Business rate exemptions for non-domestic properties

What are business rates?

Business rates are taxes to pay for local services and are charged on most non-domestic properties (including commercial), eg:

- Shops
- Offices
- Pubs
- Warehouses
- Factories

Business rates are payable not only for occupied properties, but also for vacant properties. In the current recession, many property owners are struggling to rent out their properties, and their difficulties have been exacerbated by their liability to pay rates on empty properties.

The person liable to pay rates is the “property owner”. The “property owner” is the person entitled to possession of the property. This includes a tenant who has vacated but is unable to surrender the lease or find an assignee.

This note sets out the exemptions from business rates for non-domestic properties where the relevant properties are empty.

Retail property

- There shall be 100% relief from business rates for the first three months that a property is empty.

- Where the property changes ownership during the three-month period, it would not trigger a fresh three-month exemption. The exemption applies to the property, not the person paying the rates.

- Short-term occupation of the property (of six weeks or less) by, for example, a tenant or licensee during the relevant three-month period will be ignored. The three-month period and the business rates exemption will continue to run during that period of short-term occupation. This rule prevents owners from gaining additional periods of rates exemptions by establishing a temporary letting.

- However, if the property is let or occupied for a period of more than six weeks, the rates exemption will end at the start of that period, but when the property becomes vacant again, a new exemption period can be claimed

“There shall be 100% relief from business rates for the first three months that a property is empty.”
Industrial and warehouse property

- In the case of industrial and warehouse property, there shall be 100% relief from business rates for the first six months that the property is empty.

- Short-term occupation of the property (of six weeks or less) by, for example, a tenant or licensee during the six-month period will be ignored.

Other exempt properties

- Properties whose owner is prohibited by law from occupying it or allowing it to be occupied (for example, where there has been a breach of fire safety and a prohibition notice has been served).

- Properties that cannot be occupied due to the action of a public authority (for example, where the property is closed due to a prohibition order for health and safety reasons).

- Listed properties (including property that forms part only of a listed property).

- Empty properties:
  - with a rateable value below a certain threshold (it was set at £2,600 from 1 April 2011);
  - whose owner is entitled to possession in their capacity as a personal representative or as a trustee under a deed of arrangement;
  - owned by individuals subject to a bankruptcy order;
  - owned by a company subject to a winding up order; and
  - owned by a company in administration. However, an administrator is liable to pay business rates where property is being used (for example, where a company in administration continues to trade from the property).

Small business rate relief

- Where a property is occupied by a small business and it has a rateable value below £18,000 (£25,500 in Greater London), the business may be entitled to a discount of up to 50% on its rates bills.

- Until 31 March 2014, there is full relief for eligible small businesses occupying property with a rateable value of up to £6,000 and tapering relief for businesses with a rateable value of up to £12,000.
Zero rating

Certain property is “zero rated” where the property is empty and the property owner is:

- A charity and it appears that, when the property is re-occupied, it will be wholly or mainly used for charitable purposes (whether of that charity or that of other charities).

- A community amateur sports club (CASC), where it appears that when the property is re-occupied, it will be wholly or mainly used for the purposes of that CASC (or for the purposes of that and another CASC).

Empty properties held by charities or CASCs pending disposal for other purposes will not benefit from zero rating.

Discretionary relief

The local council has discretion to grant relief in certain situations, including:

- Relief in any circumstances provided that it would be reasonable to do so having regard to the interests of the council tax payers in its area (section 69 of Localism Act 2011);

- A new empty property rate relief scheme for newly built commercial buildings, which will be available from 1 October 2013. Relief will be available for new properties completed after 1 October 2013 and before 30 September 2016 that are unoccupied for the first 18 months after completion of their construction.

Partial occupation

When a property is partly occupied, the property owner may apply via the local council to the Valuation Office Agency to have the rateable value split to reflect the occupied and unoccupied areas.

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