IN THE FIELD

NEWS & VIEWS FROM STRUTT & PARKER

Rate hikes hit rural businesses

Many commercial property occupiers in England have seen changes to their business rates for the first time in seven years. While some rates have decreased, many have significantly increased.

Business rates are charged on most non-domestic properties, including pubs, holiday cottages, farm shops, houses open to the public, wedding venues and land used for storage. Thankfully, land and buildings used for agriculture continue to be exempt.

The rates are calculated by multiplying the rateable value (RV) by the uniform business rate (UBR); the UBR is dependent on the RV and the location of the property.

New RVs came into effect on 1 April 2017, and are based on the estimated rental values at 1 April 2015, assessed in England by the Valuation Office Agency. This is causing the most debate, as hypothetical rents are rarely the same as the actual rent at the time and are unlikely to reflect individual circumstances, therefore an appeal could be necessary.

However, businesses could take advantage of a number of reliefs. From April, small business rate relief offers 100% exemption if a business occupies one property with an RV of £12,000 or less. Where a property has an RV of between £12,001 and £15,000, a tapered relief from 100% to 0% is also available.

For businesses in rural locations with a population of less than 3,000, rural rate relief of up to 100% may be available. To be eligible, it must be the only shop or post office in that location and have an RV of less than £8,500, or be the only

public house or petrol station and have an RV of less than £12,500.

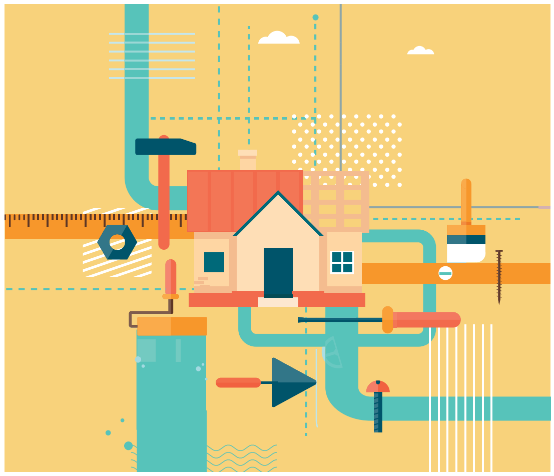
When a property becomes unoccupied, 100% empty buildings relief is available for the first three months, and listed buildings are completely exempt. Also, material change in circumstances relief should be temporarily available if activity in the area – such as road works or flooding – is affecting business performance.

Revaluations have also taken place in Scotland and Wales, where different rates and reliefs apply. What is certain is that if an appeal is appropriate, it is likely to be a lengthy process. Visit *gov.uk/introduction-to-business-rates* for more details.

Nick Bramley and Greig Cockburn, Land Management

Business rates are charged on holiday cottages, such as those at Farndale Cottages in North Yorkshire

Photography: Amy Shore



No quick fix for housing

The government has published a white paper, titled 'Fixing our Broken Housing Market', that sets out its strategy for solving the housing crisis in England.

The paper provides a background on the problems in the housing market and starts a consultation about how the government could reform the planning system and increase housing supply. The aim is to provide a fairer housing market and reduce the affordability gap, with the delivery of more homes being key.

The white paper outlines broadly three categories of proposal: those that the government will implement; those that it proposes to implement, subject to consultation; and those that it is consulting on, with no clearly stated intention yet.

It has been reported that the paper does not deliver the radical change that was expected. However, it is encouraging to note that the consultation does tackle planning issues without reinventing the system. A new 'delivery test' will put pressure on councils and developers. Pre-commencement planning conditions should be reduced, and a proportion of smaller sites should be identified in local plans to diversify allocations. The drafting of a new presumption in favour of sustainable development, to make more efficient use of land, should be welcomed.

There are reasons for optimism about the proposals for the green belt, which at first glance appear to be more restrictive than the existing national policy. Many authorities already recognise the benefit of releasing green-belt land, and the changes indicated in the white paper may ensure that doing this has clear benefits and less opposition in the long run. It is particularly encouraging for well-located, previously developed land in the green belt.

We are actively involved in the consultation process, which closes on 2 May.

John McLarty, Head of Planning

Rural opportunities in rentals market

The seemingly inexorable rise of the private rented sector has reached a landmark, with home ownership at its lowest level for 30 years.

The received wisdom is that the lack of development for both private and social housing has increased prices, decreased affordability and left growing numbers of households unable to access ownership. That is undoubtedly the case, and rural affordability is a particular challenge.

Such a trend will pique the interest of commercial investors, individual investors and estate owners. In 2016, the ULI/PwC *Emerging Trends* report showed that, of the top 10 sectors from which institutional investors expected good performance, the second was home rental, also known as build to rent. Equally, buy-to-let lending remains high.

Estates, then, need to understand the broader landscape. The *Urban Renters* report, Strutt & Parker's analysis of demand in the rental market, highlights that renters seek flexibility, choice and less housing responsibility. These factors will attract the highest rents in rural estate housing, allowing it to effectively compete in this growing marketplace.

Visit *struttandparker.com/housingfutures* to read more about our *Urban Renters* research.

Stephanie McMahon, Head of Research

Sweeping changes on the horizon with HMRC's new digital tax regime

HMRC has announced the 'death of the annual tax return' with the introduction of a brand-new digital taxation system – which will have implications for most businesses operating in the UK.

The government's Making Tax Digital vision is a system whereby tax compliance is integrated into daily business activities, rather than being a separate exercise carried out after the year end. The implementation is to be gradual: unincorporated businesses are set to take on the new reporting requirements first, with companies bringing up the rear in 2020. The requirement to keep digital records and make quarterly reports to HMRC is to begin from April 2018, though this has been deferred until April 2019 for businesses with a turnover below the £85,000 VAT registration threshold.

The change to a quarterly reporting system is likely to increase the overall administrative burden and cost of compliance for businesses, with the time limit likely to be one month after the end of the quarter. These reports will still be supplemented by a year-end declaration so, in practice, the annual tax return will not have changed other than the demise of the form itself.

Currently, individuals have 10 months from the end of the tax year to submit their self-assessment return, so the new system will see a tightening of the year-end timescale. Partnerships and sole traders with accounting year ends before 31 March will have a shorter timescale to submit their figures. Under the old system, a business with a 30 April year end would have 21 months to file their return; this will become just 10 months under the new regime.

Tax payment dates, however, will remain unchanged – although the government is considering changes to both the calculation and timing of income tax payments on account.

Overall, the move to digital tax reporting is likely to have a particularly significant impact on more complex unincorporated farming and property businesses, which unfortunately will be among the first group to fall within the new rules.

Jonathan Smith, Head of Tax

Photography and illustration: iStock

News in brief

£1,157

The average receipts per hectare from contract farming agreements in England in 2016, according to Strutt & Parker's latest English Contract Farming Agreement Survey. See the results at *struttandparker.com/cfa*.

New bid to improve EPC accuracy

In November last year, the government consulted on proposed changes to the Standard Assessment Procedure (SAP) – the underlying methodology used to assess the energy efficiency of buildings and to produce Energy Performance Certificates (EPCs). The likely impact of the review for rural property owners is mixed: while it should increase the overall accuracy of EPCs, it will improve the EPC rating for some properties, but downgrade others. However, anything that improves EPC accuracy should be welcomed, as this is one of the energy sector's biggest issues to be tackled.
Kieran Crowe, Energy

RETIREES REHOMED

Strutt & Parker has worked with the Addington Fund to provide a new home to a retiring farming client in County Durham. Farming families often lose their home when they have to leave a farm, but the charity's Strategic Rural Housing Scheme can provide them with lifelong accommodation on a rental or shared-equity basis. See *addingtonfund.org.uk* to find out more.
Claire Whitfield, Land Management

> "STEPPING AWAY FROM DATED EU SUGAR POLICIES [MEANS] WE'LL BE FREED FROM THE QUOTA SYSTEM THAT HAS HELD US BACK FOR DECADES"

Paul Kenward, Managing Director of British Sugar, on how Brexit could benefit beet farmers

£1BN FOR RURAL GRANTS

The Rural Development Programme for England (RDPE) has a budget of more than £1 billion for new applications, with grants of up to 40% available to businesses that are creating jobs in rural areas through diversification, food processing and tourism. Find out more at *struttandparker.com/rdpe*.
Sholto Moger, Land Management

Better Broadband on the way?

The government's latest initiative to improve rural broadband services, the Better Broadband Subsidy Scheme, will offer subsidised connections to remote homes and businesses. Premises will be provided with a basic connection – via satellite or wireless – for no more than £400 a year if they are unable to achieve download speeds of 2Mbps and won't benefit from the roll-out of superfast broadband. The scheme is open for applications until the end of 2017. Visit *basicbroadbandchecker.culture.gov.uk*.
Richard White, Land Management

NON-DOMS TAKE TAX HIT

The reach of UK tax to non-domiciled individuals is being extended from April 2017 to include Inheritance Tax (IHT) on UK residential property held in offshore structures – the value of which could be as much as £170 billion, according to HMRC. The changes will not include any interim measures to allow properties to be removed from such structures, and will also apply to non-doms who own shares in offshore companies that hold UK residential properties. The exposure will be based on the value of the company's shares, but referable to the underlying value of the residential property held. On the back of the earlier introduction of Annual Tax on Enveloped Dwellings (ATED), the net is tightening. For the first time, non-doms will need to consider mechanisms for reducing IHT exposure, such as reliefs and exemptions or reorganising ownership.
Jonathan Smith, Head of Tax

A year of change in Scotland

In the run-up to the 2014 independence referendum, the Scottish government designated 2017 as the nation's Year of History, Heritage and Archaeology. Ironic, then, that three years on so much political energy should be focused on carving out the shape of the future.

With Brexit and the threat of a second independence referendum, one might assume that the Scottish land reform agenda would be on hold. In reality, the Land Reform (Scotland) Act 2016 contains enough material to keep policymakers busy until Article 50 has run its course. Five new Land Commissioners are already in place, and wrangling has moved from the merits of proposals such as reintroducing sporting rates to the practical aspect of implementing them across such a diverse rural landscape.

As the year progresses, Dr Bob McIntosh, the newly appointed Tenant Farming Commissioner, will oversee the roll-out of changes to the assignment and succession procedures for secure agricultural tenants; the introduction of a blanket pre-emptive right to buy for secure farm tenants; and the introduction of yet another new form of short-term tenancy, further complicating an already complex area of legislation.

As part of its community engagement agenda, the government is pushing ahead with changes to the planning system, with the ambitious aims of both increasing local accountability and streamlining the development process, funded by increased planning application fees and development levies. And having achieved its climate change target – reducing emissions by 42% by 2020 – six years early, the government is proposing to generate 50% of the nation's energy for heat, transport and electricity from renewable sources by 2030. It remains to be seen how the onshore commercial renewables sector will fare in the face of diminished subsidies, although support for peatland restoration and new woodland creation is expected to continue.

Andrew Aitchison, Land Management

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LAND REFORM WILL KEEP POLICYMAKERS BUSY UNTIL ARTICLE 50 HAS RUN ITS COURSE

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Photograph: iStock