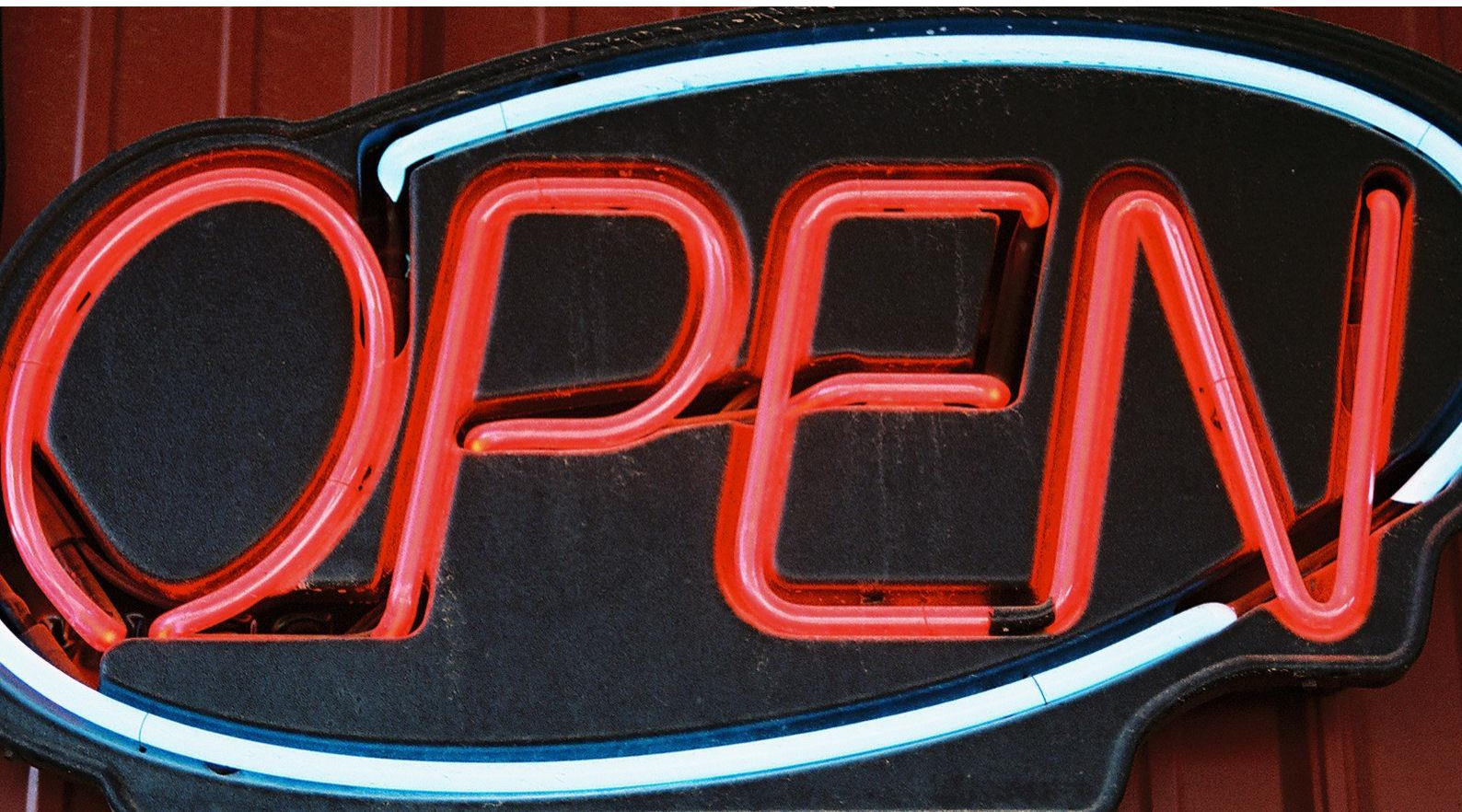


# Opening a Retail Business in the UK: What you Need to Know

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## Introduction

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There are a number of things that you'll need to take into account if you're planning on opening a retail business in the UK. You'll need to market your company effectively, ensure that you manage your finances effectively, and you'll also need to ensure that you keep proper records.

In this report, however, we're going to explore another part of the operation: the premises themselves. If you're planning to open a high street store, there are a number of things you'll need to consider if you're to meet your legal obligations. The ramifications for not doing so can be anything from a hefty fine to a jail sentence, so it pays to take your responsibilities seriously.

## Leasing the Property

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There are two main options to consider when hunting for a new retail property. The first is to purchase the building yourself. However, in today's uncertain economic situation, taking out that much debt can be risky. (Purchasing property is normally the want of larger companies with a substantial cash flow). For the majority of start-up businesses, leasing is the most sensible option.

### Leasing

A commercial business lease is the term used for renting a property, much as you would do a residential house or flat. However, commercial leases have several factors which set them apart from residential agreements.

A commercial lease agreement should cover the following matters:

- The immediate rental cost of the property, and how much it could increase to over the length of the lease.
- The total length of the lease.
- Whether there are any get-out clauses. For instance, if the business hits hard times, is there an option for you to give up the lease before the expiry date? (In some cases, it may be possible to transfer the premises to somebody else).
- Whether or not a guarantee is required. Many landlords will ask for verification that you can afford the rental costs. Usually, a bank guarantee is enough, but in some cases landlords might insist on taking a charge on your (or another directors) personal property.
- How does the lease conclude? Is the automatic right to renew the lease in place, should you want it? Having to change location could have a substantial impact on your business, so it's important to double check this. (We'll cover this in more depth under 'Concluding a lease').

It's also important to look out for any hidden costs. These can include:

- Service charges. Service charges are sometimes put in place to cover things like cleaning, heating and lighting. It's vital to check what these are in advance, otherwise you might find yourself paying far more in monthly costs than you planned.

- Insurance. Who is responsible for insuring the property? In some cases, you (the tenant) may be directly responsible. On other occasions the landlord may take out the policy but ask you to foot the bill. (On some occasions, it might even be included as part of the service charge). Again, this can be a substantial cost, so it pays to check it in advance.
- Repairs. Will the landlord carry out repairs, or will you be held responsible for doing so? As with the insurance, it may be that the landlord will arrange for repairs, but ask you to pay the invoice. **Note: as part of this cost, it's important to establish what state of repair the premises are in, to avoid being billed for poor repair that already existed before you took out the lease.**

Legal documentation can be almost incomprehensible unless you've got experience in dealing with it. It's therefore a good idea to obtain professional advice. The Law Society's ['Find a solicitor' tool](#) is an ideal starting point.

### Concluding a lease

A commercial property lease will usually continue until the agreed end date. However, it's possible to insert a break clause into the contract if the landlord will agree.

If the break clause requirement is met, then you must give the landlord two months' notice that it is being used. The landlord, however, can only use the clause if you agree.

There are some other circumstances in which a lease may be ended early. These include if:

- The landlord agrees to the cancellation.
- The lease is passed onto another party (though in some cases the landlord will want a new guarantee provided if this is the case).
- Sub-letting is permitted. Of course, where sub-letting is allowed, the original tenant will still be responsible for the rent being paid.

### Fixed-term tenancies

A fixed term tenancy means that the lease is automatically concluded when the end date is reached. If you choose to stay on past this term, then you mark a 'continuing obligation' to pay the rent, and will have to provide 3 months' notice before you can leave.

## Your Legal Obligations

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**When running a shop in the UK, there are a number of tenant obligations and business responsibilities that you will need to take care of. Two of these fall under your legal obligations:**

### Paying business rates

In addition to all the standard financial costs that you would incur if running a business from home, you will also be required to pay business rates on almost any non-domestic property, including shops, offices, pubs, factories and warehouses.

Business rates are calculated by the local council. The bill is issued in either February or March each year, and covers the upcoming tax year. (If you're curious as to how much business rates will be, then visit [this comprehensive government guide on how to calculate them](#)).

On some occasions, it can be possible to pay business rates in 12 instalments. The best way to check is to get in touch with your city council to see if you're eligible. There are also some business rates relief schemes operating in [England](#), [Scotland](#), [Wales](#) and [Northern Ireland](#)

Some properties are exempt from business rates. These include farm buildings and farm land, fish farms, and places of religious worship (religious properties in Scotland must still apply for relief) and any buildings used for the training or welfare of disabled people.

### Legal opening hours

All businesses have to legally restrict their opening hours to those permitted by the Government. However, the opening hours vary for small shops. In this case, a 'small shop' is defined as being one that measures up to and including 280 square metres. The said area includes all parts of the shop used to display goods and serve customers. (In other words, you can't get around the regulations by closing off parts of the shop on certain days!)

The rules for large shops (i.e. those over 280 square metres) are:

- They can open on Sundays, but only for 6 consecutive hours between 10am and 6pm.
- They must close on Easter Sunday and Christmas Day.
- They must clearly display their restricted Sunday trading hours both inside and outside the shop.

There are a number of shops that are exempt from the Sunday trading restrictions. These include:

- Service station outlets.
- Registered pharmacies that sell only medicinal products and medical and surgical appliances.
- Farms that sell mainly their own produce.
- Suppliers of goods to aircraft or sea-going vessels on arrival or departure from a port, harbour or airport.
- Exhibition stands selling goods.
- Airport and railway station outlets.

(On some occasions, it may be necessary to obtain permission to load and unload goods outside of the typical Sunday opening hours.)

Workers in any shop that opens on a Sunday may have special employment rights. However, there is no automatic right for workers to have public holidays off unless it's in their contract (this includes Christmas Day and Easter Day). Again, extra pay for public holidays is optional, unless stated in the employee's contract.

## Tenant Obligation and Business Responsibilities

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**A number of the obligations we mentioned earlier fall under health and safety, with it being your responsibility to carry out an assessment in order to remove any potential hazards. These potential pitfalls include:**

### Fire safety

The employer is usually known as the 'responsible' person in terms of fire safety. The responsible person must:

- Regularly carry out new fire risk assessments for the property.
- Notify staff or their representatives if any risks are identified.
- Put in place and then maintain the appropriate fire safety measures.
- Have plans in place in case of an emergency.
- Provide staff information, fire safety instruction and training.

In some cases (within large buildings) each company using the space will normally have at least one 'responsible person'. On those occasions, these people will be held responsible for co-ordinating fire safety plans. When there are any common or shared areas, the responsible person will then be the freeholder, the landlord or the managing agent.

Punishment for not following fire safety regulations can be a hefty fine or worse still, prison. Local fire and rescue authorities will inspect the premises, and can issue fire safety notices informing you about any necessary changes that need to be made.

### Gas

Any gas equipment on site must be maintained according to the manufacturer's issued instructions. In many cases, it may be a legal requirement to have a yearly inspection carried out by a registered gas safety engineer. The consequences of not doing so can be lethal, so it's recommended to have the checks done even if it isn't a legal requirement.



## Asbestos

Though the dangers of asbestos are now universal knowledge, there are still properties around the UK that will have asbestos on-site. In these cases, you may be held responsible for managing the issue (the lease agreement will usually dictate this). The following process is the recognised standard for dealing with asbestos:

- Firmly establish where the asbestos is on the property, if there is any.
- Ensure the material is analysed, and a record kept of the analysis.
- Carry out the health and safety risk assessment as standard.
- Ensure that the relevant information is shared with anyone working on-site, especially with those likely to come into contact with the area (i.e. builders, plumbers, etc).
- Ensure that any area containing asbestos is kept in excellent condition, and is fully maintained.

**Note:** punishments for not following the necessary regulations can include a fine of up to £20,000 and 6 months in prison. More serious breaches could lead to up to 2 years in prison.

## Electricity

Electricity can be lethal, and it's vital for you to be comprehensive in ensuring the required safety measures are put in place. It's such a broad topic, however, that covering it all here would be virtually impossible. We'd recommend visiting the Health and Safety Executive website, which has a [comprehensive guide on all the necessary requirements](#) when dealing with electricity.

## On-site safety

Many businesses choose to make use of CCTV in order to protect both the property itself and any staff working on site. However, if CCTV is in place, it's your responsibility to:

- Put up a sign that lets everyone know that CCTV is being used.
- Ensure that anyone who asks for footage of them is provided with the relevant images within 40 days (for which you're permitted to charge up to £10).
- Share any images with the authorities (such as the police) whenever you're asked.
- Keep images for only as long as the business needs them.

There is more information on CCTV available at the [Information Commissioner's Office](#) (the ICO).

## Other requirements

Whilst the above points are the most severe in terms of importance, it is also your responsibility to provide the following to any employees working in the store:

- A reasonable temperature in the working environment
- Sufficient space, ventilation and lighting
- Toilets and washing facilities
- Drinking water
- Safe equipment

## Further reading:

The Health and Safety Executive has a guide in place for managers looking to improve their health & safety knowledge. You can find it [here](#).

## Other Key Considerations

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**Outside of health, safety and legal obligations, there are also a number of other things that you'll need to consider when looking to set up shop in the UK:**

### Energy Performance Certificates

An EPC is simply certification that rates how energy efficient your building is. It's graded from A to G and is a legal requirement if:

- The premises is either going to be sold, or is being rented out.
- A building under construction is finished.
- A number of parts are changed, such as air conditioning, mechanical ventilation systems or extended fixed heating.

An EPC must be put on display at the building if all three of the following criteria apply:

- The total useful floor area of the property is over 500 square metres.
- The building is frequently visited by the general public.
- An EPC has already been produced as a result of previous sale, rental or construction.

An EPC will typically cost between £60 and £120, and the penalty for not having one in place when it is a requirement to do so can be between £500 and £5,000.

## Water and sewerage

It will be your responsibility to pay for any water that your business uses, as well as for the drainage of water and liquid waste from the premises. Typically, businesses are charged for this in one of two ways:

- Paying for use, plus a set charge (usually in the case of a meter)
- A set charge, usually based on the property value

The water industry is regulated by Ofcom in England and Wales, by the Water Commission in Scotland and by the Utility Regulator in Northern Ireland.

## Air conditioning

If you have an air conditioning system in place, then it's your legal obligation to have it inspected every five years by a qualified energy assessor to ensure that it remains energy efficient. The inspection can only be carried out by an accredited energy assessor. The report will analyse the current efficiency of the equipment, and will offer suggestions for improving its efficiency. It will also detail how best to reduce your usage, and will detail any faults and suggested repairs.

The fine for not having the inspection carried out every five years is £300.

## Further Reading

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We've tried to provide a number of sources throughout this guide, but if you've got any further questions about renting, then these sources are well worth further consultation.

- <https://www.gov.uk/business> - The government's own page, dedicated to helping businesses get going.
- <http://www.hmrc.gov.uk/startingup/> - Though not directly relevant to property, the government's financial advice can be extremely useful, especially if you're unsure about the area.
- <http://startups.co.uk/> - If this is your first business, then Startups contains some useful advice.
- <http://www.hse.gov.uk/> - The Health and Safety Executive website has reams of information on keeping everything in your new shop safe.
- <http://www.thisismoney.co.uk/money/index.html> - For general financial advice, This is Money is worth a look.

# Thank you

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**pallmallestates.co.uk**

020 8986 7221 / 0121 228 0000

[info@pallmallestates.co.uk](mailto:info@pallmallestates.co.uk)

8 Millfields Road  
London  
E5 0SB

## About us

Pall Mall Estates specialise in letting great value commercial property across the UK, accommodating all business sizes. Whether looking for a relocation or a first office, Pall Mall Estates' team of property experts will be happy to help.

Check out the [wide range of properties](#) we currently have on offer.