Business Rates and their impact on AD

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Business Rates and AD

What you need to know

Presentation to cover:

- Background to rating
- Rates payable
- How is the RV set?
- Implications for AD
- Possible exemptions/ relief
- 2017 Reval preparation

Comments are GVA's and not REA Biogas

Business Rates and AD

- General Background
  - Business Rates are payable on non-domestic properties across UK
  - Payable by the rateable occupier/ operator
  - Valuation Office assess the Rateable Value on all properties known as hereditaments
  - Rateable Value equivalent to rental value
  - Revaluations every five years since 1990 though now deferred from 2015 to 2017

Business Rates and AD

- Business Rates Payments
  - Local Council administer rates collection
  - Rateable Value x Uniform Business Rates = rates payable per annum; e.g. 2015/16 £100,000 RV x 49.3p = £49,300 payable
  - Can now be split into12 monthly installments
  - Broadly tied into RPI annual rises up to 2017
  - Some reliefs available for temporary full or part closure

Business Rates and AD

- How is the Rateable Value (RV)set?
  - Aim to set what rent a tenant would pay to a landlord for rateable items on the property
  - Rateable Value equivalent to rental value at fixed values date, currently April 2008
  - Next Revaluation in 2017 will be based on April 2015 values
  - Apart from certain exemptions, e.g. Landfill Gas, all fixed for revaluation period

Business Rates and AD

- What exactly is rateable?
  - Buildings, Structures and infrastructure
  - Plant & Machinery Regs list rateable plant
  - Excludes removable items or under 400m3
  - Electricity Generation plant exempt if mainly for sale or distribution to external customers
  - The site itself – agricultural v industrial
  - Adjustments for location, contract size etc

Business Rates and AD

- What Methods do they adopt?
  - Three Valuation methods;
  - Comparable Rentals – lack of open market rental value evidence to analyse
  - Contractors Test – decapitalised rebuild
  - Receipts and Expenditure – apportionment of profit between landlord and tenant
  - All three should give same answer
  - Choice between later reflects feedstock

Business Rates and AD

- Range of Assessments
  - General rule that "fuelled" dealt with on R&E and "waste" on Contractors Test
  - R&E will take into account all revenues including grants and gate fee for fuel
  - Now 50 plants assessed in the Rating List
  - Nearly half of those in the last six months
  - Roughly 60% valued on Contractors Test
  - once fully handed over by the constructor

Business Rates and AD

- Implications on the AD sector
  - Determining early on that rates are due
  - Agricultural premises – the 6% guideline
  - Significant fixed cost on infrastructure items
  - Payable independent of throughput level
  - Valuation Office learning how to value
  - Minimising surplus areas, lowering spec
  - Ensuring only assessed once fully handed over by the constructor

Business Rates and AD

- Possible exemptions/ reliefs
  - Agricultural elements split out
  - Keeping items modular or under 400m3
  - Ensuring low specification is made clear
  - If fully vacant, six months mandatory relief
  - If part vacant six, months more discretionary
  - Temporary impacts, e.g. road closures
  - Notify of any demolitions as they occur

Business Rates and AD

- Preparation and Action for 2017 Reval
  - 2017 RVs will be based on 1st April 2015 evidence for rents, costs and values
  - Any current deals or contracts will be key evidence to set the national trends
  - Need a state of the industry baseline to benchmark any future developments
  - Lobby government to raise awareness

Business Rates and AD

- Conclusion
  - Business Rates are a major cost
  - Assessment levels are still in review
  - Cut off deadline of 31st March 2016 to back date as far as 1st April 2010
  - Be proactive in reviewing your sites for difficulties and you should take professional advice for budgets and appeals
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