IPTI Xtracts

Property Tax and Assessment News from Around the World

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Co-op pays executive bonus despite keeping £66m in Covid relief

Controversial move comes amid growing scrutiny over firms paying dividends or bonuses while keeping taxpayer support

The Co-operative Group has taken the controversial step of paying bonuses to top management despite hanging on to £66m of emergency support from the taxpayer.

Steve Murrells, the chief executive of the food to funeral homes group, earned £2.2m in 2020, a figure that included a £1.4m bonus. Jo Whitfield, who runs its convenience stores, took home £1.4m, about half of which was in bonuses. In all, six members of the management team received at least six-figure bonuses.

Last week, the mutual, which prides itself on its ethical business model, said pretax profits rose from £24m to £127m in the year to 2 January. Its sales were up 5.5% at £11.5bn after its food stores, in common with other supermarket chains, benefited from the switch to home-cooking while pubs and restaurants were closed.

The Co-op has repaid £16m in furlough payments but Murrells said the Co-op's board had been unanimous in deciding not to hand back the business rates relief. He said additional costs relating to the pandemic, such as staff absence and protective equipment, amounted to about £84m, slightly more than the £82m it had received in government support from furlough and business rates relief.

The use of government support schemes by businesses during the crisis has come under increasing scrutiny as listed companies emerge from the crisis and start to pay dividends to shareholders and award pay rises and bonuses to managers.

This week, the estate agent Foxtons handed its chief executive Nicholas Budden a near-£1m bonus while refusing to pay back millions of pounds of government support. JD Sports also restarted its dividend payments but said it had no plans to return taxpayer subsidies.

Peter Cowgill, JD's executive chairman, argued that the furlough cash had "done what it was intended to do" in that it had saved the jobs of thousands of people who worked in its stores which had been closed for long periods of time. He countered, however, that essential retailers, whose stores were permitted to stay open, should pay their business rates.

More than a quarter of total business rates relief allowed between 1 April 2020 and 31 March this year, or more than £3bn, went to "essential retailers", according property advisory firm Altus Group.

More than £2bn of that money has since been repaid, including almost £600m from Tesco alone. However, others including the John Lewis Partnership, which owns Waitrose, Marks & Spencer and The Co-op have hung on to the cash.

The Co-op's annual report shows that the remuneration committee decided to use "discretion" to reduce the size of the executive bonus payments which included amounts deferred from the previous year. Its chairman, Stevie Spring, said it had "taken into account the pandemic's headwinds and tailwinds as well as the need to reward colleagues fairly for an exemplary job in an extremely challenging year".

Bonus entitlements were calculated against an operating profit figure that excluded all government support. A wider pool of 8,000 senior staff, including store managers, are to receive a bonus on average of about 10% of salary.

A Co-op spokesperson added: "After much deliberation the remuneration committee decided to use its discretion to reduce the overall outturn for the executive team. This meant the actual annual bonus amount payable is at a similar level to 2019."

Second home tax premium defended by Gwynedd council amid "anti-English" claims

An "anti-English" decision to double the council tax premium on second home owners in Gwynedd could be challenged in court, campaigners have warned.

A crowdfunding page has been launched amid claims that the charge – which is fully permitted under current Welsh legislation – is "discriminatory" and "based on anti-English sentiments."

This is despite measures also being in place in areas such as the Lake District and Cornwall to stem the snapping up of holiday homes, with the premium also being levied on local people who own second properties in Gwynedd.

But while the authority has stressed that the charge isn't in place to "punish second home owners," the CrowdJustice campaign claims that the premium "disproportionately affects those who aren't Welsh" and has already raised over £8,000 with a view towards launching a judicial review of the tax hike.

Current legislation allows Welsh councils to charge a council tax premium of up to 100% on second and long term empty homes, with two of the 22 currently charging the maximum amount – namely Gwynedd and Swansea.

Some parties have been campaigning to increase this figure to as much as 500% in a bid to support locals in light of the "out of control" housing market.

Most other authorities have so far resisted the maximum premiums – essentially doubling the charge paid if it were not a second home – fearing it would spurr on more to explore ways of avoiding paying council tax at all.

Another six councils, however, charge premiums of between 25% and 50%, with some planning to increase this figure over the coming years.

But the crowdfunding page, set up by Anthony Chancellor, claims that last month's decision to double Gwynedd's premium from 50% to 100% means that many will face having to pay around £3,600 a year in tax alone for a two bed property.

He wrote, "The decision taken was unfair, irrational, unreasonable and discriminatory. We believe the decision was based on anti-English sentiments.

"Little consideration was given to the impact on older people, those who suffer from disabilities or those who are on fixed incomes.

"Some of our group are pensioners and will genuinely struggle to pay. Furthermore, the decision disproportionately affects those who aren't Welsh."

They have already surpassed the £6,000 target, which they say will be used to pay for advice from a senior Barrister on the merits of a judicial reviewing.

He added, "We believe that if Gwynedd is not challenged it will impose further unfair and discriminatory taxes not only on us but other groups, such as those who own furnished holiday lets."

But a recent Welsh Government commissioned report found that councils not deciding to charge the maximum allowed premium may be weakening their case to shut what has often been described as a tax "loophole".

Current rules mean that if a second home is available for commercial letting as self-catering accommodation for 140 or more days in a year, and actually let for at least 70 days, it qualifies for non-domestic rates rather than council tax.

This, according to the Welsh Local Government Association (WLGA), usually results in them also being eligible for Small Business Rate Relief and can often mean they end up paying no taxes at all into the Welsh public purse.

Dr Simon Brooks' report recommended that the Welsh Government should look at amending planning policy, "hand in hand" with efforts across affected local authorities to charge the full premium.

"Much recent public debate about second homes has proposed making far-reaching changes to planning law," noted Dr Brooks.

"However, from a public policy perspective, it becomes more difficult to justify a change to planning legislation if existing taxation powers are not used.

"By not charging the full premium for second homes, county councils that are concerned about the situation are weakening their case.

"It is in the public interest therefore that county councils in areas where there is a high number of second homes use their taxation powers fully. There are indications that some local authorities in relevant parts of Wales are about to do this, and others are moving in that direction.

"This, in turn, justifies an appropriate response by the Welsh Government including full consideration of other policy options, including those discussed in this report."

Speaking during last month's debate – which saw the 100% premium backed by 38 to 16 – the portfolio holder for housing said they had to prioritise the 60% of locals priced out of the market over those seeking a second home in Gwynedd.

Cllr Craig ab Iago went on to point towards council figures showing that 10.77% of Gwynedd's housing stock is already designated as second homes, with indications suggesting that this figure is on the rise.

The authority has already pledged to plough back the proceeds of the increased premium – expected to be £3m a year – into a £77m housing action plan which includes securing 1,500 affordable properties and to help clear an "ongoing emergency" of rising waiting lists.

A Gwynedd Council spokesperson said, "Recent research shows that 60% of Gwynedd residents are priced out of the housing market.

"At the same time, Gwynedd has the highest percentage of second homes in Wales and is amongst the highest in terms of long term empty properties. The Council was given specific powers by the Senedd to set a Premium of up to 100% on the Council Tax in relation to both these types of properties.

"The Council has made it a priority to address this situation and to help ensure a suitable supply of affordable housing for local people to live in their communities through our Housing Strategy."

Hospitality trade bodies call for extension of the business rates holiday

Hospitality trade bodies UKH, BBPA and BII have all welcomed the reopening of pubs and restaurants outdoors, but have cautioned, there is still a long way to go for businesses to recover from the pandemic. They are now calling for Government to extend the business rates holiday for at least a further three months to allow businesses to get back on their feet.
Whilst the public have embraced the relaxation of lock down rules, allowing them to reconnect safely in pub gardens across the UK, the trade bodies have warned that the majority of businesses are still in very real danger of failing.

Results from a recent survey of members by CGA from all 3 key trade bodies showed that only 40% of pubs have been able to welcome customers back to their outside spaces, with turnover only expected to be 29% of that achieved over the same period in 2019. This is despite the hundreds of millions of pounds invested in outdoor areas and safety measures, at an average of over £8,000 per site.

Even when Step 3 of the roadmap allows indoor drinking and dining for 6 people or 2 households, they are estimated to only reach 56% of turnover when compared to pre-pandemic figures.

Almost a quarter of those surveyed believe that their business will be unviable before the end of the year based on current trading estimates.

The trade bodies are calling for business rates to be cancelled completely in England for hospitality until October 2021, to allow businesses time to recover before yet another cost comes back online. This is an additional three months, with rates currently set to restart in July. In Scotland and Wales hospitality has a full year of business rates holiday.

A joint spokesperson for the trade bodies said: “It is clear from the demand for bookings in our unique and vibrant hospitality venues, that the public have desperately missed the opportunity to come together over a meal or a drink with friends and family.

“Despite this, our sector will have a long and rocky road to recovery, especially while any restrictions remain in place in our venues. After a year of closures and strangling restrictions, they are entering the summer, crippled with debt, having to employ more staff to manage the huge number of complexities surrounding Test & Trace data collection, enhanced cleaning regimes, table service and many more requirements placed on their businesses.

“The circumstances in which our members find themselves are all the more concerning when you factor in that they expect to turn over just 29% of what they normally would do when opening outdoors only. Even when pubs hopefully reopen indoors in May, they expect to only reach 56% of turnover when compared to normal times.

“It is clear based on this that reopening pubs fully, indoors and outdoors, without restrictions, is going to be key to their survival. It is therefore imperative the Government sticks to its roadmap.

“It’s important to note that even when restrictions are fully lifted in June, our members will still only be achieving 80% of the turnover seen in 2019, a figure which at any other time would have been untenable, so more support is going to be needed in the long term. “Whilst Government support over the pandemic has been welcomed, the vast majority of our members have not yet been paid their Restart Grants, funding for which was delivered to Local Authorities over 2 weeks ago. Their businesses are teetering on the edge of survival and they will now be facing their business rates becoming due on 1st July, with potentially only 1 full week of restriction free trading under their belts.

“For many, this will be the last straw, jeopardising the jobs that have been protected by the furlough scheme until this point. We need to see a full cancellation of business rates until at least October 2021 to allow them the breathing space to recover their businesses.”

Business rates reform: escaping the shadow of 1990

There is a growing view among organisations that business rates as they stand aren’t fit for purpose. But the last big reform of local government tax ended in riots. Can it be done?

When the UK government announced its fundamental review of business rates, there was hope among organisations that we would finally see reform to the tax. The rates system can be traced back to its origins in the Poor Laws of 1572 and 1601. Business rates as we know them can be traced to the Local Government Finance Act 1988 but in some respects, it reflects law stretching back to 1601.

The 1988 law was the last attempt to reform local government finance and is remembered as a disaster. While modern business rates were successfully implemented, its domestic equivalent the Community Charge led to the poll tax riots and, ultimately, the downfall of the then Prime Minister Margaret Thatcher.

That event has cast a long shadow. As a result any kind of tax reform, particularly local government taxation, has been approached with trepidation. Will we see some real reform this time?

“This is not the first time fundamental reform has been promised,” says John Boulton, Director, ICAEW Technical Policy. “Long-term, such reforms would ideally involve a comprehensive look at local government financing and how business activity is taxed locally. Even if you don't go as far as introducing a different tax for local business activity, there's widespread recognition, including by the government itself, that rates need proper modernisation.”

One example cited by Boulton is the issue of revaluations, which he feels should be more responsive and timely. “There was a promise we were going to be moving to three-yearly revaluations” he adds, “but the most recent set of revaluations was postponed because of coronavirus.”

The last revaluation period of five years was also postponed by an additional two years, from 2015 to 2017, so the issue of timely revaluation is not just pandemic-related. By the time businesses were reassessed in 2017, bills were based on 2010 data and in some cases significantly out of kilter. Other regions such as Hong Kong and the Netherlands already revalue properties on an annual basis, using technology to make this more achievable. This was one of the key topics covered in the Call for Evidence published last July.

“This year’s Budget contains a commitment to putting some money behind digitising business rates,” says Boulton “That's got to be a good thing. But are we actually going to get a system that is more transparent and reactive to ratepayers? Is it going to let them see how their assessment is completed? They need to be able to predict what their assessment will be if they open new premises or make changes, and be able to easily challenge it if it's wrong. These are all things that are problematic with our current system.”

The government’s recent Spending Review froze the business rates multiplier for another year. While this can be seen as a positive for struggling businesses, it was somewhat disappointing for those calling for wider reform. ICAEW has been calling for a significant reduction in the multiplier, considering that it has increased linearly since the 1990s. “It is now more than 50p in every pound of rateable value - that’s simply too high”, says Boulton.

“It's time to look again at whether the system can deliver rates at that level. Although the pressure for the multiplier was recognised in the spending review and the multiplier freeze was budgeted for, there's nothing else in the Budget indicating any relief from rates.”

The pandemic has created a great opportunity for tax reform, to ensure the system is efficient and robust enough for the modern era, particularly as digital technology allows people to work from anywhere. But it’s an uphill struggle, says Boulton.

“We've seen the political difficulty of achieving fundamental reforms, particularly in local government taxation. The government’s appetite to tackle this area historically has never delivered the necessary adjustments to the system. It subsequently raises the reliance of local government on rates as a source of funding. You’ve got the attractiveness of property as a very easily identifiable basis for tax. You put all that together, and the prospects for reform, look less likely.”

While real reform might still be elusive, pressure from ICAEW and others has resulted in greater recognition of the issues businesses face. ICAEW’s 2018 thought leadership piece Business Rates: maintain, demolish, rebuild or refurbish laid the groundwork for serious debate about the efficacy of Business Rates.

“We gave evidence to the Treasury Select Committee, and it was encouraging to see the conclusion we had reached, that it was ripe for reform, was picked up by the Treasury, which culminated in this call for evidence,” concludes Boulton. “It's good to see in the Spending Review that the government has identified that the multiplier needed action, even though it didn’t go as far as we would have liked.

"It's good to see that some money has been put towards digitalisation. An online platform for billing, as discussed in the Spending Review, could be really helpful as long as it gives access through one centralised platform and not left to each local authority. We are making tentative steps towards some kind of meaningful change, even if we don't get full reform yet."

Council tax works for millionaires and not for the millions

Andrew Dixon Founder of Fairer Share

When voters go to the polls in the local elections next month, many will do so in the wake of their council tax bills rising up like never before. Despite unemployment surging due to coronavirus, a majority of councils are preparing to bump bills up by an unprecedented 5%, inflicting maximum pain on millions of already hard-pressed households. So why are our leading politicians not going into the local elections with a viable plan to turn the situation around?

As our primary residential property tax, council tax is clearly not fit for purpose. It is based on property valuations from 30 years ago, dating back to just before Nirvana released their breakthrough album Nevermind and Tim Berners-Lee released files describing his idea for the World Wide Web. It is a terrible, regressive tax that hits renters saving up for a deposit just as hard as those who have made it onto the property ladder.

Council tax also ensures that people who live in more modest houses and areas end up paying a higher tax rate than those living in wealthier areas and more valuable properties. The Fairer Share campaign that I chair recently heard from a lady in Birmingham who works four cleaning jobs. She and her husband live in a three-bed semi-detached house. They pay £129 a month in council tax and struggle with the costs. We have also heard from a retired Army officer in the north east. After his divorce, he couldn't afford to move into a house so he lives in a private caravan site with minimal public services. He still pays £92 a month in council tax.

Another of our northern supporters currently pays £2,328 a year for a band D property, which is valued at around £180,000. Meanwhile, on Zoopla she can see a band H £9.8million six-bedroom detached house in London pays just £1,560 each year in council tax.

For any politician going into the local elections, there are surely votes to be won from backing reform of this ridiculously unfair tax. Yet too many politicians are sitting on the sidelines of the debate, hitting out at council tax rises without offering up a convincing alternative source of revenue for cash-strapped local authorities.

In much of the country, it is a different story. More than 115,000 people have signed the Fairer Share petition calling for council tax and stamp duty to be replaced with a simple proportional property tax set at a flat rate of 0.48% of a property's value. There are also growing signs of support in the House of Commons. A number of MPs from both parties are now backing the plan, with our research showing that the tax generated would maintain the amount that the Government can put towards our services – while simultaneously leading to lower bills for millions of people.

Across England around 76% of households would benefit under a proportional property tax, with households paying £435 less property tax a year on average. There are 78 constituencies where over 99% of households would benefit from moving to a proportional property tax. Many of these are in the north of England and the midlands but there are also plenty of southern seats that would benefit from the change.

While renters would pay nothing, some homeowners in London may see a small increase in their annual bills, reflecting the extreme rise in house prices over the past 30 years. However, we know that it would be unfair to create 'losers' on day one of the policy being implemented. Instead, our campaign is proposing a cap on the increases in tax of £100 per month, not far off the price of a daily cup of coffee.

If our politicians are not brave enough to introduce a proportional property tax then the alternative is sticking with the current broken system.

Council tax may work as a modest service charge for millionaires, but it is more like a wealth tax for low and middle-income households. The absurdity of the current system is perhaps best underlined by the fact that a household in Barnsley pays out 1% of their property value whereas a household in Battersea pays just 0.1%. With figures like these and council taxes rising across the country, surely it is now time to kill off the tax for good. In next month's local elections, council tax should be the big issue and we should all have the chance to vote for candidates who will fight for a fairer system that puts more money in people's pockets.

One and only: Chesney Hawkes was number 1 the last and only time homes were valued for council tax

The first of April 1991 seems a world away. Arsenal sat atop the English First Division, Mikhail Gorbachev was President of the Soviet Union and Chesney Hawkes topped the charts with *The One and Only.* This Observation wouldn't have been read online on 1st April 1991, as the world wide web only became publicly accessible in August of that year. In fact, this Observation wouldn't have been written at all, as one of its authors was born that very day 30 years ago, and the other was only to follow 6 months later! Much has changed over those thirty years. Arsenal, The Soviet Union and Chesney Hawkes are no longer the powers they once were. A pint of draught lager would have set you back £1.32 on average in April 1991, but today that's £3.80. Average weekly earnings, which were £215 in 1991, stand at £572 today. Moving closer to our subject of interest, property prices in England have more than quadrupled over that period, far outstripping the growth in earnings.

One thing that hasn't changed in England and Scotland over those three decades is the property valuations on which council tax is based (in Wales, there was a revaluation in 2005)[1].
That matters hugely because property price appreciation has not only been substantial over that period, but it has varied dramatically across the country. House prices in the North East of England are three times as high as in 1991, but in London they have grown six-fold in that time. Even within the same areas, some properties have seen bigger price increases than others.

The fact that revaluation hasn't happened in England when house price growth has been so varied has several implications. First, two households living in the same Local Authority (LA) in properties that are now equally valuable can find themselves paying tax bills hundreds of pounds apart, just because their properties were worth different amounts in 1991 (and have seen different price appreciation in the intervening years). Second, as central government funding to LAs depends on these outdated valuations, councils in areas where values have gone up relatively little have to charge taxes that are a substantially higher share of current values than councils in areas where values have gone up a lot. Finally, council tax was regressive when it was established – with higher valued properties paying less as a share of their value than lower valued properties – but this has only been exacerbated because properties that were more valuable in 1991 have tended to see faster price growth over the last 30 years. As a result, if councils in London and the North East set the same Band D tax rates, average bills in London would be only around 40% higher than those in the North East, despite average property prices in London being over three times higher.

The current system is unfair and arbitrary. These effects are only made stronger when council tax increases in real terms – as it does in England tomorrow. The Spending Review last year allowed councils in England to increase council tax rates this year by up to 5% without needing to hold a local referendum; and many councils have chosen to take advantage of that policy, with rates increasing by 4.4% on average. Figure 1 shows the impact of these changes across the household income distribution. In proportional terms, the highest income households are affected the least – a consequence of council tax rates being less as a share of property value for high-valued homes. Middle income households are affected (slightly) more than poorer ones on average, because some poorer households are partly or fully protected from council tax increases via council tax support, a means-tested benefit targeted at those with low incomes.

Notes: Assumes full take-up of benefits. Does not include temporary council tax support expansions brought in during the pandemic.
Sources: Authors' calculations using the Family Resources Survey 2018–19 and TAXBEN, the IFS tax and benefit microsimulation model.

It is high time for reform. This 30th anniversary – and the impetus for tax reform brought about by the pandemic – provides just the opportunity. As discussed in an IFS report last year, simply conducting a revaluation – i.e., basing council tax rates on the current value of the property rather than its value 30 years ago – would remove some of the arbitrariness and geographic inequities of council tax, and have fairly similar impacts on poorer and richer households. On average, those in London and the South East would pay more, and those in the North of England would pay less – potentially contributing to the government's levelling up agenda. Making council tax rates *proportional* to the value of the property, rather than the current approach of levying higher rates on cheaper ones, would fully alleviate council tax's geographic inequities and have progressive distributional effects, with the richest fifth of households seeing an increase in council tax bills and the poorest 70% a decrease.

Will this 30th anniversary be a moment for government to take action, finally, in this area? Or will policy analysts being born today be writing similar notes in 30 years' time?

[1] While the valuations were made in 1991, Council Tax was introduced in 1993.

Business rate agents plot legal fightback

Business rate agents are mulling legal action following the government announcement last week that it will legislate against Covid-related property tax appeals, Property Week understands.

Late last week the government announced that it will legislate to rule out Covid-19 related material change in circumstances (MCC) business rate appeals.

A group of senior business rate experts are now in talks with lawyers at Landmark Chambers about their legal options in an attempt to fight back against the decision.

According to one source, the options include a judicial review against the government in some form.

Thousands of firms have been seeking temporary business rate reductions since 23 March 2020, when Britain first entered lockdown, by citing an MMC that they argue was a result of the pandemic.

Britain's retail, leisure and hospitality groups have already been given a business rates holiday by the government, but other sectors with different types of properties still face paying bills despite many of their properties lying empty as a result of the lockdowns.

On Thursday, ministers said that they will provide an extra £1.5bn package for businesses that have been unable to benefit from the existing £16bn business rates relief for retail, hospitality and leisure businesses.

However, the government also announced that "market-wide economic changes to property values, such as from Covid-19, can only be properly considered at general rates revaluations, and we will therefore be legislating to rule out Covid-19 related MCC appeals".

John Webber, head of business rates at Colliers, blasted the decision as a "staggering response". He added: "The government is ripping up the rule book retrospectively. It is the wrong thing to do on every level."

Keith Cooney, head of rating at Knight Frank, said: "Removing the legal right for businesses to apply for a reduction in business rates is an extraordinary, draconian act from government and undermines the spirit of fairness that should underpin the tax system.

Speaking last week on the announcement, chancellor of the exchequer Rishi Sunak said: "Our priority throughout this crisis has been to protect jobs and livelihoods. Providing this extra support will get cash to businesses who need it most, quickly and fairly.

"By providing more targeted support than the business rates appeals system, our approach will help protect and support jobs in businesses across the country, providing a further boost as we reopen the economy, emerge from this crisis, and build back better."

Almost 190,000 high street jobs axed since first lockdown in retail bloodbath

Non-essential shops are scheduled to reopen their doors in less than two weeks

Almost 190,000 jobs have been lost in the retail bloodbath since shops were first forced to shut their doors a year ago, according to new figures.

In exclusive data for the PA news agency, the Centre for Retail Research has revealed that 188,685 retail jobs have vanished between the start of the first coronavirus lockdown on 23 March 2020 and 31 March this year.

The figures come less than two weeks before non-essential shops reopen their doors to customers in England after the lengthy third lockdown.

However, shoppers will visit high streets and town centres that have been hit hard by the pandemic, with thousands of stores shutting their doors for good.

The figures revealed that 83,725 jobs lost in the period were due to administrations, including major collapses by Debenhams and Sir Philip Green's Arcadia Group.

Meanwhile, about 11,986 jobs were cut during Company Voluntary Arrangement (CVA) restructuring processes.

Another 92,974 jobs were axed through rationalisation programmes, which included supermarkets Sainsbury's and Asda cutting thousands of roles.

The devastating impact of the pandemic resulted in 15,153 store closures in shopping destinations across the UK, the figures also revealed.

According to real estate adviser Altus Group, up to 401,690 shops are currently shuttered around the country and could reopen in the next stage of Boris Johnson's roadmap out of lockdown.

Retail bosses have raised concerns that the high street will still be very challenging for retailers despite the easing of restrictions, as business rates payments return for many.

Robert Hayton, UK president of property tax at Altus, warned that the current business rates regime could bring further devastation.

He said: "Come 1 July, large retailers in England will effectively be returned to full business rates liabilities, calculated by reference to rents being paid six years ago, bearing no resemblance to the here and now, with the fundamental right of appeal to seek valuation adjustments being retrospectively removed."

Meanwhile, a government spokesperson said: "We have continued to support the retail sector throughout the pandemic, including our new £5bn Restart Grant scheme, extending the furlough scheme and the VAT cut, providing 750,000 businesses in retail and other sectors with business rates relief and a £350bn package to support jobs and livelihoods.

"As we build back better from coronavirus we want to see our high streets thrive. We have put in place an accelerated £1bn Future High Streets Fund, a £4.8bn Levelling Up Fund and are working with local leaders through the High Street Taskforce, all to support town centres, high street regeneration and drive growth across the UK."

IRELAND

Council waives €15m in commercial rates

A rates waiver for Donegal businesses cost the exchequer almost €15 million last year.

Thousands of businesses availed of a suspension in Donegal County Council's commercial rates between March and December due to the impact of Covid-19.

The waiver scheme has been extended to cover the first quarter of this year with talks ongoing about a further elongation.

Commercial rates are Donegal County Council's biggest source of income. But a report examining the local authority's performance reveals that the collection rate for last year fell to 61 per-cent, down significantly on the 76 per-cent of 2019.

Donegal County Council's Head of Finance, Richard Gibson, said that the total cost of the waiver scheme amounted to just under €15 million.

He added though that the entire cost had been covered by central government in the form of a grant paid directly to the council.

"Understandably the global pandemic and the measures introduced in the interest of public health impacted on the ability of most businesses to discharge their commercial rates liabilities in 2020. This has inevitably had an impact on collection performance," Mr Gibson said.

Last year was one of the toughest on record for local businesses. Thousands applied for and were granted a waiver on their commercial rates.

Local businesses were able to avail of supports provided through the local authority. One of these, the Covid-19 Business Restart Grant Scheme, saw €24.3 million paid out in Donegal. A total of 4,392 such grants were awarded, again fully funded from Dublin.

Richard Gibson said it had been an "unconventional year" for everyone and that the council's collection performance for 2020 needed to be viewed "in the context of the unique circumstances brought about by the Covid-19 pandemic".

He said that he wished to thank collection staff in the Finance Directorate who had shown "resilience and adaptability" in the task of processing grant payments and waivers

Credit was also due to business owners who had "paid what they could during a tough year" said Mr Gibson

SCOTLAND

IPPR Scotland calls for radical reform of council tax

Progressive think tank IPPR Scotland has published new research calling for significant changes to council tax to help pay for Scotland's Covid recovery.

The report finds that council tax is not currently working, and shows that it doesn't raise enough money - Scotland would have £600 million more to spend each year if council tax matched bills seen in Wales and £900m a year if bills matched the average in England.

IPPR Scotland's research also found that council tax is out of date as the home values used for setting council tax bills are 30 years old.

The report reveals that council tax is unfair as low to middle income families pay the most as a proportion of income and higher value properties pay the least as a proportion of value.

Given house prices increased by over 8% in 2020, and that higher income households have seen their finances improve on average through the pandemic, the report indicates that it is time to reform council tax to help generate income to invest in Scotland's Covid recovery.

IPPR Scotland has called for radical reform including replacing council tax with a percentage of value tax and setting annual bills at 0.75% of a home's value.

This could be introduced slowly alongside the existing council tax system for new purchases, or for all properties in one go. Once fully rolled out this would see higher value properties, and all properties in Bands F-H, pay more than now.

Given this would take a number of years to implement, IPPR Scotland has also recommended improvements to the existing council tax system for the shorter term.

The think tank is now calling on the next Scottish government to pledge to close the council tax income gap between Scotland and the rest of the UK by the end of the next Parliament, raising hundreds of millions of pounds for Covid recovery.

It is also urging the government to increase bills for higher value properties more quickly than the rest throughout the next Parliament, making council tax fairer to ensure everyone pays their fair share and raising almost £400m a year by 2025/26.

IPPR Scotland has also called on ministers to take all families in poverty out of paying council tax altogether by the end of the Parliament, lower bills for low-income families and make council tax fairer.

The report also calls on the next Scottish government to consider testing new local taxes such as local carbon, estate and land taxes.

Russell Gunson, director of IPPR Scotland, said: "We need to talk about tax in this election. Whoever wins in May, it's likely that taxes in Scotland will need to increase to help invest in the Covid recovery and build a fairer Scotland than went into the pandemic. With house prices increasing, benefiting the wealthiest the most, we think reform of council tax could be a fair and progressive part of the solution.

“Council tax is out of date and unfair. Lower income families currently pay the highest bills as a proportion of their income. It also doesn’t raise enough money, with public services in Scotland losing out on hundreds of millions of pounds a year compared to money raised through council tax in the rest of the UK.

“The next Scottish government should replace council tax, with a new tax based on a percentage of home value. This would mean everyone would pay their fair share. In the meantime we must see improvements to the existing council tax system, with bills increased for higher value homes and bills reduced for low income families. No one in poverty should be asked to pay council tax.”