

Legal Property

How is your rateable value worked out by the Valuation Office Agency? And how does it relate to the business rates that you will pay from April 2010? Here is the lowdown...

How do you rate your chances?

EVERY FIVE years all commercial properties are revalued by the Valuation Office Agency (VOA) to take into account shifts in value between UK regions and different market sectors.

The next revaluation comes into effect on April 1, 2010. It is not intended to raise more revenue for the government, but to redistribute the burden among commercial occupiers.

How is your rateable value really worked out by the VOA? More importantly, how does your rateable value relate to the business rates that you will pay from April 2010, and if you really think that your business rates bill is going to be too high – what can you do?

A fortunate few have seen their rateable values fall but some publicans have found that their rateable values have more than doubled.

The revaluation of pubs and all other categories of property must be based, by law, on rental values at April 1, 2008 – for pubs this reflects expectations of trade at that date.

Actual performance versus what could be achieved

Fair Maintainable Trade (FMT) is defined as “the annual level of trade (excluding VAT) that can be achieved by “a reasonably efficient operator of the business”.

Unfortunately, this bears no relation to the actual performance of a business, and looks at turnover in isolation – regardless of how much is spent on maintaining your pub through a recession, e.g. money you might have spent on refurbishments, promotions, or smoking shelters.

The VOA collected information on actual rents and turnovers and most

Many pubs have seen their business rates increase massively



of the data was collated before the smoking ban in 2007 which decreased pub turnovers dramatically. This might explain why the average pub's rateable value has increased by 23 per cent. There are a range of percentage options derived from analysis of pub rents.

Not the same thing

One important thing to remember however is that your rateable value is not your actual rates bill. In fact, it is likely that the multiplier used to calculate the level of business rates bills will reduce by 16 per cent from

around 48.5p/£1 to 41.7p/£1 in England.

For example, larger pubs with a rateable value of £18,500, or £25,500 in London, which face a substantial increase in rateable values, would have to pay 12.5 per cent extra, plus RPI. Since this year's RPI is -1.4 per cent, rises will be capped at 11.1 per cent.

Transitional relief will allow licensees to spread the cost of business rates rises. Increases will be staggered over the remaining four years. These set limits on the percentage by which your rates bill can

change each year. Therefore actual bills will not rise by the same proportion as rateable values.

However, some are still concerned that transitional rates and lower multipliers will not adequately compensate for the large rises in rateable values.

The VOA encourages publicans to contact them if they think their rateable values are wrong. Caution must be applied, however, and it might surprise people to learn that an appeal or even a mere discussion with the VOA may lead to an increase in your rateable value. ■