LEADERS IN BUSINESS RATES

GERALDEVE

BUSINESS RATES UPDATE
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GOVERNMENT ISSUES BILL TO CONFIRM NEXT REVALUATION DATE ON 1 APRIL 2021

Following the Chancellor's announcement in his Spring 2018 statement that the intended 2022 Revaluation would be brought forward to 2021, the Government finally issued a Bill on 12 June 2019, to implement the change and allow for three yearly revaluations thereafter. The Bill has been timetabled to move through the committee process quickly.

We have made representations that they take the opportunity to incorporate the ability to shorten future revaluation periods and provide flexibility regarding transitional schemes without the need for further primary legislation. We understand that a consultation will be launched shortly followed by a draft Bill as this measure requires primary legislation.

In its current form the Bill allows for the next Revaluations in England and Wales to be moved to 1 April 2021. For England, subsequent revaluations will be of three yearly intervals. The Bill also seeks to move the date by which the draft rating List has to be published by the Valuation Office Agency (VOA), from 30 September preceding the Revaluation to 31 December. This allows the VOA extra time to prepare the draft revaluation assessments, but ratepayers will have less time to budget for their revised liabilities. This would assist a move to a one year period between the List compilation date and the antecedent valuation date (AVD), once we move to a three-year revaluation period. Currently, there is no present Government intention to implement this change.

It is our view that as revaluation periods become shorter, the need for a transitional scheme will lessen. In any event, we see no justification for downwards phasing which prevents revaluation cuts from being implemented immediately. We have taken the opportunity again to raise the issue of transparency under the Check Challenge Appeal System (CCA). We are calling for an amendment to force the VOA to provide justification for their valuations at the start of the process, before the ratepayer has to move to challenge.

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Whilst these are good news for ratepayers we still face a position where business rates in the UK represent the world's highest local property tax.

Flexible Space Association

TREASURY SELECT COMMITTEE UPDATE

The Treasury Select Committee (TSC) has been carrying out an inquiry into Business Rates since the start of the year. Our Head of Business Rates, Jerry Schurder, was invited to give oral evidence last week to support our written evidence. This provided an opportunity to express the concerns of business with the current burden of business rates. Jerry was able to identify the problems that have been experienced by ratepayers and ourselves with the CCA system which came into effect on 1 April 2017. In our experience, this has become a barrier to ratepayers seeking a fair level of assessment.

Link to the Select Committee website and coverage of the hearing – 9.30 am 19th June.

CCA UPDATE

As Jerry described in his evidence to the TSC "Check Challenge Appeal is the most preposterous, manifestly unfair system that could have been devised" and ratepayers continue to face issues with the cumbersome digital platform and draconian registration and property claiming requirements.

We have been working with the VOA to improve the process for ratepayers and there has been some progress. Ratepayers can now nominate an agent as a "User" on their gateway account which means that we can now claim your properties directly. We have also been working on e-comms, as part of a team that has been liaising with the VOA IT team on developing application programming interfaces (API's). This allows our systems to communicate directly with those of the VOA. Whilst this process should have been in place before the new system was launched in 2017, we are now close to a point where direct electronic communication can be restored.

Despite the issues with the new CCA system and delays with the API's, we have been able to obtain significant savings for clients through the check and challenge process and through other mitigation strategies. In Scotland and Wales appeals have been progressing as before. On the 2017 List to date, we have secured savings in excess of £280 million for clients across the UK.

WALES

Although the Welsh Government has confirmed that the next revaluation will be in April 2021, unlike England, no commitment has been made at this stage to more frequent revaluations. Appeal reform is also likely to happen alongside the revaluation, with a new system expected by April 2021.

We are anticipating draft legislation in the Autumn in respect of fraud and avoidance of non-domestic rates in Wales. The main new duties and obligations which are expected to be introduced include:

Exploring an obligation on ratepayers to notify their local authority of a change in circumstances that would affect their rate bill.

A new power for local authorities to request information from ratepayers and third parties to aid authorities in discharging their billing and collection function.

A new power for local authorities to enter and inspect non-domestic properties to verify information relevant to the billing function.

Changes to the arrangements for empty rate relief to include lengthening the period of occupation from 42 days to 6 months in order to qualify for a fresh period free from rates.

Publication of a list of ratepayers in receipt of rates relief.

For the first time in Wales, there are plans to allow local authorities to retain a % of additional revenue collected, similar to the rate retention scheme in England and a commitment has been made by the Welsh Government to consult later this year on the potential removal of charitable relief for private schools and private hospitals in Wales.

We are also expecting a consultation within the next six months on whether Wales will follow England in reversing the "Mazars" decision which resulted in some increased liabilities, where assessments for properties in single occupation but in shared buildings were divided.

JUNE 2019 BUSINESS RATES UPDATE

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SCOTLAND

Unlike England and Wales the next Revaluation in Scotland is not due until 1 April 2022 with an AVD of 1 April 2020. After which there will be regular three yearly revaluations, with a one-year gap to AVD.

Following the Barclay review of business rates and the subsequent consultation paper – Barclay Implementation – A consultation on Non-Domestic rates reform – the Scottish Government have issued the Non-Domestic Rates (Scotland) Bill which looks to implement many of the changes first identified in the Barclay review to include:

Assessors being given more powers to obtain information from other sources such as surveyors, solicitors, accountants and contractors in addition to the existing powers on proprietor, tenant and occupiers

The penalties for non-response to information requests will become a civil penalty which will allow Assessors and Local Authorities to submit civil penalties with proposals that these could be as high as the Rateable Value

An intention that draft assessments will be made available in December preceding the Revaluation year;

A two-stage appeal process – Proposal (stage 1) which if not resolved during a set period of time will automatically become an Appeal (stage 2) which will be heard by the new Tribunal Service;

Changes to the arrangements for empty rate relief to include lengthening the period of occupation from 42 days to 6 months in order to qualify for a fresh period free from rates;

Removal of Charitable Rates Relief from private independent schools;

Increased collection powers for collection of rates from Local Authorities. Failure to pay first instalment will result in recovery action commencing earlier in the process rather than waiting six months as present;

Increased anti avoidance legislation;

At present there is no indication that Scottish Government is considering reversion the "Mazars" decision as has been legislated for in England.

We will be issuing further updates as these changes progress however if you have any questions, please do not hesitate to get in contact with me.

Steve Hile

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Partner

Gerald Eve LLP is the pre-eminent business rates adviser. We currently advise a quarter of the FTSE100 companies on rating matters. We have saved our clients, occupying over 70,000 properties throughout the UK, more than £2.6bn in rates liabilities over the last five years.

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