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Property Tax and Assessment News from Around the World

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UNITED KINGDOM

The Autumn Budget Failes to Live Up to Expectations on Business Rates Relief

NO TARGETED RELIEF FOR SECTORS OUTSIDE OF RETAIL, LEISURE AND HOSPITALITY

International Property Tax Institute

Firms outside retail, leisure and hospitality are desperately in need of Government support due to the impact of the pandemic, however firms hoping for drastic reforms in the Autumn Budget were left unsatisfied. No targeted relief for sectors outside of retail, leisure and hospitality was announced. Furthermore, such businesses are yet to receive any of the £1.5 billion relief funds that were heralded in the March 2021 Budget. In contrast, retail, leisure and hospitality firms had already received more than £16 billion in relief prior to the autumn Budget. In Wednesday's Budget, additional support was announced: for one year, a further 50% business rates discount. It is a business tax cut worth almost £1.7 billion, but only for those operating in the retail, hospitality and leisure sectors.

This is despite the fact that over 400,000 office occupiers were expected to pay their business rates in full throughout the pandemic – amounting to £7.89 million over 16 months. 170,000 occupiers had therefore appealed seeking reductions in assessment. This prompted the Government to announce the retrospective ban of all business rates appeals, supposedly to be replaced by the £1.5 billion relief fund. Relief would be distributed based on economic impact on businesses, not falls in property values. The Government announced this would be 'the fastest and fairest way of getting support to businesses'. However, the size of the funding was labelled 'wholly inadequate' as it would cover only a fraction of the estimated £5 billion worth of challenged business rates. Even this meagre funding has not materialised. It remains blocked by parliamentary procedure, leaving commercial occupiers stranded.

WHAT IS THE SOLUTION?

Firstly, the Government needs to deliver on what they have promised by getting relief into the hands of firms that need it most. Secondly, the Government should implement a radical overhaul of the business rates regime. This did not feature in the Budget. UK business rates typically equate to 50% of annual rent, representing one of the largest overheads for businesses and substantially impact on profitability. Current rateable values are based on economic circumstances in 2015, and will remain until 2023. The current system is therefore incapable of responding to momentous changes such as those of the last 20 months.

Whilst the Budget did proclaim a new revaluation cycle to be delivered from 2023, with revaluations of non-domestic properties taking place every three years instead of the current five, the measures do not go far enough. Vivienne King, chair of the Shopkeepers' Campaign, said there is disappointment 'that there is no commitment to annual revaluations so that tax bills reflect the market property values'.

'Lip service' has been paid to business rates reform for years; the Conservative party's manifesto commitment to cut business rates has delivered only minor adjustments to the existing system. Tax experts Altus Group estimate business rates bills will rise by £1.04 billion in England from April 2022. In some cases, rates have become so unaffordable, they are hampering town centres' ability to prosper.

UK trade groups representing nine million employees including CBI, British Retail Consortium and British Property Federation wrote an open letter to the Chancellor, demanding the Government cut the business rate substantially and 'overhaul the business rates system' or risk further store closures as well as undermining net zero investment ambitions, stating that rates were 'uncompetitive, unproductive and unfair'. UK property taxes are four times higher than Germany, and 50% higher than the G7 average as a proportion of GDP. Rain Newton-Smith, CBI chief economist, said that up to half of business investment could be subject to business rates — which meant they had 'literally become a tax on investment'.

RADICAL REFORM IS REQUIRED

The Valuation Office Agency indicates that the prosperous days of commercial property are over. Total floorspace, key for the calculation of business rates, declined in 2021, a trend which is set to continue given the impact of the pandemic. The decline in taxable floorspace and the continuing closures of major retailers create an increasingly negative impact on the overall tax take. The Government is faced with a dilemma: continue to raise the multiplier to stabilise revenue or identify an alternative tax base. As Nimesh Shah, chief executive of

Blick Rothenberg, commented, governments have been ignoring wholesale re-evaluation of business rates for years as it is 'too difficult and too expensive' to reform.

One solution, omitted from the Budget, is for the Government to bring online commerce, being financially very buoyant, into serious scope for taxation. In the Budget run up there were reports that there would be a 2% online sales tax, however no such tax was announced. Scott Parsons, UK chief operating officer at Unibail-Rodamco-Westfield's, said: 'The decision by the Chancellor to continue to avoid imposing any kind of tax on the e-commerce sector is another blow, as bricks-and-mortar retailers continue to operate on an uneven playing field.'

An online sales tax could alleviate the distortion that business rates cause between bricks-and-mortar and online retailers and could compensate for a reduction in business rates. A levy on online sales could pay for a 20% reduction in business rates in the retail sector alone. Parsons added: 'Of the £7.9bn that was raised through retail business rates in 2019/20, just over 5% was raised from online retailers who at the time represented approximately 25% of sales. We challenge this government to be brave and smart enough to come up with a solution, so our high streets don't have to shoulder virtually all of the tax burden for the retail industry and online pays its fair share.'

It is not all doom and gloom, however; the Budget declared a new 'business rates improvement relief' to encourage businesses to adopt green technologies like solar panels. From 2023, firms will be able to make property improvements, and, for 12 months, pay no extra business rates. The current business rates system disincentives favourable change because energy efficiency measures can result in a higher business rates bill, as they are deemed to have increased the value of the property. From 2023, companies will no longer face this strong disincentive to making 'green' investments.

Overall, property consultants Cluttons said the announcement in the Budget is 'not as fundamental as hoped, and certainly not in line with 'a fairer simpler tax system' that the Chancellor promised at the beginning of his speech'. Whilst retail, hospitality and leisure businesses will be encouraged by the Chancellor's announcement of a 50% one-year discount on business rates, once again firms outside of those sectors remain without adequate support.

Cutting business rates is needed to save our high streets

Simon Fell MP, John Stevenson MP and Scott Benton MP

As Conservative MPs, there are certain issues we constantly hear on the doorstep. The future of bricks-and-mortar retail is one of them.

Everybody has an opinion about what's happening in their local area, from the declining high street to the out-of-town retail park vacated by many well-known shops. People recognise that retail supports much of what they love about the places they live – cafes, restaurants, and other forms of hospitality. Everyone wants thriving town centres and exciting high streets. They also know that the tax system is making it difficult to open a shop or start a high street business where they live. That's especially the case in the North and Midlands, the places where the Conservatives won seats at the last election.

The business rates system is no longer fit for purpose

That's one of the reasons why so many Tory MPs have been making a lot of noise in recent weeks about the issue of cutting business rates, effectively a "shops tax" on the British high street. A survey from the British Retail Consortium last month found that 4 in 5 retailers would likely have to close more shops unless their business rates bill was reduced. Unsurprisingly, new survey data out this month showed that three quarters of Red Wall voters also want to see business rates cut to save local shops.

We agree. The business rates system is no longer fit for purpose. Since 1990 when they were introduced, business rates receipts have shot up from £8.8bn to £27.3bn, an increase of 210 per cent compared with a 75 per cent increase in inflation. That's not sustainable. New data suggests the actual tax rate will soon hit 51.5 per cent. It's unaffordable and it isn't fair.

Last week the Treasury suggested that change was in the pipeline, though not by the Budget this week. Although the delay is disappointing, reform would be extremely welcome, especially for the many Conservative MPs who have been championing this issue for years. But reform must benefit the places we represent.

Similarly, the Treasury's suggestion that a so-called Amazon Tax could be introduced on online retail is welcome to many of our colleagues, but only if that new tax is offset by a reduction in rates. There is no point introducing yet another new tax on bricks-and-mortar retailers if we don't at the same time free up their ability to invest in physical shops in local areas. The rate of empty shops is now twice as high in the North East than it is in the London – 20 per cent to 10 per cent - and we need to urgently rebalance, providing more opportunity to invest for companies across the UK.

Our high streets can't afford a tax as usual approach. We're sure the Chancellor recognises business rates were never meant to increase by this much. He won't let the system sleepwalk into loading even greater costs onto our constituents at a time when they are already worried about the cost of living.

We therefore back calls to reduce business rates significantly on bricks-and-mortar retailers, bringing them closer to the original rate of around 35 per cent of market rent rather than over 50 per cent where they stand today. And introducing a new online sales tax to level the playing field between bricks-and-mortar and online.

We want to drive home the point that a reduction in rates is urgently necessary. Reform of the system has been included in every single Conservative manifesto since 2010. We cannot let down our voters.

As chair of the Northern Research Group, Jake Berry wrote in his call for the government to reduce business rates last week, "shops in constituencies across the country need levelling up, not boarding up."

If the Conservative Party is to win more seats next time around then we will need to deliver on our manifesto promises, transforming communities for the better and returning pride to local places. It's time to cut business rates, for the sake of all bricks-and-mortar retail and the communities which depend on it.

Business rates relief to aid green property investment

Rishi Sunak will introduce a business rates exemption for green property improvements including solar panels and heat pumps in an effort to encourage investment in making buildings energy efficient, The Times understands.

Treasury officials have told businesses to expect the chancellor to announce new rates relief for investments in plant and machinery that make shops, offices and warehouses greener in today's budget. The exemption will include investments in features that improve working environments such as ventilation, according to briefed sources.

The move could save businesses tens of millions of pounds if they invest to build or refurbish in an environmentally friendly way, analysis by Colliers, the property consultancy, found.

Businesses hope the announcement will be among initiatives unveiled by the chancellor to give them incentives to invest as they face headwinds of rising inflation, tax increases, a rise in the minimum wage, higher energy costs and supply chain challenges.

Under the present business rates system, companies are penalised for making such investments because they cause a property's value to increase, which makes the rates bill rise. The disincentive means that investors have not included improvements such as solar panels on buildings, the British Property Federation says.

A Treasury report published in March summarised responses to a call for evidence for its fundamental review of business rates, noting that more than 40 per cent of respondents wanted to see exemptions for green energy generation, including solar and wind.

John Webber, head of business rates at Colliers, said: "In terms of impact, whilst this may not be a 'make or break' in the decision to build or refurbish a building in an environmentally friendly way, we believe we could be seeing savings of tens of millions of pounds over time. Even a 5 per cent reduction in the rates bill of a building over its life span could be a very significant saving."

Lobby groups including the CBI and the Federation of Small Businesses have urged ministers to address the flaw in the rates system. Craig Beaumont, chief of external affairs at the FSB, said: "It makes no sense when a small business invests in solar panels or heat pumps to tackle climate change that the valuation of the property rises, and so the annual business rates bill rises for ever more.

"This counts the same for investment in things like ventilation or other measures that improve the environment for staff. It's time to get rid of this disincentive to investment."

A more radical reform of business rates is expected to be delayed. Business groups with nine million employees have warned of shop closures if the system is not overhauled.

The present system takes no account of trading performance and penalises bricks-and-mortar outlets compared with online retailers.

Rates are based on property values from 2015, which do not reflect the fall in the value of high street shops and shopping centres after the rise of online shopping and the impact of Covid-19.

A Treasury spokesman said: "We're conducting a review of business rates, which will conclude in the autumn."

Budget 2021: Retailers and hospitality firms get some relief in new business rates update

Chancellor Rishi Sunak has moved to give more business rates support to firms, many of which have been hammered by the pandemic.

Firms hoping for drastic reforms were left waiting, but Sunak did use the Budget to update on a number of measures. There was mixed reaction from the retail and hospitality sectors.

Government measures include: introducing a new revaluation cycle that will be delivered from 2023; a new investment relief to encourage businesses to adopt green technologies like solar panels.

There will be a new 'business rates improvement relief'. From 2023, firms will be able to make property improvements, and, for 12 months, pay no extra business rates.

Sunak added: "I'm announcing today, for one year, a new 50% business rates discount for businesses in the retail, hospitality, and leisure sectors. Pubs, music venues, cinemas, restaurants, hotels, theatres, gyms."

The government is also freezing the business rates multiplier for another year (22/23), saving ratepayers £4.6 billion over the next five years.

Any eligible company can claim a discount on their bills of 50%, up to a maximum of £110,000. Sunak said that is a business tax cut worth almost £1.7 billion.

The government had earlier this year been consulting on plans that would see revaluations of non-domestic properties take place every three years instead of the current system of five.

High street tenants have long complained about the tax, which is linked to the underlying value of a property, but currently based on values from April 2015.

Vivienne King, chair of the Shopkeepers' Campaign, said there was disappointment "that there is no commitment to annual revaluations so that tax bills reflect the market property values".

Scott Parsons, UK chief operating officer at Unibail-Rodamco-Westfield's, which is behind the Westfield centres in London, said: "The decision by the Chancellor to continue to avoid imposing any kind of tax on the e-commerce sector is another blow, as bricks and mortar retailers continue to operate on an uneven playing field."

He added: "Of the £7.9bn that was raised through retail business rates in 2019/20, just over 5% was raised from online retailers who at the time represented approximately 25% of sales. We challenge this government to be brave and smart enough to come up with a solution, so our high streets don't have to shoulder virtually all of the tax burden for the retail industry and online pays its fair share."

Ryan Jones and Mike Hampton-Riddington, partners in the business rates team at Cluttons, said: "As an industry we were expecting no significant measures to alleviate the burden of business rates, so the announcement in the Budget is more welcome than expected, although not as fundamental as hoped, and certainly not in line with 'a fairer simpler tax system' that the Chancellor promised at the beginning of his speech."

Jace Tyrrell, who leads New West End Company, said: "Reducing the time between revaluations to three years is welcome, as is the short-term relief for investment in improvements and sustainability, but this falls far short of a fundamental review."

The British Property Federation's Melanie Leech said: "While a move to three-year revaluations is welcome, we continue to urgently call for annual revaluations. Businesses need to see long-term reductions in the rates they pay rather than short term fixes."

But Aidan Sutton, a tax partner at PwC, said: "Retail, hospitality and leisure businesses recovering from the pandemic will be encouraged by the Chancellor's propitious announcement of a 50% one-year discount on business rates for those sectors."

Sunak unveils £7bn reduction in business rates but refuses to scrap system

Chancellor Rishi Sunak has unveiled a raft of measures to reduce business rates but stopped short of fundamentally overhauling the system.

In his Budget statement, Sunak maintained the changes would cut business rates by £7bn, but that it would be "irresponsible" not to retain them overall because they are worth £25bn.

Instead, Sunak revealed "key reforms". There will be more frequent revaluations, every three years, which he said would make the system fairer. Investment relief will be available to reward green initiatives, such as the installation of solar panels, as well as improvement relief which will be offered for 12 months following enhancement of premises - the latter lobbied for by the BRC and other business groups.

Subak also cancelled next year's planned increase in the business rates multiplier and said businesses in retail, hospitality and leisure would be entitled to a one-year business rates discount of 50%.

Mixed reaction to Sunak's Budget

The changes are likely to be welcomed by retail chiefs, although there will be some disappointment that there has not been a fundamental overhaul of the system, which they believe imposes an unfair burden on the industry.

British Retail Consortium chief executive Helen Dickinson said: "Today, the Chancellor spoke of a new age of optimism, but retailers will struggle to share his confidence after a Budget that does not do enough to reduce the burden of costs bearing down on our shops, our high streets and our communities.

"This budget is a missed opportunity for retail and the three million people who work in the industry, and it prevents retail from maximising its contribution to the government's levelling up agenda."

On the government's failure to fundamentally reform business rates, she added: "While the Government's 50% bridging relief for 2022/23 may prove to be beneficial for the smallest businesses, it will do little to support the businesses that pay two thirds of retail business rates and employ 1.5 million people. With no reduction in the burden, this will lead to the unnecessary loss of shops and jobs and fails to incentivise investment in all parts of the country. This is bad news for every member of the public who wants a vibrant high street in their local community, with retail at its heart."

Convenience store trade group ACS chief executive James Lowman said: "It was great to see the Chancellor announce action to incentivise investment through the business rates system, something we have been calling for in our discussions with ministers for many years. The 50% relief on 2022/23 business rates is a significant step towards our recommendation for a full exemption for premises under £51,000 rateable value.

"While these measures are welcome in the short term, they must be supported by long-term reform of the business rates system that ensures that retailers can focus on driving growth, efficiency and productivity."

British Property Federation chief executive Melanie Leech said: "The package of measures the Chancellor has announced on business rates relief will bring some welcome temporary relief to our high streets but demonstrate how badly further, fundamental reform is needed.

"While a move to three-year revaluations is welcome, we continue to urgently call for annual revaluations. Businesses need to see long-term reductions in the rates they pay rather than short term fixes. The current practice of downwards transitions needs to end and would give high streets an £8.5bn boost and enable them to forward plan and protect jobs.

"We are pleased that the Chancellor has also responded directly to the BPF's call for business rates relief to encourage building improvement and to support the transition to net zero. This will give a significant boost to investment in revitalised, more sustainable town centres."

New West End Company boss Jace Tyrrell said: "It's encouraging to see the Chancellor finally act upon the need to reform the business rates system. Cancelling the inflation-linked rise to the multiplier may ensure that rates won't go up this year, but they are still too high.

"A 50% discount for the retail and hospitality sectors will help some struggling high street businesses, but not all. By capping the 50% high street discount at £110,000, the benefit means little to city centre businesses. For a store in London's West End, it will result in less than a 1% cut in their business rates bills for just one year.

"This only results in a cut of around £1bn each year on a £25bn business rates bill - the equivalent of a 4% cut. This falls far short of a fundamental review and is a very disappointing outcome."

"It does little in the long term to meet the Government's manifesto commitment to reduce the burden of business rates."

Why skating over business rates in Budget 2021 will be a mistake

Colliers say if the Conservatives are serious about "Levelling Up" they must put proper Business Rates reform back high on the agenda and suggest an 11 point action plan

The Government must not just skate over business rates when it finally responds to the consultation on business rates reform in the Autumn Statement on Wednesday. According to John Webber Head of Business Rates at Colliers, after four delays in the last year, for the government to just "tinker around the edges" as press reports have indicated, "will be an affront to business and will cost livelihoods and jobs."

The system which provides £32 billion gross (£26 billion net) for local authority funding is under fire, and needs a proper reform, particularly because the current system is unfairly skewered against the retail sector who pay nearly one third of the tax. Due to the gap between revaluations many retailers and hospitality businesses are paying rates bills linked to rental values in 2015- despite very different current market conditions. Unaffordable business rates bills have been cited as one of the key reasons for the decline in our high streets in recent years as more and more retailers either go bust or cut store number and jobs.

"All the experts in the industry agree the system in current form is unworkable," says John Webber, Head of Business Rates at Colliers "And we have been clear on the areas that should be reformed:

- There is almost unanimous agreement that overall rates bills need to be lower- at Colliers, we believe the multiplier (UBR used to calculate rates bills) should be cut to 30p, which is more manageable for businesses than the current 51p in the £ tax.
- "The current multiplier is now so high that it directly impacts on the decisions made by companies as whether they open, close or downsize their bricks and mortar estate. A tax that therefore in turn affects employment and jobs must change."

- The burden of taxation should be shifted away from the physical retail sector.
- The myriad of rates reliefs should be reformed and reviewed at every revaluation cycle to prevent "business rates deserts" in some parts of the country
- The six months empty rates relief, received by the industrial and warehouse sectors, should be extended to the retail and offices sector
- Plant and machinery orders should be reformed with those parts that are an integral part of the trade process exempted from business rates, encouraging investment. Reform should also support a greener agenda- encouraging investment into new forms of heating/ environmentally friendly systems by making these rates exempt.
- We need more frequent revaluations, so rates better reflect property values. The government is proposing three yearly revaluations - we would like to see these annually.
- We need an overhaul of CCA, the disastrous appeal system, where waiting times to have appeals heard is getting longer and longer.
- The VOA should be properly resourced to deal with more frequent valuations -so the burden of administration is not further placed on businesses
- The Government needs to take a proper look at Local Authority financing – any shake up to the business rates system must "recognise the importance of this income stream to fund local key services" (Local Government Association).

And on the immediate front:

- With CPI inflation now confirmed at 3.1%, we need a rates freeze to offset the £1bn hike expected in rate bills in England next year, particularly given over a quarter of this will be shouldered by the beleaguered retail industry, already on its knees due to the pandemic.
- The Government should pay out the 1.5 billion Government Business Rates Relief Fund promised last March, when the Chancellor ripped up the Rating handbook and declared Covid-19 related MCC appeals invalid, dashing the hopes of hundreds of thousands of businesses who were appealing their business rates. So far not a penny of this fund promised instead has been distributed.

Webber continued, "The industry agreed all these points. Why is it taking so long to get the government to listen? With the Autumn Statement this week, it is disappointing to learn that we may be ignored again."

Plugging the Gap

One of the stumbling blocks has been how to plug the gap any reform would create from the £26 billion currently collected. On this the industry has been debating with suggestions including:

- other tax options such as an online sales tax or a tax on delivery charges
- reform some of the current loopholes which have created business rates deserts in some parts of the country, or which give tax breaks to second homeowners who claim reliefs through claiming such properties are small businesses.
- a digital tax on the global tech giants – this now looks like it's been kicked into the long grass for two years, following the government's global corporation tax agreement. But as 2023 is the date of the new revaluation, could the government consider a digital tax implemented then?

- A re-look at council tax, a system that has not been revalued for nearly 30 years, and which is totally out of kilter with current house prices or a fair reflection of current values.

"We do not believe in the total abolition of business rates -the tax provides an easy and manageable way to collect tax and, as a physical and property-based tax, one that is difficult to evade. More countries are introducing a property-based tax like the business rates system that we have in the UK, than are doing away with it.

But over the past 30 years various governments have over-complicated the system, making it more opaque and increasing the level of this tax disproportionately. As a result, there has been a growing chorus of criticism.

The problem is that if nothing is done to reform business rates, we'll be cooking the goose that lays the golden eggs as more businesses struggle or go under and local finances will be even further impacted, particularly in the poorest parts of the country.

"The Chancellor promised he would respond to the consultation on Business Rates reform this Autumn and he has a real chance in the Budget to take the bull by the horns and introduce some key reforms that will put the Prime Minister's Levelling Up agenda into practice. It will be massively disappointing if he ducks this issue yet again."

Online forecast to bear more of the business rates burden after next revaluation

Business rates for online warehousing and physical shops will get a "long-awaited rebalancing" in the next revaluation of the tax, according to a new forecast.

Dramatic shifts in rental values on which the tax is based mean the burden will fall for shops and rise for online warehousing, research by commercial estate agent Avison Young suggests.

The retail sector's rateable value in England and Wales has dropped by 26% to £15.9bn since the last revaluation in 2017 while that of industrial and logistics – including online warehousing – has risen 23% to £17.9bn.

It suggests retail will drop to the third-biggest payer of business rates by sector in the next revaluation, in 2023. Online will take retail's place at number one, with offices static in second place.

The shift is forecast to save physical retail £8.5bn over three years.

Meanwhile the business rates liability for industrial and logistics will increase by £1.86bn in 2023/24, up 25% from the previous year.

Avison Young said the movement across the industrial and logistics sector had been driven by the growth of online retail and an associated 30% rise in logistics rents since the last valuation date. Rents were driven up by "unprecedented demand" for online warehouse space during the pandemic, with Amazon alone taking 36.5 million sq ft of new space in 2020.

Growth in rental values for more traditional industrial operations such as manufacturing has been slower, according to the estate agent's report.

At the same time, “much of the retail market has been in free fall” thanks to the pandemic accelerating the shift by consumers to online shopping and the loss of key tenants such as BHS and Debenhams.

However, even after the 2023 revaluation, traditional retail will continue to pay the highest proportion of business rates to total overheads, according to the findings.

The forecast follows reports last week that Chancellor Rishi Sunak will deliver only minor tweaks to the business rates system in the 27 October Budget rather than the significant reform hoped for, sparking anger from industry leaders.

“It’s obviously really frustrating as a high street retailer,” Iceland MD Richard Walker told The Grocer.

“High streets are the fabric of the UK and the single biggest cause of their decline is business rates, which I’ve said many times is an unfair, outdated, Victorian taxation system deliberately targeting bricks & mortar retailers.

“We need to completely systemically reform it to take account of the new digital economy.”

The fall in retail property values since the last business rates revaluation had left the tax so disproportionately high that it was not uncommon for it to exceed rent in 2019/2020, Avison Young said.

David Jones, principal and MD in business rates at Avison Young, said: “What is clear is that the 2023 rating revaluation cannot come fast enough for the traditional retail sector.

“Increasingly over the last six years, the tax has changed from simply being a challenging cost across the retail sector to a significant burden, which in so many cases has become increasingly disproportionate against a backdrop of diminishing margins.”

High street faces £1bn business rates increase next year

Business rates are anticipated to rise £1bn in England next year, unwelcome news for high street firms attempting to recover from the pandemic.

September’s Consumer Prices Index (CPI) signals the amount business rates will leap next April, according to analysis from the Altus Group, the country’s largest rating advisory body.

The CPI measure determines business rate rises for the following financial year, with the Uniform Business Rate (pence in the pound tax rate) increased in-line with the headline rate of inflation.

A headline inflation rate of 3.1 per cent suggests that gross business rates bills next year from April 1 will leap by £1.04bn.

Retail firms will take on £251.22m of that overall sum, triggering concerns over the Covid recovery of ailing high street businesses.

Without government intervention at the Budget, rates will rise by £23.15m for pubs while restaurants and cafes will see their liabilities increase by £21.87m, according to forecasts.

A rate increase would come hand in hand with the end of government pandemic support, with retail and hospitality firms presently in receipt of £6.1bn rates relief.

Rates relief will continue at reduced and capped levels until March 31 2022.

"Our clients tell us that the rates burden act as a disincentive to invest," Robert Hayton, UK president of Altus Group, said.

He added: "The Chancellor must use the Budget to set stringent targets for the clearance of tens of thousands of outstanding challenges to facilitate the return of years of overpayments whilst also ending the ridiculous policy of increasing upwards the tax rates by inflation which are now at an unsustainable level."

Helen Dickinson, chief executive of the British Retail Consortium, said the news would "sound alarm bells" for many retailers.

She added: "This reinforces the need for at least a 30 per cent cut in rates bills for retailers next year to bridge the gap between current reliefs and lower bills when new valuations kick in in 2023.

"Four-in-five retailers say they are likely or certain to close some of their stores if business rates are not reformed, threatening hundreds of thousands of jobs and shops across the UK.

"In addition to next year's relief, Government must reduce the burden of this broken tax in its upcoming review, and support investment and growth in communities that need it most."

Calls for major reform of business rates ahead of Cop26

Industry bodies are calling on the Chancellor to take action on business rates in his forthcoming Budget to unleash a wave of new investment, ahead of Cop26

The CBI and 40 industry trade associations have issued a statement calling on the Chancellor to consider sweeping reforms of the business rates system in the forthcoming Budget later this month, emphasising the urgency of reform.

Combined, the statement represents the views of employers of around 261,000 businesses and nine million employees, including British Retail Consortium, UK Hospitality and SMMT. They are arguing that reform of the long derided business rates system is essential if the Government is to reach its green investment targets.

Autumn Budget

The autumn Budget will take place on 27 October and these trade associations think this is an ideal time to reform what they collectively see as an outdated and outmoded business rate regime which acts as a drag on the Government's goal of a high wage, high productivity and high investment economy. They think that reform of the system could unleash a wave of business investment which will lend support to the key Government priorities of working towards net zero and levelling up.

Currently, as the system operates, 50 per cent of business investment is potentially subject to business rates. The system thereby actively acts as a disincentive to new business investment and to decarbonisation. Without new investment there will be no improvement in the all-important productivity rates, the only sustainable route to higher wages, the statement argues.

CBI Chief Economist, Rain Newton-Smith, says:

“Action to get investment flowing into and around the UK is sorely needed to reinforce our recovery. The Government deserves credit for convening the supply chain advisory group to unblock temporary challenges, but as we’re seeing with energy prices, there is no substitute for longer-term planning and investment.

“The Chancellor has an opportunity to fix this, starting with fundamental business rates reform at the Budget and Comprehensive Spending Review. By setting out an approach which attracts investment, he can equip the UK with the tools it needs to secure the high wage, high productivity and high skill economy of the future.

“With up to half of business investment potentially subject to business rates, it has literally become a tax on investment. Action to stimulate investment, starting with business rates reform, unites firms spanning the whole economy. If the government is serious about achieving its net zero ambitions, kicking reforms further into the long grass cannot be the answer.”

Helen Dickinson OBE, Chief Executive of the British Retail Consortium, says:

“Sky high business rates are closing stores up and down the country and preventing new ones from opening. A recent BRC survey found that four-in-five retailers will be forced to close shops unless the rates burden falls following the Government’s upcoming Fundamental Review. Without change, the areas most in need of levelling will be hit hardest, and the Government’s levelling up agenda will fail. The choice is clear – cut rates and boost investment and jobs, or leave them unchanged and see more shops closed and jobs lost.”

Business Rates Consultation

Following a recent business rates consultation and review the Government has confirmed that policy announcements on business rates are to be made this autumn. The statement reminds Government that UK business need to see “fundamental reform of the system” if it is to address these long-standing barriers to investment.

The forthcoming business rates revaluation is coming two years later than planned and seven years after the last revaluation, a delay that has made worse an already dysfunctional system.

Major shocks to the system

The statement argues that the current system creates “major shocks” to businesses and local government revenue streams, and the system is not responsive to economic conditions. The current five-year revaluation cycle means that “over time businesses are often paying rates based on out of-date valuations.”

The system involves a “long and technical process of valuation, and a lack of correlation between the rates and businesses’ ability to pay”, plus the annual changes in the business rate multipliers, all combine to make the system opaque and hard for businesses to navigate, says the statement.

The business rates appeals system also creates financial uncertainty for local authorities. There is constantly a large volume of appeals to the Valuation Office Agency and the delays in solving these cases creates uncertainty for authorities, meaning they may have to refund several years' worth of rates to businesses, playing havoc with their budgets.

Finally, the current system can reward perverse behaviour as it rewards large "space-hungry developments" often out of town, often to the detriment of town and city centres.

'Dear Rishi, you need to make our rates fair'

Business leader's warning ahead of budget

A CHAOTIC rates system is damaging independent retailers and "needs a complete overhaul" in next week's budget, a long-serving business leader has warned.

Hak Huseyin, who has run Absolute Print in Junction Road for 26 years and is vice chair of the Archway Town Centre Group, said a lack of clarity on business rates from government is also making it difficult to plan ahead.

In recent weeks, Chancellor Rishi Sunak has come under increasing pressure to cut high street business rates – the equivalent of council taxes for businesses – when he makes his autumn budget announcements.

Labour has pledged to scrap them altogether, while high-ranking Tories argue that cutting business rates is a vital step in the government's "Levelling Up" agenda.

"The bigger issue is how the whole system works," Mr Huseyin said.

"When the Tories came in, they said that they were going to overhaul it. Nothing's happened, so we're waiting and waiting."

Mr Huseyin said the current system is penalising bricks-and-mortar businesses.

"Where the market's changed – where you've got your Amazons and your online companies – they're not contributing. For us, it's a really unfair playing field."

As far as alternatives go, he said "a profit-based system would work, so people like Amazon that make millions and millions would pay their way," adding: " All I know is at the moment, what they're doing doesn't work for anyone."

For Absolute Print, which has a rateable value of £33,000, business rates stand at around £12,000 a year.

The rates go towards cleaning and lighting the streets, but Mr Huseyin argues the money should also be used to boost the high street economy as businesses look to bounce back from the coronavirus lockdowns.

"Everyone's habits during Covid have changed," he said. "If they were to pump money into getting people back out, interacting, socialising, all the stuff you don't get online, then you'd think: okay. But it's just, let's collect the money and leave them to it and hope they survive."

Mr Huseyin added: "Some people say, if they don't survive, they weren't a good enough business. But if you pile enough bricks onto someone's back sooner or later it's going to break, and I think that's where we generally are as businesses."

While a reduction would come as a welcome relief, but Mr Huseyin also wants clarity over the system.

“Then you can actually say: right, I’m going to get an extra member of staff, I can do my shop up, I could apply that money to improving my business,” he said.

“But at the moment all everyone’s trying to do is live hand-to-mouth.”

Islington North MP Jeremy Corbyn has long advocated for a change to the business rates system.

“There should be business rate exemptions for small businesses in order to ensure we maintain the diversity of our high streets,” he said.

“Business Rates should be graded so that, for example, large or multi-national high street premises like Starbucks etc pay business rates that are commensurate with their ability to pay.

“Just now Starbucks pay the same as the very small corner or coffee shop.”

Don’t hit us again, businesses begs chancellor

If government and business were a couple, a guidance counsellor might have been called in by now to repair a strained relationship.

This week's budget will be a test to see if the mood music can improve, after a number of fractious years.

Relations seemed to hit an all-time low when the prime minister famously dismissed business concerns over the brinksmanship, during the Brexit negotiations, with a four letter expression of his lack of sympathy.

Then the argument became more physical. A whopping rise in corporation tax from 2023, from 19 to 25%, reversed at a stroke a decade of Tory business tax policy.

The chancellor then raised employers' national insurance contributions by 1.25%, adding £6bn a year to a wage bill that was already rising.

Those rising wages were celebrated by the PM at the Conservative Party Conference - Boris Johnson insisted it was evidence that the UK was on its way to higher wage more productive economy.

But economists will tell you the productivity gains are supposed to come first.

And all this against a backdrop of business feeling they were being blamed for labour, driver and petrol shortages, that have hampered the recovery of many parts of the economy.

Meanwhile the government is urging, even expecting, the private sector to lead the UK into greener, more sustainable pastures by investing heavily.

As Tony Danker, head of the CBI recently put it: "You cannot will the ends and ignore the means to turbocharge the economy.

"The government wants business to drive investment and innovation but its tax policy is working in the other direction."

The government will point to the fact that the businesses that do invest have already been rewarded by the so-called "super-deduction" introduced in the March budget.

This measure rewards companies that do invest with tax breaks greater than the sum invested - a move that was widely welcomed by business.

Overhaul of business rates unlikely

It is unlikely that we will see any major changes in direct business taxes - and for that businesses will be grateful.

However, they are likely to be disappointed if they are expecting a long-awaited major overhaul of business rates - their biggest and longest held desire.

The government may, however, say that green upgrades to premises will not lead to higher rates, as often happens now. When firms improve their buildings, they get sent a higher rates bill under the current system.

Business also fears that there may be some backsliding from the government on targets for public spending on research and development.

A much anticipated rise in capital gains tax, to be more in line with income tax, will have implications for investors in business.

Yet, other business leaders admit the government has a point on highlighting under-investment.

Speaking recently at a home builders conference, the boss of Taylor Wimpey, Pete Redfearn, said that the construction industry had been guilty of not putting more of its own money into skills and training.

An extra £3bn announced this weekend for skills and extra funding for electric car production in the North East and the midlands was welcomed by business groups. We can expect a heavy emphasis on skills in the chancellor's speech.

Business feels that at times it is the victim of gaslighting - where its real and difficult experiences are dismissed as irrational or self pitying, by a government keen to look forward to a time when, hand in hand with industry, it can lead the UK to a greener more prosperous future.

As always, there will be talk on both sides of the happy partnership between public and private, but behind the smiles, the strains between business and the government remain very real.

Tory fury as Rishi Sunak refuses to cut business rates in Wednesday's Budget to help struggling firms - as former minister David Davis warns high tax plans could lead UK 'on to the rocks'

Rishi Sunak was facing fury from within Tory ranks today over a lack of tax cuts to help ailing businesses and workers in the Budget this week.

The Chancellor was slammed by a serving minister over plans to ignore a 2019 manifesto pledge to cut business rates when he sets out his economic plans on Wednesday.

They accused him of being 'captured by the Treasury' as it was claimed he will only tinker around the edges of the levy, amid widespread calls for reform in the wake of the Covid pandemic.

At the same time former minister David Davis publicly lashed out at the Chancellor over taxes today, questioning whether he was a 'Thatcherite', as he has previously claimed.

Writing in the Mail on Sunday he said: 'I knew Margaret Thatcher, so I will watch with interest whether he can match the brilliance that Thatcher, and her great Chancellor Nigel Lawson, brought to government.

'Sadly, every indication so far is that his current course will take us on to the rocks – not away from them.

'I fear Rishi will do so by making a most un-Thatcherite choice to persevere with raising taxes as the solution to ballooning Government debt.'

But Mr Sunak hit back at his critics this morning.

Rishi Sunak has revealed his 'pre-game routine' will be to have a Twix and a can of Sprite before delivering his Budget on Wednesday.

The Chancellor, who has a self-confessed 'sugar problem', and has previously said he was a 'total coke addict' - before clarifying that he meant the fizzy drink, not the class A drug - was asked on Times Radio whether he had any rituals or superstitions ahead of the event.

And he said: 'I have a general pre-game routine, pre-match routine, for when I have to do parliamentary things which is, look, I have a sugar problem so I tend to have a Twix and a can of Sprite, even though my favourite thing is Coke but I save that for afterwards.

'But I have a Twix and a can of Sprite which Lisa who runs my office always make sure is sitting there on my desk in Parliament, so that is my immediate pre-game kind of booster.'

Mr Sunak also said his children 'have a lot of input generally on the tie selection and I sometimes wear some bracelets that they make'.

He said: 'So that is the general superstition and tradition, but they are all in Yorkshire for half term so I'm not sure how we're going to manage all of that, we'll have to do it on Zoom in the morning probably.'

The Chancellor, who has previously spoken about being a fan of Peloton, a stationary exercise bike with a digital screen, was asked whether he would be able to fit in a 6am ride before the big event.

He said: 'Probably not. My routine over the last week has slightly had to take a backseat to getting everything ready for Wednesday, sadly.'

Appearing on Sky's Trevor Philips on Sunday he said his 'instincts' were still for low taxes, but added: 'I wish I hadn't had to deal with coronavirus and a once-in-300 years economic shock and all the damage that has caused to the economy, an NHS backlog stretching into the millions that we thought it was really important, rightly, to get some funding in to address.

'But those are the challenges I am grappling with, and I have to take those challenges and figure out what is the right way to do that and we have made some decisions that I believe, although they are difficult, they are the right decision and the responsible decisions.'

Asked about business rates he added that they would be covered in the Budget but signalled there would be little or no cuts.

'Over the past year-and-a-half through coronavirus we've delivered about £16 billion worth of tax cuts on business rates to help hospitality and retail businesses get through all of this,' he said.

'There are people who say you should just abolish business rates, which I think is what the Labour Party position in.. business rates does obviously raise £25bn, I'm sure you'll be asking her (shadow Chancellor Rachel Reeves) what is the system that is going to replace that if you are going to stand up and say you'd abolish that.

'We have delivered short-term relief during the last 18 months through coronavirus, that support extends through to next year we will be talking a little bit more about the future and what we can do about business rates next week in the Budget.'

Mr Sunak and Boris Johnson have faced down Tory complaints over their economic plans, insisting that higher taxation must be used instead of increasing public borrowing, as they seek to refloat the economy after the Covid pandemic.

The Chancellor used an article in the Sun today to say that the Budget would 'invest in public services, invest in growth, and invest in jobs'.

'Coronavirus has meant our economy has taken a hit. And in order to recover strongly, we need to be responsible because everything comes at a cost.

'And the money we spend is yours, the taxpayer's money, not anyone else's.

Earlier this year, I said I would be honest with the country about the challenges we face to ensure our public finances get back on to a strong footing.

And the experiences of the last 18 months have made me more certain of how important a strong and resilient economy is.

Shadow chancellor Rachel Reeves said Labour would cut the rate of VAT on gas and electricity bills from 5 per cent to 0 for six months.

She told Times Radio: 'There's a real opportunity now for the Prime Minister and the Chancellor to put their money where their mouth is and at the moment when people are facing an incredibly tough winter with many families and pensioners feeling the squeeze with the prices, particularly of essentials - food and gas and electricity increasing - that the Government could do something immediate and that would automatically reduce bills from next month and that is cutting VAT from 5 per cent to 0 per cent.

'And we would pay for this, and I've been looking at VAT receipts over the last few months.

'VAT receipts have come in £2.2 billion more than what was anticipated and forecast at the last Budget, in a large part because prices have gone up by so much more than anticipated, that money could be used to immediately and automatically reduce the gas and electricity bills of every family, pensioner and individual in this country who is worried about rising gas and electricity prices right now, it's a practical thing that Government could do.'

That is why this week's Budget and Spending Review will set out a plan to deliver the people's priorities, support business, help our recovery, ease pressures on the cost of living but also to strengthen the public finances so we have a stronger economy for the British people.'

Mr Sunak is also considering cutting the tax on beer from kegs and sparkling English wine to protect pubs and vineyards from the economic damage wrought by Covid, and imposing a residential property developer tax to pay for the removal of flammable cladding from high-rise buildings.

The levy would be paid by housebuilders with profits of more than £25 million who hoard land.

Mr Sunak is also expected to announce £3 billion of investment in education, including the quadrupling of places on skills bootcamps and more classroom hours for up to 100,000 16- to 19-year-olds studying 'T levels'.

He will also announce a £435 million crime-fighting package in this week's combined Budget and Spending Review – with a particular emphasis on tackling violence against women.

In his statement to MPs on Wednesday, Mr Sunak is expected to say that he has earmarked £355 million for measures such as improved street lighting and better CCTV, with a further £80 million going to the Crown Prosecution Service.

In an acknowledgement of the national revulsion over the murder of Sarah Everard, who was kidnapped, raped and murdered by serving Metropolitan Police officer Wayne Couzens, the Chancellor expects the CPS to devote a significant proportion of the extra funds to improving its response to cases of sexual violence.

It also coincides with rising alarm over the number of cases around the country of women being drugged after being spiked by injection or through having their drinks tampered with in nightclubs.

Exact details of the funding were still being thrashed out with Justice Secretary Dominic Raab this weekend, with Mr Raab understood to be the last Cabinet Minister to reach agreement with the Chancellor over the final Spending Review settlement.

Delay to business rates reform dismays retailers

Reports that changes to the business rates system will not be included in the autumn budget as previously expected have been greeted with dismay by retailers.

The Association of Convenience Stores (ACS) has again called on the government to make reform of business rates a priority after government sources told the Daily Telegraph that "we just haven't had enough time to look at it".

ACS chief executive James Lowman said: "Business rates reform has been being talked about for several years now, but so far we've only seen minor tweaks to the existing system.

"We need bold change to support businesses in their recovery from the pandemic that helps them to invest and takes account of the inherent advantages that online stores have over their bricks-and-mortar counterparts.

"As rates bills start to land on businesses' doorsteps again in the coming months, retailers will be frustrated that the government has decided to once again push back meaningful reform."

The ACS wants the government to exclude all retailers whose premises are under £51,000 in rateable value from having to pay rates, to introduce an online sales levy to support bricks-and-mortar retailers, and to incentivise investment with a business growth accelerator.

Property specialists also expressed disappointment at the government's briefings to dampen expectations of imminent reform.

John Webber, head of business rates at Colliers, said: "Reports that the government will not be announcing any major overhaul of the business rates system in the forthcoming budget are massively disappointing.

"It is frustrating that 18 months into a consultation which has already been delayed four times in the last year, the government is still not ready to respond to industry calls for proper reform.

"Delayed action will be a further hit to businesses – it will cost jobs and will do nothing to save the high street."

Labour to force vote on cutting business rates, as new figures show over 300,000 businesses at risk across the country

Labour will today force a vote urging the Government to cut business rates, and support struggling high streets as the cost of living crisis continues.

The party have also revealed new figures, based on a breakdown of data from the Office for National Statistics, that up to 332,000 businesses are at risk across the country, employing over 800,000 people.

With business organisations including the CBI, FSB, British Chamber of Commerce and over 40 trade associations calling for an urgent reform of the tax, the cost to businesses from rising inflation and increasing shortages is making the change more urgent.

Labour committed at their party conference to cutting and eventually entirely scrapping business rates and replacing them with a new form of business taxation fit for the 21st century.

Labour have proposed freezing Business Rates until the next revaluation, and then increasing the threshold for small business rates relief (from the current threshold of £15,000 to £25,000), to give SMEs a discount on their business rates bill for 2022/23, ahead of more fundamental reform, where the party say they will scrap business rates entirely and replace them with a new form of business taxation.

Labour would pay for easing this burden on businesses by raising the UK Digital Services Tax to 12 per cent for 2022/23, raising £2.1bn which would be spent on cutting business rates for small businesses and the high street. In the long term, Labour would fund the replacement for business rates by shifting the burden of business taxation away from the high street towards large online tech giants.

Rachel Reeves MP, Labour's Shadow Chancellor of the Exchequer, said:

"Our high street businesses do so much to enrich our lives and our communities, facing huge adversity in the past year.

"They are struggling right now, with a cliff-edge in rates relief coming up in March, and increasing shortages and supply chain issues increasing pressure and costs.

"The next Labour government will scrap business rates. We will carry out the biggest overhaul of business taxation in a generation, so our businesses can lead the pack, not watch opportunities go elsewhere.

"Today we are urging MPs to get behind this urgent change, and back cutting business rates for our brilliant British businesses."

Rishi Sunak delays business rates reform

Minor changes to the system are expected to be announced, but "wholesale reform" has been shelved until a later date

The Government has stepped up its war on corporate Britain by snubbing a call from the CBI and 41 other trade associations to announce a business rates overhaul at the upcoming Budget.

Government plans for a major overhaul of the controversial levy have been "thrown into the long grass" and only smaller scale tweaks will be unveiled by Rishi Sunak, the Chancellor, later this month, The Telegraph has learned.

Mr Sunak is committed to reforming the system in England but has not had enough time to consider the impact of a significant shake up due to the pandemic, Government sources said.

The Treasury is expected to publish its review into business rates at the Budget on October 27, after it was delayed beyond the earlier Budget in March this year.

Minor changes to the system are expected to be announced, but "wholesale reform" has been shelved until a later date so ministers and officials can undertake further work.

Business rates are based on the property value of a company's physical premises, sparking criticism that the present system unfairly hits firms with bricks-and-mortar sites compared with online retailers.

It is thought there will not be any change announced to the valuations of properties, which is technically complex and would have significant political consequences. Moves to slash business rates on green investments are also unlikely, it is understood.

The Confederation of British Industry (CBI) and other trade associations representing more than a quarter of a million businesses will on Thursday warn ahead of the COP26 climate summit that business rate reform is essential to catalyse green investment.

The "outdated" present system sees rates slapped on up to 50pc of business investments in England, industry chiefs will say, arguing it disincentivises firms investing in decarbonisation and other moves to boost productivity.

They called for the system to be adapted to adjust more quickly to economic changes, and for green machinery and technology to be exempted from rates.

"Reforms will have real-world ramifications for investment in local communities, in creating the jobs of the future, and to help meet our net zero ambitions," bosses said. 'They will unlock business investment to boost the UK's international competitiveness."

Rain Newton-Smith, chief economist at the CBI, said demands for rates reform "unites firms spanning the whole economy".

“If the Government is serious about achieving its net zero ambitions, kicking reforms further into the long grass cannot be the answer,” she said.

Their intervention follows two influential factions of Tory MPs joining forces this week to demand a cut to business rates at the Budget, arguing it is key to Boris Johnson’s flagship “levelling up” agenda.

More than 100 parliamentarians spanning the Northern Research Group and the Blue Collar Conservatives cautioned that the party could lose a series of “Red Wall” constituencies across the north at the next election if the Treasury fails to take action this month.

The growing momentum of the campaign for business rate reform has sparked alarm in Whitehall that companies may be expecting a wholesale overhaul to be unveiled later this month.

Small-scale changes are being looked at, it is understood, but a Government source told The Telegraph: “I think the expectations are quite high and the reality is we just haven’t had enough time to look at it. It’s obviously something that needs looking at. Rishi is keen to do a proper reform of the whole system.”

The Chancellor believes that reform is particularly needed to tackle “the problem of high street versus online” retailers, the source added.

However, the economic turmoil sparked by Covid-19 has prevented the Treasury having the time and resources to examine in depth any alternative systems at this juncture.

A source close to the Chancellor stressed that £16bn in rate relief has already been pumped towards sectors such as hospitality and retail during the pandemic, meaning some of the worst-hit industries have already had a reprieve.

Labour has pledged to scrap business rates altogether and replace them with a system that is “fit for the 21st century”.

Responding to the business groups’ call, Rachel Reeves, shadow chancellor, said the current system “penalises high-street shops in favour of online giants and deters businesses from investing in new green technologies”.

A government spokesperson said: “We’ve provided extensive business rates relief worth £16 billion to support businesses and the high street throughout the pandemic, with support continuing until March next year.

“We’ve also shown we are committed to supporting investment through the tax system, extending the Annual Investment Allowance increase for another year and introducing the super-deduction – the biggest business tax cut in modern British history.”

They confirmed the business rates review will conclude this autumn.

£1.5bn Covid support pot yet to pay out to firms after six months

In March, the Government said the funding pot would be 'the fastest and fairest way of getting support to businesses'.

A £1.5 billion support pot for businesses unable to get tax relief during the pandemic has not paid out a single penny despite being announced six months ago.

In March, the Government announced that it would retrospectively ban more than 170,000 business rates appeals which cited the pandemic as the reason for changing property values.

The Treasury said this would be replaced with a £1.5 billion pot for firms not benefitting from the business rates holiday for leisure, hospitality and retail firms.

However, the funding package, which was expected to particularly benefit sectors such as office operators, has made no payments to firms still reeling from the pandemic as it remains blocked by parliamentary procedure.

Ministers said last week that funds will not be distributed until the bill receives Royal Assent but it awaits a second reading at the House of Lords later this month before further stages of approval.

Announcing the funding pot in March, the Government said this would be "the fastest and fairest way of getting support to businesses".

It also said at the time that it was to be distributed by Councils to help those who suffered the most economically rather than based on falls in property values.

English retail, leisure and hospitality businesses have received over £16 billion in business rates holidays and discounts since the start of the pandemic, according to real estate advisors at Altus Group.

However, the firm said that more than 430,000 offices which were under a work from home instruction until July when England moved to Step 4, had to pay their annual property taxes of £7.89 billion in full despite desks laying empty.

Robert Hayton, UK president of the ratings advisory business, said: "Not only has a single penny, from a wholly inadequate scheme, yet to be paid out but tens of thousands of non-pandemic office rates appeals are being kicked into the long grass as resources are diverted to deal with the 2023 revaluation forcing businesses to continue to suffer artificially high rates bills."

Mr Hayton has urged Chancellor Rishi Sunak to use his upcoming Autumn Budget speech to announce strict targets for the Valuation Office Agency to clear the growing backlog of appeal.

Retailers demand cut to business rates to avoid "bankruptcies"

Retail leaders and landlords have urged the government to cut business rates amid fears that the tax is ruining their recovery.

At least 21 business figures from retailers such as Moss Bros and The Entertainer have written in a letter to Chancellor Rishi Sunak that it is time to take action to avoid a disaster.

Sunak is expected to announce the delayed results of a review of the rates system in autumn.

“There are many views on precisely how the business rates system should be reformed, but on this we are all united: the current business rates system is broken and there must now be fundamental change,” the letter said.

“If there is no genuine reform of the business rates system, the occupation of commercial premises is going to become unaffordable to more businesses.

“There will be more bankruptcies of well-known retail brands, more retrenchment by retailers which do survive, more closures of hospitality venues, more boarded-up shops, fewer start-ups and whole shopping centres abandoned.

“Many communities are being hit hard, with thousands of jobs being lost each year.”

Retail signatories include Brian Brick of Moss Bros, Philip Bier of Flying Tiger Copenhagen, Gary Grant of The Entertainer and Richard Walker of Iceland.

The letter was also signed by executives from landlords including Capital and Regional, NewRiver Retail and the New West End Company, as well as trade bodies including the Bid Foundation and BRC.

Retailers urge Sunak to cut business rates to avoid high street disaster

Pressure grows on Chancellor to act as bosses push for 'genuine reform' of tax to avoid bankruptcies

Retail bosses and landlords have demanded a cut to business rates as fears grow that the tax is wrecking the recovery on the high street.

In a letter to Rishi Sunak, the Chancellor, 21 business figures from companies including MossBros and The Entertainer said that action is vital to prevent a disaster.

Mr Sunak is expected to announce the delayed results of a review of the rates system in autumn, with speculation growing that it could be unveiled in his Budget later this month.

The property tax has long been derided as an outdated measure that penalises bricks and mortar stores at the expense of online rivals which have warehouses in cheaper out of town locations.

The letter said: “There are many views on precisely how the business rates system should be reformed, but on this we are all united: the current business rates system is broken and there must now be fundamental change.

“If there is no genuine reform of the business rates system, the occupation of commercial premises is going to become unaffordable to more businesses.

"There will be more bankruptcies of well-known retail brands, more retrenchment by retailers which do survive, more closures of hospitality venues, more boarded-up shops, fewer start-ups and whole shopping centres abandoned. Many communities are being hit hard, with thousands of jobs being lost each year.”

Retail signatories include Brian Brick of MossBros, Philip Bier of Flying Tiger Copenhagen, Gary Grant of The Entertainer and Richard Walker of Iceland.

John Lewis chair Sharon White has also criticised business rates and has said they should be replaced by a land tax:

The letter was also signed by executives from landlords including Capital and Regional, NewRiver Retail and the New West End Company, as well as trade bodies including the Bid Foundation and British Retail Consortium.

Mr Walker, the Iceland boss, has previously described business rates as “outdated and Victorian”.

Morrison’s, Kingfisher, Tesco, Greggs and the Federation of Small Businesses and the trade union Usdaw have all also separately called for rates reform as pressure builds on Mr Sunak to act.

The Chancellor has also faced political lobbying from Red Wall MPs in favour of a permanent cut.

Melanie Leech, of the British Property Federation, helped organise the letter and said that inaction poses an existential threat to the future of the high street.

She said: “The business rates system is undermining town centre recovery and poses a significant risk to the future of our high street businesses. Business rates have become so unaffordable, they are now hampering town centres’ ability to adapt, modernise and thrive

Extend business rates relief to increase investment, says ACS

Convenience stores should be helped with business rates relief in order to boost investment, says one of the sector’s leading trade bodies.

The Association of Convenience Stores (ACS), in its submission to the Chancellor for his Autumn Budget, wants Rishi Sunak to include the extension of 100% tax relief to all businesses with a rateable value lower than £51,000.

All businesses in the retail, hospitality and leisure sectors are currently receiving 66% relief until March 2022 as part of the Government’s package of Covid-19 support measures.

Pre-pandemic, 100% rate relief was only available to businesses with a rateable value of under £12,000.

The ACS’ recommendation would ensure that the majority of the UK’s 47,000 convenience store retailers would pay no business rates.

The ACS has also suggested the introduction of a business growth accelerator, similar to that which is already in place for retailers in Scotland.

This would delay increases in rates bills for those who invest for two years, allowing time for that investment to pay back instead of giving retailers an additional hit of extra costs up front through increased business rates.

The ACS chief executive James Lowman said: “The impact of the pandemic has been uneven across the convenience sector, with many stores, especially those in city centres and near transport hubs, struggling to keep going throughout the restrictions that have been in place over the last 18 months.

“As we look toward recovery and rebuilding for the future, it’s essential that the Chancellor gives businesses the right tools and certainty to be able to invest in the long term.”

One of the key areas of focus in the ACS’ submission is sustainability.

It is calling for measures to help retailers play a bigger part in moving toward a more sustainable future for both themselves and their customers.

Recommendations include:

- Providing funding for electric vehicle charging investment infrastructure on petrol forecourts and other on-the-go locations
- Introducing a strategically mapped set of return points for the incoming Deposit Return Scheme that ensures cost neutrality for retailers and takes into account consumer demand

Lowman added: “Local shops are committed to a sustainable future, providing zero-waste options for customers, offering EV charging on forecourts and preparing for the introduction of the deposit return scheme.

“This must be supported with targeted funding to encourage as many retailers to get involved as possible.”

The 2021 Autumn Budget is due to be delivered by Chancellor Rishi Sunak on 28 October.

Greggs warns business rates makes some stores unviable

Bakery chain sounds alarm while Tories told Labour is outflanking them after pledge to take 200,000 companies out of business rates

Higher business rates risk making some of its stores unviable, Greggs has warned, as ministers consider overhauling the tax.

Roger Whiteside, chief executive of the bakery chain, said it was "coming to London with renewed vigour" as part of expansion plans to reach at least 3,000 stores. It has about 2,150 outlets.

Like-for-like sales were 3.5pc higher than pre-Covid levels in the three months to September 30, prompting the company to raise its annual profit forecasts. Annual revenue is now expected to double within the next five years.

Shares jumped almost 9pc in afternoon trading to £31.46. The stock was trading at just over £12 this time last year.

However, Mr Whiteside warned about the expected hit from business rates relief ending early next year.

The relief was introduced at the start of the pandemic in an effort to help the high street and ministers are assessing whether broader business rates reform is needed.

Mr Whiteside said: "The business rates system simply isn't responsive enough to market conditions - it's out of date. Once the business rates system is restored fully, then that will affect the viability of individual units. It will make some units not profitable when they really should be."

Meetings are understood to be underway between industry bodies and the Government ahead of the publication of a much-delayed review of the system.

Mr Whiteside said: "Business rates are too high, that's the bottom line. And hopefully this latest crisis will accelerate the Government's appetite to do something about it."

His comments came as Greggs said it had not been immune to supply chain issues, which had affected both ingredients and labour.

"We're all firefighting like crazy because everywhere we turn there's another problem which needs immediate workarounds put in place to overcome the fact that those supplies aren't coming through consistently," the chief executive said.

Products such as pork and chicken have been particularly affected in recent weeks, after spiralling gas prices led to the temporary closure of a fertiliser plant which produced carbon dioxide for meat processors.

Labour outflanking Tories on business rates, Johnson warned

Efforts to reform business rates are hanging in the balance after corporate leaders warned Labour had “outflanked” Tories on the unpopular tax.

The Treasury is expected to publish a much-delayed review of the system later this month amid pleas from retailers to cut their costs and level the playing field with giants such as Amazon.

Labour has pledged to take 200,000 companies out of the tax, which generates around £26bn in revenues a year, by raising the threshold for relief to £25,000.

The party said it would then scrap rates. By contrast, Rishi Sunak failed to tackle rates in his conference speech in Manchester and industry sources said the shape of the reforms remains unclear with just three weeks until the Budget, with large and smaller businesses split over how best to proceed.

Mr Sunak, who launched a £36bn tax raid last month, has signalled big giveaways are unlikely after insisting that it would be “immoral” not to bring down a deficit swollen to £325bn.

A Federation of Small Business spokesman called on the Prime Minister to address the issue in his conference speech tomorrow. He said: “The Conservatives have been outflanked on business rates reform by the Opposition.”

The British Chambers of Commerce’s director general Shevaun Haviland called for policy detail from the Tories, adding that the Chancellor needs to address the increasingly onerous cost of doing business in the UK and deliver reform of rates.

Options for reform include reducing the “multiplier” used to calculate business rates bills from the value of properties - likely to benefit bigger companies - and raising the threshold for the tax, which would focus the gains on smaller business. More regular revaluations could also lower bills.

One source said “active discussions” were under way between industry representatives and the Treasury.

He said: “The real tension in the room is who benefits from the reform. It’s between big business and small business. The exam question is whose bill do you want to reduce? That is where the battle is.”

Hospitality firms are pushing for an alternative route as the industry has many smaller businesses in properties with high rateable values. One source said: “The FSB solution of taking a lot of small businesses out altogether hurts hospitality and leaves those left in paying more.”

The Treasury declined to comment on the discussions but the Chancellor has also come under fire from his own “Red Wall” MPs in northern constituencies, which have the highest number of empty shops in the country.

A report for the British Retail Consortium found that retail accounted for a bigger share of employment in areas most in need of “levelling up”. Around 15pc of jobs are in retail in Blackpool South, which fell to the Conservatives in 2019, compared to a national average of 10pc.

John Webber, head of rating at property consultant Colliers, said retailers should be supported but the bigger supermarket chains could be excluded, after they returned almost £2bn in Covid business rates relief last year.

Council tax could rise by £220, say researchers

Council tax in England could rise by as much as £220 per year within three years, researchers have said.

This is to keep local services running and help pay for social care reforms, the Institute for Fiscal Studies (IFS) think tank said.

It comes amid warnings that councils continue to face severe funding pressures due to the pandemic and must find new sources of income.

The government said it had given them £12bn since the start of the crisis.

Under current government spending plans, council tax bills will need to rise by at least 3.6% a year just to keep services running at pre-pandemic levels, the IFS said.

That would mean bills would have to rise by £160 by 2024-25, it said.

But extra cost pressures that eat into central government grants could easily push up council tax by 5% a year, or £220 by 2024-25, it said.

In addition, the government's plans for social care, which include capping costs, won't be completely paid for by a planned rise in National Insurance contributions, the IFS said.

The plans are likely to cost £5bn per year eventually, it said, nearly three times the funding currently allocated.

The government has made much of the idea that after decades of governments neglecting the increasingly pressing issue of underfunded social care, this was a nettle it was determined to grasp.

What's concerning in the IFS report is who might get stung.

A large part of the goal of the social care reforms was to address unfairness in the means-testing system.

But the IFS report highlights the risk that, without further funding, it could create new unfairness elsewhere.

To extend publicly-funded care to those who've spent £86,000 of their own money on fees will cost extra, and local authorities may only be able to recoup that by tightening eligibility criteria - so many poorer people lose access.

Second, the way the funds are allocated to local authorities dates back to 2013.

Because some areas like Blackpool have seen their populations fall, but others, like Tower Hamlets have seen them jump since then, the risk is that the money won't go where it needs to.

IFS research economist Kate Ogden said: "The government has stepped up with billions in additional funding for councils to support them through the last 18 months.

"It is likely to have to find billions more for councils over the next couple of years if they are to avoid cutting back on services, even if they increase council tax by 4% a year or more."

She said that the coming financial year is "likely to be especially tough", with ongoing Covid-19-related pressures and squeezes on budgets

She added that the local government funding system was "hopelessly out of date", being based on 2013 population levels, leading to "unfairness" in the distribution of resources between councils.

Funding squeeze

Council tax goes towards funding local services such as policing, the fire service and street cleaning. The funding is topped up with grants from central government and business taxes.

However, these central government grants were slashed between 2009-10 and 2019-20, especially in areas such as public transport, housing and planning.

The Local Government Association said councils "continue to face severe funding and demand pressures that will stretch the local services our communities rely on to the limit".

"The significant financial pressures facing local services cannot be met by council tax income alone," said LGA chairman James Jamieson. "Councils are particularly alarmed that the government's solution for tackling social care's core existing pressures appears to be solely through the use of council tax, and the social care precept."

Mr Jamieson called for local services to be "the top priority" in the upcoming Spending Review.

A government spokesperson said: "The government has allocated more than £12bn directly to councils since the start of the pandemic - with more than £6bn available to spend as they see fit - recognising that councils are best placed to deal with local issues.

"We have also taken historic action to fix the social care crisis - the Health and Social Care Levy will raise £12bn a year to fund the NHS and social care.

"The Spending Review will continue to focus on supporting jobs and delivering the public's key priorities."

Council tax not enough to fix £8bn local services funding hole

Councils in England will face extra cost pressures of at least £8bn ($10.8bn) by 2024 just to keep crucial local services running at today's levels, the Local Government Association (LGA) said, adding that council tax alone cannot raise this kind of money.

Council Tax is an annual fee charged by local council to provide services like rubbish collection and libraries.

The amount paid by households depends on the valuation band for the property they live in and how much the local council charges for that band.

The LGA, a national membership body for local authorities, has warned that relying on council tax alone will impact services such as care for older and disabled people, child protection, homelessness prevention, waste and recycling, and road maintenance.

And it said the £8bn estimate doesn't include "the very real pressures that councils are facing" such as paying care workers a fair wage or investing in early intervention services which help families and young people falling into crisis.

The UK government's next budget, along with the conclusions of the 2021 Spending Review, will be held on 27 October.

The LGA's submission to the Spending Review is calling for councils to be given a multi-year settlement which provides sufficient additional government funding and certainty to meet growing cost pressures.

It would enable councils to plan local services more efficiently and help reduce pressures on the rest of the public sector.

Councils are also calling on the government to use the Spending Review to create an ongoing Community Investment Fund, worth £1bn.

"This un-ringfenced fund could be used by councils to invest in supporting individuals, strengthening communities, and tackling priorities in their local areas, including health inequalities," the LGA said.

James Jamieson, LGA chairman, said: "If we are to come out of this pandemic with a society that is truly levelled up, the vital services that councils provide must be at the heart of it."

The LGA said its submission to the government is not just about money, but also sets out how devolving and empowering local government in areas such as education, special educational needs and disabilities can benefit communities.

This comes as think tank IPPR has called the council tax, which has been around for 30 years, "unfair and outdated". It is urging the government to get rid of it, along with stamp duty, and replace both with a proportional property tax.

BRC calls on chancellor to cut business rates in autumn Budget

A recent BRC survey of major retailers found four out of five would be forced to close stores without a substantial reduction in the tax burden

The BRC is calling on Rishi Sunak to use the autumn Budget to deliver business rates reform needed to save thousands of shops from closure.

In a Budget submission to the chancellor, the industry body has called for a one-year 30% reduction in business rates liability for retail. The 'bridging relief' is needed to bring the tax for 2022-2023 more in line with current rents, which have fallen dramatically compared with rents in 2015, on which business rates bills remain based, the BRC said.

The submission renews the consortium's call for the government's ongoing 'fundamental review' of business rates, which is due to conclude this autumn, to permanently reduce the £8bn tax burden on the sector. It wants an end to the requirement for the rates to raise a fixed sum, allowing the tax to "flex in line with economic circumstances as all other taxes do".

The BRC has also reiterated a call for an end to so-called 'downwards phasing', which limits how quickly a shop's rates bill can fall following a revaluation of its liability. It cost retailers over £500m between 2017 and 2020, according to the industry group.

A recent BRC survey of major retailers found four out of five would be forced to close stores without a substantial reduction in the tax burden.

The BRC's call comes as a new report commissioned by retailers including Tesco, Sainsbury's, Morrisons and Co-op claims reducing business rates could promote the government's 'levelling up' agenda by providing a boost to economically deprived regions, disproportionately in the north.

Like the BRC, the report – called 'Cutting the shops tax' – recommends a reduction in business rates for retail as soon as possible and calls for an announcement in the Budget.

The report, conducted by WPI Strategy, says further shop closures and job losses will be most acutely felt in the north of England, Midlands and Wales – regions most in need of 'levelling up'.

"The evidence is clear: business rates are costing shops and jobs and undermining the government's 'levelling up' agenda," said BRC CEO Helen Dickinson.

"Retail is the UK's largest private sector employer and serves as a vital lifeline to places most in need of levelling up, offering flexible jobs, supporting other businesses on the high street and breathing life into local communities.

"The business rates review is a great opportunity for government to put the 'shops tax' into reverse, and support investment and growth in the regions that need them the most."

The autumn Budget is due to take place on 27 October.

Property tax would bridge the wealth gap between ages

It is more than ten years since I published The Pinch, setting out how huge intergenerational injustices were opening up across Britain. Or to use the more provocative wording on the cover, how baby boomers took their children's future — and why they should give it back.

The issue has risen up the agenda in recent years but it has been harder to take the action needed to bridge the divide. We hear a lot, rightly, about levelling up the regions of the UK but far less about levelling up the generations.

The way that property is taxed in this country is a major contributor to the wealth divide between old and young. Council tax is based on property valuations from 30 years ago and is deeply regressive. Lower value properties pay much more proportionately than high value properties. The system is particularly hard on young people who are renters, dreaming of owning a home of their own, but still pay the tax.

There is a way to fix the council tax problem. Support is growing for replacing council tax and stamp duty with a proportional property tax. Research has shown that such a tax set at about 0.5 per cent of a property's value would result in lower bills for three quarters of households, while reducing them to zero for renters.

New research from the Fairer Share campaign shows it would pave the way for the release of many thousands of extra homes for young people and families who need them. In the most optimistic scenario, almost 600,000 homes would be released within five years of such a tax being introduced to replace the other two taxes. Of these it is estimated that about a quarter of a million would be one and two-bed homes suitable for first-time buyers.

Politicians cannot afford to ignore these kinds of policies if the generation gap is not to widen further in the years ahead. We need a massive boost to home ownership. When I updated The Pinch in 2019, I said that political parties should use the upcoming election to start healing these divides with a policy programme that appeals to and benefits young and old alike.

At the Conservative Party conference we will hear more about how the government's levelling-up agenda will attempt to close Britain's deep-rooted prosperity gaps. The challenge is ensuring that it also goes some way to closing the widening generational gap. A reform of council tax contributes to both sorts of levelling up. It eases the burden of tax in areas with more low value properties and it also eases the burden on young people, in particular renters.

Lord Willetts is president of the Resolution Foundation

'Business rates – government must now decide whether to be firefighter or arsonist'

The retail industry has been navigating crisis after crisis. Fresh from the pingdemic, the country found itself facing a massive HGV driver shortfall, supply chain problems and wider labour shortages.

Availability problems were then exacerbated by both a CO2 shortage and issues at petrol forecourts.

The British Retail Consortium (BRC) has spent recent weeks diligently putting out fires. Working with our members and through regular engagement with the government, as well as a few well-timed headlines, we’ve helped to deliver changes in the contact-tracing app, see the UK production of CO2 restarted and force the creation of 5,000 new visas for HGV drivers – it may not be enough, but rest assured we are not giving up any time soon.

Unfortunately, one fire continues to smoulder on, laying waste to shops and jobs alike. A fire lit 30 years ago, which has slowly spread down our high streets and is taking communities with it. It is, of course, business rates.

We all know the way people shop is changing and that there will be fewer stores in the future. It is not a case of online versus offline. Retailing is about both and while our high streets in the future should be about so much more than retail – housing, care in the community, leisure, entertainment, agile workspaces – retailing still has a part to play.

“Reform of the business rates system is the greatest step the government can take to maximise retail’s contribution to the ‘building back better’ and ‘levelling up’ agendas”

Even before the pandemic, business rates were contributing to unnecessary shop closures and job losses. Now they represent a threat to many retailers’ ability to invest in stores, jobs and new technology.

Reform of the business rates system is the greatest step the government can take to maximise retail’s contribution to the ‘building back better’ and ‘levelling up’ agendas.

The government announced a review into this broken tax at the 2020 spring Budget. The stated objective to “reduce the overall burden (the tax placed) on businesses” is exactly what is needed. But 18 months on and still we wait with bated breath to see what will be announced.

A recent BRC survey showed that four in five leading retailers were likely to have to close more stores than they would want to in the coming year unless the fundamental review cut the rates burden.

Two-thirds said rates had a material impact on decisions to close stores over the last two years.

These are figures that the government cannot afford to ignore.

Retailers are meeting the transformation in needs and behaviours of consumers head-on, adapting and embracing new technologies.

“Investment in so many new technologies is being held back by the sky-high cost of meeting outdated rates obligations”

Writing for Retail Week last week, Theo Paphitis noted: "The future is hybrid retailing… It's not going away. Customers are now used to using technology, whether through QR codes, Apple/Google Pay, booking systems or research before in-store purchases."

Unfortunately, investment in so many new technologies is being held back by the sky-high cost of meeting outdated rates obligations. This is why we put business rates front and centre in our latest Budget submission.

We call on the government to make three changes.

Firstly, the fundamental review of business rates must result in a substantial reduction of the £8bn-a-year tax burden weighing down retailers, as well as ending the downwards phasing transitional relief, which cost retailers more than £500m between 2017 and 2020.

Secondly, the government should remove the requirement for business rates to raise a fixed sum of money. Unlike income or corporation tax, business rates do not flex with the economy, piling the pressure on exactly when it should be softening the blow.

Finally, with the pandemic not yet over, the government should introduce a bridging relief for 2022/23 to prevent a cliff edge of 100% business rates liability just when communities are getting back on their feet after two years of turbulence.

This relief would reflect the fall in retail rental values since the last valuation and inject some much-needed market reality into the system.

The government must now decide whether it will act as a firefighter or arsonist.

Will it finally seek to repair the damage being wrought on our high streets by business rates or will it instead douse it with petrol (if it can find any), delaying this decision or ignoring it altogether and missing a vital opportunity for reform?

Will it doom our local communities from the vibrancy and investment we all deserve?

Bring out the firefighters, I say.

SCOTLAND

Budget 2021: Business calls for extra rates help in Scotland

Holyrood ministers must go even further than the chancellor and extend greater reliefs on business rates for the retail, hospitality and leisure sectors, industry groups have said.

Rishi Sunak announced a 50 per cent reduction for another year for those sectors that have been among the hardest hit during the pandemic.

That could see up to 400,000 properties in England, Wales and Northern Ireland receiving support of £1.7 billion from April.

Most Scottish retail, leisure and hospitality companies have benefited from no rates bills during Covid-19 but are due to revert to pre-pandemic levels in the spring.

As non-domestic rates are devolved to Scotland, companies will have to wait to find out what Kate Forbes, the finance secretary, plans to do when she delivers the Scottish budget on December 9.

Industry leaders want Forbes to announce an even more generous package than the one unveiled at Westminster.

Marc Crothall, the chief executive of the Scottish Tourism Alliance, said: “The move to implement a new one-year, 50 per cent discount on business rates for the retail, hospitality and leisure sectors across England, Wales and Northern Ireland offers encouragement that the Scottish government may follow suit by extending the current business rates discount for the sector and again go further than the UK government.”

Leon Thompson, the Scottish executive director at UKHospitality, suggested firms in Scotland faced a “cliff edge” if relief was not continued. “The chancellor has declared his support for business and the Scottish government must at least match this if hospitality businesses across Scotland are not to face further financial difficulty and possible closure.

“Our businesses are at the heart of communities. They remain in a fragile state and need a commitment from the Scottish government that they can look forward to the same support as their counterparts in England.”

The Scottish Retail Consortium warned that a return to pre-pandemic levels of rates bills would damage the sector.

David Lonsdale, the SRC director, said: “There was little to reduce the actual cost of doing business here in Scotland, in a year that saw the sector hit with the scrapping of tax-free shopping and with rises in employers’ national insurance contributions and corporation tax in the pipeline.

“With retailers’ revenues continuing to fall short, a 100 per cent reinstatement of business rates would be unsustainable for struggling shops.”

There was a broad welcome for measures such as increased funding for research and development and moving towards net-zero emissions, as well as commitments to spending in Scotland through the Levelling Up Fund and the UK Business Bank.

Tracy Black, the CBI Scotland director, said: “The government’s commitment to innovation will be central to efforts to build and sustain industries of the future.

“This will be essential to be globally competitive so the government must stick to these targets in the coming years.

“With that in mind, alongside an uplift for the Scottish budget overall, it was pleasing to see recognition for the green jobs that will be so important to Scotland.

“Both the UK and Scottish governments have crucial roles to play in our economic recovery and it is welcome to see investment in Scotland through the Levelling Up Fund with areas from Inverness to Inchinnan set to benefit.”