

All aboard the Crossrail levy train

The business rates supplement levy will help fund the Crossrail project. *Julian Bass* and *Romola Parish* consider what it means for the business sector

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● All non-domestic premises, whether or not occupied, will be liable for the levy

● London's mayor Boris Johnson has already published his initial prospectus for the levy to fund Crossrail

The Business Rates Supplements Act 2009 came into force on 2 July. It gives local authorities the power to raise additional revenue from occupiers of business premises to fund infrastructure projects.

The business rates supplement levy (BRSL) is limited to a maximum of 2p per £1 and must be used to provide services or facilities that promote economic development in the authority's area. It cannot be used for services that a local authority is required to provide, such as healthcare, but must constitute new expenditure that the authority would not otherwise have incurred; "additionality" in planning speak.

All non-domestic premises, both occupied and empty, will be liable for the BRSL. It will be levied along with national business rates, and will have the same exemptions and reliefs. In the event that the BRSL funds more than 30% of the total cost of the proposed services or facilities, the local authority must ballot all those liable to pay the levy. A prospectus of the use of the BRSL must be published, allowing stakeholders to comment on it. Their comments will be considered in the final version.

Funding Crossrail

The BRSL was conceived with Crossrail in mind. However, the 2009 Act allows any local authority to apply this mechanism to raise revenue for appropriate projects. It is not surprising that London mayor Boris Johnson has already published his initial prospectus for BRSL funding for Crossrail. He has been seeking contributions for the project from section 106 payments, and is intending to use the community infrastructure levy (CIL) to raise funds; Crossrail is expressly identified in the draft CIL regulations as infrastructure for the purposes of the CIL.

Crossrail is expected to cost around £15.9bn. The Greater London Authority (GLA) and Transport for London will contribute £7.7bn. The GLA is responsible

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for raising £5bn – it anticipates that £300m will come from section 106 payments and the CIL and £3.5bn will be borrowed; the cost of this will come from the BRSL, which is expected to be in place from April 2010 until 2036-37.

The BRSL applies to all non-domestic premises with a rateable value of £50,000 or more, in the same way as national business rates. The threshold will be reconsidered at five-year intervals during the lifetime of the BRSL. Around 80% of non-domestic properties will be exempt (70% of premises have a rateable value of £20,000 or less), but the rating revaluation exercise due in April 2010 (*EG* 19 September 2009 p99) will be taken into account, which may increase the number of liable properties.

Applying the levy

BRSL will not apply to ratepayers of multiple properties that fall below the £50,000 threshold. Sports clubs and charities may be entitled to 80% relief, as they are for national business rates. Those businesses that pay an additional rates levy in business improvement districts will not be entitled to pay a lower rate of BRSL, nor will occupier-developers that are liable to pay the CIL on commencement of development pursuant to a qualifying planning permission. This will mean a double charge for some taxpayers.

The GLA estimates that 70% of the BRSL will be paid by boroughs that will have a station on the Crossrail route. It also suggests that ratepayers in the City of London, Tower Hamlets and Westminster, which are considered to be the main beneficiaries of employment created by Crossrail, will contribute around 50% of the total. Large businesses occupying the 3% of properties with rateable values exceeding £1m are likely to contribute more than one third of the BRSL revenue in any one year.

The mayor's initial prospectus consultation sets out the details of the Crossrail project, its expected costs and benefits, the basis and operation of the BRSL and its effect on businesses.

The 2009 Act waives the requirements for a ballot over GLA-proposed BRSLs if the project was commenced before the Act came into force and for which the chargeable period will begin before 1 April 2011. Crossrail qualifies on both these counts. In order to pre-empt queries over accountability and transparency, the mayor has considered both issues in the prospectus.

The consultation ends on 22 October and the final prospectus must take into account the consultation responses.

The consultation is available at www.london.gov.uk/crossrail-brs/docs/initial-prospectus.pdf

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