The going rate

A new rating assessment for all non-domestic premises, due to be introduced from 1 April, will have a profound effect on many businesses, explains Barry Davies.

The multiplier for 2017/18 bills will be 46.8p, or 47p for properties with a new RV of more than £50,000. For a property with an RV of £40,000, therefore, the rates payable would be £40,000 x 46.8p = £18,640. The government has introduced a scheme of transitional adjustments to phases in new rates liabilities where these have altered significantly following the revaluation.

The government is additionally proposing that from 2023, councils will be able to keep 100% of the business rates they collect, which are estimated to be worth more than £50 billion a year.

Small Business Rate Relief (SBRR), introduced in 2008, is generally only available to ratepayers that occupy a single main property in England, and this relief will be 100% for properties with RVs of up to £15,000, reducing on a tapering basis to zero for properties with RVs of more than £15,000.

"Agricultural holding" and "agricultural buildings", as defined in the Local Government Finance Act 1988, are exempt from non-domestic rates and are not entered in the rating list.

Valuation methods

There are two principal valuation methods that are used in respect of commercial businesses in rural areas.

Open market rent

This is based on the rental value of the land and buildings, which the VOA terms "horizonfated", as at 1 April 2015. In the majority of cases where the rural buildings have changed in use to commercial B1, B2 or B6 - offices, light industry or distribution - this is the valuation method applied. Farm shops would also be valued on this basis.

If a commercial lease is in place under the Landlord and Tenant Act 1954 or on an open market rent, then this will serve as primary evidence for valuation. It is important to establish whether or not the lease is at "arm's length" or whether there are connected parties - for instance, whether the landlord is a director of the company that is occupying the property.

How it works

Draft RVs were published on the VOA website on 30 September last year (http://bit.ly/29l0w0b) but there is no obligation on local authorities to inform business owners in writing of their new valuation. Some councils are contacting ratepayers; others are not.

Receipts and expenditure

This valuation method involves analysing the financial accounts, normally for a period of three years from 1 April 2016.

A full analysis of the accounts is required to ascertain profitability or loss to arrive at a double balance. The team will arrive at a "Graded and Revived Value" of non-ratable assets is also taken into account to arrive at an estimate of the figure representing the rental value that would be paid to the landlord by the tenant, to equate to the rateable value.

Valuation considerations

Other important factors that must be considered in the valuation are:

- Historical planning permissions, these may have onerous conditions restricting the business and have an effect on the rateable value
- location of the premises
- road infrastructure changes
- comparable evidence of similar business operations in the locality
- seasonality, which many rural businesses experience

Any challenge to your RV before 31 March is regarded as an "informal" approach, but it may be worth pursuing because it could be quicker and cheaper than entering the formal appeal procedure later.

Grounds for challenge include the factual information used by the VOA being incorrect - for example, the description of the property, area of buildings or turnover of the business. Where any of those items is incorrect, you should consider notifying the VOA, preferably by email, and requesting a revised assessment.

"Check, Challenge, Appeal"

A new business rates appeal system is being introduced in England from 1 April, which will be referred to as "Check, Challenge, Appeal".

At the "Check" stage, ratepayers will be required to check and confirm the accuracy of the facts on which their valuation is based. The intention is to try to ensure that the majority of disagreements are resolved quickly.

The VOA has indicated that it intends to respond to the great majority of cases within three months.

Ratepayers who disagree with their rateable value following the "Check" may initiate a "Challenge". This must be begun within 12 months of the end of the "Check" stage, although any case that has spent more than 12 months at "Check" can move on automatically.

Ratepayers will be able to enter a "Challenge" if they have confirmed that the specific details held by the VOA about the property are correct within the last 12 months. A "Challenge" must contain:

- Details of the legal grounds on which the challenge is made
- a proposed alternative rateable value
- evidence or analysis supporting this proposed alternative
- a statement of how this evidence supports the alternative.

Challenges lacking these elements may be regarded as incomplete by the Valuation Officer.

If agreement is not reached during the "Challenge" stage, the VOA will issue a letter setting out a summary of its decision on outstanding matters, supported by its reasons. This will formally end the "Challenge", and the ratepayer will have four months in which to lodge an appeal against the decision notice should they wish.

"Appeals" will be made to the Valuation Tribunal for England. The ability of either party to introduce substantial new evidence at appeal stage will be restricted, unless the parties both agree to it or it was not known, and could not have been known, at the date that the appeal was made.

The government also proposes to introduce an appeal fee of £300 for large businesses and £150 for small businesses. This fee will be refunded if the appeal is successful.

The draft regulations propose, too, that the Valuation Tribunal should only order a "Challenge in rateable value" where its view is that the current valuation is "outside the bounds of reasonable professional judgement". However, there is no definition of "reasonable professional judgement" provided in the draft regulations.

Rate responsibility

The liability for paying business rates is the responsibility of the occupier of the property, or the owner if the property is unoccupied. Local authorities actively seek out and review commercial properties where no rates are being paid. If you are unsure of whose rates they are, then you should contact your council's non-domestic rating department.

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Related competences include Property finance and funding.