

UK PROPERTY TAX

A QUICK GUIDE TO THE RATING SYSTEM



THE RATING SYSTEM

Under the UK Rating System annual liability to the Property Tax (Business Rates) is calculated using the formula – Rateable Value (RV) x Uniform Business Rates (UBR). The rate year runs from 1 April to 31 March.

RATEABLE VALUE (RV)

The RV is equivalent to the annual rental value of a property let on a full repairing and insuring basis. (FRI). RV's are calculated for all commercial properties by the Government's valuers known as the Valuation Office Agency (VOA). The VOA insert RV's into a Rating List. The Rating List is divided into individual billing authority areas (the Local Authority). The billing authority uses the RV to calculate rate liability and issues bills to businesses within their locality.

UNIFORM BUSINESS RATE (UBR)

This is an amount set by the Government at the start of a Rating List. The Government can only increase the level of the uniform business rate in line with the annual change in inflation between September and September each year.

The current multiplier for large properties (RV above £51,000) is 0.504p

THE RATING LIST

The VOA undertakes revaluations of all business premises every five years. From 1990 there have been regular revaluations in 1995/2000/2005/2010 Rating Lists commencing from 1 April. All properties are valued as if they existed on the same valuation date for each Rating List. The valuation date is two years before the list comes into force. The current Rating List is the 2017 Rating List which has a valuation date of 1st April 2015. The 2015 Rating Revaluation was delayed by 2 years. The next revaluation is due to take place in 2021.

SMALL BUSINESS RATE RELIEF

Businesses that qualify for Small Business Rates Relief (SBRR) have the small (i.e. lower) business multiplier used for liability calculations. A business may apply for SBRR if the aggregate of the Rateable Values (RVs) of its properties is less than £20,000. Relief is 100% below £12,000 rateable value and on a sliding slide between £12,001 and £14,999.

ANTECEDENT VALUATION DATE (AVD)

In arriving at the RV a valuation date is set on which to base these 'annual rental figures'. This date is set 2 years prior to the list coming into effect, so for the 2017 Rating List the date is set at 1 April 2015. This is known as the Antecedent Valuation Date (AVD).

TRANSITIONAL ARRANGEMENTS

When a new Rating List comes into effect it can result in substantial changes to the RV dependent on what has happened with the rental market over the preceding revaluation period. In order to cushion the effect of large increases the Government introduced a system of caps on increases and to pay for those limits on reductions. These percentages differ throughout the UK and for different sized properties.

For the first year of the 2017 Rating List in England increases were to be limited to 4.2% + inflation for large properties, decreases to 4.1% for large properties.

WHO IS LIABLE?

Business Rates are principally a tax on occupation. In the event that the property lies empty however, then the liability lies with the owner of the premises or the leaseholder if they are entitled to possession.

After a limited period of either 3 or 6 months, properties that are empty attract the same charge as those that are occupied.

THE MAIN EXEMPTIONS AND RELIEFS FROM LIABILITY

Industrial or warehouse properties are exempt from rates for the first six months of vacancy then full rates become payable again. For most other property types the exemption is for three months. There are currently a dozen different reliefs in operation that complicate how rates billable are arrived at.

ENSURING LIABILITY IS KEPT TO A MINIMUM

It is possible to appeal against a Rateable Value. If evidence can be produced to show that the RV is excessive, a Valuation Officer can agree to a reduction or the evidence can be put to a special Valuation Tribunal. Reductions in RV can also be achieved for other factors which affect the rental value of a property.

From 1st April 2017 in England a new system of appealing called Check, Challenge, Appeal has been introduced. It is fair to say this is a complicated and onerous system that has brought widespread criticism.

The transitional arrangements complicate the calculation of rate liability, particularly where there have been splits and mergers of properties and it is important to ensure that the bill has been calculated correctly.

It is also important to ensure that any bill correctly reflects the fact that a property is vacant, it may be possible to appeal an assessment and have it split between the vacant and occupied parts. The empty rate liability allowances can then be applied to the vacant part.



The Colliers International Rating Department

Colliers International's Rating Department specialises in challenging rateable values and advising generally on rate liability.

Dealing with rating appeals is only one part of the rating service. Colliers International can take full responsibility for all aspects of rating, which allows us to apply our expertise at every stage, thereby ensuring that every opportunity to make savings can be investigated and acted upon immediately.

We understand that the needs and requirements of clients can vary and we are committed to working closely with our clients to provide the range of services that suits their objectives and to keep them informed of the impact of any legislation changes

November 2019

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