



British Property Federation (BPF), British Retail Consortium (BRC), Business Centre Association (BCA), CoreNet Global.

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## **BUSINESS UNITES AGAINST GOVERNMENT'S PROPERTY TAX DEFIANCE**

Government defiance over a new tax on empty property, coming into force today (1 April), is being condemned by the country's major retailers, office and warehouse owners. They believe it will harm communities and damage business.

In an unprecedented demonstration of anger, the BPF, BRC, BCA and commercial occupiers' body CoreNet Global are telling ministers that the Government is ignoring the reality of the current economy and property market in their desperation to plug holes in the nation's finances.

Today's rule change will see full rates charged on empty properties, with the Government raking in an extra three billion pounds from businesses over the next three years.

The trade bodies, representing occupiers and owners, large and small, have written to Local Government Minister John Healey saying he is ignoring the basic business principle that a property owner needs to lease out their property in order to make their business work. Properties are empty because they are not wanted at that time or place and new tax burdens will not change this.

Similarly, cutting relief will reduce the flexibility of leases and cut choice for small businesses wanting to move to office or retail space that fits their changing needs. Regeneration projects will be rendered unviable because of the added costs, undermining Government aims and damaging communities.

Until today (Tuesday), no business rates were due for the first three months that shops and offices were empty. After that, 50 per cent of the normal rate had to be paid.

Under the new rules there will still be no charge for the first three months they are empty. After that time full rates must be paid even if a tenant has not been found. After six months factories and warehouses will lose, what was 100 per cent relief. Properties that have already been vacant for the three or six months at 1 April 2008 will immediately attract the full rate, as the tax is retrospective.

In their joint letter the trade bodies tell the Government that if it cannot prove its claims that the extra tax will increase property availability and reduce rents, it must reintroduce the 50 per cent relief or extend the period when no rates are due to better reflect the time taken to fill vacant property.

**BRC Director General, Stephen Robertson, said:** "The Government must take us for April Fools. It is ignoring the mechanics of the property market because of a desperate need to plug holes in the budget at a time when the economic slowdown makes it more likely business premises will fall vacant. In the current economic climate Government should be alleviating the tax burden on businesses, not making them less competitive.

"No one gains by keeping property empty. It's unoccupied because there isn't the demand for it at that time and place. Piling on taxes will not conjure up new tenants or drive down rents but will weaken the prospects for local regeneration."

**Liz Peace CBE, Chief Executive of the BPF, said:** "This is a disastrous move that could have consequences far beyond the lifespan of this Government. Despite all the talk of open

government, this ill-conceived move has been brought in without fair and proper consultation. There is a clear lack of joined up thinking between the Treasury and Communities departments, and ministers must understand the financial risks that private firms take to regenerate our towns and cities.

"Cutting rate relief will be a major blow for those striving to deliver sustainable communities. It's in no one's interests to leave property empty, but the realities of the current market mean that new developments will see a certain percentage of vacancies and it's unfair that those very investors prepared to deliver Government policies should be penalized and ultimately priced out of regenerating our country."

The British Chamber of Commerce said: "At a stroke, the government's new policy will hit disadvantaged areas and create financial insecurity for companies currently in possession of empty properties. This is little more than another tax hike on business."

The Government claims the measure is being introduced to boost occupancy rates and encourage regeneration.

Industry says it will do the exact opposite by:

- Putting developers off risky projects where property may take time to fill, undermining investment in deprived communities most in need of regeneration.
- Discouraging refurbishment of obsolete property with owners unable to bear the cost of it standing vacant while work is done.
- Conflicting with the, Government-backed, Leasing Code of Practice, meant to promote flexible leases.

## **Notes to Editors**

- Gordon Brown announced this change to Empty Property Rates Relief in March 2007, in his final budget as Chancellor.
- Local Government Minister John Healey has said: “The reforms are good for businesses, the environment and most of all, good for our communities. These changes will help bring empty buildings back into use, reduce rents for small independent shops and create thriving high streets and town centres.”
- The joint letter from BPF, BRC, BCA and CoreNet Global to Local Government Minister John Healey is available to journalists from the BRC press office.
- Listen to a discussion about Empty Rates on BBC Radio Four’s Today Programme: <http://www.bpf.org.uk/pdf/21062/Today%20Liz%20Peace.mp3>
- Brixton and Segro, two of the UK’s biggest listed developers, estimate that empty rates will cost them £5m and £8m annually, respectively.
- The City of London policy and resources committee chairman Michale Snyder estimates the new legislation could cost City landlords around £26m a year.

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## **CASE STUDY – EVANS EASYSPEACE**

**Empty rates add £500,000 to our costs**

Evans Easyspace is a company committed to developing new workspace across the UK so we are bitterly disappointed about the Government's decision to scrap empty rates in England and Wales.

We have been forced to cut back new development by half because of empty rates. This is despite strong occupier demand from the SMEs. The cost to the exchequer of us cutting back will be £500,000 - exactly the same amount as we will be paying in empty rates tax.

There will be no net benefit to the exchequer, simply a reduction in the amount of due quality space for small and growing businesses.

The inflexibility of the legislation will penalise companies such as ourselves who provide flexible start-up accommodation for the UK's small and medium sized enterprises. For Evans Easyspace the changes will add approximately £500,000 to the 2008 budget forecast and, as a result of this, two Evans Easyspace developments planned for Speke and Cannock have had to be postponed. This will have an adverse effect on the local business communities in these areas where a further 400 jobs would have been created.

As a business Evans Easyspace clearly does not choose to have empty units, but it does happen in almost all its Business Centres in the UK. Around 75% of the Evans Easyspace portfolio is made up of new, purpose built centres. At any one time only a limited number of small businesses will require space in a specific location.

Once construction of a centre is complete, it can take up to two years to reach maximum occupancy resulting in up to two years of empty space. Why should Evans Easyspace be penalised for offering space on the terms small businesses want and which allows them to grow and prosper?

For our 2,000 plus clients flexibility is essential for supporting their business growth and this results in a constant movement and "churn" within Evans Business Centres. And, by encouraging local business development, we always maintain a vacancy rate of approximately 10% which the government is now charging us for. Worst of all, the areas likely to be most affected by the changes will be those that most need the seeds of new business and entrepreneurialism – our most deprived areas.

These are the areas where buildings may take some time before they are fully occupied. With these changes, companies that would consider developing in these areas are now strongly disincentivised to do so.

However, despite the legislation, Evans Easyspace is still going ahead with those developments it has already committed to for 2008, which will see 300,000 sq ft of new, quality workspace built across the UK.

Regrettably, were it not for the new legislation, that figure could have been significantly higher in future years.