



COVID-19 and business rates: FAQs on UK government support and reliefs

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Introduction

Business rates represent a significant cost to many UK businesses. Due to the nature of how business rates are set and administered, they are a fixed recurring cost that must be paid on UK commercial property regardless of business performance or profitability.

The Government has used the business rates system to help support some businesses with the impact of COVID-19. This support has been focused on certain sectors and property types, so this document aims to provide an overview of the measures provided and which businesses can benefit.

In addition, these FAQs also provide an outline of some pre-existing measures in the rates system which businesses should consider. These measures together with a broader strategy on business rates may provide cash generation opportunities and help improve short term cash flow.

The contents of these FAQs are not intended to be exhaustive but aim to cover the main points that have been raised by clients and businesses. If you have property, businesses or sector specific questions the EY business rates team is available to discuss these with you in further detail.



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Rates relief

What business rates relief has been provided?

To help support businesses with the impact of COVID-19 the Government has announced a full business rates holiday for 12 months from 1 April 2020 for businesses within the qualifying uses set out in the Government guidance. The full guidance can be found [here](#).

Which businesses will benefit from the rates holiday?

The relief is aimed at supporting the retail, hospitality and leisure sectors as a result of the impact of COVID-19.

In order to qualify for the business rates holiday within these sectors the property itself must be occupied and wholly or mainly be used:

- a. As shops, restaurants, cafes, drinking establishments, cinemas and live music venues
- b. For assembly and leisure
- c. As hotels, guest & boarding premises and self-catering accommodation

There are however some property uses within the respective sectors that the Government do not consider to be an eligible use for the purpose of this relief. These include;

- Financial services (e.g., banks, building societies, cash points, bureaux de change, short-term loan providers)
- Medical services (e.g., vets, dentists, doctors, osteopaths, chiropractors)
- Professional services (e.g., solicitors, accountants, insurance agents/ financial advisers)
- Post office sorting offices

All other property uses outside of the retail, hospitality & leisure sectors will not benefit from this relief.

How is the relief being administered?

The relief is administered by the local authority within which the qualifying property is located.

Is the relief automatically applied?

The business rates holiday should be applied to qualifying properties automatically by the local authority. This should already have happened from 1 April 2020. If properties are still being charged rates but qualify for the relief the local authority should be informed as a matter of urgency.

Any payment made since 1 April 2020 should be refunded if rates have been incorrectly paid on qualifying property.

Is the relief applied to all properties in a portfolio (i.e., head offices, warehouses etc.,)?

The relief is applied based on use of the property rather than who the occupier is. As such, uses including offices and warehouses will still be liable for the payment of full rates even if occupied by, for example, a retailer or hotelier who qualify for relief on their trading portfolio.

Does empty property qualify for the rates holiday?

Property that has fallen empty or has had to close as a direct result of COVID-19 measures is considered to be occupied for the purposes of the rates holiday.

Property vacant prior to the COVID-19 outbreak will however not benefit from the rates holiday.



What if a property type is not expressly included in the guidance?

The guidance on qualifying properties in the retail, hospitality and leisure sectors does state that local authorities should determine whether properties broadly similar to those that qualify are eligible for the rates holiday.

It may therefore be possible in certain circumstances to claim relief on properties not expressly stated in the guidance. Where this is considered to be the case, specialist business rates advice should be sought.

Is the rates holiday a State Aid?

The Government's assessment is that, given the impact of COVID-19 in the sectors receiving the relief, the business rates holiday for the qualifying properties in the retail, leisure and hospitality is not a State Aid.

The Government has considered this matter in discussions with the European Commission and is content with this analysis based on those discussions.

Local authorities have therefore been instructed to apply the relief to all eligible properties without any cap on the amount of relief being granted per business.

Does this apply to all UK regions?

The rates holiday was initially announced in relation to England and has subsequently been broadly followed in Scotland and Wales although there are some important differences to note.

Scotland

Along with the qualifying properties in the retail, hospitality and leisure sectors the rates holiday also applies to airports and organisations providing 'handling services' to the airport.

In addition, the planned 1.6% increase in the business rates multiplier due to come into effect for the 2021/22 rates year has been rescinded.

Wales

Properties with a rateable value over £500,000 do not qualify for the relief even if they are within the qualifying uses.

Northern Ireland

The Northern Ireland Assembly has granted a four months rates holiday on all properties regardless of sector.

In addition, hospitality, tourism, leisure and most retail businesses will be granted full rates relief until the end of March 2021. However larger supermarkets and off licences will not qualify for the extended relief.

Northern Ireland's three main airports and childcare providers will also benefit from the extended full rates holiday.

Grants

What grants are available through the business rates system?

The Government has announced two grants for business using the business rates system.

1. Small Business Grant Fund

Businesses with properties included in this scheme are those which on 11 March 2020 were eligible for relief under the Small Business Rate Relief Scheme (including those with a rateable value between £12,000 and £15,000).

2. Retail, Hospitality and Leisure Grant

Properties within the retail, hospitality and leisure sectors which on 11 March 2020 had a rateable value of less than £51,000 and would have been eligible for a discount under the business rates holiday (see earlier section) had that scheme been in force for that date.

How are the grants administered?

The grants are awarded by the local authority within which the property falls.

Each local authority has a different application policy with some already awarding grants automatically based on their records. If no grant money has been received, the local authority should be directly contacted, or their website reviewed to check the individual approach being taken to awarding the grants.

Can a business with several properties receive multiple grants?

The Small Business Grant is linked to those businesses who receive Small Business Rates Relief (SBRR). As the criteria for receiving SBRR is typically that rates are only paid on one property this also dictates that this grant will only apply once.

The Retail, Hospitality and Leisure Grant does allow more than one grant to be made as long as the occupied properties meet the criteria. There will however be a consideration with regards to the State Aid position where this is the case (please see relevant section below)

Do serviced office occupiers or those where the landlord pays the rates qualify?

Where the individual suite or office is subdivided for business rates valuation purposes and a separate rateable value exists then the Small Business Grant may be applicable even where it is held on an all-inclusive agreement (i.e., the service operator pays all costs including business rates). The same criteria with regards to the qualification for SBRR still applies.

However, where the valuation does not reflect individual suites then this is likely to restrict the receipt of the grant.

The local authority may not have up-to-date or full information on the ratepayer applicable to receive the grant and as such contact should be made to discuss the individual circumstances and their approach to awarding the grants.

Can rateable values be altered to qualify for the grant?

The qualification for receiving the grant is judged based on the circumstances existing in the rating list on 11 March 2020. Generally, alterations to the rating list subsequent to 11 March will not be reflected when awarding the grant.

However, there may be some circumstances where a case can be made, and these should be considered and addressed with the local authority on a case by case basis.



What about State Aid?

Unlike the rates holiday these grants are considered to be a State Aid. As such where multiple Retail, Hospitality and Leisure Grants are being made by the same businesses then these will likely be subject to the EU Temporary Framework limit of EUR 800,000.

Is the position the same in all regions of the UK?

The grants are generally awarded on the same basis in all UK regions although there are some differences with regards to the how small business rates relief is set in Scotland and Northern Ireland.

In Scotland it has also been announced that the Small Business Grant will provide a 100% grant on the first qualifying property and then a 75% grant on all subsequent qualifying properties.

What about small businesses that do not qualify for the grants?

The government have set up an additional fund aimed at small businesses with ongoing fixed property-related costs. To qualify for this businesses must be small, under 50 employees, and they must also be able to demonstrate that they have seen a significant drop of income due to Coronavirus restriction measures. The maximum grant under this scheme will be £25,000 and there will be grants of £10,000 with local authorities also having the discretion to make payments of any amount under £10,000.

Are the grants subject to tax?

The grants will be subject to tax. Businesses which make an overall profit once grant income is included will be subject to tax on the grant(s).

Other available rates relief measures

What about businesses who do not qualify for the rates holiday?

Where properties or businesses do not qualify for the rates holiday or grants there are currently no other focussed measures within the rates system. However, depending on how businesses are occupying or using their properties during the COVID-19 lockdown there may be pre-existing rates reliefs measures within the business rates system that can be applied for via local authorities or the Valuation Office Agency.

Can payment be stopped or deferred?

For businesses who do not qualify for the business rates holiday local authorities will typically expect payment as demanded prior to the start of the rates year on 1 April. Where payment is withheld this may lead to penalties later in the year even if they have been suspended at the current time. The right to pay in instalments moving forward may also be lost. Each local authority is likely to take their own individual approach on this.

It may however be possible to arrange a rates deferment or alternative payment plan to assist with short-term cash flow. Again, how this is applied will vary across local authorities and we have seen a variety of approaches being adopted.

Is there rates relief available where a property is empty or not fully used as a result of COVID-19 the measures?

Typically, where property falls fully 'vacant' it is possible to claim empty rates relief of up to three months (offices and non-industrial properties) or six months (industrial).

However, where property is empty, being used with a skeleton staff or is underutilised as a result of the impact of COVID-19 the position is less clear-cut. This is a very technical area of business rates legislation and its application will ultimately depend on the individual circumstances of the business and whether some or all of the property is

still considered to be 'occupied' during the lockdown.

The legislation was not written with a pandemic in mind and as such has yet to be tested with regards to the current circumstances. Therefore, businesses in this situation should seek specialist business rates advice as general requests for empty rates or partial occupation relief are unlikely to be successful without reasoned supporting evidence.

What about knock-on impacts to supply chains resulting in underutilisation of property, can rates relief be claimed?

Where property is operational but due to reduced stock levels or the need to shut down certain areas resulting in sections of the property being fully vacant, then it is possible to make an application for partial occupation relief.

The success of any such application will be dictated by the individual circumstances and a full application with supporting documentation to the local authority will likely be required. As a result, specialist business rates advice should be sought where this partial occupation scenario has or is anticipated to arise.

Can rateable values be contested as a result of the impact of COVID-19?

The ability to contest rateable values as a result of what is known as a material change in circumstance (MCC) is a mechanism that has been available in the business rates system for many years.

This is another highly technical area of business rates and one that has never been tested in relation to the impact of a pandemic (the closest successful example is a reduction in rateable values to properties impacted by the foot and mouth outbreak).

The ability to contest rateable values with regards to an MCC will not apply across the board and will ultimately be dictated by the circumstances being experienced in the locality within which the property is situated.



The success of any MCC appeal will ultimately be based on proving the degree and duration of the impact within the framework of business rates legislation and case law. As such, where this might be applicable, specialist rates advice should be sought.

What support is available for landlords?

Most business rates relief measures, both focussed and pre-existing, are generally aimed on benefiting occupiers.

However, due to rates being payable on empty property (after the statutory three/six-month void relief period), it is equally important for landlords to consider the current business rates position on the property or portfolio.

Therefore, the following may be relevant considerations;

- ▶ **Payment deferrals** - In the same way as for occupiers, landlords should consider deferring payments to assist with short-term cash flow.
- ▶ **Void relief** - Where occupiers vacate via a lease expiry, surrender, exercising of a break clause or business failure, landlords should ensure that the statutory empty rates relief (three months retail, offices, hospitality and leisure; six months industrial) is accurately claimed as it may be that the tenant has already exhausted some or all of the relief.
- ▶ **Contesting rateable values** - As the landlord, it is still possible to contest the rateable values applied to commercial property, and in some cases, this may result in more than three years' worth of backdated savings.
- ▶ **Property refurbishment and redevelopment** - Recent case law, including decisions handed down by the Supreme Court, has resulted in a more established position where property is undergoing redevelopment or refurbishment. As a result, where property has undergone works and rates

have been paid during the scheme there may be the opportunity to review the position and in certain circumstances claim retrospective savings.

- ▶ **Future projects** - In the same way as property that has undergone refurbishment or redevelopment works future projects should be reviewed so a proactive approach to the removal of business rates can be taken throughout the scheme.
- ▶ **Rent negotiations** - The level of business rates can sometimes play a factor in rent negotiations. It is important to understand what element of the overall occupancy cost business rates currently reflect. We are therefore supporting clients with this information and how the recent Government relief measures might impact this, as well as highlighting where any unclaimed rates relief could be available to both landlords and occupiers.

Wider business rates considerations

Can rateable values still be contested?

Yes, in England and Wales the 2017 rating list is still very much open. As a result, any currently applied to properties within the 2017 rating list (which came in effect on 1 April 2017) can be contested if they are considered to be inaccurate or excessive.

This will also still be relevant to those businesses receiving the full rates holiday as there is still the possibility to secure savings on overpayments back to 1 April 2017. As a result, any businesses who have not fully reviewed their property or portfolio should seek specialist advice to appraise the current position and highlight the merit for contesting the rateable values applied.

In Scotland different rules for challenging rateable values apply. This must have been done either within six months of the start of the valuation roll (1 April 2017) or within six months of moving into a property.

Is there a deadline for contesting current rateable values?

The current 2017 rating list is set to run until 31 March 2022 after which there will be a full business rates revaluation on 1 April 2022.

As a result, where there is merit in contesting the current rateable value of a property. This process must be initiated prior to 31 March 2022 or savings back to 1 April 2017 could be lost.

When is the next business rates revaluation?

The anticipated business rates revaluation set to come into effect on 1 April 2021 has now been postponement in light of the COVID-19 impact to businesses.

Current legislation dictates that the next revaluation is now due on 1 April 2022. However, further confirmation on this and the revised valuation date is awaited.

Are there any business rates considerations during a relocation?

The process of relocating premises is a prime stage to consider business rates cost saving and financial management implications.

The following areas are all relevant on relocation projects;

- ▶ Review of rateable value of property being vacated.
- ▶ Forecasting of rates liability for the new premises (particularly important where it is a new development as the it may take a number of months for a rateable value to be applied).
- ▶ Rates relief during any phased vacation or occupation, or where not all space is occupied from day one.
- ▶ Rates relief during fit-out.
- ▶ Review of rateable value applied to new premises.

It is also important to consider the capital allowances position on relocation projects. Aligning business rates and capital allowances advice can have benefits from collection of information through to the delivery of advice.

Where property is being refurbished, altered or redeveloped, can rates be reduced?

Alterations or the refurbishment and redevelopment of property is a key time in the property lifecycle to consider business rates.

In many situations it is possible to partially or completely remove the cost of business rates during a scheme or works. This can be a technical area of business rates advice, so it is important to get specialist advice to



ascertain whether the works would constitute grounds for a reduction in business rates. Also, where a scheme would potentially result in a rates reduction, detailed representations will be required to ensure that this is achieved.

Business rates advice on these projects can also align with capital allowances and research and development to ensure cash generation is maximised.

Is the system still under review?

The Government announced a fundamental review into the business rates system in the Chancellor's Budget on 11 March 2020. The timetable set out in the Budget was a call for evidence in spring 2020 with a report to be produced in autumn 2020.

However, with the outbreak of COVID-19 this timeframe may well be revised. The implications of a delay to the review could mean any substantive change prior to the April 2022 revaluation is unlikely.

EY business rates

Advice, guidance and support provided by EY on business rates

We have a specialist Business Rates team that includes experienced Chartered Surveyors and Institute of Revenues Rating and Valuation (IRRV) qualified members who provide business rates advice within and alongside the extensive EY network. This allows the team to provide proactive advice tailored to the circumstances of the business and the business rates exposure on their property or portfolio.

The support provided includes;

- ▶ Contesting rateable values
- ▶ Applying for rates relief
- ▶ Providing business rates support throughout the COVID-19 outbreak via (where applicable);
 - ▶ Payment deferrals
 - ▶ Rates relief applications
 - ▶ Contesting rateable values
- ▶ Historic business rates audits
- ▶ Relief optimisations during relocations
- ▶ Rates reductions during refurbishment/redevelopment projects
- ▶ Budgeting and financial forecasting
- ▶ Bill checking and payment advice

Focused guidance and support can be provided throughout the COVID-19 outbreak and beyond. The team are happy to review individual businesses circumstances and advise where cash generation or cash flow optimisation can be realised from a business rates perspective.

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