

BUSINESS RATES

Overview

Most business premises in the UK that occupy non-domestic premises are subject to business rates. This includes most commercial properties, such as shops, offices, pubs, warehouses and factories. Rates help fund services provided by local authorities,

As in Ireland, businesses which are subject to rates are given a rateable valuation. The amount of business rates payable is calculated using the rateable value and the multiplier, which is set by the government.

Certain premises are exempt from business rates. They include most farmland and farm buildings, places of worship and some types of property used by the disabled

Normally, the occupier of the property has to pay the business rates. This is usually the owner or the leaseholder of the property. If the property is empty (unoccupied) then the business rates are payable by the person entitled to occupy. That is the owner or leaseholder of the property. Unless an exemption applies, the full rates remain payable for empty property. The first three months a property becomes unoccupied are exempt from the rates (the first 6 months for industrial properties). After this period the 'empty rates' are payable by the owner or leaseholder of the property, that is, the person who is entitled to possession of the property.

Minor business use may be made of a dwellinghouse without becoming liable to rates. If part of a building is used for business and part for residential purposes - such as a shop with a flat above or a solicitor's office in a domestic property - the part used for business counts as non-domestic premises. The rest may be subject to Council Tax.

Renting out part or all of a house to private tenants is not normally considered business use. Council tax continues to be payable rather than business rates. If a holiday home is available for rent for 140 days a year or more, business rates apply..

Valuation for Rates

Premises that are subject to business rates are given a rateable value **by** the Valuation Office Agency. Local authorities use the VOA's assessment of a property's rateable value to calculate business rates bills. The rateable value is based on the likely annual open market rent for the premises at a particular date.

Rateable values are reviewed every five years. They were last updated in 2005, based on market rents at 1 April 2003. Properties that have been changed since the last revaluation can be reassessed.

The VOA is currently working on the new rateable values which will become effective in 2010, based on market rents at 1 April 2008. Factors such as the size of the premises and how they are used are taken into account in assessing the rateable valuation. Different parts of the premises may be valued at different levels.

Business rates are calculated using the rateable value and the multiplier set by the government. In England, the standard multiplier for 2008/09 is 46.2. For example, a property with a rateable value of £10,000 is normally charged £ 4,620, excluding any discounts or reductions that may be applicable. There are reductions in the rates payable for many small businesses, and if the premises are empty.

Reliefs

In England small businesses are generally entitled to small business rate relief if the rateable value of their premises is less than £15,000 (£21,500 in London). In addition, properties with rateable values below £2,200 are disregarded when considering applications for small business rate relief. However, the rateable value for such properties are included in determining whether the threshold criterion has been met.

Charities and community amateur sports clubs can get their business rates bills reduced by 80 per cent. In some areas, this could be reduced even further.

Other non-profit organisations can apply for up to 100 per cent discretionary relief. Certain rural businesses, such as village shops and petrol stations, may be able to claim rates relief.

This Guide is intended as an overview and broad outline of the matters covered in it. Its purpose is to inform and raise awareness. We are happy to offer specific legal advice on particular circumstances.

This Guide should not be relied on as a substitute for comprehensive legal advice with reference to the particular circumstances.

While we have taken due care in the preparation of this publication, we do not accept legal liability as a result of any reliance placed on anything in this Guide. The reader should rely only on specific legal or taxation advice.