

## Insights

# MY OFFICE IS ALMOST EMPTY BECAUSE OF THE PANDEMIC - CAN I GET A RATES REDUCTION?

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## All change

How often do we read “The pandemic has changed everything”? One thing that has *not* changed for an office occupier is the business rates bill. That is a problem, because while your rates cost stays the same, the use you get from your office is massively reduced as most or all of your staff now work primarily from home.

The UK government has introduced business rates relief measures to help retail businesses with their loss of revenue. Can office occupiers apply for business rates reductions?

## Yes, you can

There is something that some office occupiers can do to minimise their business rates overhead. That is to request a check of your rateable value on grounds that there has been a material change of circumstances.

You have grounds to request a check of the rateable value if there has been a change to:

- matters affecting the physical state or enjoyment of the property; or
- matters affecting the physical state of the locality in which the property is situated or which are physically manifest there. The change needs to be *physically present* and the presence must be *obvious* and *visible*.

A material change of circumstances must have occurred on or after the relevant date on which the relevant rating list was compiled. Currently that is 1 April 2017 and so pandemic related changes do qualify. Note however, that there is no entitlement to a reduced rateable value simply because property values or economic circumstances changed after that date.

## How does it work?

Let's think about an office building in an urban office location since the arrival of the pandemic. The population inside the office is only a fraction of the usual headcount in attendance. Outside, the

streets are quiet, many shops are shut or open only for restricted hours and if you want to get a beer before the journey home, either there is less choice of venue or no choice at all.

Now, here is a check list, to establish whether there has been a material change in circumstances - blessed by the Upper Tribunal:

- Does the matter concern a characteristic of the property or its locality, or is it something to do with the personal attributes of the actual occupier or the way in which a party conducts its business? If the latter, then generally it will not be a relevant change;
- If it concerns a characteristic of the property or of the locality, does it affect the physical state of one or the other and, if not, is the change physically manifest?

Taking our example, the much-reduced population in the office is not a result of the way that the individual occupier conducts its business. Any occupier would now have most of its staff at home in order to comply with the law or best advice.

With regard to the second bullet point, the closure of local shops, restaurants and pubs and the missing pedestrians are likely to be regarded as physically manifest features of the change in circumstances imposed by the pandemic.

So the ratepayer is right to claim a check of its rateable value.

### **What reduction will be achieved?**

This needs advice from a rating surveyor specialist in the geography and business sector of the property.

We expect that the valuation officers will not need too much persuading that a material change of circumstances has occurred but they will dig in their heels as to what reduction in value is appropriate.

Valuation Office Agency is discussing with professional and industry bodies how the regulations introduced to cope with the pandemic impact rateable values for affected businesses. The aim is to agree the underlying legal and valuation principles that can be applied to the wide range of impacted property classes. Expect some progress to be reported soon.

### **What to do now?**

The processes of requesting a check and making the valuation case is complex and needs rating surveying advice.

See your rating surveyor without delay.

If you do not have a retained rating surveyor, seek a recommendation.

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This insight was originally authored by Roger Cohen.

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