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9 Why you need a **valuation**

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Why you need a valuation, forewarned is forearmed

Valuation is a core function that underpins all property transactions and ownership.

Many businesses see having a valuation carried out as an unwanted and unnecessary expense. This is not always the case and if timed correctly and used effectively they can prove to be a fantastic addition to a small businesses' arsenal of information.

Valuations can be carried out for a number of different reasons, including:

1. Valuation for company account purposes

Unlike other company assets, which are often written down over a number of years in the balance sheet, land and buildings are required to be valued to current market value.

If an up-to-date valuation is at hand then it can save time and money when other professionals require one from you as a small business owner.

If there is a change in directors or shareholding within your company you may require an updated valuation of the company's assets to include a market value of the property holdings. Again, it is something that can delay a negotiation or agreement and can lead to frustration when not readily available. If an up to date valuation is required then a good relationship with an external valuer who knows your business premises but remains impartial can be a very useful contact to have.

Similarly where a director or shareholder retires, the assets may need to be divided between the remaining directors or shareholders, someone who knows your business and your property assets will have this information to hand.

By law all property valuations must be carried out using the international valuation standards. All RICS Registered Valuers comply with these standards.

2. Secured Loans

If your business requires bank funding then it is almost certainly going to be secured against your business premises first and foremost. To do this the bank will instruct a RICS Registered Valuer to undertake a secured lending valuation. More often than not the bank manager will ask if you are aware of the current market value of your property. If you are unaware of the value or have an unrealistic opinion of this then it can lead to major issues later on down the line, when timescales for the borrowed funds being cleared can be imperative.

It is prudent for business owners to instruct their own valuation report in advance of speaking to their bank managers so they can demonstrate a clear idea of how much their premises are worth.

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The **Inland Revenue** will often require a formal written valuation

3. End of lease repairs – occupiers beware

If you do not own your premises on a freehold basis then you will have a landlord. When your lease comes to an end your landlord may try to make a claim for dilapidations, depending on the repairing liabilities of your lease.

The amount that a landlord can claim is limited by Section 18 (1) of the Landlord and Tenant's Act 1927. The landlord cannot recover more than the depreciation of the value of the property. This is known as the diminution in the property's reversionary value ... as a consequence of the disrepair. In simple terms this means that the cost of repairs cannot be more than the reduction in the value of the property. For example, if the cost of repairs is £15,000 but the property value has only depreciated by £10,000 the landlord will only be able to claim up to £10,000 and not £15,000. Chartered Surveyors provide section 18 valuations to both landlords and occupiers in order to confirm that such a loss exists or alternatively to defend and reduce any claim being made.

4. Stamp Duty

When ownership of a share of a property or the entire property is to be transferred, a value has to be given in order to assess the amount of Stamp Duty to be paid to the Inland Revenue.

5. Capital Gains Tax

If you sell your business premises, which is not a principal private residence, the Inland Revenue will often require a formal written valuation to be provided in order to calculate any Capital Gains Tax due. To save any dispute or delay it is worth having this to hand when the time comes.

Source: http://www.rics.org/Global/Small_business_property_guide.pdf

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The contents of this article are for general information only and is not intended to be relied upon for specific or general decisions. Appropriate independent professional advice should be sought before making such a decision.

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