

Considerations for Guernsey commercial tenants

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I would like to take a lease of a shop – besides rent, what will my other outgoings be?

In addition to the rent, you will probably have to pay your own utilities, refuse collection and refund the landlord the cost (or a proportion of the cost) of insuring the building, Tax on Real Property (TRP) and Parish Rates. These are costs that arise from the first day of the lease.

If the shop is part of a larger building, you may be required to pay a service charge by which landlords recover the costs associated with the upkeep and running of the building. In principle, the more services the landlord provides to the building, the higher the service charge will be.

On occasion, particularly in short term leases, landlords may be willing to agree that the service charge is capped or fixed for the period of the lease (or a shorter period), subject to any yearly increases (usually linked to any increase in the retail price index in Guernsey). A capped service charge means that you will not pay more than a certain amount on a yearly basis but the actual charge could be less. However, if it is fixed, the service charge will always be the same (subject of course to any index linked increases).

Sometimes landlords will estimate the annual service charge and then require tenants to pay this in equal quarterly payments in advance. At the end of each service charge period (typically a year) a reconciliation is carried out to determine whether you have over or underpaid the service charge. Any such underpayment would have to be covered by the tenant, but this would be subject to any agreed cap and would not apply in the case of a fixed service charge. Any overpayment is often carried forward to the next period.

In the case of a lease with a short term and/or smaller premises, the landlord may include the service charge as a part of the overall rent.

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