

Rates may increase for occupiers in multi-let buildings following Supreme Court decision

A Supreme Court decision looks set to have significant impact for some ratepayers occupying several buildings on the same site or more than one floor in a single building.

The decision in *Woolway v Mazars* has set a new precedent regarding the unit of assessment in multi-let buildings, meaning some occupiers could see their rate bills increase.



Background to the decision

Mazars appealed the Valuation Officer's decision to separately assess two non-adjointing floors (2nd and 6th) within a multi-let office building in London. The Tribunal allowed this on the basis of the two floors being "functionally interdependent", making reference to the (then) leading case law precedent on the unit of assessment, *Gilbert v S Hickinbottom & Sons Limited* (1956).

This decision was appealed by the Valuation Officer to the Upper Tribunal who again found in favour of the ratepayer. The appeal was dismissed on the grounds that the floors could form a single assessment as either could be accessed without leaving the building.

Unsatisfied with this, the Valuation Officer appealed again to the Court of Appeal who agreed with the decision of the Upper Tribunal but granted leave to appeal to the Supreme Court. The Supreme Court subsequently overturned these decisions, stating the two floors should not form a single assessment. Their reasoning was based primarily on Scottish case law precedent not previously relied upon, which emphasised the importance of a geographical test. They stipulated the two floors could not form a single rating assessment because communication took place via a common area not occupied by the tenant.

Effects of the decision

The Supreme Court's reasoning means the geographical test must now be satisfied in relation to the unit of assessment. Although in the case of *Mazars* the floors were separated, even adjoining accommodation will now come under scrutiny. The fact the accommodation is adjoining may not alone be enough to satisfy the geographical test, unless there is an internal communication.

What will be the impact for ratepayers?

We are likely to see the Valuation Officer taking steps to backdate the splitting of relevant assessments with effect from 1 April 2015. The impact for ratepayers in many instances will simply be the inconvenience of multiple demands. In some cases however, the aggregate Rateable Value will increase due to the removal or application of "quantum adjustments" and thus, their overall rates liability will also increase.

To discuss the potential impact to your business in more detail, please contact a member of the Rating team.