

NON DOMESTIC REVALUATION 2003

CLASS 261/CLASS 262

**GUESTHOUSES AND BED AND BREAKFAST
ESTABLISHMENTS**

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Introduction and Definitions

This category of property can generally be described as unlicensed holiday accommodation where part of the hereditament normally contains the proprietor's living accommodation.

The main component parts are guest accommodation and proprietors' accommodation but diverse elements may be present, eg staff accommodation, swimming pool, tennis court, restaurant etc.

To the extent that these hereditaments are non-domestic an apportionment must be made between:

- Commercial** - Guest Accommodation etc.
- Domestic** - Proprietors Accommodation.

This presents problems in physical inspection and results in two basis of valuation being applied.

Within these notes the following definitions apply.

- Composite properties** - a hereditament which comprises both domestic and non-domestic property.
- Tourist** - means a visitor to Northern Ireland, a person spending his/her holiday in Northern Ireland or a person travelling for pleasure within Northern Ireland.
- Tourist Accommodation** - means overnight sleeping accommodation for tourists provided by way of trade or business.
- Guesthouse** - establishment meeting the criteria set out in Schedule 2 categories of Tourist Establishment (Statutory Criteria) Regulations (NI) 1992. Guesthouses have a new classification system of 1-4 star rating.
- Bed and Breakfast** - establishment meeting the criteria set out in Schedule 3 Categories of Tourist Establishment (Statutory Criteria) Regulations (NI) 1992.

1.0 DESCRIPTION

1.1 Guesthouse

These include the following:

- 1.1.1** Premises having the character of a private dwelling which may or may not have been extended. Normally between 3-6 letting bedrooms.
- 1.1.2** Large town houses in traditional holiday destinations with 3 or more floors. Normally between 7-30 letting bedrooms.
- 1.1.3** Converted detached houses or former institutional properties having the character of an hotel and with similar facilities but not licensed. Normally these premises would have in excess of 30 letting bedrooms.

1.2 Bed and Breakfast Establishments

These include:

- 1.2.1** Premises having the character of a private dwelling which may or may not have been extended. Normally between 4-6 letting bedrooms.
- 1.2.2** Large town houses in traditional holiday destinations with 3 or more floors. Normally between 7-20 letting bedrooms.

1.3 Legislation

1.3.1 Northern Ireland Tourist Board

All premises providing or offering to provide tourist accommodation must be certified by the Northern Ireland Tourist Board under the Tourism (Northern Ireland) Order 1992. NITB carries out an annual inspection and allocates premises to one of five "statutory categories" depending on the facilities provided.

1.3.2 Rating

The new Valuation List (Time and Class of Hereditament) Order (NI) 1995 states that "All hereditaments other than dwelling houses are hereditaments in relation to a new Valuation List".

The Rates (Northern Ireland) Order 1977 Article 44(2) allows the District Valuer to apportion a single hereditament as between the part occupied as a private dwelling and the part occupied for other purposes. Those Bed and Breakfast and Guesthouse establishments which, under the revised definition include a non-domestic element are composite properties.

1.3.3 The Rates (Amendment) (Northern Ireland) Order 1996

Short stay accommodation, in Hotels, Guesthouses and Bed and Breakfast establishments, is not domestic by virtue of the amendment to Schedule 5(2) of the Rates (NI) Order 1977 enacted by the above legislation. Accordingly accommodation is prima facie rateable as Other if it is:

- a. provided for short periods to individuals whose sole or main residence is elsewhere; and
- b. not self-contained, self-catering accommodation.

However schedule 5 (2A) states a "de minimus" rule to ensure that the casual provision of "bed and breakfast" accommodation is not rated commercially. It provides that such accommodation will continue to be domestic (and therefore not subject to revaluation) if:-

- a. It is intended that within the coming year the short stay accommodation will not be provided for more than six persons simultaneously (**The Six Person Test**); and
- b. The proprietor intends to have his sole or main residence within the hereditament and the short stay use will be subsidiary to the use of the hereditament as the proprietor's sole or main residence (The Subsidiary Test).

1.4 The "Six Person" Test

NITB holds computerised information on the number of rooms available for letting including the total bed spaces. This will assist in determining commercial rateability. This information can be supplemented from Tourist Board brochures, from the FOR or at inspection.

The "Six Person Test" should be used in relation to the number of adult spaces only:

- * Cots for babies and toddlers are excluded.
- * Fold away beds are excluded.
- * Bunk beds are taken as one space.

1.5 The "Subsidiary" Test

The Subsidiary Test ensures that the six person test does not exclude small hereditaments which offer limited accommodation but are occupied to a significant degree for non-domestic purposes. It will have additional significance when changes proposed to the classification of guesthouses come into force.

Use of the subsidiary test will apply to:-

- a. Grade A guesthouses - where the NITB criteria provide that there must be sleeping accommodation in at least 3 double rooms. The smaller of these could have accommodation for 6 persons only and would otherwise be domestic under the Six Person Test.

Factors which would influence the decision toward non-domestic rateability are:-

- * En suite facilities available in all rooms.
 - * Significant take up of meals apart from breakfast.
 - * Restaurant open to non-residents.
 - * Proportion of accommodation used for short stay exceeds that for private use.
 - * Degree of physical adaptation.
 - * Permanent signage, car parking etc.
 - * All year-round opening.
- b. Hereditaments which, in addition short stay accommodation, include other related non-domestic uses - related uses should be considered together with the short stay accommodation when making a judgement whether (the total of) such use is subsidiary to the use as the proprietor's sole or main residence.

Related non-domestic uses would include, for example, use of the hereditament as public house, restaurant or licensed restaurant, but would not include uses such as a village shop or tractor repair workshop, which are unconnected with the short stay use.

Another related use would be self-catering accommodation comprising part of the same hereditament. However, where self-catering accommodation is not rateable by virtue of the 140 day rule, it should also be left out of the account for the purposes of the "subsidiary" test.

2.0 DISTRICT RESPONSIBILITIES

Districts will be responsible for the inspection, survey and valuation of hereditaments.

Londonderry will provide lists of hereditaments falling into these non-bulk classes and update this list on a regular basis.

Londonderry will draft and agree the Form of Return for issue by districts. FoRs will be returned to Londonderry and analysis will be carried out jointly between Londonderry specialist valuer and a nominated specialist valuer for each district.

Valuation guidance notes will be drawn up by Londonderry specialist valuer and issued to districts.

3.0 4TH REVAL BASIS OF VALUATION

3.1 General

There were no significant issues arising from our 4th Reval approach either at application or appeal stage and I therefore propose to adopt the existing scheme with minor adaptations. See Section 5.0.

4.0 LESSONS FROM 4TH LIST DEFENCE

4.1 There were very few appeals in relation to the classification of property. No issues have been identified arising from these Appeals.

5.0 5TH REVAL BASIS OF VALUATION

5.1 General

Valuation of this type of hereditament will be as per methodology successfully used at 4th Reval. This is set out below:-

Implementation of these proposals required significant co-operation from the industry. There is very limited rental evidence. The approach to valuation relied mainly on the profits basis. The (non) availability of good information was a problem. The industry is made up for the most part of small establishments trading under the VAT threshold in what is mainly a cash business. For this reason assistance was sought from research on Hotels where a similar approach to valuation had been adopted but the information supplied was superior.

The approach will be to build up valuations from a common weighted factor, the **guest place** making additions for food turnover and other facilities, which are revenue producing, eg conference facilities or significantly value enhancing; eg swimming pool, tennis court.

Analysis of information, from whatever source, will result in the production of tables setting out value ranges per weighted guest place against locational factors.

5.2 Standard Guest Place

The basic unit of measurement for the non domestic element of these hereditaments is the guest place. Guest places will be weighted; the standard guest place representing a single room with wash basin

having hot and cold water supply. The relative weighting to be applied will come from the analysis of FOR information on tariffs.

5.3 Rate Per Guest Place

To this accommodation factor (5.2) a rate/guest place will be applied which has been arrived at from the analysis at 5.1 and information on tariffs. This rate/guest place will reflect locational and quality factors.

5.4 Meals

Maintainable turnover for the year to 31 March 2001 estimated and a percentage applied to provide an element of rent. Analysis of available information from FoRs may prove this unnecessary/ineffective.

5.5 Reception, Lounges, Dining Areas, Kitchen/Utility

These facilities are reflected in 5.3 and 5.4 above.

5.6 Leisure Facilities, eg Swimming Pools, Tennis Courts etc

Revenue producing parts of these establishments are likely to be valued by an addition to guest place rate as is the case with the caravan parks scheme.

5.7 Licensed Sales

The Licensing (Northern Ireland) Order 1996 includes guest houses as premises in which licences may be granted. To date only a modest number have become licensed guest houses.

I propose to deal with this addition to turnover by way of either a percentage on liquor sales or an enhancement to guest place rate.

5.8 Approach to Domestic Apportionment

The legislative background is set out at paragraph 1.4(2).

5.8.1 Proprietors' Accommodation Integral with Guest Accommodation of Character Described at 1.2.2, 1.2.3 and 1.3.2

In the majority of cases the proprietors' accommodation will be integral with the guest accommodation and therefore detailed survey is impractical.

The approach to be adopted is as follows:-

Value whole premises as a dwelling at 3rd Reval levels by applying existing price per m² or price per m² derived from comparables. (A).

NB: The rate to be applied is a domestic pricing per m² (GEA).

Determine the total weighted guest places for the establishment including staff and proprietors' accommodation. (B).

Determine the number of weighted guest places occupied by the proprietor as family accommodation. (C).

The NAV of the domestic element is - $A \times \frac{C}{B}$

"Total domestic NAV" x $\frac{\text{Weighted guest places (proprietor's family accom)}}{\text{Total weighted guest places}}$

NB: Staff accommodation used only seasonally which reverts to domestic use should be added to weighted guest places of proprietor.

To the domestic element must be added central heating (apportioned as above), Motorhouse, Outbuildings etc - at existing PD levels.

The total of these elements will be entered as PD.

5.8.2 Proprietors accommodation integral with Guest Accommodation of Character Described at 1.2.1 and 1.3.1

In these cases the premises are likely to be more in the character of a private dwelling and the business is more likely to be of a seasonal nature.

In these cases actual apportionment of areas devoted to commercial use/private dwelling use will require to be made by internal survey work. Also a judgement as to any addition to the private dwelling use for increased use at off-peak times may have to be made. What you should seek to achieve is a realistic apportionment taking all relevant factors into account.

5.8.3 Self-Contained Proprietors' Accommodation

Value by comparison to other similar hereditaments already in the Valuation List. Enter as PD.

6.0 INSPECTION PROCEDURES AND MEASURING PRACTICE

6.1 Appointments

Inspection should be by way of pre-arranged appointment with the proprietor.

The main elements in these hereditaments are:-

1. Guest Accommodation.
2. Proprietors Accommodation.
3. Staff Accommodation.

For the majority of guesthouses and bed and breakfast establishments the guidelines set out below should be followed. However for larger guesthouses - see paragraph 1.2(3) - guidelines anticipated from Craigavon Office in relation to class 262 - Hotels should be followed.

6.2 Inspection Criteria

6.2.1 Guest Accommodation

GEA - Inspection should confirm FoR details; discrepancies should be noted.

Confirm details of other exclusively guest accommodation. In the case of guesthouses this will include dining room/s and lounge/s.

Other exclusively guest accommodation, eg conservatories, games room, conference facilities etc, should be noted.

Other leisure facilities, eg tennis courts - should be measured separately by GEA.

Swimming pools should be measured in cubic metres.

Any other additions, eg motorhouse exclusively for the use of guests should be measured GEA and noted.

The number of on-site car parking spaces should be noted.

6.2.2 Proprietors Accommodation

GEA - Confirm details of domestic bedrooms including facilities against FOR.

Confirm details of other domestic accommodation, eg dining room, living room etc.

Note the type of heating and indicate whether separate or integral with guest accommodation. Additions such as motorhouses, greenhouses, outhouses etc should be measured GEA.

6.2.3 Self-Contained Proprietors' Accommodation

GEA - Where stand alone; NIA where in the nature of a flat/apartment.

6.2.4 Staff Accommodation

This is likely only to arise in case of larger guesthouses. Confirm details of staff bedrooms including facilities against FOR, duration of staff use and whether it reverts to domestic use for balance of year. Other exclusively staff accommodation should be noted.

7.0 VALUATION APPROACH

Remains as detailed in paragraph 5.0.

8.0 FORM OF RETURN

Draft FoR attached for guesthouses/B&B establishments - Appendix 1.

9.0 CONTACTS

9.1 Specialist District - Londonderry

Research is being undertaken primarily by Noel Maybin, Room 117, Waterside House, 75 Duke Street - Tel: 026/71319077.

9.2 Regulating Body

Northern Ireland Tourist Board
Mr William Loughheed (Quality Assurance Manager)
St Anne's Court, 59 North Street, Belfast BT1 1NB

**FORM OF RETURN FOR GUESTHOUSES AND BED AND BREAKFAST
ESTABLISHMENTS**

SCHEDULE

PART 1: OCCUPIER & PROPERTY DETAILS

OCCUPIER NAME: _____

PREMISES NAME: _____

ADDRESS: _____

_____ **POST CODE:** _____

PART 2: STATUTORY CATEGORY & CLASSIFICATION (TICK AS APPROPRIATE)

GUESTHOUSE	1 STAR	2 STAR	3 STAR	4 STAR
BED & BREAKFAST ESTABLISHMENT				

PART 3: ACCOMMODATION DETAILS

A. GUEST ACCOMMODATION ONLY

1. Guest bedrooms. (Please enter the appropriate number in each box).

Room Type	En Suite	WHB Only	No Facilities	No of Rooms
Single				
Double				
Twin				
Family				
Suite				
			Total	

2. Other guest rooms. (Number/delete as appropriate).

Dining room/s		Lounge/TV room/s		Games room/s		Conservatory	
Others please specify							

B. STAFF ACCOMMODATION ONLY (EXCLUDING OWNER/MANAGER)

Room Type	En Suite	WHB Only	No Facilities	No of Rooms
Single				
Double				

Other staff accommodation _____ (please specify)

C. OWNER/MANAGER ACCOMMODATION (INCLUDES SEPARATE EXCLUSIVE/MAINLY OCCUPIED ACCOMMODATION NOT UNDER A OR B ABOVE)

Room Type	En Suite	WHB Only	No Facilities	No of Rooms
Single				
Double				

Other private accommodation _____ (please specify)

PART 4: OCCUPANCY DETAILS

During what period(s) of the year are the premises open for business?

For this/these period(s) what was the actual occupancy in weeks (if known)

PART 5: RECEIPTS INFORMATION

Are you registered for VAT	Yes		No	
How many years has the business been established			Years	
Are the premises licensed for the sale of intoxicating liquor	Yes		No	

Please give details of certified receipts (excluding VAT) for each of your last 3 financial years and state your accounting period. If you were not trading continuously or the accounts do not relate to a whole year, state the number of weeks concerned:

Year Ending	Day	Month			
			No of Weeks		No of Weeks

Receipts	£	£	£
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Please provide breakdown of above receipts

Accommodation	£	£	£
Food	£	£	£
Liquor	£	£	£
Other: eg room hire	£	£	£

PART 6: FIRE CERTIFICATE

Have you a Fire Certificate (for over 6 persons)	Yes		No	
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PART 7: Other information: Please use the space below to provide any other information which you feel may be relevant to the rating assessment of your premises:

Declaration: I confirm that to the best of my knowledge the above information is correct.

Signature: _____ **Date:** _____

Name: _____ **Position:** _____

Address: _____

Tel No: _____

Thank you very much for completing this form. Please return it in the pre-paid envelope provided. If you require any assistance with completion of this form please contact 71319077.