

# OYO Hospitality & Technology Ltd

## General Terms & Conditions – Composition of Lease Consideration (Hotel Properties)

### 1. Purpose and Scope

This document sets out the general Terms & Conditions applicable to the composition of lease consideration ('Lease Consideration' or 'Rent') under hotel lease and management agreements operated by OYO Hospitality & Technology Ltd ('OYO') in the United Kingdom. It is intended for reference by local councils, the Valuation Office Agency (VOA), and other rating authorities in connection with business rates valuation. It applies to all OYO-managed UK hotel properties and is designed to explain, in clear and legally accurate terms, that the total Lease Consideration payable under such agreements comprises both rateable and non-rateable elements.

### 2. Legal Framework

The principles contained herein are drawn from and consistent with:

- The Rating (Valuation) Act 1999 and relevant provisions of the Local Government Finance Act 1988;
- VOA Rating Manual – Section 4: Part 1 – The Receipts and Expenditure Method and guidance on Rent Analysis;
- Leading case law, including:
  - Tomlinson v Plymouth Argyle Football Club [1960] – distinguishing payments for occupation from payments for other benefits;
  - Garton v Hunter [1969] 2 QB 37 – excluding chattels and intangible assets from rateable value;
  - Cardtronics UK Ltd v Sykes (VO) [2020] UKSC 21 – clarifying the hereditament concept.

In law, only payments directly attributable to the right to occupy the physical property (the hereditament) form the basis of rateable value. Any sums attributable to chattels, intangible assets, services, or goodwill must be excluded.

### 3. Definition of Lease Consideration

For the purposes of these Terms & Conditions: 'Lease Consideration' means the total annual financial consideration payable by OYO to a property owner under a lease, management agreement, or similar contractual arrangement relating to a hotel property. This amount may include multiple components beyond the mere occupation of the property.

### 4. Standard Components of Lease Consideration

**Base Rent (Rateable Component):** Payment for the bare right to occupy and use the physical premises, excluding any chattels, services, or intangible rights. This is the only component relevant for business rates calculation. Determined by reference to open market rental value of the hereditament in its bare state.

**Fixtures, Fittings & Specialist Installations (Non-Rateable):** Furniture, furnishings, catering equipment, plant, machinery, gym or spa equipment, and any other physical chattels installed for operational use. Excluded from rateable value per Garton v Hunter.

**Goodwill and Going Concern Value (Non-Rateable):** Customer database, historic trading data, brand equity, intellectual property rights, and the benefit of an established reputation. These are intangible assets and are not part of the hereditament.

**Operational Services and Transition Support (Non-Rateable):** Training of staff, provision of operational manuals, SOPs, transition management teams, marketing support, and centralised procurement administration.

**IT & Technology Infrastructure (Non-Rateable):** Access to OYO's proprietary reservation systems, revenue management software, point-of-sale systems, Wi-Fi infrastructure, and other digital assets.

**Supplier Contracts and Procurement Benefits (Non-Rateable):** Preferential purchasing arrangements, volume discounts, and assigned supplier agreements. These benefits are contractual rights, not physical property rights.

**Licensing and Brand Usage Rights (Non-Rateable):** Rights to operate under the OYO brand, access to marketing channels, and participation in OYO loyalty programmes.

## **5. Illustrative Example – £100,000 Lease Consideration**

For clarity, an example breakdown is set out below for a hotel property where the total Lease Consideration is £100,000 per annum:

Component	Amount (£)	Rateable?	Legal Basis
Base Rent (bare premises)	25,000	Yes	Rent for occupation of hereditament only
Fixtures & Fittings	20,000	No	Garton v Hunter – chattels excluded
Goodwill / Brand Rights	15,000	No	Intangible asset exclusion
Operational Services	13,000	No	Services not part of hereditament
IT Infrastructure	12,000	No	Not a physical property asset
Supplier Contracts	15,000	No	Contractual rights excluded

## **6. Statement of Principle**

Pegging business rates directly to the total Lease Consideration without deducting non-rateable elements is contrary to both statutory provisions and case law precedent. The VOA's own Rent Analysis guidance confirms the requirement to make such deductions before arriving at an adjusted rent.

## **7. Applicability**

These Terms & Conditions apply to all OYO-managed UK hotels, irrespective of location, size, or trading history. The precise monetary breakdown will be documented in each individual lease.

## **8. Contact for Clarification**

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