WHAT DOES THE YEAR AHEAD HOLD?

Jim Ruthven, senior director of business rates at BNP Paribas Real Estate, the leading property adviser, speculates on what might happen in 2013:

“It is expected that rate bills for 2013/14 will increase by 2.6% in line with the RPI for September 2012 and the large business rate supplement will rise to 0.09p in the pound. But what else could the government do to generate more tax revenue from business rates during the year ahead, in order to counteract the delay of the 2015 business rates revaluation until 2017?

Self-declaration
Unlike other tax regimes, there is no obligation on a ratepayer to disclose to the local council any inaccuracies in their rates assessment, or to notify them that they have not received a rates demand. To prevent this slippage in revenue the government could decide to introduce a system of self-declaration with penal sanctions for non-compliance.

Retrospective increases
In certain instances the Valuation Office Agency is prevented by regulations to backdate an increase in rates if an assessment is factually incorrect. The government could decide to abolish this provision to prevent ratepayers benefiting from what is in effect a rates holiday.

Empty rates loopholes
The current period of occupation is six weeks and one day before empty rates can be claimed. Following a recent High Court case judgement, the government could decide to amend the regulations. This will make empty rates less attractive to ratepayers who implement a temporary occupation strategy. There are further cases to be heard this year regarding whether Bluetooth devices placed in a vacant property constitutes rateable occupation.

Business rates supplements
As localism is the order of the day and councils are encouraged to stimulate growth, there could be an increase in supplemental charges on rate demands to assist the funding of capital infrastructure and other local projects. An example of this was in 2010 when all properties in Greater London with a rateable value in excess of £55,000 incurred the Cross Rail supplement levied at 2p in the pound.

Appeal charges
At present there is no charge to submit an appeal against the rateable value of a property. The Scottish government is consulting on the idea of levying an appeal fee. Will the UK government
consider this option for England and Wales as well, in an attempt to discourage ratepayers from appealing?

**New developments**

In the Chancellor’s recent Autumn Statement, vacant new build properties completed between 1 October 2013 and 30 September 2016 will be exempt from empty rates for a period of up to 18 months. This is welcome news for property developers and investors looking to stimulate the market. However, the government could counteract this benefit by tightening the procedures for assessing new properties.

Business rates currently contribute 5% of Britain’s tax bill and it is one of the government’s biggest sources of income alongside council tax. Given the government’s announcement that the 2015 business rates revaluation will be delayed until 2017 and its reluctance to increase council tax, it will be crucial to keep a close track on which measures the government does introduce, if any, to prevent slippage and generate even more tax revenue from business rates.”

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BNP Paribas Real Estate, leading international real estate provider, offers to its clients a comprehensive range of services that span the entire real estate lifecycle: property development, transaction, consulting, valuation, property management and investment management. BNP Paribas Real Estate has local expertise on a global scale through its presence in 36 countries with more than 180 offices and 3,400 employees (16 wholly owned subsidiaries and 20 by its Alliance network, that represents today more than 3,000 people).

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