

Business rates reliefs

Business Rates - background

Business rates are charged on all non-domestic properties that do not qualify for an exemption. They are normally paid by the occupiers of premises. Currently business rates are calculated according to a property's "rateable value". The rateable value is intended to reflect the estimated annual rental value for the property. The figure is set by the Valuation Office Agency (VOA) every 5 years. The last revaluation took effect on 1 April 2017.

The rates bill an occupier pays is calculated by taking the rateable value set by the VOA and multiplying it by the business rates multiplier set by central government.

Business Rates Reliefs

Rates can be a large overhead for any business and some of the reliefs available are outlined below:

Transitional Relief

Following a revaluation, transitional relief can limit the amount of increase or decrease in order to produce a gradual phased change to the rates bill. This is good for businesses suffering a significant increase in their rates bill but not so good for businesses that have been given a reduction, as that too will be phased in and will not take effect immediately.

Empty Property Relief

Full relief

While they remain unoccupied no rates are payable on the following types of property:

- Listed buildings
- Properties used for charitable purposes and owned by a charity
- Properties with a rateable value below £2,900
- Community amateur sports clubs, but only if the next use of the property will be as a sports club.

3 month relief

Most properties can benefit from empty property relief for 3 months. Industrial properties receive an additional 3 month period of relief on top of this.

To benefit from relief, rates payments must be up-to-date and the property occupied for a period of at least 6 weeks prior to being vacated.

The party liable to pay rates on an unoccupied property is the "owner". This is the party entitled to possession of the property. This definition includes a tenant who has vacated a property but not surrendered or otherwise parted with possession of its interest in the property.

Properties incapable of beneficial occupation

The case of *Newbigin v Monk* in 2017 has confirmed that if a property is genuinely incapable of beneficial occupation because it is being redeveloped or refurbished, 100% relief from business rates should be available.

There must be a genuine programme of redevelopment works. Stripping out premises merely to limit liability is likely to fall foul of anti avoidance legislation.

Head Office
Heathervale House
2-4 Vale Avenue
Tunbridge Wells
Kent TN1 1DJ
T 01892 510000
F 01892 540170

Thames Gateway
Corinthian House
Galleon Boulevard
Crossways Business Park
Dartford
Kent DA2 6QE
T 01322 623700
F 01322 623701

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It is also important to remember that parts of a property can become capable of beneficial occupation before the whole during redevelopment and those parts can then be separately listed and rates charged accordingly.

Small Business Rate Relief

Full relief

No rates are payable if:

- Your business only has one property and its rateable value is below £12,000; or
- If the business is in a rural area with a population below 3,000 and it is:
 - the only village shop or post office with a rateable value up to £8,500; or
 - the only public house or petrol station with a rateable value up to £12,500.

Sliding scale of relief

If the rateable value is between £12,001 and £15,000 a sliding scale of relief is applied from 0-100%.

Part-occupied properties

If there is only partial occupation of a property for a short time the rateable value may be apportioned to reflect the occupied and unoccupied areas.

Charities

There is a mandatory relief of 80% for charities or community amateur sports clubs if they occupy property wholly or mainly for charitable purposes. The local rating authority has discretion to increase this to 100%.

Enterprise Zones

Billing authorities have discretion to allow relief of up to £55,000 a year over a 5 year period if a business is either starting up or relocating to an Enterprise Zone.

Exempted buildings

If you meet strict legal requirements you will not pay business rates on the following:

- Agricultural land and buildings
- Buildings used for the training or welfare of disabled people
- Church halls or buildings registered for public religious worship

Temporary Reliefs

As announced in the Spring Budget on 3 March 2021, the government continued to provide eligible retail, hospitality and leisure properties in England with 100% business rates relief from 1 April 2021 to 30 June 2021. This was followed by 66% business rates relief for the period from 1 July 2021 to 31 March 2022, capped at £2 million per business for properties that were required to be closed on 5 January 2021, or £105,000 per business for other eligible properties.

Additional announcements in the Autumn Budget on 27 October 2021 introduced a new temporary business rates relief for eligible retail, hospitality and leisure properties for 2022-23. Eligible properties will receive 50% relief, up to a £110,000 per business cap.

The Autumn Budget also introduced a 100% improvement relief for business rates. This will provide 12 months relief from higher

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bills for occupiers where eligible improvements to an existing property increase the rateable value. The government will consult on how best to implement this relief, which will take effect in 2023 and be reviewed in 2028.

Further information

This information sheet has been prepared to highlight some of the key business rate reliefs available. It is based on our understanding of the Regulations as at October 2021 and may be affected by subsequent changes to the Regulations. For further information, please contact Penny Edgar on 01892 510000 or email at:

penelope.edgar@ts-p.co.uk

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