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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. And 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. What follows is based on the rating system in England and Wales. Somewhat different systems apply in Scotland and Northern Ireland.

Who assesses the rateable value of business properties?

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

Every 5 years the valuation office 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 found within further information at the bottom of the page.

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, certain property used wholly for the disabled, 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. But there is a complication because increases (or decreases) in business rates may be phased in over a period and the amount actually payable could therefore be below or above the figure this sum produces.

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 holds good for all properties, whether they are owner-occupied, leased or occupied under a license.

How does transitional relief work?

Broadly, transition was introduced to spread the impact of some of the largest changes in business rates arising from revaluation. The idea was to limit the amount



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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.

When do I have to pay the business rates?

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

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 there other reliefs from business rates?

Charities and Community Amateur Sports Clubs receive 80% mandatory relief. Non-profit-making organisations may apply to the billing authority for discretionary relief (up to 100%). A range of other reliefs is available for certain rural businesses.

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 yourself against your rateable value or you may 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) or by letter. They may also be served via the Internet at www.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, or even years, 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 local valuation tribunal. Where this happens you will receive notification of the date and time of the hearing. The tribunal will accept written representation, 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 either party is dissatisfied with the tribunal's decision there is a further right of

appeal to the Lands Tribunal. Costs begin to be incurred at this level. Yet further appeals to the Court of Appeal may be made on a point of law only.



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Further Information

The rating list can be seen at the office of the local Valuation Office Agency (and viewed online at www.voa.gov.uk and a copy is also available at the offices of the billing authority.

For a list of property related matters please visit the Business Property Advice page www.rics.org/bpa.

Find an RICS member

RICS runs a rating helpline, offering half an hour of free advice from a local rating surveyor. Please contact us on +44 (0)870 333 1600.

If you want to find independent, impartial advice from a qualified professional with good local knowledge, contact us.

To find a chartered surveyor in your area visit www.ricsfirms.com

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