

Empty Rates Regulations Update



Solutions for Maximising Cost Savings

February 2008

1.0 Introduction

The Rating (Empty Properties) Act 2007 received Royal Assent in the Summer of 2007 and following a consultation period will introduce a number of significant changes to the current system.

The main changes are set out below:

Vacant Properties - Where are we now	Property/Occupier Type	Impact of changes
100% relief during the first three months and 50% relief thereafter from full rates payments	Non-industrial	Full rates payments are now to be made on unoccupied office, retail and leisure properties after a 3 month void rates period. This will also apply to other non industrial property types as well
100% relief from rates payments	Industrial	Vacant industrial properties will be subject to full rates payments after an initial 6 months void rates period.
100% relief from rates payments	Charities & non profit marking associations	100% rates relief for vacant properties on an indefinite basis.

2.0 Additional Decisions following consultation

- Listed Buildings: When vacant will continue to enjoy 100% rates relief
- Anti-avoidance scheme: The Government has deferred its decision to introduce anti avoidance regulations. Please note, however, if there is evidence that avoidance is taking place then the Government will not hesitate to introduce measures.
- Companies that are in Administration: A change in the regulations will introduce a permanent exemption from empty property rates for properties owned by companies in administration.
- Required reoccupation period: The Government will retain the existing qualification period at 6 weeks.
- Completion Notices: The Government has decided to retain the current system.



3.0 Financial Solutions to Deliver Savings

A potential way to create significant savings for clients has emerged relating to empty speculatively developed buildings which may have been assessed for Business Rates.

Even if a vacant building has reached Practical Completion and has been entered into the 2005 Rating List there may still be an opportunity to have the building deleted from the Rating List.

A specific set of circumstances will need to have occurred in order to pursue this line of approach, however the following appears to be key in order to achieve a successful outcome:

- A Billing Authority must NOT have served a completion notice on the property
- The building must not be occupied
- All tenants usual fitting out works must not be completed

Therefore, we are able to attempt to delete buildings which are completed to first phase, ie functioning lifts, lighting to each floor, services installed. Effectively all works prior to the incoming tenants own bespoke needs.

Given the forthcoming changes to empty rates regulations, this and other potential avenues are more important than ever.

There are other methods which can be employed to reduce liabilities as there are limited anti-avoidance measures currently in place. These need to be judged on a case by case basis. Rating is a specialist area and therefore it is important to receive professional advice in order to maximise potential savings.

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