for industry
- This compares with big increases for London and south east

Spatial Impact of Revaluation



<https://www.gov.uk/government/statistics/non-domestic-rating-high-level-estimates-of-change-in-rateable-value-of-rating-lists>

BIC on VOA Agent Mode

Virtually all unit in BIC, regardless of whether office and premises, workshop and premises or just offices are value at £90 psm in the new rating list; in the last list all such units were valued at £75 per sq m

Core and office suites unchanged at £90 psm

Jupiter 9 £129.15psm from £107.63 (base £100)

Jupiter ? increased to £110.25 from £99.7psm (base £95psm)

Jupiter 11 at £129.16 from £107.63 (base rate £100psm)

Jupiter 12 at £113.01 from £102.25 (base rate £105psm)

Exception - larger industrial/workshop units treated differently for example 91-98 & which have new RV at £45 per sq m when on old list were valued at £55 per sq m for workshop area & £60.50 per sq m for office component

Idiosyncrasies of VOA searching by address - searching under 'Street Name & Town':

'Business & Innovation Centre' & 'Sunderland': 180 results

'Sunderland Enterprise Park & 'Sunderland': 100 results

'Wearfield' & 'Sunderland': 15 results

Using Address 'Business & Innovation Centre' 'Wearfield' 'Sunderland' 'SR52LA': 4 results

Using postcode 'SR52LA': null result

<https://www.tax.service.gov.uk/view-my-valuation/search>

Revaluation

Until 31 March 2017:

- small business rate relief doubled to 100%
- RV <£6k pay no business rates; tapered from £6k-£12k

From 1 April 2017:

- RV <£12k (600,000 small businesses) pay no business rates; tapered £12k-£15k (50,000 businesses)
- Multiplier:
 - Small business: 46.6p(down from 48.4p) (RV threshold £18k)
 - General: 47.9p (down from 49.7p)

Transitional Relief

From 1 April 2017:

	Small	Medium	Large
Maximum increase	5%	12.5%	42%
Maximum decrease	-20%	-10%	-4%
RV thresholds	<£20k	>£20k<£100k	RV >£100k

Outstanding Appeals

- Previously 1m appeals on 2m heraditaments
- Now 280,000 outstanding
- 1/3rd resulted in change; 2/3^{rds} withdrawn or dismissed
- Last date for appeals against old list end of the month

New Appeals System

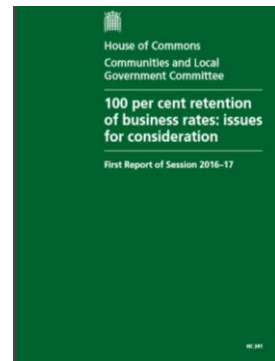
- from 1st April 2017
- 3 stage: check: challenge; appeal (CCA)
- Check: material day; 30 months to challenge; if not resolved in 12m then appeal
- Challenge: actuality of proposal via online a/c; need for detail & precision; onerous
- Appeal: to Valuation Tribunal (England) if disagree with decision or no decision; max £300 fee; still

Scepticism Remains

- Will reforms improve affairs? Many are sceptical for example RICS, IRRV
- Lack of information – put in appeal to ‘flush’ information out of VOA
- Still don’t get full disclosure at appeal!
- Reasonable Professional Judgement – a field day for lawyers
- Are VOA looking to ‘frustrate’ appeals out of the system?

Reform

- Developed commercial & industrial property data model based on rating list
- Allowed us to explore potential impact of fiscal devolution and decentralisation
- Expert witnesses to:
 - All Party Parliamentary Group (APPG) round table on Reform, Decentralisation and Devolution in the UK, and
 - Communities and Local Government (CLG) Select Committee review of business rate retention
- Submitted written responses to Government consultations:
 - Transitional Arrangements
 - Reforming Business Rates Appeals



Opportunity knocks: Not just about LAs

- No representation from landlord or development sectors into these enquiries – missed opportunity!
- Did you know that Local authorities make more money out of Empty Property Rates than business activity? – opportunity to reform Empty Property Rates
- Real estate development funds devolution – opportunity for landlords and developers to take centre stage and lead the devolution debate
- How will business occupiers and small businesses be affected by the way property markets respond to challenges?

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Request an exploratory meeting with either Dr Paul Greenhalgh or Dr Muldoon-Smith

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