

Rating Update

Uniform Business Rate (UBR) 2012/13

The increase in the UBR in April each year is linked to the annual increase in the Retail Price Index (RPI) announced in the preceding September. The RPI increase to September 2011 was confirmed recently at 5.6%.

In theory the Government could restrict the increase to less than 5.6%, however, since the first of the modern Revaluations in 1990, successive Governments have always applied the maximum increase.

We therefore anticipate a rate in the pound for 2012/13 of 45.0p for England/Scotland and 45.2p for Wales.

Whilst some rate bills are still affected by the Transitional Arrangements, the majority of ratepayers are facing a 5.6% increase in rate liability from 1st April 2012.

Ratepayers in any of the London Boroughs, City of Westminster or City of London have an additional charge of 2p in the pound to fund Crossrail.

Rapleys will provide estimates of rate liabilities for all rating clients for 2012/13 on request.

Valuation Tribunal and Appeal Procedures

The rules governing how appeals proceed changed dramatically in January this year and the procedure for dealing with appeals is now much more time consuming than previously. If appeals remain unresolved 4 weeks prior to the Valuation Tribunal Hearing, the ratepayers representative has to submit a Statement of Case, providing detailed reasons as to the points in dispute and effectively outlining the case to be presented at Tribunal.

In the majority of cases, appeals are still resolved prior to the Hearing, however, the new Regulations are adding costs to the appeal process and causing significant additional work, most of which is unnecessary. Despite representations from the Professional bodies no major changes are proposed.

Local Rates

The Government previously announced that they were looking at opportunities to allow Local Authorities to retain some of the monies paid by business ratepayers and possibly raise additional revenue.

Following the Local Government Resource review the Government have now confirmed that Local Authorities will not have any powers to set business rates, although proposals are to be considered to allow councils to retain additional revenue from new developments in their areas. Councils are also to be allowed to offer discounts on rate bills in certain areas to promote development, although this must be funded locally. A comment has been made that the details of these proposals are more complicated than the Duckworth-Lewis method of scoring in rain affected cricket matches! Further details to follow in due course.

Scotland

"Public Health" Business Rate Supplement

The Scottish Executive (SE) are introducing a "Public Health" Business Rate Supplement similar to last year's failed "Supermarket" levy, which failed to pass the 2011 budget. Despite the "Public Health" tag, this Supplement is also narrowly targeted and discriminatory against supermarket operators. It is intended to raise £30m in 2012/13 and £40m annually thereafter and will be levied on all large retail stores (in excess of RV £300,000) selling tobacco and alcohol products, i.e. supermarkets. Almost the whole burden of the Supplement will fall on the "Big 4" food retailers; Wm Morrison, Tesco, J Sainsbury and Asda, although Co-op, Lidl and Waitrose will also be affected to some degree.

The basis of charge and the affect on individual properties is still to be announced but based on our current estimate of 235 supermarkets assessed at more than RV £300,000 and a total RV of circa £273m a supplement of 11p/RV£1 will be required to yield £30m in 2012/13 and 14.7p/RV£1 will be required to yield the £40m in each future year. Subject to whether a flat or escalating rate is applied, the impact could be uniform across all affected properties or could affect the larger stores far more severely than those with assessments closest to the threshold at RV £300,000.

The introduction of the Supplement will be a material change of circumstance (MCC) and an opportunity to appeal the assessments of affected stores. As a result some stores assessed at just over RV £300,000 may be revised to below RV £300,000 and cease to be affected by the Supplement, whereas other higher value stores may also benefit from a downshift in value and consequently attract a lower Supplement.

"Economic Downturn" MCC Appeals

The Scottish rating system allows ratepayers to challenge their assessments if and when rental value falls below the 2010 Revaluation tone of the roll, i.e. market rental levels as at 1st April 2008. Assessments should be based on the lower of the tone of the roll or the current market value and in the current economic climate there are many properties in many locations where current rental values are below the tone of the roll level.

MCC appeals can and should be submitted and pursued where this has happened as these appeals could yield significant reductions in assessment and rate savings. Furthermore where rental values continue to fall further year on year, additional MCC appeals can be made which could produce further, future rate savings.

In order to minimise all Scottish rate liabilities we strongly recommend reviewing assessments and where appropriate submitting MCC appeals at least on an annual basis.

Wales

It has recently been announced that an Independent review of Business Rates policy in Wales will be undertaken. The review will be chaired by Professor Brian Morgan of Cardiff Metropolitan University and will examine many aspects of the Business Rates system, including the effectiveness of the various current reliefs available and ways in which the Business Rates system can assist in supporting economic growth.

Material Changes of Circumstances

If your property is subject to extensive building works or badly affected by nearby roadworks there may be grounds for a temporary reduction in your rate liability. Unless extremely severe, the disturbance from works outside the property would have to last for six months. For retail operations claims for reduction in Rateable Value will need to be supported by trading figures showing a decline as a direct result of the works.

Empty Rates

A reminder that there are various ways of trying to mitigate rate liability on empty properties and for further advice on this complicated issue, please contact any of our Rating team.

For more information or advice regarding the issues in this newsletter or any other rating topics please contact one of our nationwide specialists on 0870 777 6292, or directly as below:

| | | | |
|----------------------|----------------------|---------------------|--------------------------|
| Alan Watson | 01480 371454 | 07917 352428 | acw@rapleys.co.uk |
| Mike Rose | 0131 221 5903 | 07785 522957 | jmr@rapleys.co.uk |
| David Perrett | 01480 371440 | 07774 105843 | drp@rapleys.co.uk |

The comments in this newsletter are for information purposes only. Professional advice should be sought prior to taking any action and Rapleys LLP will not accept responsibility for decisions taken solely on the basis of information contained in this newsletter.



0870 777 6292
www.rapleys.co.uk

LONDON BRISTOL EDINBURGH HUNTINGDON MANCHESTER