



Business Rates Newsletter

July 2022

Welcome to our latest Newsletter! With the forthcoming 2023 Revaluation, in preparation we are expecting numerous changes to the appeal process and current rates relief packages. In light of this, we will be issuing more regular newsletters to keep our clients and businesses informed.

Large Rates Increases Projected!

Decapitalisation Rates!

Graham and Sibbald are extremely disappointed and concerned about the Scottish governments recent announcement concerning the decapitalisation rates for the 2023 revaluation.

Decapitalisation rates are used by the Scottish Assessors when valuing certain non-domestic

property using the 'contractor's basis' method of valuation. Ministers have prescribed decapitalisation rates for all revaluations since 1990.

Scottish Ministers have decided to retain the prescribed standard and lower rates at 4.6% and 2.9% respectively. The [Valuation for Rating \(Decapitalisation Rate\) \(Scotland\) Regulations 2016](#) will therefore remain in force.

Property which is not generally let or sold in the market place is valued in line with build cost for rating purposes. This includes schools, universities and colleges, specialist industrial buildings and public buildings such as libraries, museums and sports centres. This element of the valuation is not subject to appeal or discussion as it is set by statute.

From our research it is clear the build cost index has increased from 270 to 350 over the intervening Revaluation periods – a rise of 29.6%!

Our Rating team have recognised that higher build costs will lead to higher rateable values at next years Rating Revaluation and therefore increased rates bills from 1 April 2023.

The function of the decapitalisation rate is to convert capital value / cost into an annual rental value. Therefore, the decapitalisation has a direct bearing on the final rateable value of a property. This percentage is the assumed rate of return required by a landlord to provide the property for tenancy/rent. This is tempered slightly as allowances for age and condition are applied to old buildings, which slightly modifies the value increase. However, such a rise in build costs (29.6%) will not be nullified by a building being older since the last Revaluation!

Graham and Sibbald are very concerned how build costs and increasing outgoings and utility costs are affecting clients property decisions and will ultimately affect values and the market generally as demand falls and increasing costs reduces supply as cost outstrips value.

The increase in rateable value affecting schools, local authorities and industrialists can only be restricted by negotiation on the proposed rateable value otherwise the increase in build costs will result in large rates increases next year, at a time when all occupiers are being hit by other cost increases across the board.

Draft 2023 values for rateable non-domestic properties, including those valued by the Assessors on the Contractor's basis, will be published on 30 November 2022. Final rateable values will come into force on 1 April 2023.



New Assessor's Powers!

Assessors have new powers under revised legislation to require the proprietor, tenant or occupier of a property to make a return of information such as rent, cost of construction, throughput or turnover. The Assessors are now enabled to charge a fine for not completing the form timeously, or correctly. The penalty can be charged if the information is not returned within 28 calendar days of the request.

The ratepayer's agent, solicitor or surveyor can also be fined if the form is not returned timeously. The Return is complex and must be submitted online.

Lack of information may result in an incorrect valuation and it may take some time for any appeal against a valuation to be resolved.

The Return will be used in preparation for the next Revaluation of all commercial property in Scotland, as from 1 April 2023.

Rating Revaluation as from 1 April 2023

- The current valuation rolls in Scotland came into force on 1 April 2017, based on property values two years prior to that date, at 1 April 2015
- Originally those values were to remain in force for five years to 2022
- In March 2020 the Non-Domestic Rates (Scotland) Act 2020 received Royal Assent, changing rating revaluations to every three years after 2023
- The tone date for the 2023 Revaluation will be April 2022
- Current Rates Relief packages may also be subject to review
- New values may move above current value relief thresholds

At present, there are around 14 different types of rates relief available from vacant relief and charity relief to small business relief and more. This Financial Management service will help us to assist our clients and provide a review of rates bills to ensure this significant outgoing is correct but also provide input into future value changes that might occur with alterations, improvements or demolition. The system can provide individual or portfolio schedules providing budget outgoings over the full Revaluation period incorporating inflationary rate poundage adjustments.

If you are interested in this service, you can find out more via our website [here](#).

Any Questions?

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