TAXING TIMES

Paul Sewell, managing director of MUA Property Services, talks us through the forthcoming changes in business rates

Business rates are effectively a tax on property, the linkage with provision of local services having been lost after the Uniform Business Rate poundage was introduced in 1990. Business rates are based on the multiple of UBR x rateable value. The rateable value is a hypothetical rental value of the premises. The subject has become very topical for several reasons:

► A revaluation is due to take place (except in Northern Ireland) on April 1, 2017, which will uplift the valuation base date from April 1, 2008 to April 1, 2015. This may lead to large shifts in liability for some.

► New transitional relief (TR) regulations are being introduced. These smooth out the larger shifts and distort the UBR x RV calculation. TR is self-funding, so usually no one is happy; it can act as a penalty for some, whilst gainers are usually unhappy with the percentages allowed.

► There is to be a totally new three-stage appeal system in England called Check/Challenge/Appeal (CCA). No one knows how this will work out in practice, but early indications are that it potentially increases the appeal burdens and costs and delays for ratepayers. It appears to be a naked attempt to deter appeals. Specifically, there will be an appeal fee of up to £300 for the first time, and generous time limits for VOA consideration of the first two stages could mean up to 38 months delay before even reaching the queue for an appeal hearing. Hopefully a lot of cases will be resolved before the Appeal stage.

► Britain has the highest property taxes in the western world, and business rates play a major part in this, raising some £28bn annually.While this doesn't leave them free from tinkering, it has ruled out major Government reform. Property is immobile, so collection rates are 97%-plus.

► The draft 2017 Rating Lists for England and Wales have already been published and can be viewed on the VOA website, which also has a liability calculator. At the time of writing, Scottish RVs were expected to be on the SAA website from mid-December.

Whilst RVs for "bulk classes", ie shops, offices, warehouses, etc are derived from local rental evidence, this is not possible for petrol stations. Instead, rents are analysed nationally to produce unit prices and percentages in relation to each of the three income streams – shop, fuel and car washing. This VO methodology has been controversial at previous revaluations, as the shop is valued in relation to the turnover rather than the square footage. The method is sound, so long as the values it produces are at or below the level of actual rents. However, it has traditionally produced higher values on petrol station shops than have been applied to local c-store competitors (assessed on local rents). PRA members may be pleasantly surprised to see a number of c-stores have increased substantially for 2017.

The petrol station scheme for 2017 is very similar to that for 2010. Shop and car washing is unchanged, although fuel has been tweaked slightly upwards. For sites trading exactly the same as in 2014 as they were in 2007 (the "Antecedent Valuation Date" years), they may expect to see RV increases of 5%-10%. Any wider variations will undoubtedly be down to a change in the trading data (either actual or assumed).

HOW WE CAN HELP

MUA Property Services Ltd (Chartered Surveyors) acts on behalf of over 1,500 petrol stations with ownership ranging from individual sites to large independents and oil companies.

Our initial finding from the draft 2017 List is that some 75% of sites should proceed to at least the "Check" stage of CCA. However, assessments can go up as well as down, so members are urged to appoint advisors who will inspect and value their site prior to "Check".

Our details can be found in the PRA Members section and, from there, you can connect to our website which has more detail on the reforms in the News section. ■

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