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"Businesses must act now or face losing thousands in rates savings dating back to 1 April 2017," says Cluttons

3 years ago

With a global pandemic to deal with, accelerating structural changes particularly in retail, business owners have been hit hard, despite recent Government pledges and rate reliefs.

Now, as the extended rating list cycle is coming to an end there is a closing window to mitigate against complex business rate liabilities.

The Government has confirmed that the 2017 rating list closes on 31 March 2023, this will also be the cut off for any checks to be submitted The onus is on the ratepayer to check their rateable values before the window of opportunity closes. Furthermore, the Uniform Business Rate (UBR) multiplier is expected to rise to over 52p in the £, up from its previous level.

Along with the high level of UBR, this makes business rates a much bigger problem than previously on top of various reliefs ending and two years of pain for swathes of commercial property owners and tenants.

The 2023 rating list is no easy feat to compile with many commercial property sectors showing a decline in rental values and a notable lack of transactions. The basis of assessment for the forthcoming rating list will adopt rental values effective 1 April 2021, based on rents agreed during the backdrop of the covid pandemic.

For the current rating list, the onus is for business owners to present their case for any reduction they believe is due, if they haven't yet started, it is imperative to do so now to avoid getting stuck in the last minute piles of checks that are likely to be submitted as the date gets closer, delaying any reduction.

What many ratepayers may not appreciate is their 2017 rateable value could impact their liabilities once the 2023 rating list comes into force due to transitional relief that will likely apply. It potentially won't follow that if their rateable value falls significantly, their rates payable may not. On that basis getting the 2017 rating list figures correct is vitally important, in particular in the retail sector where rents have declined over the last few years.

"Retail will unsurprisingly see the biggest fall between the 2017 and 2023 rating lists with 2018 seeing a peak in average retail rents. Today, average retail rents are down around 17.6% according to MSCI, which means that, unchecked, there is a chance some retailers will be stuck paying thousands more at a time when any savings are greatly needed to keep tenants on the high street and in shopping centres following the increase in vacant stores.

Offices are less easy to predict because, particularly in city centres, occupiers are holding on to their space either because they haven't reached their lease breaks yet or because they are waiting to see what happens in the next 12-18 months as working habits stabilise in one format or another.

Similarly, industrials have had a surge in rental growth in the last six years which may mean a major blow to tenants in terms of their liabilities come 1 April 2023. Transitional relief will also play a part where values have increased thus avoiding large increases in rates payable. To temper the increases that may be faced, it is yet again imperative that the current rateable value is checked.

Either way it falls on the owners/occupiers to do their own checks, which they should do with a genuine expert who can advise, pre-empt and guide them through what's needed so they are aware of their likely liabilities before the window closes and potentially incorrect bills are set. Cluttons is offering business owners of all shapes and sizes a free audit of rateable values which may highlight savings that can be backdated to 1 April 2017, potentially saving thousands at a time when it's never been more needed.

Find out more on the Cluttons website.