

COMMERCIAL RATES A HEAVY BURDEN

Karl McCoy, principal at KMPC Consulting Limited discusses the issue of commercial rates and how they need to be addressed...

Many business operators around the country have reiterated this point to me, and unless your property is not rateable, it is a cost that needs to be provided for every year.

In order to address the issue, it is useful to understand the basis on which Local Authorities raise commercial rates under the system presently prevailing in many parts of the country.

The rateable valuation multiplied by the rate in the euro equals the rateable income for a Local Authority. They have control over this multiplier rate and decide how it is calculated each financial year by reference to:

(Estimate of Expenditure to Provide Services – Other Income / Total Rateable Valuation)

RATEABLE VALUATION: THE CALCULATION

At the outset properties are categorised by the Valuation Office on the basis of size, title, lease details, purchase price, cost of improvements, construction cost and comparative local evidence previously entered on the Valuation Lists. The rental value of the property is assessed based on these parameters and also taking account of any recent Court or Valuation Tribunal decisions.

The rateable value is then calculated by reference to the estimated rental value of the property related to November 1, 1988, adjusted by a percentage, in order to make it relative to other properties and rateable values on the Valuation Lists.

The adjustment percentages are 0.40 per cent for Ennis Urban District, 0.63

per cent for county boroughs and 0.50 per cent for all other rating authorities. The intended purpose of such a method was equity, however many older properties have not been revisited for many years. As a result, even though they may serve a similar purpose to newer properties they may have a very different commercial rate attached.

This is a general description of the method; however there are circumstances where additional

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considerations apply. For example service stations, where the Valuation Office will require the previous three years throughput to assist in estimating the rateable value.

The query for many is whether these figures can be revised. In short the answer to this question is yes. An application for revision can be made at any time by an occupier, person holding an interest, rating authority or an occupier of another property on the Valuation Lists.

However, an application needs to display strong evidence of a material change in circumstance, since a valuation certificate, particularly in relation to the categorisation of the property, or evidence of inaccurate

details in order to have potential for success. It should be noted that values can be amended either upwards or downwards by the Valuation Office.

MOVING WITH THE TIMES

How do the relevant authorities intend to address the issue of burden and the affect of rates on business?

Their answer seems to start with proposals for revaluation. This involves the production of up to date Valuation Lists of all commercial properties within Local Authority Areas with the intention that such an approach will create a fairer relationship between current annual rent values and rates. This, however, is no guarantee that rates will reduce for individual properties, simply that there will be more balance to the assessment at a particular point in time. Some will rise others will fall.

There is no definitive answer as to when this process will be complete for the entire country. The programme began in south Dublin County Council in 2005 and continued with Fingal and Dun Laoghaire-Rathdown and is ongoing in Dublin City Council area.

Valuation Orders were signed, to commence the process for Waterford County and City together with Dungarvan Town Council in December last. It is anticipated that similar Orders will issue for Limerick later this year.

CONFRONTING THE BURDEN

However, in circumstances where many businesses appear to be running simply to pay rent or rates and are struggling to the point of collapse, the slow



delivery of revaluation will be of little solace.

Many landlords have realised the importance of working with good covenants, capable of a sustainable future, albeit at varied and reduced terms.

In a similar way, perhaps it is now time that there was more focus on the introduction of a formal mechanism to vary or negotiate commercial rates at Local Authority level. The alternative is to wait for the timing of revaluation and to watch more business failure and the build up of more vacant property, resultant in less rate payments.

KMPC is a multi-disciplinary property consultancy, listed with the Royal Institute of Chartered Surveyors.

Our entire business is based on an ability to see property as an asset that must pay its way, be held accountable, add value to a business or portfolio and not drain on resources.

KEY QUESTIONS TO CONSIDER

1. Are you spending too much time outside core activity, on property related matters, concerned about lease terms, poor Tenant and Landlord relations or the prospect of a competitor entering your market at a lower cost base?
2. Do you need assistance seeking new opportunities, taking a fresh look at an existing portfolio, disposing of property or the undertaking of the necessary due diligence associated with these tasks?
3. Are you involved in litigation, do you know the strengths and weakness of your property claim, or do you need assistance in the briefing, analysis, management or review of professional reporting?
4. Do you need assistance in the preparation and direction of planning strategies and development briefs or the engagement with local authorities and third parties during a planning process?
5. Can we help with communication and negotiation with stakeholders, clients or third parties?

If you have any further queries in relation to the points raised in our article or the questions posed above, feel free to give me a call personally, drop us a line or visit our web site for more information, we are always happy to help.

Our knowledge of the full property spectrum, combined with an in-depth experience of commercial portfolio structuring and management, differentiates our expertise and allows us to offer a single point of contact service that delivers solutions at enhanced values and financial outcomes at very competitive rates. ■

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