

COVID-19 and rating – nothing to see?

Galina Ward

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Covid-19 and rating

Impact of legal restrictions and behavioural changes on property values



Economic shock and impact on revenues



Reliefs and other support for business

- Discretionary relief under section 47 of the Local Government Finance Act 1988
- Sector specific schemes – e.g. 100% relief for retail, hospitality and leisure, now extended at 50% into 2022/23
- Other support schemes tied to business rates, eg AGOSS capped for each airport at extent of business rate liability

Empty rates “relief”

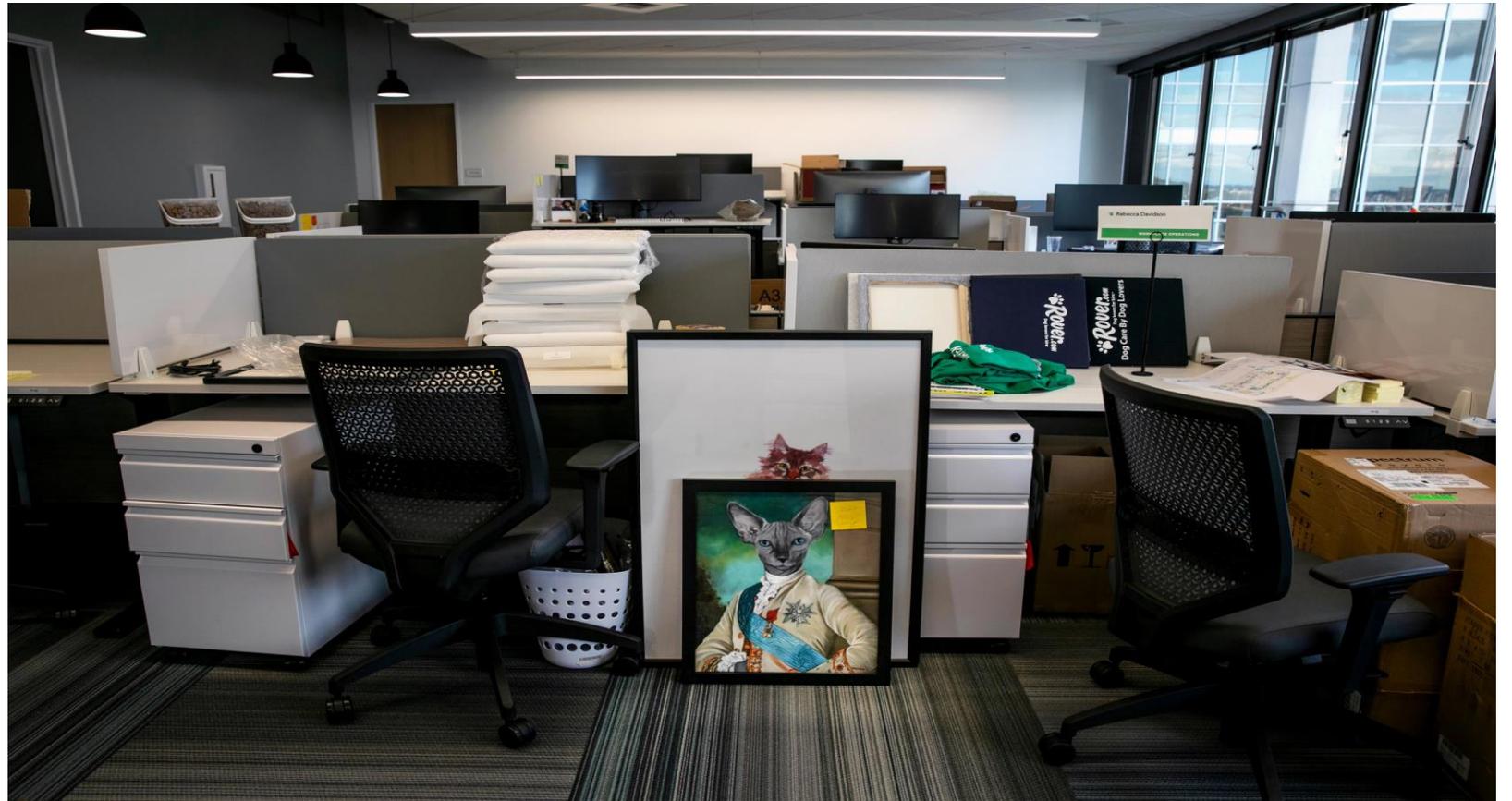
- Local Government Finance Act 1988, s45: liable to rates for unoccupied hereditament if conditions satisfied, including that the hereditament “*falls within a class prescribed by the Secretary of State by regulations*”
- Non- Domestic Rating (Unoccupied Property) (England) Regulations 2008, r3: prescribes “*all relevant non-domestic hereditaments other than those described in regulation 4*”
- Reg 4(a): describes any hereditament that “*has been unoccupied for a continuous period not exceeding three months*”

Material change of circumstances

(a) matters affecting the physical state or physical enjoyment of the hereditament



(b) mode and category of occupation



(d) matters affecting the physical state of the locality ... or ... physically manifest there



(e) the use or occupation of other premises situated in the locality of the hereditament



Valuation for Rating (Coronavirus) Regulations 2021

Regulation 2:

(1) This regulation applies to a hereditament **where, but for these Regulations, the rateable value shown in a 2017 list for that hereditament would be affected as a result of—**

(a) the UK Government's coronavirus response;

(b) any requirements of, or advice or guidance from—

(i) a public authority in the United Kingdom;

(ii) the Scottish Government, the Northern Ireland Executive or the Welsh Government;

(iii) the government of a country or territory outside the United Kingdom;

in response to the serious and imminent threat to public health posed by the incidence and spread of severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2); or

(c) measures taken by any person to ensure compliance with health and safety legislation.

(2) **For the purpose of determining the rateable value of a hereditament to which this regulation applies for any day on or after 25th March 2021, in applying the provisions of sub-paragraphs (1) to (7) of paragraph 2 of Schedule 6 to the Local Government Finance Act 1988 it shall be assumed that—**

(a) on that day the response, requirement, advice or guidance referred to in regulation 2(1)(a) and (b) had not occurred; and

(b) the measures necessary to ensure compliance with health and safety legislation are the measures that were necessary on 1st April 2015 to comply with such legislation.

Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Bill

(1) This section applies to the making of a relevant determination in relation to an English list.

...

(4) In making a relevant determination, no account is to be taken of any matter (whether arising before or after the passing of this Act) that is directly or indirectly attributable to coronavirus.

...

(7) This section applies to a determination made by reference to a day, or a matter as it is assumed to be on a day, which falls before, as well as on or after, the day on which this Act is passed.

Justification

Government announcement 25 March 2021:

- The government is making clear today that market-wide economic changes to property values, such as from COVID-19, can only be properly considered at general rates revaluations, and will therefore be legislating to rule out COVID-19 related MCC appeals.
- Instead the government will provide a £1.5 billion pot across the country that will be distributed according to which sectors have suffered most economically, rather than on the basis of falls in property values, ensuring the support is provided to businesses in England in the fastest and fairest way possible.

<https://www.gov.uk/government/news/business-rates-relief-boosted-with-new-15-billion-pot>

Illustrative case studies

Consultancy firm operating from an office in Central London

- prior to the pandemic, operated with staff all office based on a full-time basis.
- since the pandemic, business has been unaffected.
- large office with staff continuing to work on a full-time basis but with 50% working from home at any one time.
- rateable Value - £12.5 million
- size – 36,000m²
- under the MCC regime, the businesses could have argued that it had suffered an MCC due to reduced occupancy as a result of social distancing guidance and due to the indirect effect on the value of the property due to the mandated closures of surrounding bars and restaurants.
- for illustrative purposes, a 25% reduction in rateable value would save the business £1.6 million
- under our proposed approach, the business would unlikely fall within scope, given it had not suffered an economic impact.

Food wholesaler operating from a warehouse outside of London

- prior to the pandemic sold exclusive to restaurants within a region
- since the pandemic, turnover reduced nearly to nil
- large warehouse where social distancing can be observed without an impact on operations.
- rateable Value - £95,000
- size – 5,200m²
- under the MCC regime, the businesses would unlikely have been deemed to have suffered an MCC and so would have received no reduction
- under our proposed approach the business would likely fall within scope given the economic impact on their business
- for illustrative purposes, a 15% relief would save the business £7,300

Thank you for listening

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London

180 Fleet Street
London, EC4A 2HG
+44 (0)20 7430 1221

Birmingham

Cornwall Buildings
45 Newhall Street
Birmingham, B3 3QR
+44 (0)121 752 0800

Contact

✉ clerks@landmarkchambers.co.uk
🌐 www.landmarkchambers.co.uk

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