



Phillippa Aldrich on the business rates revaluation - part 1

Business advice for flooring contractors

Rate bills on the way: Increases forecast

IN the midst of the credit crunch and turbulence of the economic markets, many commercial tenants are struggling to stay afloat. Whilst survival in the 'here and now' is top priority for many UK businesses, it is essential that flooring companies also keep one eye on the cost of the future.

Property costs are often the main expense for UK businesses. On top of rents and service charges, occupiers have to pay business rates, compulsory contributions to the cost of local authority services which are generally in the region of 40% of the yearly rent.

Business rates are calculated by multiplying the 'rateable value' of each non-domestic property by a multiplier set yearly by the government in response to inflation.

Broadly, the rateable value of premises reflects the annual rent the property could expect to attract on the open market at a specific date. The rateable value is reassessed every five years, and business rates are altered accordingly, to track changes in the property market.

In April 2008 the rateable value of the UK's 1.8m commercial buildings was re-assessed by the Valuation Office Agency (an agency of the Inland Revenue). In

What the revaluation means to you

April 2010 this revaluation will be implemented. Although values will not be confirmed until September 2009, based on the open market value of commercial property in April 2008 and the general trend of rising rents since the last revaluation in 2003, it is highly likely that for the majority of occupiers business rates will rise.

Research has shown that before any appeals, average increases for retailers could be 15% plus.

Although increases are likely to be implemented via a five year transitional arrangement, every ratepayer will pay their true rates liability in the fifth year at least, and most will pay it well before.

When general market trends show rents are rising, payment of rates based on the rental values from at least two years previously seems fairly advantageous to occupiers. But unfortunately, rents are no longer rising. In fact, between now and 2010 rents are predicted to fall.

The current economic slowdown and the negative business performance of many companies, particularly in the retail sector, mean occupiers are hesitant to take on new leases. Developers

and landlords are being forced to reduce their rents for retail and office spaces alike.

The new requirement for Energy Performance Certificates for buildings and the recent focus on the environment will also have an impact. Buildings with high energy efficiency ratings are expected to become more attractive to occupiers and rents of less efficient buildings will be driven down.

On top of all of this, legislation abolishing empty property rates relief came into force on April 1 2008. Occupiers with vacant retail or office premises must now pay full business rates on spaces which are empty for more than three months.

Previously, after three months only 50% rates were payable.

Warehouses and factories will benefit from 100% relief for only six months before again facing full business rates. Industrial buildings used to enjoy 100% relief from business rates no matter how long the space stood empty.

Whilst it is possible that rents could rise because the cost of rates on empty buildings are passed onto tenants, overall,

rents are likely to fall.

Many businesses will be unable to bear the raised costs burden following abolition of the relief. Older properties which cannot be filled, even at a reduced rent, may face demolition as landlords seek to avoid the rates liability.

It is yet to be seen whether the government will take lower rents into account when calculating the new 2010 business rates. If not, occupiers will face inflated rates rises in 2010 at a time when rents have fallen below April 2008 levels.

Some speculate that the implementation of the new empty rates legislation and the review of rateable values on the same day is government manipulation. Already set to benefit hugely from increased taxes payable on empty buildings (around £1.4bn), the government can administer a double whammy by raising business rates too.

And occupiers will face a further blow from April 2010 when local authorities will be allowed to levy a business rate supplement of 2p in the £1. **CFJ**

■ **Next month: What you can do to minimise the impact of the business rate revaluation.**

Philippa Aldrich is a partner in the Real Estate Group of Shadbolt LLP



John Roberts TESTING THE TOOLS

NEW SERIES

365 drill set: Pretty good on the hole

365 Drills Porsadrill - Diamond Drilling System

THE drill set I was given to test was the BFKMX Multi pack which consists of 2 x 6mm, 2 x 8mm, 1 x 16mm, 1 x 30mm and 1 x 40mm drill bits. The kit also included a drill plate. There are other drill bits in the range which can be purchased.

This diamond tile drilling kit (priced at under £50) was developed as a disposable set so that the set can be priced into a bathroom installation and then left with the customer for future use.

The drills are hollow tubes with a diamond coating on the cutting edge. These drills are designed to cope with porcelain, ceramic tile, granite worktops, travertine, pottery, slate, glass and much more. The supplier claims that the use of these drills should not cause chipping and or the tile to break.

I decided to use them on porcelain tiles. Following the instructions, I used a slow drill speed and water to cool the drill.

I also used the drill plate which made it unnecessary to drill a pilot hole first. The plate was pressed against the tile and produced a non-slip guide for the drill.

After a few seconds I had created a pit guide for the drill; I then removed the plate. The plate acts better on dry surfaces so I positioned the plate before dipping the end of the drill into water.

I was surprised how easy it was to start the hole using this plate. My first attempt was not good as I did not cool the drill sufficiently with water; I also tried to push the drill too hard, resulting in damage to the bit.

The second attempt was good and, to coin a phrase, they do exactly what it says on the packet. I found it was important to clear the hole and the drill bit every few seconds to avoid clogging up the hole in the drill.

Although this appeared to be slow (most installers like to work as quickly as possible) I found the result was a perfect hole with no

chipping even when I abused the drill by pushing too hard.

They claim the bits can be used to cut between two and six holes in porcelain (I achieved eight using the 6mm bit and it is still going). Up to 200 holes can be cut on softer material, according to the supplier.

My view is that this product is good value for money and, providing you use them as instructed on the box, it should give good service.

Remember to cover the price into the job as the bits will not last forever! **CFJ**

John Roberts is a prominent consultant in the flooring trade and founder of TAOFS (The Academy of Flooring Skills), which offers training in all types of floorcoverings.

■ www.taofs.co.uk

■ E: john@taofs.co.uk

Further information on

■ T: 07831 584334