IPTI Xtracts
Property Tax and Assessment News from Around the World

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The online tax debate simply highlights the problem with business rates

Who wouldn't want to be Amazon right now? As the pandemic pushes hordes of shoppers online, its dizzying power has reached new heights. In February, it announced a 72% surge in operating cashflow for the year ending 31 December 2020, to a total of $66.1bn (£47.8bn).

That same month, controversial founder Jeff Bezos reclaimed his title of richest man in the world from rival Elon Musk. The former now boasts a net worth of $186bn, while Musk has to make do with a paltry $183bn.

The accompanying pictures of Bezos grinning like a Bond villain have no doubt fuelled the recent furore over the taxation of online businesses in the UK. The issue made the headlines yet again today, as Chancellor Rishi Sunak announced he would wait until the autumn before deciding whether to introduce an online sales tax – long mooted as a tool for levelling the playing field between digital and physical retail.

On the face of it, there's logic in this argument. The likes of Amazon have been raking it in under Covid restrictions, while physical stores – many of which have forced to close for the majority of the past year – are struggling to get by.

ONS statistics showed online transactions had reached an all-time high in January, when they accounted for 35.2% of all spend. And that's unlikely to return to previous levels even once Covid-19 restrictions are lifted.

So whacking a tax on Amazon would no doubt be a popular move among those who have suffered from this shift. But any schadenfreude is likely to be brief. As Covid makes digital sales a necessity, rather than a luxury, few will escape the tax.

And it's debatable whether it will do much to offset the real issue at play here: the disproportionate burden of business rates on bricks-and-mortar premises. It's an issue that has momentarily been swept under the carpet during Covid, as the government has repeatedly extended the full business rates holiday. But that will come to an end in July, when rates will once again become payable on a discounted basis. By March 2022, rates are due to return to their pre-Covid levels.

That's a scenario many retail leaders are keen to avoid. The business rates system has long come under fire for taxing the retail sector too heavily and relying on outdated property values. As one senior source puts it: "There's not a single person in commercial real estate who doesn't think it has to change."

A return to that system in the coming year, as the high street attempts to make a recovery from the pandemic, could be disastrous. The business rates multiplier is 51p in £1. If that was undesirable before Covid, it's now unthinkable.

So although it's later than desired, it's perhaps a good sign that the government will be looking at the online tax in autumn, at the same time it reviews the entire business rates system. Because taxing online on its own won't work. What's needed is a wholesale reform of the tax system, taking into account all retail models.

By looking at the two together, the government can perhaps create a system that works for the new world – one in which the supposed division between the online and offline worlds will increasingly become irrelevant.

Tax Day: Government commits to significant business rates reform

The Government's 'tax day' announcements have been dubbed a 'damp squib' but do include plans to overhaul business rates.

The government's tax reform announcements may have been universally described as a damp squid but there is some good news within it for agents who pay business rates.

This is within an interim report buried within the announcements by HM Treasury, and concerns its ongoing Business Rates Review. This is due this Autumn and follows last year's consultation on rates reform.

This has all been under way as Covid has struck. Business rates increases have been frozen and retail, hospitality, leisure (and estate agencies after industry lobbying) have been given a £10 billion rates holiday until April this year, after which it tapers off depending on whether a business is able to open its premises or not.

But many businesses have called for an extension of the 100% discount until later this year, HM Treasury says, because they are worried it doesn't give them enough time to get their finances on an even keel.

DIRECTION OF TRAVEL

But today's interim report points to the direction of travel after the pandemic has receded and the economy is back on track.

This includes reducing rates complexity and in particular the thick red tape that clogs its reliefs system, which many SME agents say favours smaller firms.

It is also considering whether rates should be based on ability to pay, turnover or profits rather than size of property, bringing the duty in line with corporation tax.

But the reports says there was little or no support for a much cherished idea among businesses – to make property owners pay the duty through a 'capital values tax'.

HM Treasury says this would be difficult to collect, and that valuing properties would be problematic.

One thornier problem swerved by the Business Rates Review interim report is online estate agents, many of whose franchisees operate virtually from their homes and who, therefore, avoid paying business rates altogether.

Hopes rise for office-based companies of cut in business rates

There is growing optimism that the government will offer a settlement for office-based companies that say their business rates bills are unreasonably high during a period when they have been forced to tell staff to work at home.

Hundreds of thousands of office-based businesses are challenging their business rates bill for 2020-21 on the basis that the pandemic has resulted in a "material change of circumstance".

Unlike businesses in the retail, hospitality and leisure sectors, office-based companies have had no business rates holidays during the pandemic. More than 400,000 businesses are estimated to have lodged the first stage of an appeal against their rates bill.

There are rumours in the ratings industry that the government is considering offering a one-off discount to office-based bills, since dealing with the appeals on a case-by-case basis is not likely to be viable. A government offer of a 25 per cent cut to offices' bills was being discussed at the end of last year, but talks broke down.

The Rating Surveyors' Association, made up of surveyors who advise on business rates, criticised the government's Valuation Office Agency, which administers the rating system, for refusing to return to the negotiating table. Josh Myerson, president of the RSA, called for the agency to make "unilateral alterations" to office rates bills to reflect the lockdown to "prevent what could be years of uncertainty while the VOA worked through the backlog of individual appeals".

John Webber, head of business rates at Colliers, a rates adviser, warned that delays after talks were abandoned would "cause businesses to fold".

The RSA said: "Understanding the issues raised by Covid-19 on valuation is complex. We are working extremely hard to provide clarity and will provide more information as soon as we can."

Cash-strapped councils in crisis funding talks ahead of 'tax day'

More councils are in talks for government bailouts as local leaders warn business rates shake-up must be part of wider funding overhaul

More cash-starved councils are in discussions over being bailed out as local leaders urge ministers ahead of 'tax day' to address a post-Covid funding crisis.

The cost of so-called 'capitalisation directions' to bail out local authorities in 2020-21 reached around £150m this week but local leaders expect more help to be agreed as funding pressures spill over into the next financial year.

Local government officials believe more capitalisation directions may be needed either this financial year or in 2021-22 as councils face prolonged funding pressures from the pandemic. Sources close to the discussions said at least two additional councils could have help confirmed in the coming months after officials held advanced talks with several local authorities.

"We have this week announced exceptional support packages for a number of councils and we are continuing to talk to a very small number of others about their financial position," a Government spokesperson confirmed.

It came as the Local Government Association warned ministers that a planned shake-up of the business rates system must "recognise the importance of this income stream for funding key local services". It urged ministers last night to look into new funding sources for councils as confidence in controversial business rates dwindles.

A quarter of council spending is funded by business rates but the Government is expected to deliver its interim report on a mooted overhaul of the controversial levy at this week's "tax day", when the Treasury will publish a slew of consultations on future policy.

Councils are required to balance the books but have faced severe funding pressures during the pandemic. Seven councils in 2020-21, including Croydon, Luton and Nottingham, have been granted a capitalisation direction, allowing them to borrow or use capital receipts to prop up spending.

The pandemic has thrown light on the struggles of councils to fund local services with central government providing them huge financial support. "The attention needs to shift towards developing new sources of finance for councils and different ways of incentivising growth," said Richard Watts, chair of the LGA's Resources Board.

"Local government's confidence in business rates as a reliable income source with a future has reduced," he warned. "We believe that the move to 75pc business rates retention should now only be revisited, if appropriate, once the Treasury's business rates review concludes."

The Institute for Fiscal Studies warned on Friday that local authorities still face a £100m funding gap in the current financial year with shire districts particularly likely to face a shortfall. It predicted that pressure on council budgets will become "very challenging" from 2022-23.

A Government spokesperson added: "The Government has committed over £35bn to help councils support their communities and local businesses during the pandemic, which includes a guarantee to meet 75pc of losses in council tax and business rates income this year worth an estimated £800m.

"Even with the considerable support already provided there will be individual councils with unique circumstances which, in some cases, has been exacerbated by poor financial management on their part."

English pubs and restaurants scramble to create outdoor space

Businesses prepare for easing of lockdown that will allow outdoor service from April 12

A UK government edict allowing al fresco dining from April has prompted a scramble to create outdoor seating space, with restaurant and pub operators desperate to claw back revenues lost during lockdown.

Hospitality businesses across England are planning to open terraces or expand on to pavement areas after ministers ruled that restaurants and pubs could serve customers outside only in the first instance when they are permitted to reopen on April 12.

Pub company Punch said this week that it was investing £1m in outdoor space, while the landlord Cadogan, which owns large parts of Kensington and Chelsea, said that it was adding 500 seats to newly pedestrianised streets in the area.

Some hospitality businesses are reporting higher demand for outdoor tables than when they reopened in July last year.

The River Café in London said it was almost fully booked for April with just a few weekday lunch slots available, while D&D, which runs 38 restaurants in London, Manchester and Leeds, said it planned to open the terraces at 20 of its sites amounting to around 1,100 places per sitting. It had already had 60,000 bookings up to the first week in May.

"We are well over double the number of bookings ahead of opening compared with when we opened last year, and last year we had the whole restaurant to book," said D&D chief executive Des Gunewardena. But, he added, the cost of reopening was in the "hundreds of thousands".

Clive Watson, executive chair of City Pub Company, which runs pubs across London and south east England, said that investment in outdoor spaces was costing around £4,000 to £5,000 per pub.

Some operators such as pub group JD Wetherspoon and café-bar chain Loungers have warned that they will still face losses, despite the gradual easing of restrictions.

Though S4labour, a provider of staff management software for the industry, said it was forecasting industry revenues would be 70 per cent of what they were in 2019 in the week following April 12, even with only outside space open.

Food delivery business Supper, which is used by restaurants such as Nobu and Hakkasan, has even set up pick up points in 13 London parks in anticipation of demand.

Operators have expanded al fresco areas in a bid to bring in as much cash as possible before the current relief on business rates ends and a moratorium on evictions for tenants that have not paid rent during the crisis is lifted.

Figures from trade body UKHospitality showed that because of a cap on the amount of relief they can claim, 7,619 venues will be liable for full business rates within nine days of being able to reopen fully on June 21.

A further 1,850 will be paying full rates before September.

"The cap will put an economic drag on these businesses and affects the jobs that they support," UKHospitality said. It is campaigning for rates relief to be extended to September, in line with the phasing out of the furlough scheme.

Gunewardena said that the removal of business rates relief would hold back the group's full recovery until 2022. "If [the government] could have kept rates relief where they were, we would have got back to pre-covid [levels] by the end of this year," he said.

Reform urged for outdated council tax that hits poor hardest

Campaigners from across the political divide tell Rishi Sunak that the lowest earners in the poorest areas are penalised

The current council tax system is a "wealth tax" on poorer parts of Britain and is in urgent need of a comprehensive overhaul, according to a coalition of academics and thinktanks from across the political divide.

The crudity of the system means there are eight parliamentary constituencies in which the average household pays no more than 0.2% of their home's value in council tax. However, there are 41 constituencies in the north and Midlands in which the average household's council tax burden is 1% or higher. In Easington, County Durham, when the charge is measured against the average cost of a home, some are paying as much as three times the rate of council tax.

In a letter to the chancellor, Rishi Sunak, prominent thinktanks and campaign groups including the Institute for Public Policy Research, the Social Market Foundation, Demos, the Centre for Policy Studies and the liberal Conservative Bright Blue group said property taxes must be reformed "so that they are based on today's property values and homeowners' ability to pay".

"Any such review should begin by focusing on council tax, which is poorly designed, out of date, and unpopular," they write. "This tax is based, in England and Scotland, on property valuations that are now almost 30 years old and therefore bear no resemblance to the realities of current house prices. It would appear that council tax is a material wealth tax for those in modest houses but is a service charge for those in wealthier areas. This places the heaviest burden on the young, low-earners, and those living in less prosperous parts of the country, who typically reside in modest properties."

According to research commissioned by Fairer Share, a campaign to abolish council tax, an average home in Easington valued at £88,000 could pay £1,498.53 a year in council tax – equating to 1.7% of the property value. An average home in Westminster valued at £1.2m would pay £1,127.07 a year – which is just 0.09% of the value of the property.

This means that within 20 years a homeowner in Easington can expect to have paid 37% of the value of their property in council tax, while a homeowner in Westminster would have paid just 1.9% of the value of their property.

The news comes as the annual amount paid in council tax on a typical property will exceed £2,000 a year for the first time in two English regions. The typical council tax bill in England will rise by 4.3% in the next financial year, according to research from the Chartered Institute of Public Finance and Accountancy.

The body found that such rises mean the average band-D bill in north-east and south-west England will breach the £2,000 mark.

Cut taxes for low-carbon heating, energy efficiency and EVs, CBI urges

Chancellor Rishi Sunak is planning to outline a string of tax changes later this month, with the Confederation of British Industry (CBI) urging him to use the moment to support the net-zero transition.

In a new paper released this week, the trade body, which is one of the UK's biggest, urges Sunak to couple the need to address immediate pressures on public finances and the need to align the UK economy with net-zero. It argues the case for several targeted environmental tax incentives.

The paper posits the case for changes to tax and incentive schemes around electric vehicles (EVs) because, while the UK market is growing rapidly, many businesses and individuals are still deterred by the upfront cost of purchasing EVs. It outlines the benefits of a reduction in VED and VAT for EVs in the short-term and exploring similar measures for hydrogen fuel cell trucks in the years to come, given that such vehicles are "not currently routinely available" to businesses.

It also points, as many green groups have done, to missed opportunities to change VAT rates, business rates and structures and buildings allowance (SBA) requirements for energy efficiency materials and technologies at the 2021 Budget. Rates could also be reshaped here to encourage businesses – particularly SMEs – to invest in onsite renewable generation and low-carbon heating systems.

"The high burden of business rates - a tax rate of close to 50% - often means that the costs associated with improving the property outweigh the benefits and can make the investment commercially unviable," the report states.

"Green technologies such as solar panels are included in the business rates calculation, which can be the tipping point of that investment not going ahead. This means that too often these investments do not take place, which is out of kilter with the government's net-zero ambitions."

It is worth noting that the Government's Heat and Buildings Strategy is due imminently, following a string of delays. This will provide more clarity on incentives, including the replacement for the Renewable Heat Incentive (RHI). It is unclear whether it will be published before the tax announcement on 23 March, however.

The last sector spotlighted by the CBI is low-carbon R&D. While the Treasury confirmed a new Net Zero Innovation Portfolio of finance totalling £1bn at the Budget, building on the £12bn Ten-Point Plan, the CBI paper states that more must be done to maximise the impact of R&D tax credit, to ensure the broadest and most rapid benefit.

Coordinated approach

While the CBI has made sector-specific recommendations, the overarching ask of the report is for the Treasury to publish an overarching tax policy roadmap "which placed net-zero by 2050 at its core".

The report details a string of principles that the Treasury cold embed into all tax decisions to minimise and eradicate loopholes, phasing-out all tax frameworks that encourage action that is not net-zero aligned. The principles are: Polluter pays; certainty; international cooperation; carrot and stick; greenhouse gas hierarchy; green technologies; transparency; circular economy and just transition.

The publication of the CBI report comes less than a week after the Government was accused, by two separate committees of MPs, of failing to deliver a credible plan for delivering against its long-term climate ambitions. The reports from the Public Accounts Committee and BEIS Select Committee followed similar criticisms by the Committee on Climate Change and the Environmental Audit Committee.

Ministers have repeatedly assured peers, media representatives, businesses and the general public that the Government's net-zero approach will be "joined-up" ahead of COP26. A roadmap detailing key interim targets for sectors, and the preferred methods for delivery, is due to be published this autumn.

How can the outdated business rates system best be reformed?

Before the chancellor announced his new Budget, he warned he was kicking business rates reform yet again into the long grass, postponing his response to the consultation over reform until autumn – the fourth delay in a year.

We are in dire times; our economy has shrunk 10% from before the crisis and 700,000 jobs have been lost. Our borrowing is the highest ever outside wartime. Can we afford to wait?

The retail, hospitality and leisure sectors have been particularly hard hit. We hear of stores and pubs closing or companies facing administration. Of course, high business rates were an issue long before Covid reared its head; retail, hospitality and leisure businesses pay an unfair proportion of the tax – together around £12bn of the £26bn collected, a legacy of successive governments allowing the multiplier to rise to a 50% tax, the delayed seven-year revaluation and a total failure to introduce proper reform.

So, what is the chancellor doing about it? The extension of this year's 100% business rates holiday for the retail, hospitality and leisure sectors for an extra three months and up to two-thirds business rates holiday for the following nine months is welcome. But is it enough?

We had called for at least a six-to-12-month full rates holiday, allocated on a needs basis, giving businesses proper time to recover from the impact of the pandemic. And the £2m cap per business will mean the relief after June will be very limited for many of the larger occupiers.

The chancellor also missed a trick in not extending reliefs to other hard-pressed companies that had not benefitted from business rates holidays. The government should accept that for many, Covid has been a material change of circumstance and agree to refund the 350,000-plus appeals now in the system – not brush them under the carpet.

And finally, the government must now gear up for proper business rates reform: to reduce the multiplier from outrageous levels of £0.51 to something manageable like £0.30, commit to frequent revaluations enabling rates to properly reflect rental levels and consider ways to plug the gap in local government finances. Considering a ring-fenced online sales tax or even council tax reform could be a good start.

John Webber is head of business rates at Colliers

Cap renders business rates discount an 'illusion'

Leisure and hospitality businesses have accused the government of being "unable to add up" after putting a £2 million cap on the business rates discount unveiled in the budget.

According to analysis by Gerald Eve, the property consultancy, the two-thirds discount announced by the chancellor is “an illusion” for many businesses because the cap has been imposed on businesses rather than individual properties.

Rishi Sunak said that, after the expiry of the rates holiday at the end of June, leisure and hospitality businesses and non-essential retailers would move to a two-thirds discount for the next nine months.

However, Gerald Eve says that the application of the cap to a whole business means the discount received by chains will be far lower. It cites the example of David Lloyd Leisure, the operator of 90 health clubs, which it estimates will end up paying full rates from August, equivalent to a discount of only 11.1 per cent over the nine-month period. On an individual property basis, the chain’s discount would have been £12 million.

The story is repeated across the leisure, hospitality and retail sectors. Gerald Eve estimates that even modestly-sized chains will be affected, with the cap being hit by groups with an average of 50 pubs, 40 casual dining restaurants, 25 fitness clubs or 20 cinemas.

Commenting on the budget, Robin Rowland, 59, operating partner at the investment firm TriSpan and a non-executive director at Fuller’s and Caffè Nero, said: “The rates piece is great news but we need to get rid of this £2 million cap which is clearly an oversight by the government. They don’t understand large businesses and can’t add up multiples of units to get the number, not difficult!”

Glenn Earlam, 55, chief executive of David Lloyd, said that capping rates relief at £2 million per business rather than per site means we “will hit the limit in less than a month, but still be paying off our creditors for 18 months”.

The retail sector was also upset. Mike Ashley’s Frasers Group said the £2 million cap on the discount made it “a near worthless support package for large retailers”.

The high street needs a long-term health plan

The 2021 Budget is in. Not sure I’ve ever anticipated that little red briefcase more. And as I digest its contents, I’m conflicted — relieved for now, but nervous for the future.

Chancellor Rishi Sunak’s furlough extension and promise of grants of up to £18,000 to get UK business going again is of course welcome. As is the extension of the business rates holiday into the summer. The headlines are absorbed by the plans to increase corporate tax by 6 percentage points. But the bigger question for me was always what Sunak would do about those pesky business rates in the longer term. And as predicted by many, that is nothing — yet.

It’s a “thorny” and “complex” issue we keep being told. Of course. But this thorn didn’t grow with the pandemic. It’s been hobbling our high streets for decades. Experts across the board agree that business rates, calculated solely using the value of a company’s premises, are unfair and totally outdated. The tax rate is now at more than 50 per cent of “rateable” values. The next revaluation isn’t planned until 2023.

It was damaging pre-Covid. Imagine how catastrophic it'll be coming out of it. Maybe, just maybe, we'll see reform later this year. But maybe doesn't really cut it at a time when shopkeepers and entrepreneurs need to be able to look ahead and plan their fixed costs. Maybe we'll see the so-called "Amazon tax" on online retailers to level the playing field. That sounds good. But why do I get the distinct feeling those costs will end up on consumers' plate?

Business rates are not just about rows of shops selling stuff. They are really about people — their livelihoods, their lives, our lives. Commercial real estate has a heartbeat. From the entrepreneur who owns a couple of shops on a parade, to mom-and-pop operators, to the pension funds grandparents rely on. All of those pockets will be hit if these rates do not change.

Then, of course, there is the impact on the retail workforce, a huge percentage of whom are female employers, entrepreneurs and employees. That's the kind of socio-economic setback that could take decades to repair. And there is the hit to communities. Shops are living institutions playing a fundamental role in the fabric of people's lives. The cookie-cutter mediocrity so many of them have turned into is not what retail should be. Covid-19 has opened our eyes to this.

The surge in hyper-localism we've witnessed this past year is not just about lockdown convenience or chocolate-box frivolity. It's driven by the deep need we have to feel connected to other human beings, to relate, support, stand strong in the face of the storm being whipped up by the higher echelons of power. Simply shoving homes on the high street is not an answer.

First, there's a significant cost to repurposing spaces for living. But, critically, who wants to live in a ghost town of flats with no centre of gravity, nowhere to gather and feel the community you're part of? The optics around this whole affair speak volumes. Government campaigns like "Eat Out to Help Out" throw clear signals to the nation that it's on all of us to support the industries that matter most. I'm still waiting for the retail equivalent.

Yes to the short-term business rates relief, of course. But when can we start talking longer-term reform, and beyond that regeneration, revitalisation and rebirth of the high street?

It's pathological short-termism that got us into so much of this mess. Short-term handouts cannot be the answer. Every day my team and I meet new, like-minded people on the ground, all hell-bent on reinventing the high street for the better and for the good of all — from local authorities, property owners and non-profit retail organisations like Revo, to residents, architects and civil planners. Online marketplace company Appear Here's "Save the Street" campaign is a brilliant example of the wave of public and influencer support that can be fostered street-up. What becomes of high streets touches every single one of us.

So let's talk long-term. Because vibrant, innovative, socially dynamic high streets will help this country not just heal, but thrive.

Superdry boss's fury at Chancellor for failing to reform business rates in his budget

Superdry's boss has lashed out at the Chancellor for failing to reform business rates.

Julian Dunkerton said he was ‘disappointed’ by the move and warned that uncertainty over rates ‘will stop me investing’.

Rishi Sunak extended the business rates holiday for shops and other High Street firms for a year in a £6.8billion tax break in the Budget.

The relief was due to end this month but firms will instead not pay any business rates for another three months and then two-thirds of the bill from July to April 2022.

But hopes of a full-scale overhaul of the business rates system were dashed.

Dunkerton, 56, founder of Superdry, said: ‘I’m very disappointed the rates issue hasn’t been resolved.

'It will stop me investing in the High Street.

'I need a long-term solution to allow us to renew leases, open new stores and really invest again, and it sadly is not going to deliver that.’

Business rates holiday extended to June

The business rates holiday for retail, leisure and hospitality firms will be extended for another three months in England, Chancellor Rishi Sunak has announced.

The year-long relief which was due to expire at the end of March will now continue until the end of June before shifting to a two-thirds discount for the rest of the financial year.

Here is everything you need to know about this business rates holiday extension.

What are business rates?

Business rates are basically a tax paid for property used for business purposes. This includes shops, offices, pubs, warehouses, factories and holiday rental homes or guest houses.

Your local council will usually send you a business rates bill in February or March each year. You can also estimate your business rates bill on the gov.uk website.

What is the business rates holiday?

Under the businesses rates holiday, all businesses in the retail, leisure and hospitality sectors regardless of size are eligible for a 100% rates discount.

The government launched this 12-month business rate relief back in March 2020 to help combat the economic fallout from coronavirus.

It was due to end this month, but the chancellor announced as part of the Budget that the rates holiday will now continue until the end of June.

For the six months after June, business rates will be discounted to a third of the normal charge, up to a maximum of £2 million.

Who’s eligible for the business rates holiday?

You’re eligible for the business rates holiday if your property is a:

- shop
- restaurant, café, bar or pub
- cinema or live music venue
- leisure or assembly property (e.g. a sports club, gym or spa)
- hospitality property (e.g. a hotel, guest house or self-catering accommodation)

Do I need to apply for it?

No, you do not need to take any action. Your local council will apply the discount automatically.

What about Wales, Scotland and Northern Ireland?

Business rates are fully devolved to all nations in the UK.

The respective governments of Wales and Scotland have announced their own extensions of business rates holidays for another 12 months.

Northern Ireland is yet to state whether it will also be extending its rates holiday.

What’s the impact on businesses and the economy?

The lifting of all coronavirus restrictions is not expected to happen before 21 June at the earliest. So, the news that the business rates holiday has been extended will come as a huge relief to many businesses in the retail, leisure and hospitality sectors.

The extension of the holiday means that these businesses will now have more time to re-establish their financial stability without the added burden of paying business rates. This could go a long way towards preventing business closures and job losses.

But the holiday has come at a cost. Estimates suggest that the initiative has cost the Treasury £11 billion.

However, some big retail chains that came under heavy fire last year for accepting business rates relief despite continuing to trade have returned around £2 billion of this lost revenue. Chains including Tesco, Sainsbury’s and Asda have already committed to doing so again after the chancellor’s latest announcement.

What other support is there for small businesses?

In addition to the extension of the business rates holiday, the following support has been announced:

- The VAT cut to 5% for hospitality and tourism businesses will remain until September. After that, it will increase to 12.5% before returning to 20% in April 2022.
- A Restart Grant scheme has been launched to help high street businesses reopen after lockdown. Businesses will be able to claim grants of up to £18,000.
- The furlough scheme has been extended to September.
- The SEISS grant scheme has been extended to September and will now include newly self-employed workers who did not qualify for support before.
- A Recovery Loan Scheme that will provide businesses with loans of between £25,000 and £10 million is being launched to support the next stage of Covid recovery.

UK's Frasers flags possible store closures after 'near worthless' govt support

Mike Ashely-owned Frasers Group on Friday warned of possible store closures after it reviews its estate, as the company said government aid for the coronavirus-battered retail sector was not good enough.

Britain will extend a year-long business rates exemption for retail, hospitality and leisure businesses to the end of June, finance minister Rishi Sunak said on Wednesday as part of his annual budget statement.

"For the remaining nine months of the (financial) year, business rates will still be discounted by two-thirds, up to a value of 2 million pounds for closed businesses, with a lower cap for those who have been able to stay open," Sunak told parliament.

"The 2 million pound rates cap ... from July 2021 to March 2022, makes it a near worthless support package for large retailers," Frasers said in a statement.

The company, earlier known as Sports Direct, said the rate cap would make it "nearly impossible" to take on former sites of collapsed department store chain, Debenhams, with the inherent jobs created.

Online fashion retailer Boohoo had earlier bought the Debenhams brand for 55 million pounds, but not its stores.

"Like many retailers, it's clear Frasers had hoped the Chancellor would use the budget to finally address the much-discussed inequalities between online and brick-and-mortar stores, but once again that can was kicked down the road," AJ Bell analyst Danni Hewson said.

Business rates holiday extended until end of June in England

Big supermarkets vow to shun £3bn tax break after being criticised for accepting relief in 2020

The business rates holiday aimed at high street businesses forced to close during the pandemic has been extended for another three months, with big supermarkets heading off any criticism by promising to shun the new £3bn tax break.

The year-long business rates holiday, which was due to finish in England at the end of this month, has been extended by the government until 30 June. After that only businesses forced to shut this year would be eligible for a big reduction in their bills for the commercial equivalent of council tax. The relief is being capped at £2m, which will be a blow for non-essential retailers and pub companies with large property estates.

Last year Tesco, Sainsbury's, Asda and Morrisons were among the big names who committed to repaying £2.2bn of the emergency taxpayer support. They were heavily criticised for accepting business rates relief while simultaneously paying big dividends to shareholders after their stores stayed open.

The rates relief was a blunt instrument deployed by the chancellor, Rishi Sunak, to prop up retailers barred from trading during the first lockdown. The rates holiday has already been extended for a full year in Scotland, with Wales yet to set out its plans. The government said businesses in England could "choose to opt out of the relief".

The real estate adviser Altus Group put the cost of the three-month extension at £3bn. The lifeline would save hard-hit pubs, restaurants and hotels more than £600m but that would be less than the £760m of relief essential retailers such as supermarkets and DIY stores are entitled to.

Tesco, one of the biggest payers of business rates, said that when it returned £585m of rates relief for 2020 it had done so because it "was the right thing to do". "Those same reasons still stand today and so we will not take advantage of the relief," it added. Sainsbury's, Asda and Morrisons said they would do the same.

Budget 2021: business rates holiday, retail 'restart grants' and corporation tax

Chancellor Rishi Sunak has revealed a raft of new financial measures to help support UK retail businesses impacted by Covid-19, including a "restart grant" and extension to the business rates holiday.

In today's Budget, the chancellor set out a £65bn plan to provide support for jobs and businesses.

Speaking at the House of Commons, Sunak said supporting jobs remains his "highest priority".

The Coronavirus Job Retention Scheme will be extended until the end of September, as announced last night. Employees will continue to receive 80% of their wages until the scheme ends, but employers will be asked to contribute 10% from July and 20% in August and September as the scheme is phased out.

Sunak also confirmed the self-employment income support scheme has been extended. The grant will cover February to April and be worth 80% of average trading profits up to £7,500.

"Restart grant"

The chancellor has announced a new "restart grant" to help retail, hospitality and personal care businesses reopen from April. Retailers, which are due to reopen from 12 April, will be eligible for grants of up to £6,000 per premises. Pubs and restaurants will be able to claim grants of up to £18,000.

The new grants will total an extra £5bn of help for these struggling sectors.

Small businesses will be offered a 50% discount worth up to £5,000 on productivity-enhancing software.

Meanwhile, as government-backed Bounce Back Loan (BBL) for small businesses and Coronavirus Business Interruption Loan Scheme (CBILS) for small and large businesses come to an end on 31 March, the Treasury is launching a new loan scheme to run until the end of the year. Loans can be between £25,000 and £10m.

Retail, hospitality and leisure businesses in England will pay no business rates for a further three months. Rates will then be discounted for the remaining nine months of the year by two-thirds. Scotland and Wales will have 100% rates relief until March 2022. This is because some governmental systems are devolved to different countries in the UK, including business rates.

There was no mention of an online sales tax, which had been rumoured in the run-up to the Budget.

The 5% reduced rate of VAT for hospitality and tourism will also be extended until the end of September. Then it will be gradually increased, to 12.5% for six months, before returning to the standard rate from April 2022. Sunak said this is a cut worth £5bn.

Additionally, there will be an increase in payments to firms that take on apprentices, with these incentives being doubled to £3,000.

Corporation tax

Laying out plans to support the economy in the coming years, the chancellor said the government will not raise income taxes, national insurance or VAT.

However, the government will increase the rate of corporation tax in the UK from 19% to 25% by 2023, which will only impact the largest and most profitable companies. The UK will still have the lowest corporation tax rate in the G7 – lower than the US, Canada, Italy, Japan, Germany and France.

Sunak said he was protecting small businesses with profits of £50,000 or less from the increases, by creating a Small Profits Rate, maintained at the current rate of 19%. This means around 70% of companies – 1.4 million businesses – will be completely unaffected.

He will introduce a taper above £50,000, so that only businesses with profits of £250,000 or more will be taxed at the full 25% rate. That means only 10% of all companies will pay the full higher rate.

The chancellor said he will allow companies to carry back losses for three years to boost their cashflow: “This means companies can now claim additional tax refunds of up to £760,000. And because of the current 8% bank surcharge, the implied overall tax rate for banks would be too high. So, we will review the surcharge, to make sure the combined rate of tax on the UK banking sector doesn’t increase significantly from its current level.”

Beginning April 2021, a new "super-deduction" will cut companies’ tax bill by 25p for every pound they invest in new equipment. He said this would be worth around £25bn to UK companies over the two-year period the measure would be in full effect.

As an example, he said: “Under the existing rules, a construction firm buying £10m of new equipment could reduce their taxable income, in the year they invest, by £2.6m. With the 'super-deduction', they can now reduce it by £13m. We’ve never tried this before in our country."

High streets

Sunak has also announced that more than £1bn will be available for 45 new Towns Fund deals. The funding is designed to help to "level up" regional towns, giving them the tools to design and implement a growth strategy for their area, and aid recovery from the impacts of Covid-19.

The Treasury has additionally created a £150m Community Ownership Fund, which will allow communities across the UK to invest to protect the assets that matter most to them such as pubs, theatres, shops, or local sports clubs.

The UK has borrowed a record £355bn during this fiscal year, with a further £234bn set to be borrowed in the year from April 2021.

Property taxes need reform, but changes must be fair to Londoners

Britain’s domestic property taxes are in a terrible state. Council Tax bands are still based on house valuations made in 1991, and the 30 years since then have seen huge variations in house price growth between different places and properties. Stamp Duty is a tax raised on people when they move house, which has the effect of gluing up the property market and of encouraging people to stay for longer in homes that are too big or too small for them. What can be done to change this unsatisfactory situation? And what might the implications be for London of any major reforms that might be tried?

One idea that has been gaining currency in the run-up to the budget is flat rate property taxes, with home-owners paying a set proportion of their property’s value each year. Research by WPI Economics suggests that a tax of 0.48% of values could generate enough revenue to replace both Stamp Duty and Council Tax. And the Fairer Share campaign suggests that such a tax would leave 76% of UK households better off.

Property value taxes have a lot to recommend them (as do more ambitious proposals, such as land value taxes, and more modest reforms, such as new Council Tax bands). They are a lot more progressive than other taxes: Council Tax for the most expensive properties is only three times the rate it is for the cheapest properties, whereas property prices can vary by a factor of more than 100.

There would be issues with implementation: for example, transitional measures would be needed to avoid “cash-poor” owners of larger houses being hit by such a dramatic hike in taxes that they might be forced to sell in a hurry. But there’s a bigger problem for London. Levying property value taxes nationally at a flat rate would represent a massive shift of the tax burden onto London from the rest of the UK. The Fairer Share website suggests that communities outside London would pay £6.5 billion less in property taxes. As their proposal is intended to be fiscally neutral overall, that means London would pay £6.5 billion more.

Such a shift may have populist appeal at a time of “levelling up” (though maybe not for the many Conservative MPs in London and the south east whose constituents would suffer), but it ignores the fact that Londoners are as much victims as beneficiaries of high house prices. Incomes in London are higher than in the rest of the country, but they are much closer to the average once housing costs are taken into account. And low-paid Londoners, who earn little more than counterparts elsewhere, are already particularly squeezed: London has the highest rates of child poverty in England.

Adding £100 a month to Londoners' tax bills (in line with the "capped" Fairer Share proposals) would drag incomes in the capital below the national average, even before other costs of living were taken into account. On top of that, Londoners will be struggling in the wake of a pandemic that has hit the capital hardest: in December 2020 London had seen the steepest rise in benefit claims of all the UK's nations and regions, and had the second highest rate of claimants (after the West Midlands).

There is still a case for tax reform, and the budget would be a good opportunity to announce a careful review. But, as the London Finance Commission (set up by Boris Johnson and reconvened by Sadiq Khan) argued, this should take place on a regional basis, not through nationalising local taxes. The overall fiscal flows between different parts of the country could be preserved (perhaps with a review every few years to take account of how different regions have prospered), while different regions could set property taxes that reflected the specifics of their housing market – with different Council Tax tiers, flat rate taxes, or exemptions and discounts applied to reflect local economic circumstances.

And this is not to argue against London paying a fair share to the rest of the UK. London's taxpayers made a net contribution (taxes minus public spending) of nearly £40 billion in 2019. And that's fair: London has more productive businesses, high-spending tourists and rich residents – or at least it did in pre-pandemic times. But squeezing the capital further, as the UK struggles to recover, would look extractive, blinkered and self-defeating rather than fair.

WALES

Council tax: How much are Welsh bills going up?

Council tax bills are going up by at least twice the rate of inflation across Wales.

The rises range from 2.65% in Rhondda Cynon Taf to 6.95% in Wrexham, although the north-eastern county still charges less than most authorities in Wales.

The Welsh Government has **increased its funding for councils by more than inflation** for the second year running.

It said a hardship fund ensured council costs of the pandemic would not be an "added pressure" on council tax payers.

Inflation was 0.9% in the year to January 2021, according to **the latest figures available from the Office for National Statistics**.

Core funding from the Welsh Government covers between two-thirds and three-quarters of each council's spending.

The rest comes from council tax, and other income such as fees and direct charges for council-run services.

The figures do not include charges for police forces and town or community councils

A spokesperson for the Welsh Local Government Association said: "All councils will use their local discretion to set their council tax levels, in line with local needs and circumstances.

"This year more than ever we have seen the importance of our essential local services, and council tax is a vital revenue stream to help fund them.

"However, local authorities also recognise that many families have been hard hit by the pandemic and councils have strived to keep any increases as low as possible whilst continuing to maintain local services in our communities."

A Welsh Government spokesperson said: "In 2021-22, local authorities in Wales will receive £4.65bn in general revenue allocations from core funding and non-domestic rates. This is an increase of 3.8% on a like-for-like basis and follows this year's 4.3% increase.

"Local authorities in Wales have the flexibility to set their budgets and council tax levels according to local needs and priorities. These decisions are an important part of local democracy, and ones for which individual authorities are accountable to their local electorates.

"We have also provided more than £206m in our budget to continue the Local Government Hardship Fund, which will ensure the financial impacts of the pandemic on local government will not be an added pressure on council taxpayers."

Pembrokeshire will still have the lowest charge for each type of property - £1,190 for Band D.

While Rhondda Cynon Taf will once again see the smallest increase, it has the fifth-highest charge of the 22 Welsh councils for each property band.

Charges for the police and - in areas that have them - town and community councils can add about £300 a year to a household's bill.