

Legal Review



TAX ON RATEABLE VALUE - REVIEW

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The Guernsey Bar Conditions of Sale include a section requiring the apportionment between seller and buyer of “rates and taxes” at completion of the sale and purchase. The expression “rates and taxes” refers to:-

1. Occupiers Rate, which is charged by the parish and is used to pay for refuse collection, repairs to the parish church, rectory and other parish expenses; and
2. Tax on Rateable Value, which is charged by the States and used for general revenue purposes.

Both charges are paid annually and relate to the calendar year (which explains the apportionment provision in Conditions of Sale). The invoices are usually issued in June and July.

The aggregate amount of both charges is relatively small in the case of residential properties when compared to the amount of Council Tax which would be payable in the U.K. in relation to property of equivalent size.

At the July 2005 meeting of the States it was decided that the Treasury & Resources Department should conduct a review of the system of tax on rateable values and report back to the States with proposals for a revised system by no later than March 2006. The Department have since prepared a consultation document which contains the following information.

1. Background

Tax on rateable value (“TRV”) raises approximately £4 million in revenue each year, of which approximately £1.8 million relates to residential properties, £250,000 of which is from open market dwellings.

There are 30 different factors taken into account when assessing the rateable value of a dwelling, as well as additional features which attract increased ratings (including 5 different factors relating to central heating systems!). The system has therefore become inefficient to administer.

2. The Need for Change

Apart from the complexities referred to above, there have been significant changes in property development since the system was introduced in the 1940’s, including changes to the size, style and purpose of buildings, the provision of garaging for vehicles and the development of flats.

It is admitted that two dwellings occupying an identical footprint on equally sized plots

of land, situated in close proximity, could have different rateable values because of a variety of factors. In addition, the present system identifies “special areas” within St. Peter Port and the owners of properties in these areas pay TRV at a higher rate than in other parts of the parish. Apparently this relates back to a time when St. Peter Port was considered to be the hub of local commerce and a number of town and suburban areas were regarded as being especially prestigious.

3. Scope of the Review

The following will be included:

- A. Whether current rental value remains the correct basis for the taxation of property. When the system was introduced in 1947 the annual rental value was calculated and rateable value was assessed at approximately 75% of this figure. This approach ignores properties which have significant capital value but little or no rental value (e.g. land with the benefit of planning permission).
- B. Consideration of the main assessment criterion becoming the “usable footprint of buildings”. Thus the principal factor in assessing rateable value would be the floor area of a building rather than the amenities enjoyed by it.
- C. Ancillary to the above, it may be necessary for powers of entry to take measurements to be included in the enabling legislation.
- D. The bases of charging Public Utilities, which at present are largely assessed on a measure of their production or service output.
- E. Billing issues, including amalgamation with Occupiers Rate and use of direct debit payments.

The timetable set out in the document envisages that accounts under the new system will be issued for the first time in 2007. It concludes by accepting that a considerable number of properties will be affected by the changes that will arise from the review. It is not apparent whether those changes will result in much higher levels of TRV being recovered. A cynical observation may be that such is the principal reason for the review, taking into account present concern over levels of States’ income.

We shall have to wait and see!

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