

Our clients often have lots of questions about moving home and the Conveyancing process. Here are some of the most common questions and their answers.

### 1. How much does it cost to buy or lease commercial property?

In addition to your solicitor's fees, there will be some additional expenses, which include fees for raising enquiries and carrying out searches (for example, local authority search, drainage and water search, desktop environmental search). Land Registry and Companies House registration fees are likely to be payable and there may be VAT and Stamp Duty Land Tax due. Please contact us for a tailored estimate of costs.

### 2. Do I need to pay Stamp Duty Land Tax (SDLT) on commercial property?

If you are buying commercial property and the total purchase price is between £150,000 and £250,000, SDLT is charged at 1%. This increases to 3% of the total purchase price if the cost of the property is between £250,000 and £500,000. 4% is charged on commercial properties costing over £500,000.

If you are taking a lease of commercial property, the SDLT payable depends on the term of the lease, and the level of annual rent (plus any VAT charged).

### 3. Will VAT be payable?

If the seller has opted to tax, then VAT will be payable in addition to the purchase price.

A tenant will pay VAT on rents and other sums due under its lease, if the landlord has option to tax the property.

Buyers and tenants can normally claim back the VAT element if they are registered for VAT.

### 4. Do I need to carry out searches if I am buying or taking a lease of commercial property?

Before taking on commercial property, we always strongly recommend that you carry out a full suite of searches, otherwise you would be responsible for any unknown liabilities and defects in the property.

### 5. Can I assign or sublet my lease?

It all depends on your lease. The terms of your lease will specify any restrictions and conditions on assigning the lease or subletting the property to a third party. Landlord's consent is usually required, for which additional fees will be payable.

### 6. Can I make alterations to my commercial property?

Depending on the extent of works proposed, planning permission or other consents may be required.

If you have a lease, it is likely that you will also need to obtain landlord's consent before the alterations are carried out.

### 7. How do rent reviews work?

Many leases include provisions which allow for the rent to be reviewed during the term. The lease will specify when the reviews will take place and how the rent will be determined.

Most rent review clauses will state that the new rent will be the greater of the 'open market rent' or the current rent at the date of the rent review. 'Open market rent' means the rent

that the landlord could reasonably expect to receive if the property was let on that date to a third party, on similar terms to those in the lease. An alternative method is to link the new rent to an increase in the Retail Price Index.

Professional advice should be taken when negotiating the rent review provisions of the lease.

#### 8. Can I end my lease early?

A lease is a legally binding agreement so in order to end it early, your lease must contain a right to determine, usually referred to as a break clause. A break clause will give you the ability to end the lease on one or more specified dates by giving prior notice to the landlord.

Getting a break notice right is complicated. Break clauses usually contain conditions that have to be complied with (for example the amount of notice that has to be given and payment of the rents due under the lease) otherwise the break clause will not have been validly exercised. If you do not exercise your break correctly, you will be bound into the lease for the remainder of the term.

If you do not have a break clause, you may be able to assign your lease, or surrender your lease back to your landlord, with agreement.

#### 9. What does "security of tenure" mean?

A business tenancy will automatically have security of tenure which means that a tenant has: an automatic right to renew the lease at the end of the term; a right to remain in the property until a new lease is granted; and if the landlord fails to grant a new lease, the tenant can apply to the Court for a new lease.

Many short term leases (for example five years or less) will not have security of tenure, as these rights will be excluded by following a statutory procedure. A landlord will usually want to retain control of its property and who it grants leases to. A tenant will often want to ensure that it has security of tenure, especially if it is spending large sums on fitting out the property, or building up goodwill in the business.

#### 10. What happens at the end of a lease?

Where the tenant has security of tenure, it is entitled to a new lease when the old one ends. The landlord can, in limited circumstances, oppose the renewal, for example if it wanted to redevelop or take occupation itself.

If the tenant does not have security of tenure, then it has no right to a new lease, or to remain in the property, and must vacate at the end of term. The parties are then free to negotiate a new lease of the property.

In the event that the lease is not renewed and the tenant vacates, the tenant is liable for dilapidations, meaning that the tenant has to return the property to the landlord in the condition required by the lease, in respect of repair and decoration. This could mean the tenant carrying out the works itself or alternatively, paying a sum to the landlord towards the cost of the works.