IPTI Xtracts

Property Tax and Assessment News from Around the World

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'Replacing council tax & stamp duty should be the roadmap': MPs push for property overhaul

COUNCIL tax, stamp duty and bedroom taxes costs UK savers billions per year and many consider these taxes unfair and outdated. With this in mind, Fairer Share has urged the Government to replace these taxes with a flat "Proportional Property Tax" and with Rishi Sunak's upcoming Autumn Budget, fresh calls have been issued.

Rishi Sunak has faced mounting calls to reform the tax system in his next Budget, as the Chancellor reportedly looks to cover coronavirus related spending. The Fairer Share campaign argued the introduction of a Proportional Property Tax (PPT) could provide a solution to this issue.

Fairer Share believe stamp duty, bedroom tax and especially council tax are important for the UK economy but are now outdated options.

Specifically, it notes council tax is based on property band values from 30 years ago, which results in cheaper property holders paying more proportionally in council tax.

Currently, this is costing 24 million households in the UK around £35billion each year to fund.

To illustrate, Fairer Share calculated the council tax paid on a Middlesbrough home worth £150,000 would be just over £1,702, whereas the tax levied on a £250million Westminster mansion would be around £1,560.

As a result of these findings, Fairer Share argued council tax is "broken, outdated, complicated and unfair".

In recent months, the Government has focused on plans to "level up" the UK and limit arbitrary tax advantages for the wealthy.

To act on this commitment, Fairer Share has called on the Government to consider plans for a PPT.

The PPT would replace council tax, stamp duty and bedroom taxes and be levied on a flat rate of 0.48 percent on the current value of a property, which Fairer Share argued is easier to calculate than ever thanks to modern technologies and services.

A higher rate of 0.96 percent would apply for empty and second homes, and those owned by UK non-residents.

The PPT would only be paid by property owners, not tenants and would result in nearly nine million people being exempt.

On top of this, property owners would still likely see a reduction in property tax, with analysis from the organisation showing 76 percent of households (18 million) would pay less.

Full details on the campaign can be found https://fairershare.org.uk/ but the group currently has support from a range of both Labour and Conservative MPs.

Additionally, the campaign has strong support from the public, with a petition calling for the PPT having received over 122,000 signatures thus far.

With Mr Sunak set to release his autumn Budget in the coming months, Andrew Dixon, the chairman of Fairer Share, issued fresh calls for the Government to implement the PPT.

"The Prime Minister often talks about levelling up the UK and delivering a fairer society," he said.

"When he delivers his Budget this Autumn, the Chancellor should turn that rhetoric into reality by finally calling time on our highly regressive council tax system and bringing in a new proportional property tax.

"By doing so, the Government could directly help many of those people on the lowest incomes and in the poorest parts of the country who are hit hardest by council tax. A proportional property tax – which reflects current house prices, not those from 30 years ago – would be a much fairer system, benefiting younger generations and leading to lower bills for 18 million households across the country, especially in the Red Wall seats that the Conservatives gained from Labour in 2019."

The Chancellor is also facing these pressures from within his own party, as the following comments from Conservative MPs detail:

Kevin Holinrake, Conservative MP for Thirsk and Malton

"Replacing council tax and stamp duty should be part of the roadmap for a fairer Britain. It's a fundamental principle of taxation that taxes should be simple, transparent and fair, yet these taxes achieve none of those things.

"Council tax is based on property values that are thirty years out of date, taxes low-value homes at a much higher rate than high-value properties and pushes millions of households into debt. It is emblematic of a broken system that is no longer fit for purpose."

Aaron Bell, Conservative MP for Newcastle-under-Lyme

"As our focus turns to economic growth, and to building back better, we will need to show in no uncertain terms that the Conservative Party has delivered on the promise to level up those towns and cities previously left behind.

"With the public finances stretched like never before, I – and an increasing number of Conservative MPs – believe the best way for the Government to show voters that this message has got through is by reforming our outdated property taxes. We should begin by overhauling Council Tax, which is not only based on property values that are thirty years out of date, but it is also deeply unfair – placing the heaviest burden on the young, low-earners, and those living in less prosperous parts of the country."

John Stevenson, Conservative MP for Carlisle

"Our tax system has, over the last 30 years, become too complicated and full of red tape. It needs a fundamental overhaul.

"I would encourage the chancellor to be a reforming chancellor and look at ways to improve the tax system through simplification, but also addressing areas of unfairness. The proposals around reforms to council tax and stamp duty are very welcome and ones which I would support."

Simon Fell, Conservative MP for Barrow and Furness

"I have been working with colleagues to understand what the alternatives might be to get the economy going again when we begin to bounce back from the pandemic. I am lobbying for a move to a proportional property tax, scrapping council tax and stamp duty in the process."

Dehenna Davison, Conservative MP for Bishop Auckland

"At what is such an important time for our economy, there is now a real opportunity to come up with long term solutions to deal with geographical inequalities. One of those is the current property tax system.

"The proposals from Fairer Share would reform the system to simplify property taxes, introducing a proportional property tax which would see a huge boost for households on the lowest incomes."

Business rates reform: Property industry calls for annual revaluations

The government should be looking at annual revaluations for business rates, a trade body that represents the real estate sector has said.

The British Property Federation (BPF) which counts landlords, developers, property agents and investors as members, is calling on ministers to set out a roadmap for moving to annual revaluations.

Melanie Leech, chief executive of the organisation, said: "We need annual revaluations and transparency over how valuations are determined, more frequent revaluations is only one piece to the jigsaw."

In June the government said it was consulting on plans that would see revaluations of non-domestic properties take place every three years instead of the current system of five.

That consultation ends today (August 24) and is likely to attract a number of responses. Retailers and landlords have long said the business rates system needs reform.

The tax is linked to the underlying value of a property, but they are currently based on values from April 2015. That does not reflect how real estate values, particularly in the retail sector, have been hit by factors such as the Covid-19 crisis, and competition from online rivals.

Rates do not take into consideration how sales are doing.

The BPF's response to the consultation said: "We are calling on government to publish a roadmap setting out key milestones for delivering more frequent revaluations. We would expect to see the new 3-year cycle of revaluations start in 2023. We believe that a 1-year AVD (antecedent valuation date) is achievable in time for the next cycle of revaluations in 2026. The roadmap should then set out a timeline for moving to annual revaluations."

Leech said: "More frequent revaluations is only one of a number of reforms needed to make the business rates system fit for the future."

" Government must also reset the business rates multiplier at a fairer level, abolish downward phasing (where a deduction to a business rates bill, following a revaluation, is restricted) and provide additional business rates relief on empty properties."

The boss added that the current system is "undermining town centre recovery and poses a significant risk to the future of our high street businesses".

A Treasury spokesman said: "We're conducting a fundamental review of business rates, and have already set out proposals for more frequent revaluations of properties, ensuring bills more quickly reflect changes in the economy. The review will conclude in the Autumn."

PUBS OVERPAY ON BUSINESS RATES BY £570 MILLION, SAYS BBPA

Trade association says 'radical' overhaul of rates system needed post-COVID in consultation with Treasury.

The British Beer & Pub Association, the leading trade association representing brewers and pubs, has today revealed that pubs overpay their fair share of Business Rates by £570 million a year.

According to the trade association, the pub sector in the UK pays 2.5% of all business rates, despite accounting for just 0.5% of rateable turnover – causing it to overpay £570 million.

To aid the recovery of pubs post-COVID, who were forced to close during three separate lockdowns and still operate under heavy restrictions until recently, the BBPA is urging the Government to radically overhaul the Business Rates system.

The call from the trade association comes as it responded today to HM Treasury's consultation on Business Rates revaluations, and in particular revaluating Business Rates every three years.

According to the BBPA in its response to the consultation, the multiplier (the rate in the pound that is then multiplied by the rateable value of a property to produce its annual rates bill) has increased to a 'staggering' 51.2p today from 34.8p in the early 90s.

The BBPA therefore welcomes the Government's aim to provide more regular revaluations for pubs in principle in the hope it will result in fairer rates for pubs due to more regular re-evaluations. However, it has concerns that the proposed changes to the current system of re-evaluations will mean rates payers have to pay in order to access a better and more transparent tax regime, which is irresponsible.

Ultimately, the Business Rates regime needs radical change, which is why the BBPA is backing the Long Live The Local campaign, which is calling for Government investment in pubs by reforming Business Rates, in addition to VAT and Beer Duty.

A British Beer & Pub Association spokesperson said: "As things stand, pubs will overpay on Business Rates to the tune of £570 million a year. The bill for this will come through the post once the current relief on Business Rates ends in March 2022.

"Pubs overpaying on their business rates is fundamentally wrong. Especially as they were one of the most affected sectors by Covid and lockdowns. The Government should be supporting pubs' recovery, not punishing them.

"As our sector begins its recovery, now is the time for radical reform of Business Rates.

"While increasing the number of Business Rates revaluations to every three years would be helpful in principle, the proposals from Treasury would mean rate payers have to pay in order to access a better tax regime, which isn't right.

"Root and branch reform of Business Rates is essential to the future of our sector, which is why we are supporting the Long Live The Local campaign calling for reform of Business Rates in addition to reforming VAT and Beer Duty."

PRA criticises proposed reform of business rates for lacking in ambition

The PRA has criticised proposed reforms to the business rates system for lacking in ambition.

In its response to a government consultation on the frequency of rates revaluations for non-domestic properties, which proposed to move from five-yearly to three-yearly revaluations, the PRA expressed concern that the package of measures put forward did not represent a fair and balanced trade-off for ratepayers.

PRA executive director Gordon Balmer commented: "While three-yearly revaluations are a move in the right direction and will be more accurate than five-yearly revaluations, this shows a lack of ambition from the Valuation Office Agency VOA and the Treasury.

“The government should look to overhaul the existing system to provide greater transparency and explanation of valuations. This could be achieved through the implementation of a digitised system which allows for self-assessments from businesses.

“We also called for a move to annual revaluations with a one-year Antecedent Valuation Date (AVD) starting from 2023. The result will be a fairer system and create a tax that businesses are more willing to pay.

“It is also wholly unacceptable that so many additional requirements are placed on the ratepayer if the VOA does not have the necessary resources to carry out regular, annual revaluations.”

The proposals were set out in a government consultation that will form one part of a Fundamental Review of Business Rates, which is due be published later this autumn.

When the consultation was launched financial secretary to the Treasury Jesse Norman said: “As our economy is recovering, we are supporting businesses to build back better.

“Proposals set out in this consultation would mean that valuations more quickly reflect how the economy is performing, making the business rates system more accurate and responsive, while balancing the burden for ratepayers.”

The government had previously undertaken to move to more frequent revaluations, having introduced legislation to bring forward the next revaluations to 2021, based on 2019 property values. Due to the Covid pandemic, and to help reduce uncertainty for firms, this was delayed, with the next revaluation set to take effect in 2023, based on 2021 values.

UK pubs and hospitality trade bodies call for business rates overhaul

The Government must overhaul its business rates tax system, but should avoid burdening them with extra paperwork and making it harder to appeal against decisions, according to two trade bodies.

UK Hospitality and the British Institute of Innkeeping (BII) said it is important that revaluations of rates take place more frequently to avoid inaccurate bills.

The pair did not say how often they felt the revaluations should be, but the Government has already indicated it would look at changing them to every three years instead of five.

The current business rates system has long been unfit for purpose and puts an unfair burden on pub and hospitality businesses. It’s extremely encouraging that the Government is proposing to increase the frequency of revaluations, something for which we have been calling for some time.

UK Hospitality and the BII

Businesses must not be asked for extra information as part of a business rates overhaul, the organisations said, and the Valuation Office Agency (VOA), which oversees the process, must enhance its systems to make the process smoother, the organisations added.

UK Hospitality and the BII also said that businesses should not be charged for making challenges and there should not be a fixed time period for when challenges can be brought.

The calls come as part of the organisations’ response to a Government consultation on the tax.

Successive governments have said they would overhaul business rates but few initiatives have led to widespread changes and the tax on commercial properties remains one of the highest in the world.

One move had been to limit appeals and make it harder for businesses to make claims that valuations of their properties are wrong, leading to many claiming the system remains unfair.

In a joint statement, the trade bodies said: “The current business rates system has long been unfit for purpose and puts an unfair burden on pub and hospitality businesses.

“It’s extremely encouraging that the Government is proposing to increase the frequency of revaluations, something for which we have been calling for some time.

“However, the proposals are severely undermined by administrative burdens, limits on appeals and penalties.

“It’s vital that Government reforms match the severity of this issue.

“This proposal is helpful but does not redress the wide-ranging issues with the current system that will severely hamper the sector’s ability to recover from the pandemic if not addressed.

“We urge the Government to work closely with the sector to implement wide-ranging reform that will empower hospitality businesses, to rebuild and repair revenues, create jobs and be at the forefront of the economic recovery.”

A response to the consultation by the Government is expected in the autumn.

Retail and property industries united against business rates changes

Fashion retailers and retail property experts are urging business ratepayers to push back on the government’s revaluation proposals before the consultation closes next week.

On 24 August the government’s consultation on business rates in England will close, after launching on 29 June.

The suggestions put forward by the government include increasing the frequency of business rate revaluations from five years to three years. It also proposed that businesses will need to submit property and occupier updates to the Valuation Office Agency (VOA) annually. If ratepayers wish to challenge a decision, this will also be subject to a fee, which will be refunded if the challenge is successful.

Plans to overhaul the business rates system were due to have been published in the autumn but were delayed because of the pandemic. In February, chancellor Rishi Sunak argued that delaying the report will enable him to make decisions when economic uncertainty relating to the pandemic has reduced.

Retailers and industry bodies have warned that the proposals will not lead to a much-needed and long-overdue overhaul of the business rates system, and would fail to alleviate the rates burden placed on the retail industry.

John Webber, head of business rates at property service firm Colliers, said: “It’s interesting the proposals have been rushed out at the start of the summer holidays as businesses struggle with trying to return to normality and the 'pingdemic' of staff following the Covid lockdown.

The proposals will only add to the administrative burden of retailers and do nothing to help the high street recover

"However, despite the inconvenience, we urge all businesses to make representation to this consultation by 24 August – or their ability to appeal against higher and higher rate bills will be severely curtailed.”

He added: “The proposals will only add to the administrative burden of retailers and do nothing to help the high street recover. While a three-yearly revaluation is welcomed, it means nothing without a clear indication that downward transition [which limits the reduction in liability following a revaluation] will be abolished and the multiplier [variable factor set by government to calculate business rates according to properties' rateable value] is significantly reduced."

As part of the proposals, ratepayers would be have a "duty to notify" the Valuation Office Agency (VOA) of any change to the occupier and property characteristics. This is expected to include property extensions, alterations or demolition, conversions, splits and mergers and change of use.

Webber argued that this will not improve the process for ratepayers: “The government’s proposals on the duty to notify, the ‘Annual Confirmation Return’ [ratepayers would be required to access an online portal on an annual basis aligned with business rates billing, to confirm that the data held for their property remains correct], and mandatory provision of rent and lease information’ will place an excessive and unnecessary administrative burden on retailers.”

Increasing the frequency of revaluations is not enough to solve the issues

One property insider questioned: “The consultation’s focus on who is supplying the property information is a red herring. It is irrelevant who is supplying the information – what is needed is a radical reform of the business rates system to make rates fairer, particularly for the retail sector, which has been the hardest hit.”

A second property insider told Drapers that he is not anticipating that the reforms will prompt a large-scale overhaul of the rates system: “I’m not expecting much to change. It is a huge source of revenue of the government and it will be difficult for them to lose that in one fell swoop.

“Until we know what the high street is going to look like in a post-Covid environment, it is difficult to know what type of rates reform retailers will need. Coming up with a credible solution is really difficult in a market where the future is uncertain.”

Fashion retailers are in agreement.

The owner of a menswear store based in London said he is not anticipating that the proposals will have a positive effect on his business: “The proposals are completely irrelevant to solving business rates. They must go altogether. Increasing the frequency of revaluations is not enough to solve the issues. If the proposals go through, it will have no impact on my business."

The CEO of a womenswear brand said: "To solve business rates, there cannot be a 'one size fits all' approach. Some industries have done better during the pandemic than others, so it will be difficult for the government to incorporate that detail into the rates going forward. Physical retail needs a lot of support – we need to do everything we can to keep our high streets going."

However, Andrew Goodacre, CEO at Bira (the British Independent Retailers Association), said it was in favour three-yearly rate revaluations, to an extent, as it could prompt a closer alignment of rates and market rental values.

However, he warned the increased frequency could overwhelm the VOA: "There is a risk that the VOA remains under-funded and with insufficient resources. The proposed changes indicate that the 'Check, Challenge, Appeal' process will be easier and less time consuming, which may in turn alleviate the pressure on the VOA. Given the backlog in appeals, however, it may take some time to see this benefit.

"One aspect of the proposal we did not agree with was the idea of charging ratepayers when they request information from the VOA. As ratepayers, we should not be charged extra for what should be freely provided by virtue of paying rates in the first place."

We can't support the introduction of fees to make an appeal

In agreement Dominic Curran, property policy adviser at the British Retail Consortium (BRC), said: "We support more frequent revaluations and the principles of sharing data with the VOA to secure more accurate valuations, which should lessen the need to appeal. However, this must be done in a 'light touch' way and with an IT system that's fit for purpose.

"Equally, we can't support the introduction of fees to make an appeal – apart from being fundamentally unjust, business rates are expensive enough without adding further cost on to ratepayers."

Drapers has contacted the Treasury for comment.

Colliers Urges Rate Payers to Push Back on New Government Proposals

The government's latest proposals on business rates (Government Consultation Paper on More Frequent Revaluations)***** will create more difficulties for businesses appealing their business rates than benefits, according to rating experts at Colliers, the international property consultancy.

Colliers is responding to the government consultation, launched at the end of June which requires responses by August 24th 2021, in which the government stated its belief that three yearly Revaluations (Revals) will provide more accurate valuations and greater transparency about the make-up of valuations, enabling business rates liabilities to more closely reflect current rents and economic conditions.

While Colliers supports the move to three-yearly valuations, (although would prefer annual revaluations) but is concerned that the government is not prioritising increasing the resources at the VOA to achieve this aim- resulting in a system- according to Colliers which will inevitably put even more burden on ratepaying businesses.

The consultation paper is asking for responses and comments on the following matters:

- Duty to notify the VOA of changes to the occupier and property characteristics, information which would be shared with the billing authorities. This is expected to include extensions, alterations or demolition, conversions, splits and mergers and change of use.
- Mandatory provision of rent and lease information as well as trade and cost information used for valuations. This would be on an annual basis, aligned with business rates billing, using an online portal and would need to include any side agreements. There is also a requirement to provide lease information following an "event" such a lease renewal or rent review.

Provision of this information is mandatory for submission of an appeal against a Rateable Value and there would be penalty fines for providing late or incorrect information.

The government is also proposing changes to the current appeals system:

- The Check stage would be removed (most likely for the 2026 Revaluation) on the basis that this would be covered by the Duty to Notify.
- There may be a fee for submitting a Challenge, in addition to the current fee for submitting an Appeal. This is expected to be refundable if the Challenge is successful.
- The draft list is unlikely to be issued prior to 1st January before the Revaluation, and all Challenges against the new list values would need to be submitted within three months of the start of the list.
- A new occupier would be able to submit a Challenge within three months of the start date of their interest in the property.
- The VOA would have a statutory duty to complete all list appeals by the end of the list i.e. within two years and nine months (the current Check and Challenge process alone can take up to two years and six months).
- Landlords could not submit an appeal where they are not the rateable occupier.
- The ratepayer can apply for a fuller analysis of rental evidence used, but this must be prior to the Challenge being submitted i.e. within the three months. This may also be subject to a fee.

According to John Webber, Head of Business Rates at Colliers, the proposals would result in a much more onerous and expensive way for businesses to appeal their business rates.

In its response to the consultation, Colliers has highlighted the following flaws in the proposed system:

Duty to Notify.

This is a significant burden on ratepayers as it will now involve an annual confirmation return. This is effectively an annual check by ratepayers – even those who may benefit from reliefs and don't pay business rates - 600,000 businesses currently - increasing the paperwork and administration burden.

Mandatory Provision of Lease Information.

Again, an annual return to include side letters and arrangements agreed with landlords. This is required by the VOA even though they already have access to this through land registry and other sources. There may also be multiple rental returns required for each ratepayer based on frequent events being concluded throughout the year.

Restrictions on Appeal timescales.

The government has already announced that the draft list will be published 3 months before it becomes live and not the usual 6 months. This proposal then suggests a 3-month window to appeal. This leaves little time to review valuations and submit Challenges upon receipt of the draft list values.

Fees for a Challenge with refunds upon success.

This could cause cash flow issues and will reduce access to justice. (Currently there are no fees payable until the final stage of CCA).

Although the 3 yearly cycle is a positive move, compared to what we have now (where rateable values are still based on rents in 2015), the VOA has maintained that it needs a 2-year gap between the Antecedent Valuation date (AVD), when values are assessed and when the list becomes live. Colliers believes the gap should be shortened to 12 months to give a truer reflection of the market.

Landlords restricted from submitting challenges

Although not of major concern to many, a lot of landlords take a proactive approach to the rates liability of their tenants. To remove their involvement in the process seems unnecessary as well as undemocratic.

The death of MCC's.

Set against the background of the government legislating to outlaw Covid MCC appeals perhaps it is not surprising that they are suggesting the removal of the ability to appeal on any MCC grounds. While this could be possible in an annual revaluation cycle, to remove it in a 3-yearly cycle is again undemocratic and unjustified.

Transparency – only proposed in stages – this is not fair to ratepayers and means the VOA will not be transparent until later lists.

Backlog – the huge backlog of 2017 appeals mean that it is unlikely that these will be cleared prior to the new list and new process being put in place. Colliers are concerned that 2017 appeal rights could be cut off.

Timescale – Based on experience, Colliers also think that it is unlikely that all Challenges will be able to be cleared within three years. The onus is put on the ratepayer to provide all evidence and information, yet the VOA's statutory response deadline is later than it is in the current list.

John Webber comments:

"The Government introduced the current CCA system without proper consultation with the industry and without prior testing.

The frustrations with that system are well chronicled. This has all the hallmarks of a similar mess.

This new system would increase the bar to appeal against unfair rating assessments and thus reduce the number of appeals.

The VOA will have no need to inspect properties or maintain the list - that responsibility seems to have passed to every ratepayer in the country. If the proposals go ahead as in current form, the VOA will think

It's interesting the proposals have been rushed out at the start of the Summer holidays as businesses struggle with trying to return to normality and the pingdemic of staff following the Covid lockdown.

However, despite the inconvenience, we urge all businesses to make representation to this consultation by August 24th – or their ability to appeal higher and higher rate bills will be severely curtailed."

More high street stores close as retail recovery stutters

Trade body calls for business rates reform to help boost investment in high streets battered by lockdowns

The end of lockdown has come too late to prevent fresh store closures on Britain's high streets as businesses count the cost of 18 months of pandemic disruption, the latest update on consumer spending has shown.

Despite a boost to activity after the lifting of restrictions, the trade body for the sector, the British Retail Consortium, said the pace of recovery was slowing and more town centre sites were falling vacant.

The BRC said reform of business rates was vital to ensure investment in bricks-and-mortar retailing amid signs of a permanent shift towards online shopping during the Covid-19 crisis.

Its monthly retail sales monitor showed annual sales growth of 6.4% in July, well down on the three-month average of 14.7%.

Helen Dickinson, the BRC's chief executive, said: "July continued to see strong sales, although growth has started to slow. The lifting of restrictions did not bring the anticipated in-store boost, with the wet weather leaving consumers reluctant to visit shopping destinations."

Dickinson added that online sales remained strong, with the BRC figures showing a digital penetration rate of just under 50% for non-food items, up from 30% two years ago.

"Many shops and local communities have been battered by the pandemic, with many high streets in need of further investment," the BRC chief executive said.

"Unfortunately, the current broken business rates system continues to hold back retailers, hindering vital investment into retail innovation and the blended physical-digital retail offering. The government must ensure the upcoming business rates review permanently reduces the cost burden to sustainable levels.

"Retailers want to play their part in building back a better future for local communities, and government must give them the tools to do so."

Separate figures from the credit card company Barclaycard showed shops may have suffered from consumers spending more of their money on going to the cinema, theatre and sporting events.

Barclaycard said spending on its cards was 11.6% higher in July than in the same month two years ago as people took advantage of their "newfound freedom". Entertainment experienced its first growth since the pandemic arrived in the UK in early 2020.

Raheel Ahmed, Barclaycard's head of consumer products, said: "July's major sports fixtures and the heatwave kept the nation in good spirits, providing more reasons to celebrate together, and giving the entertainment industry its long-awaited boost back into growth.

"While some sectors took a small step back as the post-lockdown 'honeymoon' period cooled, July was a positive month overall. However, with inflation expected to rise, it will be interesting to see how this impacts consumer spending behaviour over the coming months."

The retail specialists Springboard said high street footfall continued to grow in the first week of August, rising by 1.4%.

Retailers tell Government to fix ‘broken’ business rates system

Retailers have urged the Government to reform the business rates system as part of the effort to help high streets recover from the pandemic.

The latest figures from the British Retail Consortium (BRC) show that retail sales increased by 6.4% in July, against a growth of 3.2% in during the same month last year. This is below the three-month average growth of 14.7% and the 12-month average growth of 10.4%.

On a two-year basis, total retail sales grew by 9.1%.

‘July continued to see strong sales, although growth has started to slow,’ said Helen Dickinson, chief executive of the BRC.

‘The lifting of restrictions did not bring the anticipated in-store boost, with the wet weather leaving consumers reluctant to visit shopping destinations.

‘Online sales remained strong, and with weddings and other social events back on for the summer calendar, formalwear and beauty all began to see notable improvement, so fashion outlets in particular saw a bounce back to pre-pandemic levels.

‘As many people prepare to return to the workplace, purchase of home office equipment began to fall after months of high sales, meanwhile other homeware, such as furniture and household appliances continued to do well.’

Ms Dickinson warned that the vacancy rate is continuing to rise and called for a reform of what she described as the ‘broken’ business rates system.

‘Unfortunately, the current broken business rates system continues to hold back retailers, hindering vital investment into retail innovation and the blended physical-digital retail offering,’ she said.

‘The Government must ensure the upcoming business rates review permanently reduces the cost burden to sustainable levels. Retailers want to play their part in building back a better future for local communities, and Government must give them the tools to do so.’

'Ridiculous' snail farm set up in shopping centre to 'avoid business rates'

Shoppers have called for the owner to 'pack up and go'

Puzzled shoppers have questioned why a 'ridiculous' snail farm has been set up inside an empty shopping centre unit in what is believed to be a bid to avoid business rates.

Visitors to Newcastle town centre were surprised to see dozens of boxes with a snail symbol on the side and the word 'Escargot' - French for snail - in the near-empty Roebuck Centre.

It is understood that the 'snail farm' has been created so the building's use is changed to 'agricultural' and therefore not liable for business rates on the empty store.

The tactic has previously been used by landlords in Bradford with the boxes containing edible French snails.

Now some people are calling for the owner to 'pack up and go' as they believe it is 'unfair' on other businesses which are operating as they should be.

John Taylor, aged 72, from Knutton said: “It’s ridiculous. If they have got the shop they should pay the rates for it.

“I thought they were just empty boxes. The other day I saw 30 chairs in that shop. It’s unfair for the businesses who are paying the rates.”

Jacqueline Yates, also 72, from Newcastle, added: “That’s really bad and they should be opening up instead of doing that. Shops here are dying as it is.”

Dave Aarons, 67, from Newcastle, said: “If you own the shop you should pay the rates. They should be made to pay or leave.”

Newcastle Business Improvement District chairman Eddie Leligdowicz confirmed they were aware of the 'snail farm'.

He said: "The property is full of packets of Escargots.

"It doesn’t remove the obligation placed upon them in terms of BID levy, they are still liable to that. It’s a separate entity compared to business rates.

"Whilst they may be looking to mitigate their business rates, what they are doing doesn’t mitigate their levy charges.

“Why they are doing that is not clear to me or what circumstances they may be facing which may cause them to do that.”

Business rates are payable on unoccupied properties, and this often leads to building owners attempting to find loopholes in the system.

StokeonTrentLive has contacted the Newcastle Borough Council for a comment on whether business rates is being charged on the unit.

The shopping centre was previously occupied by the likes of Dorothy Perkins, Next, Argos and Frankie's café who have all left over the past year.

StokeonTrentLive has not been able to contact the landlord.

Business rates relief cut to 66% as BRC and KBB retailers question a ‘broken’ system

Retailers around the UK will have to pay a third of their business rates bill after the Government reduced its relief scheme in England from 100% to 66%.

The British Retail Consortium welcomed the fact that there would be some continuing help for struggling retailers with business rates bills, but added that it regarded the system as “intrinsically broken”.

BRC chief executive Helen Dickinson (pictured) said: “While continued business rates relief is welcome, the simple fact is that the system is intrinsically broken. This limited relief will not go far enough to support those retailers that were shuttered for months during lockdowns and are now starting to trade their way back.”

Dickinson added: “The Government must now stand by its business rates review commitment to reduce the burden rates place on businesses and ensure that the system reflects current market conditions, not outdated valuations from 2015. The Government must ensure there are no further delays to the outcome of the fundamental review and put in place bridging relief until we move to a more sensible system which takes account of market realities.”

Figures suggest that some two million premises took advantage of the business rates relief scheme, saving the companies involved around £14 billion. Many smaller KBB retailers are, in any case, eligible for 100% business rates relief anyway.

We polled our kbbreview100 think tank of retailers nationwide to ask what they thought about the development. Two-thirds of respondents said they had taken advantage of the rates relief scheme. None said they felt the change to 66% would adversely affect their businesses going forward.

Trevor Scott, chief executive of RFK in Rugby, said: "This scheme was one of many instigated during the pandemic to help businesses to survive. It was very helpful, as it kept cash in the business that, certainly in the early days, was sorely needed. Realistically, for our industry at least, that time has passed, so we are happy to restart paying in line with the changes to the scheme."

Richard Reynolds, chairman of CP Hart, suggested that surging customer demand should make paying the rates bill a little easier: "Of course, any reduction in support will put pressure on cash flow but the lifting of lockdowns and surge in customer demand should make further support unnecessary."

Ian Coghill, a director of Riddle and Coghill in Edinburgh, was grateful for the help, but disparaging about what he believes he gets for his rates money: "Any assistance was helpful, as we were forced to close as an industry for a considerable time and are still being restricted by the current shortages of goods that the various governments have created due to the pandemic. Add to that the ludicrous road management schemes now making town centres even less attractive to visit and I don't know what we are actually getting of value by paying rates to start with. You have to pay for parking and you can't put a sign up without planning permission. Business rates aren't value, they're extortion."

Darren Taylor, managing director of Searle and Taylor in Winchester, was also unimpressed with the iniquities of the rates system. He said: "The high street is in constant battle with online retailers. These online-only businesses rarely pay business rates. If they do, it's at a much lower rate, as the set 'rateable value' will be lower on an out-of-town warehouse than on a high street."

One KBB studio owner who preferred to remain anonymous commented: "We took full advantage of the business rates relief – and rightly so, given that it was the Government that prevented us from trading, causing us huge financial challenges as a result. The residual trade restrictions continue to have serious implications for our ability to trade and service the pent-up demand. In my opinion, the Government should have absolutely zero call on any business taxes for as long as they put obstacles in our way to free and open trade."

Federation of Small Business national chair Mike Cherry echoed the BRC's sentiments on business rates: "For too long the business rates system has been outdated and regressive, and the ongoing pandemic has only highlighted the need for serious reform in the months ahead. But over the past few months, many small firms have benefited from the retail, hospitality and leisure relief which has helped to ensure businesses don't go under and jobs are saved."

Rebalancing the business rates burden

If we want get city and town centre retail thriving again, we need to rebalance the rates system, with a greater proportion of the burden felt by out-of-town shopping centres

THE retail sector has been in crisis since the start of the pandemic. But, in truth, much of it was already in crisis. The traditional high street has struggled both from the impact of online retailing, but also from the out-of-town shopping centres.

It is essential that we urgently consider how to bring life back to our city and town centres, to rescue them. If we fail, the traditional high street will be gone forever.

We need to take an honest look at the problems retail is facing. Online retailers must be forced by governments to pay their fair share of business taxation. We also need to review the system of business rates and ask ourselves whether it is the best and fairest way of levying a tax on business. I am convinced it is not.

For a start, we need to provide financial incentives. If we want to revive city and town centre retail, then we need to rebalance rates so that these locations have lower rates burdens, with a greater proportion of the burden felt by out-of-town shopping centres.

We can go further than this by using the business rates system to promote the best outcomes. This might include incentives of reduced rates to bring vacant space above shops back into use as apartments. We need to do much more to stimulate more city centre living, which can not only reduce pressure on land elsewhere for new homes, but also create new vibrant communities in our city and town centres.

As well as building communities, more city centre living can provide additional demand for local retailers. This can protect the viability of city and town centre shops.

We can, and should, also reconsider the business rates treatment of empty buildings and vacant land. At present, empty business properties can have an initial three months rates-free period, followed by a 50 per cent discount. If we are serious about encouraging life in the city and town centres, we should consider not only scrapping that discount, but actually penalising building owners for having empty premises.

Let's put an end to city and town centre buildings falling into disrepair: the use of business rates as an incentive can play an important role in this. The same principle could apply to vacant land that is an eyesore in our commercial centres.

Business rates reform is only part of the solution to the decline of the high street. We need to invigorate retail centres in other ways as well – not least by making them attractive leisure destinations. We need to do more to encourage new leisure facilities to be located in our town and city centres, rather than out-of-town.

Despite our weather, we will be doing more socialising outdoors in future. This must be supported through changes in our licensing regulations, but also traffic management systems. I'm pleased that this is happening, with the active involvement of infrastructure minister, Nichola Mallon. The priority must be the people who use our city and town centres - not the cars that are being driven through them.

As individuals, we can play our own part by supporting the restaurants, cafes and theatres, as well as shops, in our town and city centres as they return from pandemic inactivity. We can vote with our pockets to support what we value.

We need the Department of Finance to act on business rates, and for councils to improve the look and feel of our traditional retail centres.

But we all need to act to support our retailers, especially the locally owned independent retailers. As we emerge from the pandemic, let's think less about Amazon and more about the high street.

Sinead McLaughlin is SDLP economy spokesperson and MLA for Foyle

It's time to stop counting on the courts to collect council tax arrears

Council tax is becoming 'increasingly regressive', and a revaluation of property values is long overdue, according to a Commons Committee. Whether this is true or not, councils face a more pressing council tax issue, and one that's more straightforward to immediately address – arrears.

In a recent report, the Housing, Communities and Local Government Committee outlined the need for reform to ensure the sustainability of local government finances.

The report makes a series of recommendations, including one to overhaul the council tax system. In the short-to-medium-term, this could involve the revaluation of properties and introduction of extra bands. Longer term, it may lead to the replacement of council tax with a 'proportional' property tax.

It's proposed such changes would enable councils to grow and protect their tax bases to help fund wider service provision. While this seems logical, it'll require a seismic shift to implement suggested changes, and it'll take time.

Indeed, the Committee acknowledges that successive governments have shied away from making major council tax changes, fearing a backlash from individuals who'd lose out.

I believe a more prudent approach is to address a problem that's already impeding tax revenues – the collection of council tax arrears – and then consider larger changes.

Government data (Collection rates and receipts of council tax and non-domestic rates in England, 2020-21) shows a total of £4.4bn in council tax arrears for the year 2020-21, an increase of £900m from the previous year. While an increase was to be expected from the pandemic impact, looking beyond COVID, the data shows total council tax arrears have consistently risen since 2016-17 when they totalled £2.8bn.

The situation doesn't show signs of improving. Research by debt charity The Money Advice Trust suggests over seven million Britons are worried they won't be able to pay council tax bills over the next year. This might see council tax arrears rise further.

Addressing the arrears challenge could help relieve the financial squeeze being placed on local authorities. As well as generating more funds through greater collection of council tax, it could also save costs. To achieve this, councils must rethink ineffective processes used to handle arrears and focus on communication, affordability, and vulnerability.

Due to the Council Tax (Administration and Enforcement) Regulations 1992, councils often progress to court action to pursue arrears, after postal reminders have failed to elicit a satisfactory response. For residents already struggling with debt, this can mean they quickly go from billing reminders to court summons and, in some cases, bailiff visits.

This process makes no allowances for a resident's affordability and can drastically accelerate their financial hardship. In addition to outstanding tax, they can find themselves liable for court and administration costs due to the legally mandated escalation process. This increases the spiral of debt and can make the successful recovery of arrears even more unlikely.

It's worth considering that Government data shows court and administrative costs have increased in recent years. In 2019-20, a year prior to COVID measures suspending collection enforcement, costs totalled £337m, compared to £292m in 2016-17. They were £312m for 2020-21. Costs of enforcement are rising but aren't bringing down levels of arrears. In fact, they'll only swell total arrears – and losses for councils – if residents can't afford to pay debts.

Making no allowance for affordability risks making the financial situation more precarious for councils. However, it's possible to transform this process by opening-up lines of communication with residents, replacing enforcement action with positive and proactive dialogue that prevents future escalation and arrives at a payment plan.

Software can be used to cost-effectively schedule outgoing calls to struggling residents, instead of sending postal reminders, which they often find daunting and are at a greater risk of going unread. Using a process of automation to schedule outgoing phone calls to residents and giving them the option to proactively engage to discuss their position, helps to create understanding of resident affordability and vulnerability. It also frees up resources within local authority revenues and benefits recovery teams, so they've time to speak to residents individually. Debt can take its toll on mental health and wellbeing, and many councils are keen to avoid inadvertently making problems worse for residents, while also improving staff wellbeing by creating opportunities for positive outcomes.

In a recent roll-out with a local authority, this approach has proved successful in collecting payments from around 60% of contacted residents in arrears. The proactive engagement also supported residents with other welfare needs, while generating additional council tax cash flow which would have otherwise taken the council potentially years to recover, if at all.

By moving away from the traditional approach, which often leads to costly court action, and using digital automation to create a more proactive, resident-focused way of thinking, local authorities could find they more effectively recover arrears. This is likely to prove a quicker way to protect taxes and funding than overhauling the whole council tax system.

John Doyle is CEO of local authority technology solutions provider Voicescape

Deprived towns face bigger council tax burden than rich London boroughs

People in some of the poorest areas in the north of England are paying 20 times more council tax, relative to the value of their property, than residents in wealthy parts of London, research has found.

According to analysis by the i newspaper, residents in Burnley and Hyndburn, both in Lancashire, pay about 2 per cent of the value of their property each year in council tax. But people in Westminster and Kensington & Chelsea, central London, pay only about 0.1 per cent.

The divide has widened as authorities in deprived areas have raised rates to fund local services following central government funding cuts.

In Hammersmith & Fulham, one of the wealthiest areas in the country, council tax is cheaper than it was in 2014. But in Hartlepool, average council tax has risen by almost a quarter since 2015, the analysis found.

Campaigners say the north-south divide undermines the government's levelling-up commitment.

Andrew Dixon, founder and chairman of the campaign group Fairer Share, told the newspaper: "If the government wants to level up, or if any other party wants to compete for voters in red wall seats, they have to understand what really affects people's budgets and what offends their values.

"Billionaires in Kensington enjoying lower council tax bills than nurses in Cumbria is a scandal that should never have been allowed to happen."

MPs on the housing, communities and local government select committee recently suggested a "proportional property tax" to replace the current council tax system.

Last December, a think tank warned that the pandemic had created new regional inequalities and deepened old ones. IPPR North's annual State of the North report found the region was experiencing unemployment levels that had not been seen since 1994 and said it should be an "urgent wake-up call" for the government.

The report was published a year after the prime minister declared following his election win that the government would be "unleashing the potential of the whole country".

In a speech last month, Boris Johnson set out a levelling-up vision that included giving more power to local leaders, whom he also urged to come forward with ideas for how to improve their communities. The speech was criticised for lacking substance.

More policies based around levelling-up are expected to be outlined in a white paper later this year.

Colliers Calls for Council Tax Reform

Any reform in Autumn must consider alternative means of financing- including looking at Council Tax, says property advisers Colliers.

John Webber, Head of Business Rates at the company, said that many cash-starved councils have been in discussions with the Government for a bail out or "capitalisation directions" due to loss of income during the pandemic. The twelve-month 100% business rates holiday (April 2020 to March 2021) given to the retail, hospitality and leisure sectors would have cost local government coffers between £11 and £12 billion in income if Central Government had not stepped in. And as this rates holiday was extended for another three months to the end of June, with further concessions for the following nine months, further income loss from business rates is on the cards.

It is therefore no wonder, says Webber, that the Local Government Association has warned ministers that any planned shake up of the business rates system must "recognise the importance of this income stream for funding key local services"

In a normal year business rates contribute £26 billion net, which is collected and used by local authorities to pay for local services including adult and child social care, public health, fire and rescue services, highways and transport and rubbish collection- all key services that we don't want to be without.

Yet says Webber, £26 billion from this one source is unsustainable. Nearly one third of the total rates bill is funded by the physical (bricks and mortar) retail sector (£7.6billion), despite this sector having seen its high streets decimated in recent years. Many retailers are struggling to pay their bills now the rates holiday relief was capped at the end of June, due to the devastating impact of the pandemic and lockdowns on retail and hospitality businesses in this last year. And at a basic level, current business rates are just too high.

As Webber explains, "Because it's been four years since the last revaluation in 2017, business rates bills are still linked to rental levels of 2015. Yet values have plummeted since. In some parts of the country, we are seeing retailers paying higher rates bills than they are paying in rents- since at least they can (and have been) negotiating with their landlords on rent payments. The government's recent legislation -that it will not recognise any Covid related rates appeal on the grounds of material change of circumstance- puts another nail in the coffin for any respite from the high bills coming in."

Webber adds, "We have long been advocates of business rates reform. The system in current form is unsustainable. The multiplier at 51p in the £ is too high and has created an effective 50% plus tax on business occupiers, the relief system is out of date, the system is unfairly skewered against the retail sector, revaluations are too spaced out to reflect proper rental levels and the appeals system is a disaster. It's essential the government reforms the system properly and looks at other forms of income to alleviate the burden on business rates, before it totally roasts the goose that lays the golden eggs."

So what can be done?

One area that Webber thinks the government should consider is a re-look at Council Tax. Council taxes are domestic rates in the same way as business rates are non-domestic rates- yet whereas as business rates are based on rental values, council taxes are calculated on the value of the property- as of April 1, 1991. The highest band H is for properties worth £320,000 and above.

"Whilst it's pretty shocking that we haven't had a business rates revaluation since 2017, it's probably more shocking that we haven't had a council tax one for over 30 years! It's way overdue." says Webber.

This lack of revaluation has meant that house values and council tax bills "are now way out of step". According to a recent survey by Xendpay, some of the richest areas in the country have the lowest council tax bills and some of the poorest areas have some of the highest.

Colliers has investigated this by carrying out its own research comparing the boroughs of Westminster, Solihull, and Stockton on Tees in terms of business rates and council tax.

Colliers' research found that whilst Solihull and Stockton on Tees raise a similar amount of revenue annually from business rates and council tax, in Westminster the picture is totally different. Westminster raises a massive £2.35 billion from business rates, due to its higher property values. This is almost twenty-two times what it raises from council tax.

£1.01 billion of the business rates collection is returned to the central government pool to help other parts of the country as part of the levelling up agenda.

Given the wealth of many homeowners in Westminster and the value of houses there, it seems incongruous there is such an imbalance from the two collections.

In Westminster property owners in the highest band of council tax, Band H, pays £1655.12 in council tax a year despite many houses in areas such as St John's Wood and Mayfair being worth several millions of pounds.

In Stockton on Tees Band H is £4202.66 – yet there are actually few homes (if any) in either Band H or Band G; the highest band appearing to be Band F where property owners pay £2999 a year in Council Tax, nearly twice what is paid in Westminster. In fact, only houses in Band A and B in Stockton, the lowest value houses in the borough do residents pay less than the highest council taxpayer in Westminster.

And it's not just Westminster that house values and council taxes are out of step. Multi-million-pound homes in Chelsea and Kensington change hands- but the highest bands of council tax in the borough is £2,627.20 a year.

"The current system is just out of step." says Webber. "If as a country we want our public services to be paid for – and I think the pandemic has shown how important this is – then we need to think wider than just relying on business rates and milking the system dry. The government is considering other options- such as a tax on online shopping or a tax on deliveries for on-line purchases -and all options should be explored. But a more equitable council tax regime would certainly be a good start in trying to reduce the burden on the business rates system and restore the balance in our local authority finances.

One in seven British shops now lie empty - and rates are increasing despite the economy reopening

Shopping centres, where nearly one in five units is shuttered, are suffering the worst of the blight after lockdowns over the past year ratcheted up the pressure on the beleaguered sector.

One in seven shops across Britain is lying empty - with the number rising over the last three months even as the economy reopened, new figures show.

The vacancy rate across high streets, retail parks and shopping centres rose to 14.5% in the second quarter, according to a report from the British Retail Consortium (BRC) and Local Data Company.

It was up from 14.1% in the first quarter and 12.4% in the second quarter a year ago - and is the latest in a continual series of increases over three years.

BRC chief executive Helen Dickinson said: "It comes as no surprise that the number of shuttered stores in the UK continues to rise, after retailers have been in and out of lockdown for over a year."

She warned that this could rise further now that the business rates holiday helping firms through the pandemic has come to an end.

Shopping centres, housing a high proportion of hard-hit fashion retailers, have been worst affected.

For these locations, vacancies stood at 19.4% while for retail parks the rate was a less dismal 11.5% - though here the loss of larger so-called "anchor" stores that draw shoppers to the area has been an increasing problem.

High street vacancies, at 14.5%, were in line with the overall rate.

The figures also showed a North-South divide with greater London at 11.1% having the lowest level of shop vacancies, followed by the South East and the East of England.

The worst affected region was the North East with 20.6% of units shuttered, followed by Wales and the North West.

Lockdowns over the past year have intensified pressure on a sector that was already being squeezed by online competition.

It proved the final straw for the likes of Debenhams and Topshop owner Arcadia, which had already been flirting with collapse in recent years - and now survive only through digital brands.

Industry figures published earlier this month showed that retail sales enjoyed their best quarter of growth on record in the April-June period as non-essential stores reopened.

But it was online channels, which have enjoyed strong growth through the pandemic, which continued to show the fastest expansion.

At the same time, footfall numbers have shown visits to shopping areas remain stubbornly below pre-pandemic levels, despite pent-up demand from consumers as stores reopened.

Empty shop numbers rise as Covid continues to bite

The number of empty shops in Britain has continued to rise as retailers struggle with the effects of the Covid pandemic, the British Retail Consortium has said.

Shopping centres have been hardest hit, with nearly one in five units empty, the industry group said.

The north east of England had the highest vacancy rate, followed by Wales and the north west.

The Covid pandemic has accelerated a shift towards online shopping.

Many shops were shuttered during lockdowns, although retail sales in June were near pre-lockdown levels, as the reopening of shops released pent-up demand.

Retail sales near pre-lockdown levels in June

However, fashion retailers have been hit hard by the pandemic, with the closure of well-known High Street brands such as Debenhams and Topshop contributing to vacancies.

But it is shopping centres which had the highest vacancy rate from April to June.

"It comes as no surprise that the number of shuttered stores in the UK continues to rise, after retailers have been in and out of lockdown for over a year," said Helen Dickinson, chief executive of the British Retail Consortium (BRC).

Almost one in five shopping centre units now lie empty, and more than one in eight units have been empty for more than a year.

The vacancy rate in retail parks is also rising quickly as they lose stores.

'Sword of Damocles'

The number of empty shops could continue to rise following the ending of the business rates holiday, Ms Dickinson said.

Since the start of the pandemic, the government announced a range of measures to help companies including business rates relief which ran until the end of June. Firms are currently paying a reduced rate.

But Tony Brown, chief executive of Beales, the department store, told the BBC's Today programme that the resumption of full business rates payments "is a sword of Damocles hanging over everybody".

He said that at Beales stores, which include Poole, Peterborough and the soon-to-open branch in Southport, "we pay 10 times, sometimes 30 times more in [business] rates than we do in rent".

Beales, one of the UK's oldest department stores, fell into administration in January 2020 before the Covid pandemic was declared. It subsequently shut down all its shops but a business called New Start 2020 bought the name and Beales reopened a branch in Poole last year.

Mr Brown said: "The pandemic has allowed us to rethink the model as to how department stores should work and how we can rebuild the High Streets.

"I believe that customers still want to shop, still want to physically shop in stores, especially for fashions, and as we get further and further away from the pandemic, being able to try on clothes comfortably is what the customers are asking us to do."

The BRC's Ms Dickinson said that there is a sharp divide between the south of England, including London, with lower vacancy rates compared to the north of the country, where disposable income is lower.

While the increase in the vacancy rate is slowing, there "will never be enough demand to meet the supply" said Lucy Stainton, director of Local Data Company, which did the vacancy research for the BRC.

"The property market will be forced to think of more creative ways to utilise this space, to avoid exacerbating the already high rates of long-term voids across our retail destinations which are not only unsightly and costly for landlords, but also have a negative impact on surrounding stores," she said.

The BRC envisages future town centres to include leisure, retail centres, services and homes.

Crippling business rates are hammering our high streets

Our business rates tax is three times higher than the OECD average alone.

Now despite the hardships many British businesses have faced since the Covid-19 crisis began, the economy is looking healthier today than we might have feared last year.

But it’s consumer spending doing much of the heavy lifting. If our recovery is to get on to a more even keel, we really must get businesses investing more - the Government’s ambitions to level up the country and reach net zero will stand or fall on succeeding here.

One of the largest obstacles facing enterprises is a business rates tax system stuck in the past – the costs on an individual business are far too high.

It not only helps to hollow out our struggling high streets, but also holds back those on the up.

Even before the pandemic, our high streets were facing a real battle when up against online retailers – Covid-19 only made that tougher.

'STRANGLE'

Recent data suggests one in seven high street shops now lies empty. The list of our high street favourites – from department stores to small independents - that have gone for good, grows longer day-by-day.

As founder and chairman of Cobra Beer, I know just how much of a strangle the current system puts on restaurants and pubs, up and down the land.

The business rates system in England is unfair, uncompetitive and unproductive.

And the impact stretches well beyond shops; from factories and airports to offices – any business with a physical footprint.

While the Government seriously stepped up in its support for business at the height of the crisis – including relief on business rate taxes - major reform is long overdue.

The Government is working hard to turn the situation around, expecting to report in the autumn.

CHANGE NEEDED

Don't get me wrong; business rates are – and should remain - an integral part of our tax system. But businesses need it to change and change now.

Fail to act and we also risk stalling much-needed investment in lowering carbon emissions. The bleak assessment in this week's UN climate report only makes the need for action all the more urgent.

Perversely, the business rates system in England - and elsewhere in our four nations - works against firms trying to make their buildings more energy efficient: if firms spend on upgrades, they are rewarded by paying higher tax rates!

So what to do? For starters, the CBI wants to see a freezing of rate increases in England beyond the planned revaluation in 2023, and also move to a system of annual revaluations by 2026.

This means that rates adjust quickly to economic changes with no shock rises, and for ratepayers where their bill comes down with property values, they must be able to benefit from reductions immediately after a revaluation.

Existing machinery and new technologies linked to the green agenda such as solar panels should be excused from the tax.

All this and more can help make our outdated business rates system into a tax that is fit for the future.

A system that unleashes the transformative power of business investment to help, rather than hinder, our shared ambitions to save our high streets, cut our carbon emissions, level up the country and make our whole economy far more competitive.

Lord Bilimoria is CBI President and founder and chairman of Cobra Beer.

Reform of business rates is moving at snail's pace

There has been a flurry of calls in recent months urging for a rebalancing of business rates – with some warning that a failure to act risks economic slow-down.

Not only is there the well-documented disparity between bricks-and-mortar retailers and their online counterparts when it comes to paying the tax, there's also some bizarre loopholes, which highlight the outdated state of the rates.

For example, you have to admire the sheer entrepreneurial front of those who have set up a snail farm in a Staffordshire shopping centre in an apparent attempt to avoid paying the charge.

Dozens of covered containers marked with snail symbols and bearing the word ‘escargot’ have been placed in neat lines on the floor of the empty unit in Newcastle-under-Lyme’s Roebuck Centre.

Reclassifying the former store for agricultural use means the owner is no longer liable for the business rates that are still payable on unoccupied premises.

For those sceptical that this sudden outbreak of breeding gastropods is nothing more than a prank or publicity stunt, the phenomenon of the urban snail farm is nothing new.

A spate of snail farms sprang up last year in the well-known agricultural centre of Bradford. One official told local councillors: “It’s a box with some snails in it, it’s as simple as that I’m afraid, nothing more elaborate. They are breeding snails, they are therefore a snail breeding farm.”

It was a profession adopted by several in the city.

Whatever your take on this – a blatant attempt to dodge financial responsibility or a creative way of reducing costs in straightened times – it’s obvious that a root and branch reform of our business taxation system is long overdue.

The whole retail landscape is rapidly changing, with online retailers having an unfair advantage over those that still support bricks-and-mortar. The Centre for Retail Research points out that business rates account for 42 per cent of all taxes paid by retail businesses.

No business owner enjoys paying taxes, but in times of economic fortune the system is adequate. But despite the introduction of business rate relief schemes, businesses continue to fail or retreat, and it is plain that action is urgently needed to make the burden more equitable and sustainable.

Meanwhile, anyone tempted to become a snail farmer can be heartened by the fact that one person working full time can raise 200,000 snails, with a kilo retailing for around £40.

Realistically a shopping centre is possibly not the best place to rear our slimy friends, so let’s roll back on the urban rewilding and return to attracting people back onto our high streets.

Before owners of commercial properties rush down to their gardens to collect a bucket of snails, it’s worth pointing out that Kirklees Council was awarded £16,000 costs following a successful prosecution of one snail farm case.

However, it is time for the government to restructure the business rates – and not at a proverbial snail’s pace, otherwise our town centres may soon be overrun!

Demand for urgent action to reform ‘archaic’ business rates system

An immediate and comprehensive reform of the UK's "outdated and uncompetitive" business rates system is essential if the Yorkshire & Humber is to achieve its ambitions for recovery, decarbonisation and levelling up.

That is the view of the CBI, which is today renewing its calls for a systemic revamp to make business rates fairer and more responsive to changing economic trends.

CBI Yorkshire & Humber director, Beckie Hart, said industry will have a major role to play in the post-pandemic recovery, as well as possessing the potential to spearhead a transformation towards a more prosperous and sustainable future economy.

But she added it is up to the Government to pave the way by creating a business-friendly environment which enables companies to thrive.

She said the Government's first step should be long overdue action to redesign an outdated rates system which too often proves a barrier to business success.

Hart added: "The business rates system in England is unfair, uncompetitive and unproductive. It undermines the confidence of businesses looking to invest, hampering prospects and restricting progress.

"Under this archaic rates system, Yorkshire & Humber businesses can stagnate, or even falter.

"Even before the pandemic, our retailers were facing a real battle against online rivals, and too many familiar names – from department stores to small independents – have been lost from our high streets.

"One in seven shops now stands empty, and the impact stretches further, too; from factories to airports to offices, to any business with a physical footprint.

"With substantial ground to make up to complete our economic recovery, and big ambitions ahead on levelling up and climate action, we need business to be buoyant, confident and investing. That means giving them a platform to succeed – and that must begin with significant rates reform."

The CBI says long gaps in rates valuations currently means tax bills can fail to respond to local economic fluctuations.

It warns this can reduce investment in the communities that need it most, punishing businesses in areas that are struggling, while also holding back those making gains.

CBI recommendations include:

- Freezing rates until the next revaluation in 2023, enabling firms to instantly benefit from any falls in properly valuations until then.
- Reducing the business rates multiplier to a lower and more sustainable rate, and ending the fiscal neutrality rule which sees the multiplier increase when property values fall.
- Moving to annual revaluations by 2026, ensuring rates bills adjust quickly to economic changes and protecting against shock rises.

- Introducing green incentives which reward firms for investing in carbon-reducing tech and property upgrades.

Hart said: “While the Government seriously stepped up in its support for business at the height of the crisis – including relief on business rate taxes – more long-lasting reform is long overdue.

“While business rates are – and should remain – an integral part of our tax system, businesses need change, and they need it now.

“CBI proposals for reform can help make our outdated business rates system into a tax that is fit for the future.”

SCOTLAND

Scottish Land Commission: Public sector should play a greater role in housing land market

The public sector should play a greater role in the housing land market, the Scottish Land Commission has said.

In a new report it sets out five suggestions:

1. Establish a new recyclable fund to help create a network of ‘place pioneers’ – an ambitious programme of affordable housing delivery utilising repurposed publicly owned property assets in town centres and privately owned housing stock in remote rural communities.
2. Empower local authorities to designate Regeneration Partnership Zones to speed up the redevelopment of land in fragmented or multiple ownership so that landowners and public authorities can share the long-term uplift in land values.
3. Introduce new approach(es) to land value capture to ensure that uplifts in land value arising from public investment in infrastructure and land remediation are captured effectively and invested in place-making.
4. Create a new public land agency, with the power and resources to ensure that a steady supply of development-ready sites is brought forward at the right time and in the right places to meet Scotland’s housing needs.
5. Introduce a new transparency obligation that would require options agreements and conditional contracts over land to be disclosed on a public register that is kept updated alongside regular publication of a statistical bulletin on land sales prices.

Hamish Trench, chief executive at the Scottish Land Commission, said: “Currently Scotland is not delivering enough homes of the right type and in the right places. An important part of the equation is land: getting land development-ready is complex, risky and time-consuming. We have relied for too long on an almost exclusively market-led model of delivery rather than an approach that has the public interest at the heart.

“Our recommendations outline a number of changes that can be made to reform the housing land market so that it better serves the people and communities of Scotland in a fair and productive way.

“We are proposing that the public sector plays an active role in enabling housing delivery by providing land for new homes. This is not about a public sector takeover but about the public sector working in partnership with the private sector to deliver more homes.

“A more proactive role for the public sector will share the risk and reward, enabling developers to focus on building houses and creating better places, allowing more affordable homes of all tenures to be built.

The commission has made five practical recommendations for reform that draw on Scotland’s long history of bringing together planning, land ownership, design and infrastructure to deliver great places.

He added: “Somewhere in our enthusiasm for market-led delivery this tradition has been diluted. Our recommendations set out a programme of reforms and action that could help us rediscover it. It also brings much wider benefits to Scotland’s economy, helping to stabilise house prices, making them more affordable and releasing wealth locked up in land and housing to help drive sustainable and inclusive growth.”