



Business rates reliefs create commercial property opportunities for Charities

The current financial climate and the current law relating to business property rates relief has created a welcome opportunity for charities seeking to lease commercial property at discounted rents.

Introduction

The Rating (Empty Properties) Act 2007 came into effect on 1 April 2008 and abolished the 50% relief from business rates that owners of unoccupied commercial property had previously enjoyed. The abolition of this relief is estimated to have cost commercial property owners in excess of £800,000,000 during its first 12 months. As a result, owners of unoccupied commercial property are actively seeking ways to reduce their rates liability. An increasingly popular method of achieving this is to lease empty premises to charities and so creating an arrangement which can produce substantial benefits for both parties.

Charities' Relief from Business Rates

When a commercial property is leased to a tenant the owner is relieved from any liability to pay empty property business rates. This provides owners of commercial property with a financial incentive to keep their property occupied. However, in the current financial climate with less commercial tenants in the market, charities' business rates' status is increasingly allowing charities to take advantage.

Unlike most commercial tenants, a charity is entitled to substantial relief from business rates. In fact, provided the charity occupies the property and uses it mainly for charitable purposes it will benefit from at least 80% relief from business rates. Clearly, with commercial property owners and charities being at such opposite extremes of the rates scale, there is plenty of room for negotiation. Often the charity will be able to negotiate a lease at a much reduced rent or even rent free. This works on the basis that the rate savings made by the property owner covers all or at least a significant proportion of the rent normally payable.

Other issues

Whilst many charities may be tempted to enter into leases at discounted market rents, care should always be taken by charities in considering the other terms of the lease. These can involve significant liabilities on tenants, such as dilapidations' liabilities at the end of the lease term. In addition, charities must ensure that they comply with their statutory obligations including ensuring that required prescribed statements are included in any lease.

Burgess Salmon team

Burgess Salmon's team of property lawyers have a great deal of experience in dealing with charities and all issues of commercial leases and have helped both landlords and charities in taking advantage of the business rates' relief status enjoyed by charities.

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