IPTI Xtracts

Property Tax and Assessment News from Around the World

United Kingdom – February 2021

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- The Treasury is reviewing the future of business rates and is due to report its conclusions in autumn
- The current year-long relief from the tax is likely to be extended

Some of the UK's biggest high street retailers reportedly face potentially higher taxes if the government imposes a charge on online sales to fund a reduction in business rates.

Fashion retailer Next, electricals group Dixons Carphone, cycle retailer Halfords and department store chain John Lewis could end up paying more if a tax on ecommerce were implemented.

The Treasury is reviewing the future of business rates and is due to report its conclusions in autumn, Financial Times reported.

The current year-long relief from the tax is likely to be extended.

One of the options for reform is a tax of about two per cent on sales made online.

Taxing online sales would benefit retailers such as Primark, Aldi and B&M, which do not sell online but have large store estates.

However, online-only retailers such as Amazon would attract tax of £380 million at two per cent — many times the estimated £19 million reduction in its rates bill.

Ecommerce now represents more than 60 per cent of John Lewis' revenue, compared with 40 per cent before the Covid-19 pandemic struck.

Next's annual business rates bill would drop from about £115 million to £80 million if the multiplier were reduced to 35 per cent.

However, a two per cent tax on its online sales — £2.15 billion last year — would more than cancel out that saving.

Meanwhile, Dixons Carphone would also see any savings from a business rates reduction cancelled out by a two per cent tax on online sales.

Nevertheless, Big 4 grocer Tesco has suggested a one per cent levy, while Marks & Spencer has advocated increasing corporation tax to fund a cut in business rates.

Next chief executive Simon Wolfson has called for higher business rates applied to the warehouses that online-only players depend upon.

Business rates from the 16th century are ruining the high-street and an online sales tax isn't enough

The pandemic is in many ways not a break from the past but a rapid accelerator, and nowhere has the world sped up as much as in our shopping habits.

In the last year, more retail sales shifted onto the internet than had done so in the previous decade. UK consumers spent £24 in every £25 offline as recently as 2008. We now spend £1 in every £3 over the internet. With high streets restricted for most of the last year, it is no exaggeration to say that online businesses have kept our families fed, our children entertained, and employees working.

But the growth of online, before and during the pandemic, also has a cost, and one that is visible every time you walk out of your front door. Britain's high streets are in a state of disrepair. The vacancy rate is now 11.5%, up by half compared to twenty years ago. In some towns, like Burslem in Stoke-on-Trent, one in three shops stands empty. In the first half of last year, 171 shops closed every day in the UK but only 123 replaced them, double the rate of decline on the year before. And we are not done yet. The recent collapse of Debenhams and Arcadia will reportedly release 200 full-size football pitches of retail space onto the market.

The worst part? There is a good argument that the UK tax system is making this dynamic worse. Business rates date back to the Poor Laws of the 16th and 17th Century: they were not designed for a digital age. Because they fall on bricks and mortar, small high street retailers can pay ten times as much of their turnover on rates as major online firms do. The latter have other costs, such as delivery and logistics costs, and many businesses increasingly sell across different channels, but even so the retail playing field is far from level.

As a result, trades that are in direct competition with e-commerce, like hardware, bookshops, and clothes stores, have declined, while experiential retail – think nail studios, yoga studios and smoothie bars – have not. As the economics firm WPI Economics has shown, this problem is worst in Red Wall seats. In Bishop Auckland, Tesco spends eight times as much of its turnover towards business rates as it does in Surrey Heath. The system increasingly looks indefensible.

When the Chancellor decides later this year, one option on the table is a small levy on online sales. This would help to level the playing field, and would likely be popular with voters if the proceeds were ploughed back into the high street. But on its own, it would be unlikely to raise more than £2 billion a year, compared to £25 billion from business rates. It would also do nothing to solve the regional inequities of the system that hamper levelling up.

A better option would be to tax the property value rather than the rental value of commercial property, with no exemptions for vacant stock. At a stroke, this would make high streets in poorer places like Stoke-on-Trent more viable, because land values tend to be lower. If it was paid by the landlord, rather than the tenant, it would create a strong incentive to keep shops open or to sell up for other uses such as housing. And if councils were allowed to keep 100% of the revenue, it would give councils a way to share in the proceeds of growth through rising land prices.

Napoleon meant it as an insult when he declared England "a nation of shopkeepers", but the vibrancy of Britain's high streets has always been one of our greatest strengths. The Government has recognised that in the extraordinary support they have extended in grants, loans and business rates relief during the crisis. They should now act to put high streets on firmer footing.

Is it time to reform council tax?

Every chancellor keeps a couple of surprises up their sleeve for the budget. As Rishi Sunak looks for ways to pay for the pandemic, could he reform, or even scrap, council tax on March 3?

Widely acknowledged to be in need of reform, this tax is the most significant way that local government raises funds. Until 1990 there was a property-based rates system that issued only 25 per cent of local people with bills.

Margaret Thatcher's government brought in a community charge — the so-called poll tax — that sparked riots as it made a wider range of people, such as adults living with parents and lodgers, liable to pay.

The ensuing protests, the refusal of many adults to register to pay and the difficulties associated with taxing people (who are mobile) instead of properties (which aren't) led John Major's government to replace it with council tax in 1993.

Partly based on property values and partly on personal circumstances, it was meant to be a harmonious hybrid of the systems that came before.

Steady increases — bills are set to increase by 5 per cent this year — means this tax has taken its toll on those on lower incomes and the elderly. Councils are chasing almost £3.6 billion in pre-pandemic arrears in England alone.

Council tax critics also say the way it is calculated is outdated and unfair. In England the band your property falls into is based on its value in 1991. UK house prices have increased 172 per cent since then, according to Savills estate agency.

What’s more, up to 400,000 properties in England and Scotland were originally assigned to the wrong band, according to the Money Advice Service, a consumer organisation.

Administrative errors, quick “drive-by” assessments by valuers and local discrepancies — such as the difficulty of assessing a road where all the houses differ in size and condition — are contributory factors.

Since those on higher incomes tend to live in higher value properties, it is also a regressive tax that entrenches regional and generational inequality as those in expensive properties are paying proportionally the least.

In Wales revised property values were introduced in 2003, while different bands were introduced in Scotland; Northern Ireland has a domestic rates system instead.

Bills for newly built homes are calculated by the Valuation Office Agency (VOA) at 1991 or 2003 market value, using location, size and comparable properties nearby to make an educated guess.

The top band in England, band H, begins at a value of £320,000 in 1991 terms. If you live in a glamorous band A studio flat in Marylebone, central London, valued at under £40,000 in 1991 but now worth about £950,000, you will pay £520.19 per year.

That’s £873.39 less than a modest new-build semi-detached in Hartlepool, also a band A property but worth just £87,000.

“No property, no matter how large and valuable, pays more than three times the tax paid by the lowest-value band,” says Paula Higgins, the chief executive of the Homeowners Alliance.

The rise in short-term lets, such as annexes rented out on Airbnb, has also left residents facing huge unforeseen council tax bills. If a separate building is used by the homeowner or a relative as a “granny annexe” then tax is paid in full on the main property and the additional dwelling gets a 50 per cent discount.

The Homeowners Alliance said one of its members started renting out their granny annexe following the death of the family member who lived in it and they were hit with a big bill because they didn’t realise that the discount no longer applied.

The time is ripe for reform, but what would that look like? The campaign group Fairer Share wants the chancellor to scrap stamp duty land tax and council tax and replace them with a proportional property tax (PPT).

The lobby group says this flat-rate tax of 0.48 per cent based on current property values would save three quarters of English households £435 a year.

Chancellor accused of 'insulting' struggling firms as he delays overhaul of 'busted' business rates system

The Chancellor was accused of 'insulting' struggling firms as he delayed the overhaul of the 'busted' business rates system to later this year.

A 'fundamental' review of the tax, widely seen as highly detrimental to the High Street, will not report until the autumn – a year later than promised.

Rishi Sunak blamed the delay on economic uncertainty, but critics damned the 'feeble excuse', saying the decision 'exposed the Treasury's lack of ideas'.

The decision was thrown into sharp focus as the Office for National Statistics revealed the cost of lockdown. It reported that retail sales volumes fell by 8.2 per cent in January, compared with the previous month, as shops counted the cost of lockdown.

The slump last month was not as severe as the one in the first lockdown but retail sales remained 5.5 per cent lower than before the pandemic. Helen Dickinson, chief executive of trade association the British Retail Consortium, said: 'While Covid may be closing shops, it is the burden of business rates which is shuttering too many of them for good.

'Delay in reforming a busted system means unnecessary job losses and years of decline in our local communities.

'Government needs to stand by their own timetable.'

Jerry Schurder, head of business rates at real estate advisory firm Gerald Eve, said: 'This looks like Rishi Sunak's 'f*** business moment'. It is, quite simply, an insult to struggling firms.'

UKHospitality reacts to delay in business rates review

The government has announced that the conclusion of HM Treasury's Fundamental Review of Business Rates has been delayed to the Autumn.

The delay hopefully is to fully develop a fair and cohesive solution to an issue that has been a rod on the back of all too many hospitality businesses.

It is also and perhaps optimistically a signal that in the absence of a full review, Sunak will follow the example set by SNP Finance Secretary, Kate Forbes.

In a Scottish budget update at the Holyrood parliament building last week, Forbes announced hospitality businesses in Scotland are to have their rates waived for a further year.

There was however a caveat from the Finance Secretary: "I can now deliver on that promise, providing the UK Budget in March delivers the funding we require."

Clearly Forbes like the rest of us will have to wait and see.

Reacting to the news of the delayed rates review, UKHospitality Chief Executive Kate Nicholls said: "The business rates system as it relates to hospitality has been broken for some time. It is an antiquated system of tax that bears almost no relation to the realities of business in the 21st Century. It needs addressing, so a delay in the review is obviously a disappointment.

"If it must be delayed, then it is absolutely vital that the Government uses the extra time to ensure it gets this right. After the misery of last year, a properly functioning, equitable rates system is now more critical than ever. In the meantime, there is now no reason why the business rates holiday should not be extended for another year."

Nicholls then with a rallying cry added: "Extend this support, along with the VAT cut, at the Budget, then deliver a whole new rates system that no longer unfairly penalises our sector."

Plea to Sunak after talks on business rates halted

Rishi Sunak has been asked to intervene after talks on reassessing business rates bills for hundreds of thousands of companies affected by the pandemic broke down.

Surveyors have written to the chancellor demanding the restart of discussions over how to clear a growing backlog of rates appeals where companies believe coronavirus has resulted in a "material change of circumstances".

The Rating Surveyors' Association, made up of surveyors who advise on business rates, had been negotiating with Revenue and Customs' Valuation Office Agency, which administers the tax on commercial property.

Official figures show that 289,510 checks of business rates bills — the first stage in the appeal process — were registered between March and December last year, about 70 per cent of which refer to material change of circumstance. The figure is likely to have risen in the current lockdown. Colliers, a property adviser, estimates that there could be as many as 500,000 checks registered.

There were premature reports in late December that a deal had been agreed. However, the valuation office broke off the talks last month. John Webber, head of business rates at Colliers and part of the rating surveyors team negotiating with the valuation office, said: "It is outrageous that whilst jobs are being lost by the hour, the chancellor effectively called a halt to discussions."

A spokeswoman for the Valuation Office Agency said: "Understanding the valuation impact is complex and this increases as the pandemic continues. We are working extremely hard to provide clarity." The Treasury was approached for comment.

Kevin Hollinrake calls for abolition of business rates

Conservative MP Kevin Hollinrake has reiterated his call for the abolition of business rates ahead of next month's Budget on March 3.

Business rates, he said, are "anachronistic" and should be replaced instead by a 3 per cent increase in VAT that all businesses would pay.

This 3 per cent increase in VAT to 23 per cent would affect all businesses, not just retailers, and the £30bn raised each year would cancel out the scrapping of business rates.

But Mr Hollinrake points out that most businesses now have a mixed model of physical and online sales, and calculating which sales were digital would be complex.

Mr Hollinrake presented his bill calling for the abolition of business rates last month in the House of Commons. So far, there has been no Treasury response. But his conversations with retailers such as Tesco, B&Q and Screwfix have been positive, as has the response from the ACS, which represents convenience stores.

Mr Hollinrake described business rates as “designed for a bygone era a long time ago, when business went hand in hand with high street premises. Covid has quickly made that time seem even more distant”.

Getting rid of business rates would, at the same time “completely dispense with the convoluted business rate system, including revaluations, check, challenge, appeal, annual bills and debt collection”.

It would also, he said, “liberate” the thousands of people employed by the Valuation Office Agency needed for the convoluted system of revaluations, checks, challenges, appeals and debt collection.

Online sales, he said, now account for 33 per cent of all retail sales, up from 20 per cent only a year ago.

Critics argue that increasing VAT to 23 per cent would hit the poor hardest and would just pass on what was paid in business rates on to the consumer. But Hollinrake argues that customers already indirectly pay for business rates, as operating costs are hidden inside prices paid for things.

In fact, Mr Hollinrake reckons that prices would remain unchanged as retailers would no longer be paying business rates, despite the 3 per cent hike in VAT.

Mr Hollinrake said: “Consumers pay all taxes, that’s the reality. In a competitive market, prices are driven down by competition down to the cost of capital and the cost of operation. That’s built into what a business can operate at in order to stay afloat. An online sales tax would still be ultimately be paid for by the consumer – there’s no difference. You’re just swapping one tax for another.”

Mr Hollinrake points out that when the government introduced a 2 per cent digital sales tax last August, Amazon simply passed the cost on small businesses selling through its platform.

Politically though a 3 per cent hike in VAT may be a difficult argument to run as the government explicitly pledged no increase in VAT rates in its manifesto.

Mr Hollinrake is not the only high-profile figure calling for business rates reform.

Last month Theo Paphitis, star of TV’s Dragon’s Den and owner of Ryman stationers, said he was “praying” that Rishi Sunak was listening about reform of business rates, which he called “the unfairest tax since the fifth century”.

Landlords call on Rishi Sunak to put an end to business rates on empty shops, as more vacant stores expected

Landlords have called on the Chancellor to put an end to business rates on empty retail sites, ahead of scores of shops closing and after having to stump up nearly £1 billion on this during the pandemic.

The plea comes shortly after a flurry of recent deals where online retailers have bought the digital arms of chains such as Topshop and Debenhams, but not the stores, meaning they will likely close.

The request comes in a week where a number of different business lobby groups have made pleas to Rishi Sunak for more financial support for firms at next month's budget.

Property owners do not have to pay business rates on empty commercial properties, such as shops and restaurants, for the first three months. But after this time, they typically must then pay full business rates if space has not been re-let.

Real estate consultancy Altus Group estimates landlords have had to stump up £924 million in the current financial year ending March 31 in empty rates on their vacant retail properties.

This adds to other headwinds some building owners have faced during the pandemic, such as some tenants not paying rent, or landlords agreeing to rent holidays.

Melanie Leech, chief executive of the British Property Federation, said: "It is fundamentally unfair that after having supported businesses so extensively and for so long, property owners are then left footing the business rates bill when stores are left empty. We urge the Government to abolish business rates on empty premises – our tax system must not penalise property owners for having empty stores."

Leech added: "Charging empty rates takes investment capital from the very stakeholders that want to invest in repurposing and reimagining our high streets."

Mark Bourgeois, managing director UK & Ireland at shopping centres owner Hammerson, said: "The three-month rates holiday on empty unit business rates is not a sustainable solution whilst the effects of the Covid-19 crisis continue."

He added: "We are long term investors and want to ensure we add to the future vibrancy of cities, however, the combination of the rent moratorium and business rates burden is inhibiting this."

Emma Mackenzie, head of asset management at landlord NewRiver said: "The holistic reform of the business rates system – which includes the punitive policy of empty rates levied on property owners – is long overdue."

Mackenzie said: "We would like to see the Chancellor end the empty rates tax, to support property firms divert that capital into securing new occupiers to the vacant space."

Most retailers with a high street presence are hoping Sunak will announce an extension to the business rates holiday, while shop owners and landlords also want to see the budget include plans for business rates to be reformed.

A Treasury spokesman said: "Empty property relief strikes a balance between incentivising property owners to put vacant properties to use, while not penalising those who lose a tenant at short notice."

The spokesman added: “The Government has committed to a fundamental review of the business rates system and has invited views from stakeholders from all aspects of the business rates system, including empty property relief.”

Lawrence Hutchings, boss of shopping centres firm Capital & Regional, said: "Retailers and retail property owners and managers are united in the need for change of this outdated tax and a rebalancing of the current business rate tax load across the entire retail sector to create a level playing field for all retailers, be they physical, online or both.”

Valuation Office called on to implement landmark ruling on museum business rates

Stakeholders say Exeter judgement is not being upheld fairly or consistently

Museum stakeholders are calling on the Valuation Office Agency (VOA) to uphold a landmark judgement on how the rateable value of museums is assessed.

Exeter City Council won a high profile case against the government agency in 2019 in which the Upper Tribunal ruled that the rateable value of the Royal Albert Memorial Museum (RAMM) should be calculated on whether the property makes a net surplus (the receipts and expenditure method) rather than the cost of rebuilding (the contractor’s method). It followed a similar case won in 2017 by York Museums Trust.

The ruling was expected to set a precedent for the sector and bring significant savings for museums in England and Wales, reducing the rateable value of loss-making museums to just £1. However, in spite of the ruling, the VOA has continued to appeal to the Upper Tribunal on similar cases, forcing the museums and local authorities involved to spend substantial sums of money on litigation.

The Museums Association this week called on the government to ensure the VOA “fully and fairly implement the Exeter business rates decision across the sector”.

A recent briefing from Colin Hunter, business rates director at Lambeth Smith Hampton, who acted as an expert witness at the Exeter hearing, accused the agency of “introducing new arguments contrary to the court’s decision”.

The briefing continued: “The VOA has not accepted that loss-making museums should have a nominal or £1 Rateable Value. Instead it is now arguing that as a minimum the property should either be valued on the basis of the rent that would need to be paid for storing the collection elsewhere, or at a low percentage of the gross income (including potential income from admissions, if admission is free).

“This approach appears to be the result of a unilateral decision by the Valuation Office without reference to the Upper Tribunal rulings, the recent HM Treasury Fundamental Review of Business Rates, or any consultation with the museum sector.”

The VOA is currently appealing the rateable value of six museum properties – four Tyne & Wear Archives & Museums (TWAM) sites and two smaller museums – after the lower Valuation Tribunal found in their favour in a hearing in December 2020. The case will now go before the Upper Tribunal.

The briefing said: “The Valuation Office’s approach threatens the viability of museums, many of which are not able to operate on the basis of the Valuation Office valuations and do not have the financial capacity to contest appeals at the Upper Tribunal. Like the cases for York Museums Trust and Exeter City Council, contesting the TWAM case will require a significant investment of public money by local authorities to defend themselves against another public body.”

Hunter told Museums Journal: “The situation since Exeter is more a case of the VOA aiming for damage limitation and trying to prevent rateable value £1 outcomes for any museums […] The real problem is that despite losing consistently they are still refusing to have constructive conversations, which could mean that we have a never-ending round of litigation – after all, we haven’t dealt with new museums and galleries yet.”

A VOA spokesman said: “We do not comment on individual cases.”

Business rates are in the last chance saloon as Budget 2021 approaches, says CBRE

Business rates valuations have grown faster than open market (MSCI) rents, suggesting valuations could be too high, according to the CBRE research report, Where Next for UK Business Rates? which was published today. The report is published ahead of the 3 March UK Budget, in which the Government is expected to offer further short-term relief, delaying comprehensive reform of the system until the autumn.

Much of the criticism of business rates has come from the sense that rates have got ‘out of step’ with the market, making them unaffordable. CBRE therefore looked at whether Rateable Value (RV) has risen faster than rents, as measured by the industry benchmark MSCI data over the last two decades. RV is the basis for business rates bills. For all sectors, RV has grown faster than open market rents, even when adjusting for floorspace. The difference is particularly striking in retail, but is present across all sectors.

Miles Gibson, executive director, CBRE Research, and a former head of property tax at HM Treasury, comments: “Business rates property valuations have been growing noticeably faster than the underlying market, suggesting that the whole valuation regime has come adrift from the market evidence that everyone else is using. Along with of delayed revaluations, long transitional periods and repeated short-term cash injections, this finding illustrates the unresponsiveness of the system to the very market trends on which it is supposed to be based.”

CBRE found that between 2000-01 and 2018-19, RV per square metre rose by an average of 2.5% pa for Retail, 2.3% pa for Offices and 2.0% pa for Industrials, compared with underlying MSCI rental growth of just 0.7%, 0.8% and 1.4% respectively.

CBRE estimates that RV will rise by 10.3% overall by the next scheduled business rates revaluation in 2023 compared with the last revaluation in 2017.

However, within this overall increase CBRE forecasts very substantial change in the burden of business rates falling on individual real estate sectors. CBRE estimates a -27% decline in the share of RV borne by Retail between the last revaluation in 2017 and the next revaluation in 2023, which will be offset by a +35% increase in the share of RV borne by Industrials. By 2026 the change from 2017 will be -41% and +48% respectively.

Gibson continues: “Our forecasts provide a guide to the likely scale of sectoral shifts in liability. Retail is likely to be a clear winner in both forthcoming revaluations, but there will be a long wait for this change, partly because of the transitional relief system which delays cuts in bills, and partly because CBRE forecasts continuing falls in retail rents until at least 2023 which will not be reflected in RV until 2026.”

Other findings in the report include:

- HM Treasury will be reluctant to undertake radical reform of what it views as a stable, non-distortionary tax, implying short-term fixes are more likely – not just in the forthcoming Budget, but also when its review of business rates concludes.
- The cost of these short-term fixes is self-inflicted because of ill-advised decisions to delay the 2015 revaluation until 2017, and the 2021 revaluation to 2023, increasing the system’s lack of responsiveness.
- An online sales tax is becoming a more credible option, but is very unlikely to be a full replacement for business rates.
- Property taxes currently account for around 10% of all UK tax revenue, a share which has not changed substantially for many decades. The share of all tax revenue represented by business rates has not increased over the last 20 years.
- UK property taxes are among the highest in the OECD, having risen from about 3.0% of GDP in 1995 to around 3.7% in 4.2% in 2018. Increases in Stamp Duty Land Tax are the main reason for this; in fact, business rates revenue is no larger as a share of GDP than it was in 1997.

Tim Attridge, head of business rates CBRE, concludes: “A reform of the business rates system is well overdue, the Government needs to be mindful of maintaining the legitimacy and credibility of this tax. An online sales tax would allow the Government to reduce the multiplier used to calculate the business rates tax. This would level the playing field for ‘bricks and mortar’ retail, reduce the burden for occupiers and investors and maintain the level of revenue delivered to HMT. The system’s sluggish response to change in the economy is the main problem. Frequent revaluations, the abolition of transitional relief, a faster appeals system, a wider tax base and a simpler exemptions regime would all help to make the system sustainable. We fear that the Budget will only deliver further short-term fixes – fixes which the Chancellor cannot really afford and which could have been avoided through earlier and more decisive reform.”

Calls to scrap stamp duty and replace with a ‘fairer’ property tax

‘Holiday’ has seen house prices rise beyond capacity of first-time buyers, favouring owners over renters, campaigners say

Rishi Sunak is facing calls to scrap stamp duty completely rather than extend the current holiday in his budget next month.

While recent weeks have seen appeals from many in the property industry for the government to extend the existing stamp-duty giveaway, momentum is also growing among some politicians and campaigners for a more radical and “fairer” approach to property taxes.

A petition organised by the Fairer Share campaign that calls on the government to scrap stamp duty, council tax and the "bedroom tax" and replace them with a flat-rate payment based on the current value of a property, had as of Friday been signed by more than 105,000 people.

Those supporting Fairer Share include the campaign group Generation Rent, which represents private renters, including many hoping to buy a property at some point.

"While the stamp duty holiday has made it easier to buy and sell homes, it has driven up house prices making winners of home-owners at the expense of renters," said Dan Wilson Craw, deputy director of Generation Rent. "This should make the government think harder about a fairer way of taxing property. Stamp duty should be rolled into council tax, to make an annual payment that is proportionate to the value of what people own. That would mean removing a major barrier to people moving home, while making sure wealthy property owners pay a fair share."

Meanwhile, in a new policy paper published just days ago, a former economic adviser to Boris Johnson argued that stamp duty on housing transactions "is a bad tax" and should be abolished.

The £3.8bn stamp-duty holiday announced by the chancellor last July has been credited with fuelling a mini-boom in the property market and, certainly until very recently, pushing up prices, delighting many homeowners but leaving those trying to buy their first home with an even higher mountain to climb. Buyers of homes up to a value of £500,000 in England and Northern Ireland pay no stamp duty, with a reduced rate for homes above that but the holiday ends on 31 March.

In response to another petition, this one calling for the duty holiday to be extended for an additional six months, the government said in December that it had no plans to extend this "temporary relief". However, there have been claims that tens of thousands of agreed property sales are stuck in a "processing logjam" caused by the pandemic and could entail a tax bill of up to £15,000 each for buyers if they don't complete before the deadline.

For would-be first-time buyers, rising property prices means they have to save up for even longer to put down a deposit. Research by the Halifax bank last month said the average amount put down by a UK first-time buyer in 2020 was £57,000, compared to £46,000 the year before – though the 2020 figure for London was £130,000.

To alleviate some of these issues, Fairer Share – which describes itself as a business with social objectives whose work has been funded by the charity the Woodhaven Trust – is proposing a new "proportional property tax" that would paid only by owners, not tenants.

It would be charged annually at 0.48% of a property's value – so the owners of a £200,000 home would pay £960 each year. This figure was chosen as it would raise the same amount in revenue as the current system of taxes, but would represent a tax cut for around 18 million households, said the group. Under its proposals, second and foreign homes would pay a higher 0.96% rate, and in addition, stamp duty would remain in place for buyers of these properties.

In his new paper written for the centre-right thinktank Policy Exchange, the economist Gerard Lyons – who was chief economic adviser to Boris Johnson during his second term as mayor of London – said temporary freezes in stamp duty were not a solution as they triggered a spurt in demand as people tried to buy before the tax was raised again, pushing prices higher, out of the reach of many first-time buyers.

“Ideally stamp duty should be abolished, but as a first step it should [be] cut to zero permanently on lower-valued properties and reduced on higher-valued properties,” he said.

The government has said that stamp duty is an important source of revenue and that its help-to-buy equity loan scheme that launched in December and will run until 2023 is limited to first-time buyers, letting them borrow up to 20% of a new-build property’s value, or 40% in London

Funding “broken”?

Andrew Hardingham looks at the underlying issues that caused more than a third of respondents in the Room151/CCLA treasury survey to say that the funding system for local government is “broken”.

In Room151’s recent Treasury Investment and Current Affairs Survey, only 3% of 143 respondents believe that the current system for funding local government finance was fit for purpose. More than 38% believe it to be broken. The remainder sat on the fence. In danger of falling off, they believed it to be in a bad state but not broken.

Respondents were from across the local government landscape: Counties (10% of respondents), unitary and city councils (24%), districts (27%), metropolitan and London boroughs (23%). Police and fire authorities had their say too.

The fact that so many respondents believe that the cash they previously stored up and carefully invested would be eroded over the next few years (67% thought investment balances would fall) suggests that councils will be drawing heavily on reserves to supplement their resources and indicates the system is not working.

To try to understand why so many might consider the system broken, it is important to understand exactly what is alleged to be broken.

We all know that local authorities’ resources come from council tax (a tax on property owned or rented by the electorate) and non-domestic rates (a tax on property owned or rented by business and, if you are one of the lucky ones, revenue support grant (RSG).

These core resources are supplemented by a plethora of specific grants, many with explicit terms and conditions attached, plus others top sliced from RSG pot (e.g. new home bonus).

There are so many different grants that it is difficult for CFOs to keep up and maintain a medium term financial plan with any certainty.

Let’s have a closer look at these resources. Council tax was introduced in 1993 after the political disaster of the community charge (poll tax) which forced the poorest to contribute more than they had under the old rates system.

Protests, riots and campaigns of non-payment forced the then government into a rethink that resulted in the birth of “council Tax”.

Thirty years on, it is still a tax system based on property values from April 1991. Its burden falls disproportionally on the lowest incomes. Government has made “tweaks”, the biggest being the creation of an adult social precept, a great example of central government pushing the “blame” for the tax onto local councils and the burden-to-pay for the care part of the health system onto local residents.

Council tax as a proportion of local authority income is growing whilst the ability to make local policy contracts.

With the introduction of the poll tax, the burden for rates was shifted solely to business. Currently, local government collectively retains about 50% of the income from business rates.

The other half (after a few adjustments) is paid back to councils by central government in the form of grants. There has been much debate about reform. Unfortunately, debate is only what it is.

This would tend to strengthen the belief of brokenness: It seems that no one knows how to mend it. There are so many reliefs to business that one is left to wonder whether it would indeed be kinder to put a dying system out of its misery.

A business can claim small business rate relief, rural rate relief, charitable relief, hardship relief, transitional relief, retail discount, exempted buildings and empty buildings relief. Those in enterprise zones get relief.

By the end of December 2020, my old authority received nearly half of its business rates income in the form of a Local Government Act 2003 “Section 31 grant”. The legislation quaintly states: “A Minister of the Crown may pay a grant to a local authority in England (and Wales) towards expenditure incurred or to be incurred by it … with the consent of the Treasury”, i.e. income from government not from business. Is this an indicator of a fair tax or a broken system?

Revenue Support Grant is the central government grant given to local authorities which can be used to finance revenue, supplementing council tax and rates. Between 2015 and 2020, RSG has fallen by 77p in the pound with almost half of councils no longer receiving RSG.

The new homes bonus, created in 2011, redistributed some of the grant by incentivising councils to grant planning permissions for the building of new houses in return for additional revenue. However, where the government initially matched the council tax raised on each new home built or reoccupied is now in danger of disappearing.

Largesse

These are the constituent elements of a funding system controlled by central government and bequeathed as largess to grateful CFOs who are charged with making sense of it all for elected members.

Not only is the structure of the system considered to be broken but the timing of what now appears to be an annual local government finance settlement announcement is crass.

CFO's work all year to advise the management of service budget demands, assessing savings proposals, recalibrating service levels and resources but have to wait until December for the government's contribution only a few working weeks before CFO's are required to sign off budgets as robust and reserves as adequate. What could be more broken than the process?

Councils are seeking new ways to raise income: Some are investing in commercial property to create revenue streams. Is this a symptom of a broken system that forces councils into, hitherto considered by many, too risky ventures?

The LGA has argued, inter alia, for financing of local government services to be sufficient, for a system that is fair, a tax that is efficient to collect, predictable and transparent.

That reminds me, what did happen to the fair funding review? Was that to be the solution or a sticking plaster? The National Audit Office, concluded in a 2018 report "the financial future for many authorities is less certain than in 2014. The financial uncertainty created by delayed reform to the local government financial system risks longer-term value for money."

Whilst the long awaited review is to be welcomed, it must focus on the quantum of resources not just the redistribution. Surely the fundamental outcome of the review has to be to mend the brokenness.

Andrew Hardingham is an independent adviser and a former section 151 officer at Plymouth City Council.

Non-food retailers endure £22bn hit in sales due to Covid-19

19The BRC said the closure of non-essential stores and social distancing restrictions have weighed on the UK retail industry over the past 12 months.

// Non-food retailers "lose £22bn in sales" since the start of the pandemic
// BRC calls for take action on business rates, rents & grants ahead of the spring budget next month
// It requested an extension on the business rates holiday & on the moratorium on debt enforcement by landlords

Lockdown measures have cost non-food retailers around £22 billion in lost sales since the start of the pandemic, according to new figures.

The BRC said the closure of non-essential stores and social distancing restrictions have weighed on the UK retail industry over the past 12 months.

The trade body has called on the UK Government to take action on business rates, rents and grants ahead of the Chancellor's spring budget next month in order to help the sector's recovery.

It namely requested an extension to the current business rates holiday which is due to expire at the end of March.

Earlier this week, 18 retail leaders including supermarket bosses urged Chancellor Rishi Sunak to extend the relief and to help put bricks-and-mortar stores on a "level playing field" with online rivals.

The BRC said retailers contributed £17 billion in business taxes in 2019, collecting a further £46 billion in VAT.

The group said an extension to the moratorium on debt enforcement by landlords would “support thousands of retailers” who face accumulating rents even while their stores are unable to trade.

It also called for the decision to apply EU state aid limits to lockdown grants to be reversed and called on the Chancellor to remove “all bureaucratic restrictions stopping businesses receiving these vital support funds”.

“After 2020 proved to be the worst year on record, it is essential that the Chancellor uses the spring budget to support those businesses hardest hit by the pandemic,” BRC chief executive Helen Dickinson said.

“Vital support in the form of an extension to the business rates relief and moratorium on debt enforcement, as well as removing state aid caps on Covid business grants, would relieve struggling businesses of bills they cannot currently pay and allow them to trade their way to recovery.

“Tackling the challenge of rates, rents and grants should be the Government’s immediate priority to ensuring the survival and revival of non-essential retailers and protecting the jobs of hundreds of thousands of retail workers across the country.”

The Big Question: How should business rates be reformed?

Ahead of the Budget on March 3, the thorny issue of business rates has again hit the headlines, with a joint letter, spearheaded by Tesco, calling for a digital tax to be levied on pureplays. Retail Week asks experts what can be done to make business rates fairer?

James Daunt, chief executive, Waterstones

The tax burden on retailers should be realigned to reflect the reality of consumer behaviour through the elimination of business rates on retail premises, compensated by a new tax on online sales. A sensible threshold, as exists with VAT, should exclude small retailers and entrepreneurs in online retail and thereby also ensure the immediate adoption of the online tax.

For a large retailer such as Waterstones, with both an estate of physical shops and a substantial online operation, the overall burden of taxation would change little. What would change is the present incentive to close physical shops, especially in more deprived locations, in favour of further concentration on online growth.

Evidently, dedicated online retailers will pay more tax and small retailers, especially independent shops, will pay less. The advantages to the high streets of smaller towns and the more disadvantaged retail locations will be substantial. Jobs in these communities, and the social fabric supported by shops, will be protected. It will also result in a small increase in prices for online shoppers, and a corresponding decline in physical shops. Again, the most disadvantaged in society – those with least access to the internet – will be the beneficiaries.

A change to business rates in this manner would align the taxation system to support the most socially advantageous business strategy rather than the perverse fact that at present it does the opposite.

Robert Hayton, UK president of property tax, Altus Group

Retailers with large properties where values have plummeted often never enjoy the full benefit of a revaluation – making the rating system less responsive to changes in local economic conditions. If we are serious about 'levelling up' the economy to help struggling towns, the gradual phasing in of tax reductions must end.

Had it not been for the rates holiday, since 2017, the retail sector would have been denied tax reductions of £1.22bn through this policy. Abolishing downward transition would allow retailers to respond to changing markets and this will be more important than ever in 2023 given retail rents have been in decline in large swathes of the country.

The respite to the financial burden of rates can also be alleviated through the ending of the ridiculous policy of annually increasing upwards the tax rate in line with September's headline rate of inflation. Growth, not inflation, should be the driver for local authorities to grow their revenues especially as other corporate taxes do not rise with inflation.

Incentivising, rather than penalising through the tax system, those retailers investing in sustainability to lower energy consumption and emissions from their properties would demonstrate that the government is also serious about climate change and a green recovery.

Jonathan Cole, investment director, Ellandi

Fundamentally, the burden of business rates on retail has to be reduced from current levels. The disconnect between rates and rents in the sector is stark: between 2001 and last year, growth in retail rates was more than five times greater than growth for retail rents. Rebalancing can be achieved by reducing the uniform business rate (UBR), revaluing more often, and removing 'downwards transition', which is still pegging retail rates to 2008 rental values in many locations. This is really quite striking when you think about it.

Research commissioned by Revo confirmed the areas losing out most are actually those the government's levelling up agenda is supposed to help. The rates rise in the North and Midlands has been almost 12.5-times greater than the rise in rental values, compared to 4.1-times greater in the South. So it makes political as well as equitable sense to truly rebalance the tax.

I was privileged to contribute to Revo's submission to the government's recent business rates review – including calls for the UBR for retail to be 'reset' to 30p, annual revaluations, ditching downwards transition, and reform of empty property taxation to better reflect the realities of the retail property market.

Of course, this has a cost. But supplementary tax streams such as an online sales tax, turnover tax or delivery charge could plug the gap. They can also offer a fairer way of distributing the tax burden – allowing the system to evolve with consumer trends and tap into a sustainable revenue stream.

Supporting the wealth tax to fund the Covid-19 recovery

"Without a wealth tax we are only addressing the symptom – income inequality – rather than the cause."

Molly Scott Cato MEP details her reasons for proposing Greens support a wealth tax, ahead of Spring Conference 2021 from 1-7 March.

To suggest that the Green Party should support a wealth tax is not a controversial proposal. The Green Party has always supported a wealth tax, but this vital contribution to challenging inequality was lost when our taxation policy was revised at Conference in 2019. I think it fell foul of the human tendency to not see what isn't there: so people passed the policy they were presented with while not realising this vital element was being swept away.

Because our rules say that you cannot bring back a debate until two years have elapsed, we will have the debate about the principle of a wealth tax this autumn. But in the meantime, we cannot be without this essential means of funding the Covid recovery, the more so because we know that the Liberal Democrats and Labour are likely to support a wealth tax.

So the motion to Spring Conference is specifically focused on the need to tax the wealthy to ensure that the recovery from Covid is funded by the rich rather than on the backs of working people. The question of 'how are we going to pay for it?' is starting to resound again in the run-up to the Budget. A wealth tax as a way of avoiding the clamour for further austerity to pay back record levels of debt and to ensure that, in contrast to what happened after the financial crisis, the recovery from Covid reduces inequality.

We are a country disfigured by gross inequality in assets. Without a wealth tax we are only addressing the symptom – income inequality – rather than the cause, which is the accumulation and concentration of assets over centuries and within families. The statistics on wealth inequality are disturbing, although rarely discussed. Average (mean) wealth for all wealth deciles increased in real terms between April 2014 to March 2016 and April 2016 to March 2018, with the higher deciles seeing the biggest increases; the average for the poorest decile increased 3 per cent, and the richest wealth decile increased by 11 per cent. Wealth is also distributed very unequally across our country: London, the South East and the South West of England have the highest median household wealth, and also saw the largest growth between April 2014 to March 2016 and April 2016 to March 2018.

In our 2017 manifesto we proposed a Wealth Tax on the top 1 per cent – UK individuals with assets of more than £3 million and we estimated that taxing the assets of the wealthiest at a rate between 1 per cent and 2 per cent would raise approximately £21 billion to £43 billion a year. This motion leaves the details open but establishes a clear principle that such a tax on wealth is central to our understanding of the need for justice.

A wealth tax would not target pension investments but would focus on property and financial wealth. Land itself would be caught by our Land Value Tax but here we run into the issue of taxing income vs taxing assets. The purpose of a wealth tax is to redistribute assets to go to the heart of inequality, which is inherited wealth. It can be assumed that these ONS figures do not cover wealth hidden in offshore trusts but we would have to address that indirectly, with the first stage being greater transparency and especially a beneficial ownership register.

The idea of a wealth tax is gaining support across the world. In the USA primaries, Elizabeth Warren proposed an 'ultra-millionaire tax': calls for a 2 per cent annual tax on households with a net worth between $50 million and $1 billion and a 3 per cent annual tax on households with a net worth over $1 billion. Elizabeth Warren has said that the wealth tax could generate $2.75 trillion in revenue in a decade. This is a conservative proposal compared to European examples.

France has a long history of taxing wealth with a 'solidarity tax on wealth' on those with assets in excess of €1,300,000 (since 2011) introduced by the socialist government in 1981. It was abolished in 1986 by Chirac's right-wing government, reintroduced by Mitterrand and then abolished again by Macron in September 2017. The rate ranged up to 1.8 per cent and it brought in 1.5 per cent of France's total tax revenue. In his book Inequality, French economist Thomas Piketty calls for a graduated wealth tax of 5 per cent on those worth €2 million or more and up to 90 per cent on those worth more than €2 billion.

So what shall we do about the wealthy who do not want to contribute their fair share and threaten to leave the country if we introduce a wealth tax? To prevent the flight of the parasites the motion also includes support for capital controls. Such controls would use the power of the national government to prevent the rich from draining a country of their wealth when required to share it fairly. Such a proposal is not considered very radical amongst groups like NEF, the Green New Deal group, etc, although none of them have yet offered a detailed proposal.

At a minimum, capital controls might mean an extension of the DAC (Directive on Administrative Cooperation) legislation from the EU that requires detailed reporting of capital flows. We do not allow people to travel without passports, so why do we allow capital to move without checking whether it is legitimate?

But we should certainly also consider limiting the amount of money that British citizens could take out of the country, which was standard practice until the Exchange Control Act was abolished by the Thatcher government in 1979 (see the photo of my granny's passport to show how citizens had to use their passport to take currency out of the country). This allowed the capitalists to operate freely, create massive inequality globally and within countries, and create stability in the global financial system. Whatever they donated to the Tories, they certainly got their money's worth.

A history of UK exchange controls from 1966 can be found here. Clearly, the nature of controls would be different to reflect the digital flow of cash in today's global economy and the DACs do set a framework for making this possible. The FT is clear that emerging markets will need the protection of controlling flows of capital into and out of their economies, and I see no reason why we should not have it too.

We should be clear that we choose to tax the rich not only because we need to raise revenue for the Covid recovery but also because, as Greens, we believe that the gross inequality that disfigures our society is tearing up the social contract and undermining our democracy. A wealth tax is the first step to restoring and rebuilding our society.

Covid-hit retailers to be given further support, business secretary says

Businesses affected by the pandemic will be given further support as restrictions continue
Kwasi Kwarteng is working with Chancellor Rishi Sunak to provide financial support

Labour party warned a £50 billion “bombshell” could ensue if no action is taken

Business Secretary Kwasi Kwarteng has announced he is working with Chancellor Rishi Sunak in an effort to provide further support to Covid-hit businesses, after calls to extend the business rates holiday.

Ministers are currently in talks with the Treasury over extending financial support to retailers, following the Labour party’s warnings of a £50 billion “bombshell” if no action is taken.

The retail sector, along with leisure and hospitality, has not had to pay rates for the current financial year after the government launched a rates holiday at the onset of the pandemic.

The Treasury has been urged to extend the business rates holiday beyond March.

The property tax is currently set to restart in April for the new financial year despite non-essential retailers remaining shut due to lockdown restrictions.

MP Paul Scully said businesses have raised concerns over a “cliff-edge” and also over fixed costs they have to deal with.

Both Kwarteng and Scully said a “flexible” approach to financial support is needed to help firms.

Shadow business minister Lucy Powell said businesses face a £50 billion bombshell in April, “yet many retail services won’t even be open by then”.

“So does Kwarteng agree personally with Labour’s plan to extend business rate holidays for at least six months, and the furlough while public health measures remain, to deal with this bombshell before it blows a big hole in our economy?,” Powell said.

Moreover, SNP MP David Linden said around 24,000 retail, hospitality and leisure businesses in Scotland are currently supported by 100 per cent rates relief.

That support has been extended until the end of July.

Separately, the government urged England’s councils not to issue business rates bills this month ahead of the new 2021/22 financial year.

Councils have been demanded to delay issuing business rates bills until after Chancellor Rishi Sunak sets out the Budget on March 3.

The government has signalled that further support for occupiers of commercial property like shops, pubs and restaurants is coming.

The business rates holiday in England is currently due to end on March 31.

Business rates holiday: Rishi Sunak preparing to extend tax break for shops in March Budget

The pressure facing retailers was highlighted on Monday when 2,450 staff at Dorothy Perkins, Wallis and Burton were told they would lose their jobs

Chancellor Rishi Sunak is preparing to extend the business rates holiday for shops in next month's Budget amid growing warnings that high streets face a bleak outlook when the coronavirus lockdown is eventually lifted.

The pressure facing retailers was highlighted on Monday when 2,450 staff at Dorothy Perkins, Wallis and Burton were told they would lose their jobs after Boohoo bought the businesses but said it would not reopen any of their shops.

The redundancies come on top of the estimated 15,000 retail posts already lost in 2021.

Footfall on Britain's high streets was 78 per cent lower last month than in the previous January after all non-essential retailers were ordered to shut in the third lockdown.

In his previous Budget, in March 2020, the Chancellor announced a 12-month suspension of business rates, which raise around £30bn for the Treasury in a normal year.

Businesses shuttered

When it was set out, ministers did not envisage the freeze having to last beyond next month as they expected the pandemic to have largely abated by this spring.

However, with many businesses shuttered when he delivers his Budget on 3 March, Mr Sunak looks certain to extend the business rates holiday for shops, as well as restaurants, pubs and leisure facilities, at least until the summer.

That would fit in with a tentative timetable of retail being allowed to resume in April and May.

He is also due to announce his conclusions following a review of the business rate system announced last year, with supermarket chains pressing for an "online sales tax" on internet giants to help create a "level playing field" with physical retailers.

However, the levy could be complicated to calculate for stores which sell online as well as on high streets.

Business rates decisions deferred

Mr Sunak is expected to defer any decisions on the review until the autumn to allow him to concentrate on short-term support for the country.

He is preparing to extend business support schemes due to expire at the end of next month, as well as the furlough scheme which is paying part of the wages of employees unable to work because of the shutdown.

The reduction of VAT to five per cent for the hospitality sector is also likely to be prolonged by the Chancellor.

Tourism businesses warned him last month that he risked thousands of redundancies if he reverted to the 20 per cent rate.

Business rates reform is just one part of the puzzle in the UK high street's fight for survival

Business rates have long been under fire due to the extra burden they put on bricks-and-mortar shops

Business rates reform has long been the name of the game for the bosses of Britain's shops.

Time and again, they have been promised a full review of the system, with no meaningful change ever being made. It makes sense that they have taken the opportunity of the Covid-19 pandemic's disruption to demand it once again.

Bosses of supermarkets and high street chains are now urging Chancellor Rishi Sunak to overhaul the current tax system, and to put them on a "level playing field" with digital rivals

Lockdown pressure

The basic concept is not hard to understand: retailers with physical stores have to pay tax on that space, which they argue puts them at a disadvantage to online-only competitors.

The temporary relief on this tax, which the Chancellor granted as part of his initial response to the pandemic, has given businesses a glimpse of what the landscape would look like without the levy.

The problem is that it is now just one in a long list of issues threatening the future of the high street.

We have already seen the consequences in the collapses of Debenhams and Arcadia. The businesses were distressed already and, with the added pressure of lockdowns, they were unable to survive. A bit of help on business rates was never going to make the difference for them.

A national plan

So is it even worth shaking up the system? It might be, but it will not alone fix the high street.

It needs to go hand in hand with lower commercial rents – something which is already happening thanks to the demands of tenants – and a national plan for rejuvenating town centres after lockdown.

Otherwise, with banks slimming down their branch networks while shops, restaurants and hairdressers are forced to close for good, there is a danger of very little being left.

Cut business rates to save the High Street: Bosses of leading stores urge Rishi Sunak to slash levy permanently to help shops recover from fallout of Covid-19 pandemic

Business rates must be cut permanently to prevent lasting fallout for high streets and jobs, retail bosses warn

- Heads of UK's top stores are urging Rishi Sunak to use the Budget to save shops
- They want business rates to fall where they were 30 years ago and for online firms to bay a fairer share

Business rates must be cut permanently to prevent lasting fallout for high streets and jobs, retail bosses warn the Chancellor today.

The heads of some of the UK's top stores, including Tesco, Asda and Waterstones, are urging Rishi Sunak to use next month's Budget to save shops devastated by the pandemic.

They want business rates to fall to where they were 30 years ago – and for online firms to pay a fairer share.

Waterstones chief executive James Daunt said: 'Business rates on shops are a perverse tax, perversely applied. It is starkly evident that they result in the loss of jobs and the degradation of communities most in need of support.

'They are indefensible in their present form, with the immediate consequence of failure to reform the certain loss of tens of thousands of jobs.'

The tax is levied on the premises of two million firms in England.

But internet businesses generally pay less than high street rivals because their offices or warehouses tend to be in cheaper out-of-town locations where the rateable value of buildings is lower.

Online firms face tax hit

Amazon and other internet retail giants could be hit with an online sales tax to help repay the debt owed by the UK after heavy borrowing during the pandemic.

Treasury sources said Chancellor Rishi Sunak could target companies that had done well out of lockdown as part of a business rates review.

Others to see profits spike include takeaway firms such as Deliveroo and fashion retailers including Asos.

Leaked emails showed Treasury officials had summoned tech firms and retailers to a meeting this month to discuss an online sales tax, The Sunday Times reported.

No 10 is also said to be working on an 'excessive profits tax' for internet firms.

The crisis has been highlighted by the Mail's Save Our High Street campaign to revamp business rates.

Now bosses want the Treasury to cut the business rate multiplier – a figure set by the Government that, when multiplied by the rateable value of premises, gives the amount of tax payable.

They say it should fall from 51 per cent to around the 35 per cent it was in 1990.

The Chancellor announced a 12-month business rates holiday for small firms in his Budget last March to protect them from a drop in trade caused by Covid.

But within days, the growing scale of the pandemic forced him to extend the scheme to take in all businesses and venues, costing the public purse £10billion.

At the same time, the Treasury began a major review of business rates.

In a letter today, the chief executives of 18 retail and property firms call on the Chancellor to permanently reduce the rates when the current holiday ends – most likely this summer.

They write: 'We urge you to use the upcoming Budget to commit to fundamental reform of business rates focused on reducing the burden on retailers and levelling the playing field between bricks-and-mortar and online businesses. Even before Covid-19, the current system penalised physical shops and – whilst rates relief was welcome – failure to reform the system will hamper the recovery of the sector post-pandemic.'

They point out that many shops have been forced to shut and, together with the shift to online shopping, this has 'led to tens of thousands of job losses and many retail closures in the past 12 months', with 'many more to come'.

The letter warns that this hit so-called Red Wall constituencies formerly held by Labour in the North particularly badly, adding: 'These impacts are felt hardest in the Government's priority areas – communities in need of 'levelling up'.'

Labour is calling for the business rates holiday to be extended, along with a continued cut in VAT from 20 per cent to 5 per cent for the hospitality, tourism and culture sectors.

A Treasury spokesman said: 'We've spent tens of billions of pounds supporting shops throughout the pandemic and are supporting town centres through the changes online shopping brings.'

Rishi clearly feels enough is enough... and he's right

Commentary by Ruth Sunderland, Business Editor for The Daily Mail

Rishi Sunak's plan to tax the obscene profits being made in the pandemic by Amazon and fellow online retailers cannot come into force a moment too soon.

Ministers have stood by as the heart has been torn out of our high streets and online operators have become more bloated.

An online sales levy, coupled with reform of discredited business rates, must be part of any blueprint to save Britain's shopping centres. Not only would it help repair battered public finances, it would give bricks-and-mortar shops a fairer crack of the whip.

Although action is unlikely in next month's Budget, it seems Rishi has finally decided enough is enough. And he is right. The sheer scale of Amazon's sales – more than £91billion during the final three months of last year alone – is breathtaking.

Such success is to be celebrated – but it comes with social responsibility and a requirement to pay proportionate tax. Amazon paid just £14.5million in corporation tax in 2019. But its UK sales leapt 51 per cent to more than £19.4billion last year.

Our tax system has failed to keep pace with the rampant rise of internet shopping. As a consequence, Amazon and others are romping away while paying the bare minimum.

The desperation over business rates can be gauged by the letter sent by top retailers, landlords and unions, pleading with the Chancellor for a cut.

Former Tesco chief executive Dave Lewis proposes a 2 per cent online sales tax coupled with a 20 per cent cut in business rates – a sensible idea.

Alongside an online sales tax, Rishi is also understood to be considering a windfall tax on 'excess' profits made by online retailers during the pandemic – also a sound proposition.

Online retailers owe a large chunk of their outsized profits over the past year to the luck of being able to stay open – not to their merits.

Crude attacks on Amazon are misplaced. In the past year, it has been a lifeline for many households. In the past decade it has invested more than £23billion in the UK and created more than 30,000 jobs. Yet tax remains a stain on its corporate reputation.

A few rich firms, their shareholders and bosses should not be allowed unfettered freedom to cash in on the Covid crisis. It is neither equitable nor morally right that they should grow fat trading off a killer virus that has stymied traditional rivals.

The cost to consumers and society of letting Amazon and its peers become ever more rich and powerful is too high.

The Chancellor has the tax levers in his hands. He should not hesitate to use them.

Amazon criticised in paying lower rates than shops

Amazon has been criticised for paying less in business rates than British bricks and mortar retailers.

The online retail giant's financial results revealed that UK sales for 2020 totalled $26.5bn (£19.3bn) - a 51% jump from $17.5bn in 2019.

Amazon's overall business rates bill for 2020-2021 is estimated by researchers to be £71.5m - just 0.37% of its retail sales.

They say this is far lower than what the retail sector typically pays.

Amazon insists that it pays its tax and has created thousands of jobs in the UK.

Business rates are calculated by looking at a property's rateable value and multiplying it by a tax rate set by the government. A new tax rate comes into effect at the start of each financial year on 1 April.

According to figures from the Office for National Statistics (ONS), full-year retail sales at physical shops for the 12 months ending 31 December 2020 fell 10.3% from £318.5bn in 2019 to £285.8bn.

Retail advisor Altus Group says that bricks and mortar retailers would have paid £8.25bn in business rates in 2020, had they not been given a tax holiday due to the pandemic.

It says the figure was calculated using rateable values, multiplied by the 2020 tax rate. The £8.25bn figure amounts to 2.9% of total retail sales, which is much higher than what Amazon pays.

For instance, Arcadia - which owns Topshop, Burton and Dorothy Perkins - would have had to pay £91m in business rates on its 444 stores in 2020, had there not been a tax holiday, Altus Group says.

A Treasury spokesman said: "We want to see thriving high streets, which is why we've spent tens of billions of pounds supporting shops throughout the pandemic and are supporting town centres through the changes online shopping brings.

"Our business rates review call for evidence included questions on whether we should shift the balance between online and physical shops by introducing an online sales tax. We're considering responses now."

Separately, the Centre for Retail Research (CRR) calculated the business rates paid by physical shops in 2019 and found that they paid £7.17bn in business rates, or 2.3% of their total retail sales in 2019.

The two organisations said that Amazon, which has close to 100 sites in the UK, including distribution warehouses and lockers on High Streets, is not paying enough tax.

However, their calculations do not include corporation tax, which is currently at 19% of profits.

Debate over digital services tax

Amazon would not comment on the calculations made by Altus Group and CRR.

A spokesman for Amazon said: "We've invested more than £23bn in jobs and infrastructure in the UK since 2010.

"Last year we created 10,000 new jobs and last week we announced 1,000 new apprenticeships. This continued investment helped contribute to a total tax contribution of £1.1bn during 2019 - £293m in direct taxes and £854m in indirect taxes."

The government is currently reviewing the way in which the business rates system works, and is also separately considering a 2% tax on online sales and services.

But business lobby group the Confederation of British Industry (CBI) has warned that any tax rises would place additional pressure on businesses that are already struggling due to the pandemic.

'Property levy' to replace stamp duty and council tax is shelved over fears it could lead to higher bills

MPs were told a 'proportional' tax based on home values was under review in Jan
Government now says there are 'no plans' on new form of annual property tax
It comes as study found it could have meant higher bills for people in South East

Ministers have ruled out introducing a new property levy to replace stamp duty and council tax after a study found it could lead to higher bills in the South East.

MPs were told last month the idea of introducing a ‘proportional’ tax based on home values was ‘under review’.

But last night a Government spokesman said: ‘We have no plans to introduce a new form of annual property tax.’

The idea of property tax reform was sparked amid the looming end to the stamp duty holiday, due on March 31.

It is being pushed by the Fairer Share campaign, which has been in discussions with Treasury officials about the plan since before Christmas.

They said yesterday that if the proportional property tax were levied annually at 0.48 per cent of a home's current value it would raise the same amount across the country as council tax and stamp duty.

This would reduce bills in most parts of the country, making households in England around £435 a year better off.

In so-called Blue Wall seats - traditionally Labour constituencies in the north taken by the Tories in 2019 - it would save the average householder £660 a year.

But a significant minority of households across the country - 24 per cent - would be worse off.

Households in London are most likely to see an increase in their annual bills, reflecting the extreme rise in house prices over the past 30 years.

Andrew Dixon, chairman of Fairer Share, said: 'The UK already has one of the highest yielding property tax regimes.

'We should not be imposing additional taxes at this challenging time for households. Instead, we should replace stamp duty - a tax imposed on property owners before they have even collected the keys to the front door.

'And we should replace council tax which has led to low-income households paying a tax rate five to ten times higher than those fortunate enough to live in million pound properties. The wrong households are paying the wrong taxes at the wrong time.

'Both of these unpopular taxes should be scrapped and replaced with a proportional property tax. This would be simpler, fairer and would mean more cash in most people's pockets. Crucially, our model also ensures that nobody would have to pay out on day one if they cannot afford to.'

Fair Share said there were 78 constituencies where more than 99 per cent of households would benefit from moving to a proportional property tax.

Across all the 44 'blue wall' seats, 97 per cent of households would be better off. Every single household would benefit in both the Blackpool South and Bishop Auckland constituencies that the Conservatives won in 2019, with households saving an average £750 per year in the former and £900 a year in the latter.

The property tax idea was backed by a number of Tory backbenchers in the north.

Kevin Hollinrake, Tory MP for Thirsk and Malton and chair of the Property Research Group, said: 'The time is right to put fairness back at the heart of how we tax property.

'Replacing stamp duty and council tax with a proportional property tax would ensure homes are taxed at their current value. It would also boost transactions throughout the market, creating huge economic output at a time when we most need it.'

COVID-19: 'Pay-as-you-grow' eases business burden – but leaders says more support is needed

More than one million businesses will now have longer to repay bounce-back loans under the "pay-as-you-grow" initiative.

Business leaders have welcomed changes to lockdown loans but say more support is needed to keep firms afloat over the coming months.

On Friday night, Rishi Sunak announced that small businesses would be given more time to repay bounce-back loans under a "pay-as-you-grow" initiative.

The chancellor said he was determined to give firms the "breathing space to get back on their feet" amid the disruption caused by the COVID-19 pandemic.

But with the furlough scheme due to wind up on 30 April, and the end of business rates relief and the VAT cut also in sight, there are fears of job losses and a harsh cliff edge for some sectors.

Industry group UK Hospitality says "pay-as-you-grow" should be extended to all government-backed loans.

It is also calling for the VAT cut and business rates relief to be extended, alongside a "flexible furlough" allowing firms to gradually bring back workers.

The chancellor is expected to give more detail on what support will stay in place for businesses when he delivers the budget on 3 March.

More than 1.4 million small firms have so far borrowed up to £50,000 under the bounce-back loan scheme.

Repayments had been due to start in May, but under the new arrangements businesses will be able to:

• Extend the length of the loan from six to 10 years

• Make interest-only payments for six months, with the option to use this up to three times during the loan

• Pause repayments for up to six months

A recent report by the National Audit Office said up to 60% of loans made under the scheme may never be repaid.

It comes as businesses and some Conservative MPs press the prime minister to commit to removing almost all restrictions when the first phase of vaccinations is complete.

Boris Johnson is due to set out his roadmap for easing lockdown later this month.

The government rubbished claims in the Daily Telegraph on Friday that pubs may be able to open in April if they don't serve alcohol.

A senior source told Sky News: "We are not going to open pubs that can't sell booze. What would be the point of that?"

On reports that takeaway hospitality could start again in time for Easter, the source said "no decisions had been made" as it was "far too early in the process".

Amazon and other online giants are facing double tax raid on their finances after cashing in on Covid pandemic as government attempts to save the High Street

- Treasury officials are looking at online sales tax for on firms such as Amazon
- The tax could be introduced as part of a major shake up of UK's business rates

- Downing Street policy unit looks at windfall tax of big profits made in pandemic

Amazon and other online retailers are facing the prospect of a double tax raid, including one on the huge profits made by some web-based businesses during the Covid pandemic.

Treasury officials are reportedly weighing up plans for an online sales tax in a bid to re-balance the scales between booming online businesses and struggling high street firms.

Sources close to Rishi Sunak say the Chancellor believes the current taxation system around online business is 'killing the High Street', reports suggest.

Downing Street's policy unit meanwhile are looking into the possibility of a Covid windfall tax, which will target 'excessive' profits of those who have cashed in during the pandemic.

Tech firms and online retailers are now set to be called in to give their views on a new tax plan, according leaked emails seen by the Sunday Times.

Such a tax, dubbed the 'Amazon Tax', is aimed at targeting major online retailers who are posting huge profits while avoiding pricey high street rent costs and overheads - giving them a big advantage over traditional retailers.

The online sales tax could be introduced as part of a shake-up of business rates - a council-tax-like charge based on the rateable value of non-domestic properties in the UK.

Online retailers such as Amazon currently pay business rates on their huge warehouses and office spaces.

But unlike traditional retailers they have no need for expensive High Street stores - which often attract big business rates.

The advantage is particularly clear in the fashion industry, where online giants such as Boohoo and Asos have been able to keep costs down by avoiding the expensive rents paid by their High Street rivals.

Bohoo recently brought the failed Debenhams brand to use online, but says it does not want to operate its huge department stores.

It comes as Amazon's sales in Britain increased by 51 per cent last year to £19.5billion, as Britons turned to home deliveries during lockdown.

However Amazon UK paid £14.5million in corporation tax in 2019. The firm, which employs 30,000 people UK-wide, says its tax bill was offset by government incentives related to its investment in infrastructure.

The online marketplace is not the only online firm to benefit hugely from the pandemic, with delivery firms Ocado, Just Eat and clothing retailer Asos also seeing huge profits leaps during the pandemic.

Companies that have seen a large profit spike during the pandemic could be hit with a one-off Covid windfall tax.

Treasury officials reportedly hope to use the money to help cover the £300billion cost of Covid on the UK - which includes the Government's furlough bill, grants to help struggling businesses and other recovery schemes.

Neither of the taxes will be introduced in the upcoming budget in March, according to the Sunday Times, but both could play a key role in the treasury's plan to slash Britain's £2trillion debt, the paper adds.

A Treasury spokesman told the Sunday Times: 'Our business rates review call for evidence included questions on whether we should shift the balance between online and physical shops by introducing an online sales tax. We're considering responses now.'

It comes as earlier this week ministers were urged to delay any planned tax rises for up to two years today in order to let firms left shell-shocked by Covid to recover - as ministers mull an online sales tax.

Jesse Norman, Financial Secretary to the Treasury, told MPs this week that such a levy is a possibility as Chancellor Rishi Sunak tries to raise money to pay off the UK's pandemic debt pile.

Mr Norman did not give any detail about what an online sales tax might look like, but the idea was first suggested when the Treasury reviewed business rates in July.

It was the clearest hint yet that Mr Sunak might look to raise taxes amid fears about the long-term effect of heavy public borrowing.

However the Confederation of British Industry earlier this week warned against a fresh tax burden on UK businesses.

Some economists have suggested taxes will need to go up for covering the cost of the pandemic, but CBI chief economist Rain Newton-Smith said: 'We don't see now as the time to be increasing taxes.

'You need to wait until one or two years after you've seen the trough in GDP when growth is back on a sustainable trajectory before really trying to think about either significant cuts in Government spending or significant increases in taxation.'

There has been speculation that a levy of 2 per cent on all goods bought online – potentially raising £2billion a year – could be implemented.

Critics say the tax will push up prices for consumers. Online retailers have thrived during the lockdown with customers unable to visit non-essential shops for months.

'When we thought about business rates in the recent consultation, we touched on the idea of an online sales tax and just put that out there for discussion and evaluation and we're still reflecting on that,' Mr Norman told the Treasury Committee.

Amazon and online giants face tax raid on booming sales

Plan for digital levy as high street collapses

Amazon and other companies who have cashed in on the coronavirus crisis are facing a double tax raid under plans being drawn up by the government to plug the black hole in Britain's finances.

Treasury officials have summoned tech firms and retailers to a meeting this month ahead of the budget to discuss how an online sales tax would work, according to leaked emails.

The Downing Street policy unit is also working up proposals for an "excessive profits tax" on companies that have seen profits surge as a result of the crisis.

Amazon's sales in Britain leapt by 51% last year to £19.5bn as those in lockdown became more reliant on home deliveries. But the company pays little corporation tax — just £14.5m in 2019.

Firms likely to be hit by a one-off Covid windfall tax include online retailers such as Amazon and Asos, food delivery firms such as Ocado, Just Eat and Deliveroo, and parcel firms and the big supermarkets.

Ministers believe an online sales tax might help stem the collapse of the high street and its impact on tax revenues. The online fashion retailer Boohoo recently bought the brand of the failed Debenhams department store to use online, but does not want to operate the chain's shops.

Neither tax rise is expected in the March 3 budget, which will focus on further short-term relief. But senior government sources made clear the increases could form a centrepiece of efforts to cut Britain's debts this autumn.

Rishi Sunak, the chancellor, who has spent more than £300bn of taxpayers' money in the pandemic, supports a change. "He does accept that the way we tax online sales at the moment is killing the high street and something needs to be done on it," a close ally said.

The budget will form part of six days of announcements on Britain's post-crisis future.

Sunak will extend furlough and other business support schemes that were due to expire in April and unveil a series of policies designed to show the "benefits of Brexit".

The proposed "Amazon tax" would come as part of a reform of business rates, which have been suspended for many firms and are subject to a Treasury review.

Sunak will say he is delaying the response to that review, extending business rate relief for firms, but also paving the way for an online sales tax later in the year.

A leaked email shows the Treasury has asked the Confederation of British Industry and TechUK, the UK's technology trade association, to round up companies to discuss the "overall risks and benefits" of such a tax, the "effects on business" and "wider customer and macroeconomic impacts" in the third week of this month.

Excluding food, the proportion of retail sales made online jumped from 31% to 46% last year, according to data from the British Retail Consortium and KPMG.

Recent polling by James Johnson, Theresa May's former pollster, for Kekst CNC found that an online sales tax would be the most popular way of recouping some of the costs of the Covid crisis: 56 per cent of voters want online retailers to pay more tax and only 6 per cent want them to pay less.

"People feel overwhelmingly that online retailers do not pay the tax they are due, and that they have thrived while physical retail has suffered over the last nine months," Johnson said. "People say it is "only fair" that they now pay back in."

One version of the proposal would see high street firms that also sell online allowed to offset their business rates against the online sales tax, giving high street retailers a boost. The Treasury has not prioritised a windfall tax but work is going on in No 10 on that plan under Munira Mirza, Boris Johnson's head of policy, and the PM is said to be attracted to it.

The budget speech will also hand development cash of about £25m to possible sites for free ports, another Brexit dividend.

In the autumn, Sunak is expected to use another fiscal statement to announce a series of green taxes, to tie in with Britain hosting the Cop26 climate summit in Glasgow in November.

There will also be a retraining programme to give those in the retail and hospitality sectors the skills they need to work in new green tech industries.

A Treasury spokesman said: "We want to see thriving high streets, which is why we've spent tens of billions of pounds supporting shops throughout the pandemic and are supporting town centres through the changes online shopping brings. Our business rates review call for evidence included questions on whether we should shift the balance between online and physical shops by introducing an online sales tax. We're considering responses now."

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PRA calls for extension to business rates relief and fuel duty freeze in Spring Budget

PRA chairman Brian Madderson has written to the Chancellor Rishi Sunak calling for an extension to business rates relief and a freeze on fuel duty in the Spring Budget.

Madderson wrote: “Our members have greatly appreciated the business rates relief that has supported the continued operations of ‘essential’ petrol filling stations throughout the pandemic.

“However, now is not the time to scale back vital support. BEIS statistics show that fuel volumes have dropped by up to 50%. The financial stress for independent petrol retailers has been compounded by many having been banned from operating their safe automated self-serve jet washes.

“We welcome the Scottish government’s decision to guarantee a minimum three-month extension to 100% retail, hospitality, leisure and aviation relief in 2021-22 and request the UK government ensures that business rates are consistent across the four nations. To assist recovering businesses the 100% relief should last until restrictions on economic activity are removed, with a gradual reduction to 50% relief for a further six months.”

Madderson also stressed: “We are acutely aware of the strain that the pandemic has placed on public finances. However, with present traffic volumes, a 2 pence per litre rise in fuel duty would only raise £500m per annum. This will serve to curtail economic activity at the margin and disproportionately impact key workers.”

The PRA has suggested enacting an ‘Al Capone initiative’ to recover the estimated £1bn a year lost to the mostly “endemically non-compliant” hand car washes.

From this, the Treasury would be able to establish a significant and long-term revenue stream, which would have the added benefit of combating human trafficking and money laundering.

London's businesses save billions through business rates scheme

More than 20 per cent of London’s businesses made use of the Government’s business rates holiday during the Covid-19 pandemic, saving a total of £3 billion.

Around 73,000 retail, leisure and hospitality businesses across the capital made the most of the scheme, which provided a 100 per cent reduction in business rates for the tax year to help ease the financial burden of lockdown restrictions.

However, with the scheme set to end at the end of March, London Mayor Sadiq Khan has called on the Government to extend support for businesses to prevent them falling off "a financial cliff edge".

Mr Khan said: "London's businesses and workers need further action in the forthcoming budget to protect jobs. Current plans to end the business rates holiday in March and then the furlough scheme in April create a huge financial cliff edge for employers. Without the certainty that support will remain in place for as long as it is needed, many more businesses could decide to cut their losses and close permanently now.

"Even with the rollout of the vaccines, economic activity in London – whether it be footfall on our high streets or international tourism – won't simply return to pre-pandemic levels overnight, and it's essential the Government continue to support businesses through the rest of the year. Supporting employers to keep people in work over the coming months will be integral to a successful economic recovery from Covid."

By far the biggest savings came in the borough of Westminster, where more than 7,000 businesses saved more than £970 million through the business rates holiday. Meanwhile in Haringey, almost half of all eligible businesses made use of the scheme.

Despite the success of the vaccine rollout so far and hopes that lockdown restrictions may be eased in the spring, London's business leaders have also warned that the economy will not recover straight away and have backed the mayor's call for further support.

Richard Burge, chief executive of London Chamber of Commerce and Industry, said: "Extension of the VAT and business rate relief periods would show government understands that our economy will not fully recover until vaccination rollout is complete and London's tourism and global economy recovered – which will be beyond spring realistically."

Government urges councils to delay issuing business rates

England councils have been told to not issue business rates bills this month ahead of the new 2021/22 financial year.

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The business rates holiday in England is currently due to end on March 31.

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Councils have been demanded to delay issuing business rates bills until after Chancellor Rishi Sunak sets out the Budget on March 3.

The government has signalled that further support for occupiers of commercial property like shops, pubs and restaurants is coming.

The business rates holiday in England is currently due to end on March 31.

Real estate adviser Altus Group said the Treasury is attempting to negate the economic impact of the pandemic, and has written off business rates bills for the current financial year, which runs from April 1, 2020 to March 31, 2021, to the tune of £10.13 billion fully exempting 358,264 occupied retail, leisure and hospitality properties in England.

Financial secretary to the Treasury, Jesse Norman said that the local government is responsible for the administration of non-domestic rates in England.

As part of this function, billing authorities will shortly begin preparing to issue annual rates bills to businesses.

The Budget will set out the next phase of the government's plans to tackle the pandemic, protect jobs and support businesses.

"Billing authorities in England should therefore consider issuing business rates bills after the chancellor has set out his plan at the Budget," Norman said.

The business rates holiday in Scotland – which was scheduled to end on March 31, 2021 – has already been extended.

13 large retailers, including the Big 4 supermarkets, have already agreed to repay £2.16 billion in rates relief that they have received through the holiday to support their business during Covid-19.

BT urges UK government to cut business rates on new fibre lines to hit broadband target

Telecoms group says pledge to remove onerous planning laws must be honoured

The UK government needs to cut business rates on new fibre lines in order to hit its target of connecting 85 per cent of the country to "gigabit" speed broadband, according to BT.

Philip Jansen, chief executive of the telecoms group, said that the government needed to deliver on promises to remove barriers such as onerous planning laws and business rates linked to fibre rollout to accelerate network upgrades across the industry.

He argued that exempting fibre lines from business rates — with an existing relief programme set to end — would free up about £1bn, which could be used to connect a further 3m homes.

"If we get that then there is a good chance of getting to that target," he said of the government's broadband pledge, urging it to move faster given slow progress over the past year. "Time is passing by," he warned.

Boris Johnson, the UK's prime minister, pledged to connect the whole country to gigabit speed broadband by 2025 as part of his election campaign and launched a £5bn stimulus fund to tempt more companies to invest in new cables in the countryside.

However, the target was lowered to 85 per cent last year and only a quarter of the fund is set to be freed up during this parliament, developments that recently provoked a stinging rebuke from the public accounts committee.

BT said on Thursday that it had upgraded 4.1m homes to full fibre and was adding 42,000 new premises a week. About 17,000 customers are signing up to the faster speeds each week with greater homeworking and streaming pushing more people to upgrade.

BT has set itself a target of connecting 20m homes to full-fibre lines by the end of the decade but Mr Jansen said that the speed of the infrastructure build was dependent on government action and an Ofcom market review set to be announced this quarter that will establish what rate of return it can make.

He added that the company, via its Openreach networking unit, could "build like fury" if Ofcom delivered a pro-investment regulatory framework and the government backed its plan with business rate relief.

BT and its rivals have long pushed for changes to business rates on new fibre lines, which they see as a disincentive to invest given that the new infrastructure is effectively taxed at a higher rate than the copper lines it is replacing.

Mr Jansen's comments came as BT raised its cash flow guidance for the year despite a decline in its third-quarter revenue due to the impact of Covid-19, boosting confidence that dividend payments will be restored as promised.

Revenue fell 5 per cent to £5.5bn while adjusted earnings before interest, taxation and depreciation dropped 5 per cent to £1.9bn in the three months to the end of December. The consumer business was hit by the closure of pubs and clubs that show its sports channels and lower roaming revenue at its EE mobile division as fewer people were able to travel.

Shares were down 2.3 per cent to £1.26 in morning trading.

Rishi Sunak urged to AXE council tax and stamp duty - pressure mounts for property tax

RISHI Sunak is under pressure from MPs to scrap council tax and stamp duty and replace them with a single new property tax.

Households in England would save an average of £435 a year under the new system, it was said. Campaigners, backed by a group of Tory MPs, now want the Chancellor to introduce the change in next month's Budget. They say 19 million households, three quarters of all those in England, could be better off. But the Government insisted there were "no plans to make such changes".

The Fairer Share pressure group proposes a flat rate of 0.48 per cent on the current value of your property.

It says it would bring in the same revenue as council tax and stamp duty combined.

It acknowledged that basing the rate on current property prices - unlike the council tax bands that are based on 1991 valuations - would mean households in London having to pay more due to the "extreme" rises in house prices in the capital.

However, it said that any increases could be limited if the property was being sold.

The group also claimed 97 per cent of households in the 43 so-called "red wall" seats the Tories took from Labour at the last general election would benefit.

These households would see an average saving of £660 a year, it was said.

Kevin Hollinrake, chairman of the Property Research Group of Tory MPs which campaigns for reform of the property tax system, welcomed the proposal.

He said: "The time is right to put fairness back at the heart of how we tax property. It would also boost transactions throughout the market, creating huge economic output at a time when we most need it."

A government spokesman said: "We have no plans to make such changes. We have analysed Labour's plans for such an annual house price tax, which would mean soaring bills for hard-working families and pensioners.

"These proposals would have the same faults."

VOA halts talks over business rates rebates

The Valuation Office Agency has paused talks over hundreds of millions pounds worth of potential Covid-19-related business rates rebates for offices, PF has learnt.

Last month, a number of press reports said the VOA had agreed a 25% rebate in office rates – worth around £481m –due to the impact of the pandemic.

However, no such agreement had been reached, and the VOA has confirmed that discussions on the issue with business rates advisers have now been suspended.

A VOA spokesperson told PF: “We know this is a challenging time for businesses and it is our absolute priority to deal with outstanding cases.

“We have temporarily paused meetings with the rating profession to give everyone a chance to gather further evidence, as the situation is evolving.”

The spokesperson said: “Understanding the valuation impact of the ongoing pandemic is a complex issue but we will progress cases as soon as we can.”

David Parker, director of ratings at property consultancy Savills, told PF said that the mistaken reports had possibly played a part in the VOA's move.

He said: "The VOA were put in a difficult position and probably required them to react to an awful lot of questioning, and spent time responding to questions due to a claim which has no substance.

"So, I think it would have been an annoyance to the VOA for this to happen, because it simply was not true."

The case for rate reductions for the office sector centre on the argument that lower property demand resulting from Covid-19 has led to a reduction in rental values, a key basis of business rates.

Talks with the VOA are understood to have covered a number of property types, though offices are at the forefront as no rate relief has been grant on these premises this year.

Parker added that he expects the VOA to reopen discussions with the sector in the near future.

He said: "As soon as we get enough evidence to prove what we think the answer is, and we present that to the VOA, we can then have those negotiations with them.

"If we can then agree a framework or a matrix of what sort of adjustments should be made, then I think that's when it will happen naturally."

"It's essential the government steps in" – MPs have their say on the stamp duty holiday

Both Labour and Conservative MPs have backed calls to eliminate the cliff-edge deadline to the stamp duty holiday.

While some MPs called for an outright extension to the holiday, most suggested that allowances should be made for those with ongoing transactions.

Yesterday there was a 70-minute debate in a virtual House of Commons on the issue, following an e-petition calling for a six-month extension to the stamp duty holiday, which has amassed around 140,000 signatures.

Labour MP Barbara Keeley said: "I'm calling on the government to act to ensure that people who have made a commitment to buy a house in the reasonable expectation that they wouldn't have to pay stamp duty are not hit with an excess charge.

"There are options. It need not be an open-ended extension to the duty holiday, but could retrospective, to allow anyone who has already had an offer accepted to be exempt from stamp duty, even if they are unable to complete by March 31st."

She spoke about how nobody could have seen the lockdowns and restrictions coming when the stamp duty holiday was first announced, making it unfair for people to potentially miss out on this tax break.

Greg Smith, Conservative MP, said: "It's essential the government steps in to make this holiday count for those movers already engaged in transactions, but for whom delays may push them past the 31st March."

Smith also attacked stamp duty as a whole, saying it disincentivises housing transactions and caps people's homebuying aspiration. He therefore called for an overhaul.

Meanwhile Conservative MP Elliot Colburn said: “If a permanent change to stamp duty isn’t on the Treasury’s outlook, especially during the time of the pandemic, then I would argue that a phased and tapered winding down of the relief would probably be the most preferable option.”

It’s likely the strategy on how to end the stamp duty holiday will be announced with the Budget on March 3rd 2021.

Sarah Olney MP of the Liberal Democrats seemed most hostile towards the stamp duty holiday and potentially extending the tax break, though she agreed that the Treasury should “make allowances” to ongoing transactions.

Abena Oppong-Asare, Labour MP, also a swipe at the holiday as a short-termism policy, while she raised concerns that an extension could cause another cliff edge.

Other MPs generally called for a slow wind down of the policy.

Kevin Hollinrake MP suggested that people should be given an extension who have received a mortgage offer by the end of February.

And like other Conservative MPs, he called for wider reform to property taxes. He felt stamp duty should be abolished and replaced by a new proportional property tax.

Janet Daby, Labour MP, appeared to support an outright extension to the holiday.

She said: “Just as we’ve seen the extension of the job retention scheme, the emphasis on working from home and other public health measures continue beyond March, so to should be the stamp duty relief.

“The extension of the stamp duty relief would benefit all of us, regardless of whether we ourselves are wanting to buy property or move home. But we all need the economy to move again and where it is moving, we need this to continue.”

Meanwhile Labour MP Dianne Abbott argued the holiday should be extended locally in Hackney, because a cyber-attack has led to huge delays in council services in the area, meaning the council hasn’t been able to provide land search information to mortgage lenders.

She said: “The residents of Hackney should be allowed to enjoy the same benefits as others have through the stamp duty holiday.”

Councils would set rate on ‘local share’ of proposed new property tax

Proposals to replace council tax and stamp duty with a new ‘proportional property tax’ would leave more than three quarters of households better off, it has been claimed.

The proposal, which is reported to have attracted interest from the Treasury, would see revenues split between local and central government with councils retaining the ability to set the rate on their share.

Based on a tax rate of 0.48% of a property’s value the campaign group Fairer Share, which commissioned WPI Economics to develop the proposals, say 19 million households, equivalent to 76% of homes in England, would pay less than they currently do on council tax.

At this rate, the policy would be revenue neutral for the Treasury.

Councils would then be free to increase or decrease the rate on the local share. There are currently no proposals for how the £36.7bn forecast to be raised by the tax would be split between local and national government however the government is forecasting councils will raise more than £31bn in council tax in 2021-22, all of which is currently retained locally.

The tax would be paid by homeowners rather than tenants while owners of empty or second homes and home buyers not domiciled in the UK will pay a rate of 0.96% and remain eligible for stamp duty.

Fairer Share, which was set up by former Goldman Sachs banker Andrew Dixon to campaign for property tax reform, is also proposing the bedroom tax should be abolished as part of the reforms.

The campaign has the support of Yorkshire MP Kevin Hollinrake, chair of the Property Research Group of Conservative MPs, which is also calling for reform while Treasury minister Jesse Norman was last month reported to be interested in the idea of a proportional property tax.

Mr Hollinrake said: "The time is right to put fairness back at the heart of how we tax property. Replacing stamp duty and council tax with a proportional property tax would ensure homes are taxed at their current value. It would also boost transactions throughout the market, creating huge economic output at a time when we most need it."

Council tax bills already vary significantly across the country with the average household in inner London paying £600 less than the average in the north east, despite the latter having lower property values.

While 97% of properties in the 44 'Red Wall' seats the Tories won from Labour at the 2019 general election would see bills reduce under the proportional property tax, households in London are expected to see increases. However, Fairer Share is proposing these increases are capped at £100 a month until the owner sells the property.

'Asset rich, cash poor' households which would struggle to pay increased tax rates would be able to defer the tax until point of sale at low interest rates.

A flat tax would see revenues generated rise in line with rising property values, however they could also fall in the event of falling property prices. A spokesperson for Fairer Share told LGC setting the rate would be a "lever" government could pull to ensure it raised what was needed.

Government must act to avoid business rates cliff edge

Chancellor Rishi Sunak must announce further business rates support from 1 April to bring some sense of certainty for retailers, says Robert Hayton, UK president of property tax at real estate adviser Altus Group.

The acquisition of Debenhams by Boohoo last week and Asos's purchase of Arcadia's Topshop, Topman, Miss Selfridge and HIIT brands earlier this week, is likely to lead to around 15m sq ft of retail floor space - the equivalent of 194 Premier League football pitches - become vacant in the event that no stores are retained.

The landlords of these stores will potentially have to face business rate liabilities of around £141m in annual empty rates, after a short exemption period, unless new tenants can be found.

Chancellor Rishi Sunak, to his credit, has invested more than £280bn during the last year, including £12bn on business rates support across the whole of the UK, to try and protect retail businesses against the economic impact of coronavirus.

But landlords of commercial property have themselves so far been overlooked, after having been specifically excluded from the scope of the current rates holiday which is due to end on 31 March.

The acceleration of the structural changes taking place across our high street means empty rates owed by landlords are ripe for modernisation as part of the Treasury's promised 'fundamental review'. Rate-free periods need to be extended to reflect the time that it actually takes to now re-let vacant properties. Failure to do so will stifle investment in our communities.

Ahead of this, the Chancellor must now, as a minimum, give businesses in England the immediate certainty they need by confirming an extension to the business-rates holiday ahead of the Spring Budget [to be revealed on 3 March]. Lockdown restrictions and changing consumer habits mean our high streets are far from capable of bearing the burden right now.

In Scotland, where business rates are devolved, the government took the lead last week by confirming an extension to the current 100% rates relief for occupied properties in the retail, hospitality, leisure and aviation sectors for at least three months from 1 April.

Despite this continuation, the tax break will no longer be applied automatically but instead will be application-based to avoid it going to businesses who have weathered the pandemic well. This is a sensible and prudent move, providing that those who need the support suffer no delays.

Given the hugely impressive vaccination programme, and the speed of the roll-out, it has never been more important than now to ensure that viable businesses are supported adequately during what will hopefully be these final months of the pandemic.

We must avoid a cliff edge caused by withdrawing relief too early, whilst learning from the mistakes of the past where support was arbitrary rather than targeted at those most in need.

Halve alcohol duty and scrap business rates in £35bn package to rescue 500k jobs and Britain's pubs, restaurants and high streets from 'irreversible decline', urges business group

A leading business group has today urged the Chancellor to implement a radical £35bn set of measures to safeguard 500,000 jobs and save Britain's ailing pubs, restaurants and local high streets from financial 'oblivion' following successive lockdowns and a pre-existing decline in footfall. The economic collapse in Britain's hospitality sector — responsible for over three million jobs — accounts for roughly one-third of the overall slump in GDP.

To provide urgently needed financial support for the hospitality and high street economies, the Independent Business Network (IBN), which champions the needs of family-run and family-owned businesses across the UK, has called on the Government to implement a swathe of measures, including halving the amount hospitality venues pay in alcohol duty and extending the suspension of business rates for a further 12 months. It is also calling for the existing reduced VAT rate of five per cent for the hospitality sector to be maintained while extending it to include sales on alcohol. Meanwhile, it calling for steps to level the playing field between high street retail and online.

The full list of measures set out in the relief package for the hospitality and high street sectors and their respective costing include:

- Provide hospitality businesses with a COVID-investment rebate – £690m
- Extend hospitality's reduced VAT rates for remainder of 2021 – £6.3bn
- Include alcohol in hospitality's reduced VAT rates – £750m

- Cut in half Britain's alcohol taxes – £1.8bn
- Make hospitality investments 100 per cent First Year Allowance (FYA) – £1.15bn
- Continue the suspension of business rates 2020/2021 – £15bn
- Cut VAT rate payable by physical retailers to 14 per cent – £7.6bn.
- Freeze town centre parking fees – £872m
- Reintroduce 'eat-out-to-help-out' and complement it with a 'pro-hospitality' advertising push – £1.08bn.

Covid-Investment Rebate

A key priority, the report's authors argue, is the introduction of a rebate for the safety equipment purchased on mass by pubs and restaurants. The IBN argues that in many cases these investments were made on the basis of the tenor of the Government's announcements at the start of the initial lockdown that, once the spread of the virus had been curtailed, the hospitality sector would reopen.

Instead, the end of the first lockdown merely heralded a period of further Government-led confusion and sporadic convulsions back into lockdown. Venues had made significant investments on the basis of misleading and inaccurate Government advice for equipment that was largely redundant. The compensation rate for these venues should be set at a maximum of £10,000 per individual pub and restaurant, with provision made for a potential 69,000 claimants. In sum, this rebate programme would cost £690m.

Save the High Street

The authors argue that in many cases the fate of the hospitality sector is intimately linked to the future of Britain's high streets. A strong retail presence in Britain's high streets increases footfall for the hospitality businesses, while the availability of pubs and restaurants encourages customers to participate in retail shopping.

To simultaneously rejuvenate the family run businesses that dominate both our hospitality and high street retail sectors the report is calling for the Chancellor to level the playing field between the high street and online retail. It is calling for the rate of VAT payable by retailers with a physical retail presence to be cut to 14 per cent, while also extending the abolition of business rates in the 2021 Budget for a further year. Meanwhile, the Government is called upon to undertake a consultation process with businesses, local authorities and business associations to replace the current business rates model by the time of the 2024 general election.

The report also calls for the freezing of parking charges for 2020-2021 – at a cost of £872m – and to only allow a one per cent annual increase for the next five years for car parking, parking permits, and associated fees while putting in place measures for further consultation.

Lastly, the report calls for the reintroduction and expansion of the 'eat-out-to-help-out' scheme to include sales on alcohol and to complement it with a nationwide 'pro-hospitality' advertising campaign.

Commenting on the publication of the report, chairman of the Independent Business Network, John Longworth, said: "The comprehensive £35bn package of measures we have set out here today are vital to saving our pubs, restaurants and high streets from financial ruin. We urge the Government to adopt them and save up to 500,000 jobs and countless family run businesses from destitution. After all, the parlous state our hospitality industry is facing is a symptom of the Government's own actions.

"Successive draconian lockdowns imposed by central Government have decimated our hospitality and high street retail sectors to the extent that many are facing the looming prospect of financial oblivion and, in some cases, irreversible decline. The travesty is that much of this damage was entirely avoidable and was a by-product of poor leadership and an ill-informed effort on the part of Government to get to grips with the virus.

“For weeks during the first lockdown the Government gave those operating in the hospitality industry the false impression that an end to lockdown would bring with it a slow but gradual return to normality. As a consequence of the Government’s messaging, pub landlords and restaurant owners the length and breadth of the country invested in expensive PPE and other equipment to ensure social distancing and prevent the spread of the virus only to discover that, in fact, the sector would be plunged once again into closure and their equipment investment rendered redundant. In many cases the level of investment exceeded £10,000. Of course it’s right, therefore, that the Government should step-in to provide compensation to these businesses.

“A further example came last March, as cases in the UK began to rise for the first time, the Government delayed declaring Covid-19 a “notifiable” disease, which led to many pubs and restaurants unable to make insurance claims until this declaration has been made.

“It’s time the Government shows its support for British industry and backs these measures.”

'Another wave' of retail failures predicted if business rates relief ends

“High streets are starting to look like a bare-knuckle fighter that’s had half his teeth knocked out,” says Richard Pennycook.

It’s hard to disagree. The trend of online spending was well-established before Covid-19 but lockdown has accelerated it.

Today, Asos, an online-only retailer that is inclined to stay that way, sealed a deal to buy the Topshop, Topman and Miss Selfridge brands from the administrator. It didn’t want the shops.

“It’s depressing, but I’m not surprised,” says Pennycook, who used to run the Co-op Group and is the former chair of The Hut Group and The British Retail Consortium.

“The difficulty, I think, is that once a centre loses its heart, once every other shop is boarded up then it’s not the sort of place that people want to go to.

"Of course, that means that for the businesses that are still there, trying to make a living, they haven’t got enough footfall to be viable. It actually becomes a vicious spiral."

Altus Group calculates that Debenhams and Arcadia occupied 1.4 square metres of retail space - the equivalent of 194 Premier League football pitches.

Pennycook believes this space will be very hard to fill and that, when lockdown lifts, we will find our city centres transformed for the worse.

“In previous recessions or shake-outs, if a retailer did cease trading then somebody else would quickly come in. It was a vibrant environment. But, of course, now so much trade is online there won’t be retailers taking that space,” he told ITV News.

And he predicts that the pock-marks on the high streets will get bigger if the business rates holiday for retailers isn’t extended.

Business rates is a tax on property. Last March, as we headed into the first lockdown, the chancellor gave retailers a 12-month business rates "holiday", saving them around £8 billion.

Retailers are due to starting paying the tax again in April, but many claim they can't afford to because their shops are closed once again

"If we don't see the lifeline go beyond March 31 then we will see another wave of retailers that are unable to survive on the high street," Pennycook says.

In 2016, The British Retail Consortium talked of 900,000 retail jobs disappearing by 2025 as spending moved online.

Pennycook believes that the reality is that will happen more quickly now because of the pandemic. He argues the job losses will occur "right now and in the year ahead."

Successive governments have promised to review business rates. Pennycook sits on the Retail Sector Council, which advises government. He argues the tax still offers online retailers an unfair advantage.

"[The government] is going to have to level the playing field," Pennycook says.

"We've said in order to do that they should think about changing either Corporation Tax or VAT."

BRC urges government action as store vacancies soar

The British Retail Consortium (BRC) has urged the government to extend the business rates holiday beyond April to avoid more high street damage after vacancy rates soared at the end of 2020.

In the final quarter of last year, shop vacancy rates across the UK hit 13.7%, up from 13.2% in the third quarter and 1.6 percentage points higher than the same period in 2019, according to the BRC-LDC data.

While all retail destinations saw vacancies rise during the period, shopping centres were hit particularly hard, with the proportion of empty units reaching 17.1%.

High street vacancies jumped to 13.7% nationwide, while retail park vacancies hit 10% in the quarter.

BRC chief executive Helen Dickinson warned the Government that, without an extension to the existing business rates holiday, which expires at the end of April, more stores would close and tens of thousands more retail jobs would be lost.

The Scottish government yesterday revealed plans to extend its business rates holiday for companies operating North of the boarder for a further three months, but retailers want that move replicated in England.

"With the country in and out of lockdown, the forced closures of thousands of shops and consumers reluctant to visit town and city centres, it is unsurprising that the number of shuttered stores continues to rise," Dickinson said.

"Over the past two years, one in every 50 outlets has permanently closed, and this number will only go up.

"The big increase in vacancy rates during the crucial golden retail quarter, when demand is usually high, serves as a stark reminder of the pandemic's impact. Social restrictions and their knock-on effect on consumer appetite for fashion has meant that shopping centres are still faring the worst due to their high proportion of clothing outlets.

"What's more, due to economic uncertainty, many retailers have paused their plans for future investment in new stores.

"If the government wants to avoid unnecessary shop closures and the loss of tens of thousands of jobs, it must urgently extend the business rates relief beyond April, providing additional targeted financial support to the hardest-hit retailers, and extend the moratorium on aggressive debt enforcement.

"Without these interventions, not only will retail firms go under, but the vibrancy of our town centres and local communities across the country will be lost."

Retailers have become increasingly concerned about the prospect of business rates repayments beginning again in full from April, despite many 'non-essential' retailers having been forced to close before the crucial Christmas trading season and still not being allowed to open stores.

Speaking to Retail Week, Waterstones chief executive James Daunt warned he would be forced to close stores if the business rates holiday was not extended.

The prime minister announced earlier in the week that he would not be opening schools again until at least March 8, which would indicate that a timeline for non-essential store reopenings may go beyond that.

IRELAND

Prime Dublin office rents fell by up to 10% in 2020

Rents for prime city center office space in Dublin fell by up to 10% year on year in 2020, according to two surveys, as disruption from the COVID-19 pandemic halved the number of new lettings compared to 2019.

Rents fell below 60 euros ($73) per square foot for the first time since 2016, property agent HWBC said on Friday, a drop of around 10%. A separate survey from property consultancy Knight Frank put the annual fall at around 8%.

HWBC said the take-up of new space fell to its lowest level since 2012 – when Ireland was midway through an EU/IMF bailout – as firms postponed long-term letting decisions.

The reduced demand also led to a rise in the vacancy rate and an increase of 'grey' space coming to the market, HWBC said, referring to companies looking to sub-let excess space that is surplus to requirements.

However, it expects the declining market to be short-lived, pointing to multinational companies, including Amazon, Dropbox, Mastercard and Slack, accounting for seven of the ten biggest deals in 2020, despite the increase in remote working.

“Investors and potential occupiers face a narrow window of opportunity to strike before the appetite to acquire and lease space returns with a vengeance in the second half of the year,” HWBC Managing Director Tony Waters said, linking the return in occupiers’ confidence to the rollout of COVID-19 vaccines.

SCOTLAND

Non-domestic rates relief extended

Retail, hospitality, leisure and aviation businesses will pay no rates during 2021-22 under proposals outlined today.

It is one of a series of measures proposed by Finance Secretary Kate Forbes following confirmation of a further £1.1 billion of consequential funding arising from UK Government coronavirus (COVID-19) spending.

The move builds on the three month rates relief extension announced in the Scottish Budget and will be taken forward provided the Scottish Government receives the funding already assumed from the UK Budget on 3 March, and that requisite funds are available to maintain existing support into 2021-22.

Newspapers will also continue to benefit from 100% relief for a further 12 months, while charitable rates relief will not be removed from mainstream independent schools until 1 April 2022 due to the ongoing impact of the pandemic.

Other extra spending in 2021-22 arising from the latest consequentials includes:

- £120 million for mental health
- £120 million for affordable housing
- £100 million to support people on low incomes
- £60 million for schools to help pupils catch-up on missed education
- £60 million for NHS recovery
- £45 million for heat decarbonisation, energy efficiency and fuel poverty
- £21.5 million for Scottish Enterprise

Separately, local authorities will receive an extra £275 million in the current financial year to address COVID-19 pressures, while a further £40 million is being made available to support the safe reopening of schools.

Ms Forbes said:

“When I presented our budget last month I guaranteed to extend non-domestic rates relief further if I was given the necessary resources. I can now deliver on that promise, providing the UK Budget in March delivers the funding we require.

“The other measures I am proposing today, including further support for hospitals, schools and local government and measures to tackle climate change, build on our priorities to ensure a robust recovery for our economy and public services.

“This welcome additional consequential funding was confirmed to us yesterday and I wanted give early notice to parliament and provide clarity to businesses.

“We are still in the throes of a national emergency and it is important Parliament works together to respond. I will continue to work with all parties to help deliver a budget for the nation fit for these times.”

WALES

Welsh Government not following Scotland with early business rates announcement for lockdown hit sectors

The Scottish Government has announced a rates holiday for retail, hospitality and leisure

Welsh Government will not follow Scotland with an early announcement on business rates relief for the next financial year - saying they are waiting for UK Government to act.

The SNP run Government has announced the business rates holiday in Scotland is to be extended for a further 12 months for the retail, hospitality, leisure and aviation sectors until March 31, 2022.

Finance Secretary Kate Forbes reported the measure although added that this was provided the nation receives the funding already "assumed" from the UK Budget on March 3.

The Welsh Retail Consortium welcomed the "bold step" and called on the Government in Wales to follow the example of Scotland.

UK Government have not yet made a move on business rates in England - which would lead to extra consequential funding coming to Wales to do the same.

But they have announced a further £665m in Barnett funding for the NHS, other public services and businesses in Wales due to other funding commitments.

An extended rates holidays for retail, hospitality, and leisure sectors in Wales would cost around £370m.

Head of the Welsh Retail Consortium Sara Jones said: “This is a very welcome and bold step taken by the Scottish Government, and one which clearly demonstrates that it is within the gift of the Welsh Government to act now on this vital issue which is causing so much uncertainty for the sector in Wales.

"Welsh retailers are losing out to the tune of over £100m a week in sales due to the enforced lockdown and, with mounting cost pressures, it is imperative our decision makers act now to avoid the April business rates cliff edge and in order to save jobs, shops and local communities.

“Whilst a return to trading is crucial, it will not be a panacea for the sector.

"This is why we need immediate assurances that business rate relief will be frozen for the hard hit retail sector for the forthcoming year.

"Such a move would undoubtedly soften the landing as we look to resume trading in the very near future and play our part in Wales’ economic recovery."

A Welsh Government spokeswoman said: “We urge the UK Government to confirm their plans for non-domestic rates support as quickly as possible and provide us with the necessary consequential funding so that we can best target support to our communities and businesses.”

Chancellor Rishi Sunak is widely expected to extend the business rates holiday for shops, as well as restaurants, pubs and leisure facilities, at the March budget.

Retail and pub bosses struggling with Covid-19 disruption have demanded the UK Government announces extensions to business support packages before the Budget - saying the uncertainty is weighing heavily on investment decisions.

Covid-19: Further details on £200m to support Welsh businesses

Further details on £200m to support Welsh businesses have been provided.

THE WELSH Government has revealed further details of the £200m package of support for non-essential retail, hospitality, leisure and tourism businesses that continue to be impacted by the ongoing Covid-19 pandemic.

The latest funding is linked to the non-domestic rates system and will operate as a top up to the Restrictions Business Fund which was put in place in early December.

It brings this latest phase of Welsh Government support to £650m and will help businesses with operational costs through to the end of March.

Businesses with a rateable value of £12,000 or under will be eligible to receive a payment of £3,000.

Businesses with a rateable value between £12,001 and £150,000 will be eligible to receive a payment of £5,000.

The Welsh Government is also extending the £5,000 grant through to businesses with a rateable value of up to £500,000.

Supply chain businesses will be able to apply for support if they have had a reduction in turnover of more than 40 per cent.

The combined package provides eligible businesses with an NDR rate of £12,000 or under with a £6,000 grant towards their operating costs, and an eligible business with an NDR rate of between £12,001 and £150,000 with a £10,000 payment.

This does not include, where eligible, businesses who have accessed the ERF Sector Specific Fund which would see a typical hospitality, leisure and tourism business with 10 employees receive up to an additional £15,000 meaning a £25,000 grant in total for the period.

A further £30m is also being made available through the discretionary fund to provide up to £2,000 grants for businesses not on the non-domestic rates system.

Welsh Government support is in addition to that available from the UK Government.

Local authorities will again be administering and distributing these payments. Businesses that pay non-domestic rates and have already received a payment since the firebreak in October do not need to take action. However, businesses that have not registered with their local authority, should take action now to ensure they receive the financial support they are entitled to.

Since the beginning of the pandemic, the Welsh Government has ensured that more than £1.7bn of business support has reached the bank accounts of Welsh firms.

This help has been crucial for businesses across Wales throughout the pandemic and has protected tens of thousands of jobs that might otherwise have been lost.

Economy Minister Ken Skates said: “The coronavirus pandemic continues to have a severe impact on our economy and our businesses, particularly those in the leisure, tourism, hospitality and retail sectors.

“The additional £200m we are making available will provide reassurance to firms across Wales and help them with their operating costs through to the end of March.

“Our support is in addition to that available from the UK Government, including the Job Retention Scheme and the Self Employment Income Support Scheme, and I encourage businesses to explore those options as well.

Mr Skates is also calling on the UK Government to provide further certainty to businesses and individuals by assuring that support available through interventions such as the Job Retention Scheme will not be withdrawn before the economy is ready.

He added: “Local Authorities have been crucial throughout the pandemic in supporting our efforts by administering and distributing this funding to firms in their area and I would like to once again thank them for their fantastic work and everything they continue to do to help our businesses when they need it most."

Local Government Minister Julie James also paid tribute to the efforts of local authority staff.

"I know that staff across Wales have worked incredibly hard to make sure support was available to their local businesses as quickly as possible," she said.

"They have done this while continuing to ensure local services are delivered and while playing an essential role in many other responses to the pandemic from test, trace, protect to supporting those self-isolating."