

# COPING WITH THE BUSINESS RATES REVALUATION

GROWTH

## QUICK WINS

- **Do your own research and compare your premises with similar premises in the same area.**
- **Check to see if there are any reliefs that you can apply for as they are not automatically applied.**
- **Understand the grounds, as listed on the government's website, for which an appeal can be made. Remember to take care as there is only the one opportunity to use the process.**
- **Be careful who you engage to help with the appeal. Look for the MRICS qualification and check this on the RICS website.**

**The high street is reportedly fighting for survival. Increasing rents, new employment burdens and the internet are all taking chunks out of the profit retailers need to exist. And optics is affected too. It's not hard to find examples of practices that have closed suddenly such as Premier Vision in Huddersfield in 2015 and Sunbridge Opticians in Bradford in 2016. The reasons for their closures are likely to be numerous, but economics are likely to have been a factor.**

Rising business rates are contributing towards the question of the viability of high street retail. The latest business rates revaluation came into effect last April (2017) and assessed all business properties in England, Scotland and Wales based upon rental values as at April 2015. And it has not gone down well with retailers.

## DELAYED REVALUATION

The Government decided in 2012 to delay the planned 2015 revaluation. The thinking was that the delay would avoid firms facing unexpected hikes in their business rates bills over the next five years. The reality, however, has been somewhat different.

Consider an optician's practice in Henley on Thames in Surrey. In September 2012 it's rateable value was set at £22,500, but that rose to £27,000 in April 2017. Even more marked was the rise noted by one opticians in London's Holborn. In April 2010 the rateable value was £18,500 but that rose in 2017 to £42,000.

Chris Stevens, director at real estate advisers, Bilfinger GVA, believes the delay was unkind to businesses. "Research suggested that the decision to defer the 2015 revaluation meant businesses in the North and Midlands faced an additional £2.3bn bill from the start of the 2015/2016 financial year until the revaluation in 2017."

After businesses cried out for help the then Government announced a review of the revaluation in March 2015. However, then chancellor George Osborne announced that any reforms would be fiscally neutral. As Stevens notes, "this was not much of a surprise considering the tax revenue is over £25bn and has a collection rate close to 98%."

## SOME HOPE

The review offered one small ray of hope to SMEs; that from 1 April 2017 Business Rate Relief would permanently double from 50% to 100% and thresholds would rise to benefit a greater number of businesses. "This means," says Stevens, "that business property with a rateable value of £12,000 and below will receive 100% relief and businesses with a property with a rateable value between £12,000 and £15,000 will receive tapered relief."

And this is the cause of the problem. As the revaluation was fiscally neutral with some businesses being exempted from business rates, others have to make up the shortfall. And it is unlikely opticians will operate from relieved premises.

There was some other help mentioned in the March 2017 budget. Chancellor Phillip Hammond promised to cap business rate rises at £50 a month for those leaving small business rate relief, but only until 31 March 2018. A £300m discretionary relief fund was also made available for local authorities to tackle other rates-

1. <https://www.examiner.co.uk/news/west-yorkshire-news/opticians-huddersfield-suddenly-closed-been-10520092>

2. [http://www.thetelegraphandargus.co.uk/news/14923181.Mystery\\_surrounds\\_closure\\_of\\_shop\\_as\\_customers\\_are\\_left\\_bemused/](http://www.thetelegraphandargus.co.uk/news/14923181.Mystery_surrounds_closure_of_shop_as_customers_are_left_bemused/)

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related issues in their local areas. However, as the Federation of Small Businesses (FSB) noted in a February 2018 press release, "more than 40% of the £175m allocated to councils from this hardship fund has

yet to be passed on to local firms, according to research from property consultants Gerald Eve." FSB national chairman Mike Cherry added: "The Chancellor's hardship fund offered a small glimmer of hope. For many, it's proved to be false hope."

## BIG BILLS FOR SOME

The business rates revaluation was conducted by the Valuation Office Agency (VOA), part of HMRC, and the official list can be viewed at <https://www.gov.uk/correct-your-business-rates>. The actual bill paid by business is a function of rateable value and the multiplier - the pence in the pound which when multiplied by the valuation gives the final rates bill - that the government sets each year.

For small business, in 2017/18 this is 46.6p which is lower than that for 2016/17. The multiplier for other businesses is 47.9p. The multipliers for 2018/19 are yet to be set at the time of writing.

## NEW APPEALS PROCESS

The effect of rising bills, the ending of tapering relief, and any clear factual errors relating to a property will no doubt spur on appeals to the VOA.

But apart from higher bills following the 2017 revaluation, businesses also have to contend with a new business rates appeal system. The new procedure, called Check Challenge Appeal, is designed to streamline the process and reduce the vast number of speculative appeals.

## The appeal system introduced three new distinct stages:

**CHECK** – the ratepayer confirms the floor areas, rent and specification of the property. The Valuation Officer (VO) reviews these facts and, if appropriate, amends the rateable value. The ratepayer moves to challenge after 12 months if there is no decision.

**CHALLENGE** – the ratepayer has four months to formally challenge the VO's rateable value. The ratepayer must provide full supporting information, their valuation, comparable evidence and detailed reasons why the rateable value is wrong. Negotiations should take place before the VO issues its formal response. This stage could take up to 18 months and if an agreement cannot be reached the case is escalated to appeal.

**APPEAL** – the ratepayer has four months to submit an appeal to the Valuation Tribunal. No further negotiations take place and only in exceptional circumstances can new evidence be introduced.

The issue for ratepayers is that the VOA requires information to be submitted online, and failure to comply with the procedures or timescales will result in the case being thrown out.

Stevens says the process is set to be onerous: "Whilst the new system is being introduced to improve transparency and to streamline the process, we are concerned about the increased burden on the ratepayer to supply details which the VOA should already know, and the length of time it might take to agree a revised rateable value."

A recent report in the Telegraph (February 2018) noted that since 1 April 2017, when the new system for appealing business rates was introduced, and 31 December, just 1,210 valuations were challenged in England, a 99.3% fall compared to the same period after the last system change in 2010.

## SEEKING HELP TO APPEAL

Stories abound of rogue advisors who promise the earth when it comes to appealing business rates but who subsequently take the money and run.



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The advice on choosing a ratings surveyor is simple and the first step is to choose someone who is a chartered surveyor with professional qualifications. This means looking for the letters MRICS after their name and the RICS logo should be displayed on their website. It makes sense to choose someone who is also a member of

the Institute of Revenues & Rating Valuation (IRRV) as well as the Rating Surveyors Association (RSA). Don't go with an advisor that doesn't meet these standards.

Next, you need to look for a surveyor with experience in pursuing ratings appeals that are related to retail, the property type that you occupy and your locality. Quite simply, valuing a practice in a small town will be very different from a warehouse on the outskirts of a city. If the agent cannot demonstrate experience relevant to your particular property, don't instruct them.

The third point is to consider is who will actually deal with your appeal. If it's a large firm, more often than not you'll speak with a director with the intention of winning your business. However, they may not actually deal with your appeal – so ask if they will be delegating your case to a junior or even a trainee.

Lastly, don't engage anyone without seeking a reference from other clients. You need to check on experience, service quality and results. Remember – you only have one chance to win an appeal.

**By Adam Bernstein**

## FURTHER INFORMATION

### Check and challenge rateable value:

<https://www.gov.uk/guidance/how-to-check-your-rateable-value-is-correct>

**Valuation tribunal:** <https://www.valuationtribunal.gov.uk>

### Find a RICS surveyor:

<https://www.ricsfirms.com>