



Business Rates Newsletter

January 2024 Update

Welcome to our first newsletter of 2024! This Newsletter covers changes in both Scotland and England.

With lots of questions coming in from clients, old and new, we have attached our most recent Business Rates Brochure highlighting how we can assist you through the upcoming challenging months. If there is anything else you would like to know, please find contact details for our team at the bottom of this newsletter.

[Click to View Brochure](#)

Changes in Scotland

Autonomy to Councils results in huge increase in rates liability

The Scottish Government decision to devolve empty property reliefs and exemptions to individual Councils as from 1 April 2023 will result in many building owners and landowners receiving rates bills for development land and Listed buildings which previously had been 100% exempt when empty.

Many Councils are still to announce their revised rates relief schemes as from 1 April 2024. However, Aberdeen, Dundee and Edinburgh Councils have announced loss of relief on Listed Buildings and land and reduction in the period of relief on industrial buildings. The main issue is that previous relief up to 31 March will be reflected so the charges will begin on 1 April 2024. No 'early warning' has been provided so many ratepayers will not be aware until the invoice arrives.

There is no right of appeal on the rateable values due to this change so those ratepayers who did not challenge the new valuations from 1 April 2023 will not be able to instigate an appeal until the next Rating Revaluation as from 1 April 2026. The concern is that Assessors will enter more sites in the Valuation Roll, where no action had been taken previously due to the exemption. A right of Appeal (Proposal) is permitted on new entries.

The recent announcement from Edinburgh Council:

Edinburgh Council have announced their changes to rates relief as from 1 April 2024. This will be extremely onerous on landlords/ developers. This will have a significant effect on the liability of properties on the market as from 1 April 2024.

If the ratepayer is currently receiving Empty Property Relief, this will end on 31 March 2024 and from 1 April 2024 the full rates charge will apply.

The exception to this is properties declared empty after 1 January 2024. These properties will receive 3 months of 50% rates relief. For example, relief awarded on 1 February 2024 will end on 30 April 2024 and then full rates charge will apply.

What this means for Non-Domestic Rates properties that become empty after 1 April 2024:

Eligible empty premises (all commercial property) will receive 50% rates relief for the first 3 months. When this 3 month period ends, the full 100% rates charge will apply. This relief will be applied from the date the

property was first identified as empty.

In the past it was difficult for Assessors to obtain details of land ownership and identification. However new legislation as outlined below could easily be used by Assessors to update the Valuation Roll to enable liability to be identified.

Compliance Deadline - 1 April 2024

The Register of Persons Holding a Controlled Interest in Land (RCI) has been created to increase transparency on who controls and influences decisions in relation to land in Scotland. It looks behind the titles and long leases (over 20 years) registered in the Sasines and Land Registers of Scotland (Property Registers) to disclose the persons or entities who control the owner or tenant and/or make the decisions. Failure to register in the RCI by **1 April 2024** is an offence punishable by a fine. The RCI only applies to certain individuals, partners and partnerships, trusts and trustees, overseas entities and unincorporated bodies who are owners or long lease tenants of property in Scotland.

Further information:

- There is no right of appeal to the Non-Domestic Rates Empty Property Relief Policy change
- Business properties where occupation is “prohibited by law” (i.e. affected by asbestos) will continue to receive 100% Non-Domestic Rates relief
- The Non-Domestic Rates empty property relief is awarded to the property and not the business. This means the relief applies from the date the property was declared empty, irrespective of a change in owner or tenant
- Those properties most affected will be Listed Buildings and vacant land – both previously 100% relief, and industrials which previously obtained 100% for 6 months

Up until 31 March 2024 the existing Empty Property Relief Policy will continue to apply.

Due to the slight differences between the individual Council approaches we recommend you contact our Rating team for further clarification.

Proposals lodged at April 2023 Rating Revaluation

Due to a backlog in 2017 Rating Revaluation appeals the Lands Tribunal hearings have been dealing with 2017 outstanding appeals but also a large number of Council Tax appeals. This has resulted in a delay in settlement of any 2023 appeals instigated by the new Proposal system.

Assessors have now announced a diary of Proposal Determination Dates (PDD) which requires Assessors to issue a decision on whether they accept, refuse or provide an alternative value on the Proposal lodged.

The agent/ratepayer can proceed to a hearing at the Lands Tribunal subsequent to negotiation with the Assessor.

The PDD's will be issued over the next few months. Any value changes are backdated to 1 April 2023 and overpaid rates reimbursed.

New Challenges to Value

A new tenant, owner or occupier can challenge the rateable value within 4 months of becoming tenant, owner or occupier. This requires the submission of a formal Proposal including Grounds, Evidence and Valuation Statement.

Further challenges can be instigated where there has been a 'material change' in the property, or surrounding area, since the original valuation. The legislative requirements are onerous on such a challenge.

Business Rates Announcement in Scottish Budget

For business rates, there was a mixed picture with the freezing of the poundage rate for ratepayers with property below Rateable Value £51,000 yet inflation related increases were imposed for higher rate taxpayers above this threshold.

Basic Property Rate ('poundage') (properties with a rateable value up to and including £51,000)
Intermediate Property Rate (properties with a rateable value between £51,001 and £100,000)
Higher Property Rate (properties with a rateable value above £100,000)

Retail and hospitality businesses were disappointed that the English 75% rates relief for ratepayers under rateable value £110,000 rateable value was not implemented by the Scottish Government. Relief has however been provided for hospitality businesses located on islands.

Changes in England

The last quarter of 2023 saw some significant business rate updates, delivered by way of the Rating Act which received Royal Assent at the end of October and, subsequently, the Chancellor's Autumn Statement at the end of November.

Rather than presenting separate briefings for each event, we are combining them to present you with a comprehensive summary of what is new, and an explanation of how the changes may have an impact on ratepayers. Some of the changes are worthy of their own lengthier newsletter, but the purpose of our current edition is to provide you with an outline of the changes coming down the line.

The Business Rates Multiplier (rate poundage):

- For 2024-25, the small business multiplier in England, for properties below RV £51,000, will be frozen for a fourth consecutive year at 49.9p.
- The national (standard) multiplier however will increase by the September CPI inflation factor of 6.7% to 54.6p.
- The small business multiplier will also be extended to cover vacant buildings, those occupied by charities and those on the central list which, until now, have been subject to the national multiplier even if below the £51,000 threshold.
- The Crossrail and City Supplements, currently at 2p and 1.4p in the £ are yet to be announced.

Retail, Hospitality and Leisure Relief:

- The current 75% relief for eligible Retail, Hospitality and Leisure (RHL) properties is to be continued into 2024-25, again up to a limit of £110,000 per business.
- Although welcome, it must be noted that this relief also provides limited assistance to multiple operators or large single operators with a significant rateable value.

Small Business Rates Relief (SBRR):

- There were no announced changes to the SBRR thresholds which, for the 2023 Rating List as for the 2017 List, stand at 100% relief for properties with an RV below £12,000, and tapered between £12,001 and £15,000, at which point no relief is available.
- Where a property is no longer eligible for SBRR as a result of a rateable value increase between the 2017 and 2023 Rating Lists, the new increased liability is capped at £600 per year from 1 April 2023.

Improvement Relief:

- From 1 April 2024, and subject to forthcoming regulations, improvement relief will come into effect.
- Broadly speaking, should a property's Rateable Value increase as a result of 'qualifying improvement works,' the increase in liability will not be included in the charge for the first 12 months from completion.
- To qualify, the property must be occupied throughout the works.
- This relief will apply until at least 2029, at which point it will be reviewed.

3 Yearly Revaluations:

- The previous cycle of 5 yearly revaluations (albeit the 2010 Rating List ended up as being a 7 year List and the 2017 List lasted for 6 years, both for exceptional reasons) has been shortened to provide a new system of 3 yearly reviews.
- The first Rating List in this new cycle is the current 2023 List, with the next List due to take effect on 1 April 2026, using a valuation date (rental values) of 1 April 2024.

Material Change of Circumstances (MCC) Appeals:

- The grounds for a 'material change of circumstances' (MCC), leading to a possible reduction in a property's rateable value have been amended:
- The changes follow on from the government's action in disqualifying rating appeals on MCC grounds relating to the effects of the Covid-19 pandemic. The Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Act 2021 stated that the impact of all the regulations and guidance arising from the government's reaction to the pandemic, and which impacted on the use of the property, or which resulted in changes to the locality, could not be deemed MCCs.
- The new Rating Act takes this a stage further, so that it applies to all legislation or guidance, which directly or indirectly causes a change to the physical enjoyment of the property itself, or that causes a change in the locality. Such legislative change will no longer be capable of being an MCC and will only affect rateable values if the effects are present at the valuation date for the relevant rating list.

Provision of Information by Ratepayers and Duty to Notify:

- Ratepayers need to be aware of a potentially onerous burden coming down the track. This is the requirement for businesses to supply certain information to HMRC and the Valuation Office, relating to both the rateable occupier and the property. There will be strict penalties for non-compliance. Although no formal timeframe has been confirmed for the rollout of these new provisions, they are likely to be introduced gradually over the next few years, probably from 2026. The effect of these new duties is to transfer the responsibility for both the maintenance of the

rating list and correct billing to ratepayers. A summary of these new requirements and penalties for non-compliance follows:

- A ratepayer must notify the Valuation Office and provide a taxpayer reference to HMRC within 60 days from the date the occupier knew they should be liable.
- Failure to provide this information is likely to result in a £100 fine. If knowingly or recklessly false information is provided, a ratepayer may be subject to a £3,000 fine, payable within 30 days.
- Late provision of notifiable information will result in the penalty increasing by £60 a day, subject to a cap of £1,800.
- A ratepayer must notify the Valuation Office within 60 days of any change to the identity of the ratepayer or any change that might affect the existence, extent, or rateable value of the property.
- The valuation officer may issue an information notice requesting information they believe may aid them in the maintenance of the list. Ratepayers have 60 days to comply in full.
- Each year, an annual confirmation must be submitted within 60 days of the 30th of April, confirming that all changes occurring in the previous year have been provided.
- Failure to disclose the notifiable information, will result in a fine amounting to the higher of 2% of the property's rateable value or £900.
- Provision of false information constitutes a crime. Penalty notices can result, leading to a charge amounting to the higher of 3% of the rateable value or £500 and with the consequences of a possible criminal record.

Completion Notices:

- For properties undergoing redevelopment, a useful loophole utilising rating legislation and case law has been available until now. Whereas a new property can be brought into the rating list once it has reached a state of "deemed completion", by way of a Completion Notice issued by the Local Authority, this has not been the case for a building which has been removed from rates liability due to its undergoing a substantial refurbishment, even if it ends up with the same specification as a brand-new building. This is because the Completion Notice regime has, until now, only applied to new properties. As such, a developer or landlord could leave the building with only the most minor works still required to complete the development and the authorities would not be able to return it to the rating list as a completed building.
- This loophole is now being closed and from January 2024 a Completion Notice can now be served on a refurbished property as soon as it reaches "CAT A" condition. This will result in the property being brought back into the rating list much sooner than we have been used to.
- For landlords especially, this could create a headache for difficult to let developments and advice will be necessary to mitigate empty rates in such circumstances.

Summary

The Scottish Government decision to give autonomy to local authorities on rates relief along with the proposals for England under the Rating Act has created more confusion for ratepayers with property throughout Scotland and the UK.

This constant tinkering with this taxation system makes business planning extremely difficult. A significant increase in liability inevitably has an effect on building values and property demand. It is a fallacy to believe that landlords /developers retain property vacant on the assumption rental values will increase prior to a future letting! An increase in liability will reduce values where a new tenant/owner has to take on this responsibility.

Bizarrely as councils own many Listed buildings and land their own liability will also increase!

It is clear the Governments are using the local authorities to raise rates bills to replace reducing grant assistance.

In conclusion, it has become vital that ratepayers ensure the rateable value, the base level of the liability, is checked and challenged where the option exists.

Any Questions?

Tim Bunker - Edinburgh

T: 0131 240 5307

E: tim.bunker@g-s.co.uk

Marta Calanca - Glasgow

T: 0141 332 1194

E: marta.calanca@g-s.co.uk

Ian Landau - London

T: 07702 049 200

E: ian.landau@g-s.co.uk

Matt Roberts - Manchester

T: 07570 294 627

E: matt.roberts@g-s.co.uk

Calum Campbell - Glasgow

T: 0141 332 1194

E: calum.campbell@g-s.co.uk

General Enquiries

E: rating2023@g-s.co.uk

W: www.g-s.co.uk

Please visit our website:

www.g-s.co.uk

Seabraes House, 18 Greenmarket, Dundee, DD1 4QB

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