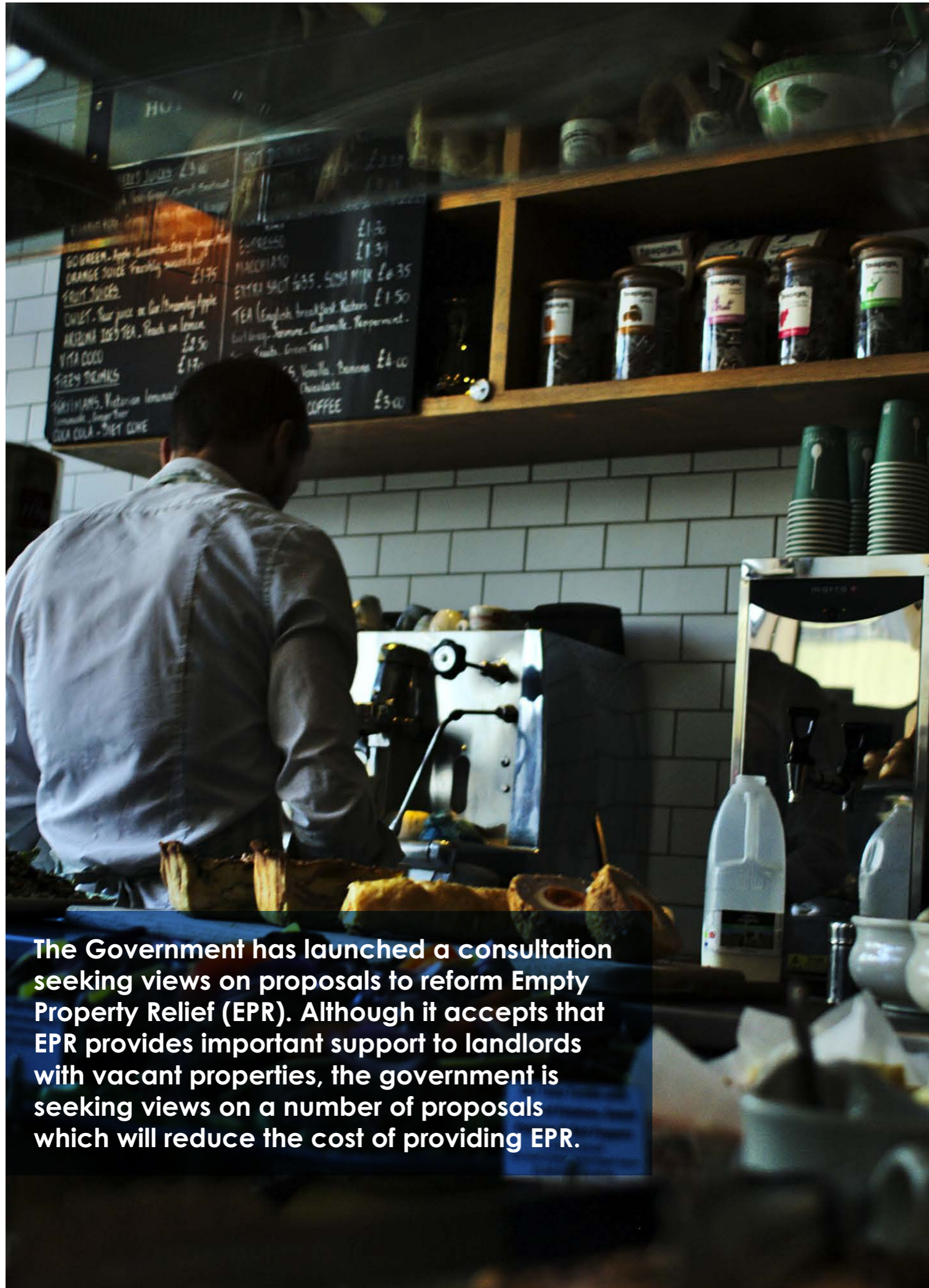


Business Rates

# MARKET UPDATE

July 2023





**The Government has launched a consultation seeking views on proposals to reform Empty Property Relief (EPR). Although it accepts that EPR provides important support to landlords with vacant properties, the government is seeking views on a number of proposals which will reduce the cost of providing EPR.**

## Business Rates

### Potential changes to Empty Property Rates Relief

The Government has launched a consultation seeking views on proposals to reform Empty Property Relief (EPR). Although it accepts that EPR provides important support to landlords with vacant properties, the government is seeking views on a number of proposals which will reduce the cost of providing EPR.

### Current reliefs from EPR

The Government currently provides over £1 billion in EPR and cite the following as being amongst the main reliefs:

- Relief, following the vacation of a property for three months (or six months for industrial properties). The property cannot then benefit from a further period of EPR until it is occupied for a minimum six week 'reset period' before becoming vacant again.
- Relief where the property is a listed building.
- Relief where the property has a rateable value under £2,900

### Proposals to reform EPR

The Government is consulting on a number of changes to EPR which include the following:

**Increasing the required duration of occupation during the 'reset period' from 6 weeks to 3 or 6 months.** The Government has stated concerns that the current six week 'reset period' was a low bar to accessing repeated periods of relief through which some ratepayers benefit from repeated long periods of relief. Increasing the 'reset period' to 3 or 6 months would reduce the benefit from repeated periods of occupation.

**Introducing a limit on the number of times EPR could be claimed in a given time period.** This would lead to a property which repeatedly became unoccupied within a short time frame eventually ceasing to benefit from EPR until sufficient time had passed. The existing 'reset period' would no longer apply and, instead, a property would only be able to benefit from a single rate free period of up to 3 or 6 months in a given period of time. Rates would be payable in full on the property for the rest of the time regardless of whether the property was occupied or not.

**Redefining occupation - adding additional conditions to the meaning of occupation.** The Government advise that currently there is no statutory definition of what constitutes occupation of a property and that minimal occupation may be sufficient to allow ratepayers access to a further rate-free period. The government are considering adding additional conditions to the meaning of occupation which could include requiring that more than 50% of the property's floor space is occupied.

**Replacing the current EPR with local discretionary schemes.** The Current EPR could be replaced by local authorities introducing their own rate relief schemes. This would enable each Council to establish their own rate relief scheme and determine the conditions for the award of relief.

### Comments

It is only relatively recently that the Government radically changed the level of rates payable on vacant properties. Before 2008, rates on vacant shops and offices were charged at a 50% discount to the normal level, with no rates at all on vacant warehouse and factories. These reliefs were removed in 2008, and rates are now payable in full after the expiry of a three-month void period on shops and offices and six months on warehouses and factories.

The short void periods offer minimal relief to landlords and fail to reflect the realities of the time necessary to re-let a property. Part of the original justification for abolishing this relief was that it would encourage landlords to let vacant properties. There is little evidence to support the notion that landlords are dragging their feet, rather than that voids are a result of lack of demand among occupiers. The proposals, if enacted, would therefore represent yet a further reduction to the relief from rates received by landlords on their vacant properties.

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