



Business Rates News Sheet

February 2024

Welcome to our first news sheet focusing on **vacant land** and **listed buildings** in **Scotland!**

With lots of questions coming in from clients, old and new, please find contact details for our team at the bottom of this newsletter.

Historic Buildings Lose Rates Relief!

Many of the property-owners that 'protect' the country's building heritage look set to be penalised, under the latest changes to the rating system. Through these changes, the Scottish Government is passing autonomy on rates relief to each local Council and many cash strapped Councils have already decided to remove relief on historic buildings, due to funding restrictions which they say are imposed by the Scottish Government.

Historically Listed Buildings were exempt from business rates when vacant. The purpose of this relief was to act as a contribution towards the high holding costs of vacant listed buildings due to higher insurance, maintenance and utility costs, as these buildings must be heated and secure when empty.

The potential uses of historic buildings are often limited to office or residential and when those markets are 'quiet' many buildings remain vacant for long periods. Given the nature and complexity of these buildings, there can also be significant planning delays for changes of use, which can further extend the period of vacancy.

Interestingly many local authorities will also suffer increased rates liabilities through these changes. As they are responsible for historic buildings, including Council Chambers, museums, art galleries and traditional offices, and the option to save funds by vacating such buildings will be removed as local authorities are liable for business rates on their own estate.

This change will happen as from 1 April 2024 providing owners little time to budget for a significant increase in outgoings, where even an average townhouse building could see a sudden new rates liability of between £35,000- £50,000. A sum which could have been spent on the building fabric.

There has been very limited notification on this change with the heavy sound of the rates invoice on the mat being the first communication many historic property owners will receive.

Vacant Land to be Subject to Rates Grab !

- Scottish Government has given autonomy on rates relief to each Council which has resulted in many Councils deciding to remove the relief on vacant land
- Change takes effect from 1 April 2024
- Limited number of sites were previously valued due to nil liability, this will now change
- Assessors will value the land recognising its actual use irrespective of any future or potential value
- The value will reflect rents of similar sites around a tone date of April 2022, Assessors will seek Returns of Information from landowners for which they have legislative powers
- The subjects covered will include land used for a non-domestic purpose, land awaiting development, brownfield land and undeveloped land including a greenfield site
- In addition to the land value assumed value of lighting, fencing, CCTV cameras and monitors, and sustainable drainage systems can be added
- Any land subsequently valued by Assessors can be backdated to 1 April 2024 if the Notice is issued prior to 31 March 2025
- No appeal will be permitted on sites already in the Valuation Roll
- Sites newly valued can be challenged but there is a time limit of 4 months

Land rates liability to be imposed

In addition to the removal of vacant rates relief on Listed Buildings many Councils are also reviewing rates relief on vacant land.

This is part of the ongoing budget discussions within Councils where budgets are under pressure due to the Scottish Governments requirement for a freeze on Council Tax.

Land has always received full exemption if there are no structures on the site. Relief was not available if in use for car parking, storage or storage containers. Therefore Assessors were under no compunction to enter such land in the Valuation Roll. This will now change.

The guidance outlined within the Assessors Association Practice Note requires:

“Where an entry should be made on the Valuation Roll the land must be valued recognising its actual use irrespective of any future or potential value. The subjects covered by this Practice Note include land used for a non-domestic purpose, land awaiting development, brownfield land and undeveloped land including a greenfield site. Properties valued using this Practice Note should be described as Land, Ground, or Site.

Land is valued by application of the Comparative Principle using valuation rates derived from local rental evidence.”

The above is wide ranging therefore Assessors may now review their approach.

Obviously rental evidence of development sites and brownfield sites is scarce and Assessors may issue Returns of Information to landowners to obtain such information. It will be important these are completed carefully to include any site deficiencies and include unremunerative site development costs required to enable development.

Notification will require the issuing of new Valuation Notices to landowners and tenants. For new entries there will be a four month time-limit to submit a challenge in the form of a Proposal. Unfortunately, under existing legislation challenges will not be permitted against values of sites already entered in the Valuation Roll. This is a legislative anomaly which should be reviewed.

This is a further cost imposed on developers/ landowners which will have a detrimental effect on the market.

We are monitoring the outcome of this change and will comment further in future Newsletters.

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