IPTI Xtracts

Property Tax and Assessment News from Around the World

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UNITED KINGDOM

Azzurri warns that 'outdated' business rates hold down staff wages

Tax on high street premises is disproportionate, claims boss of UK restaurant group

The boss of UK restaurant group Azzurri has said that taxes on business premises are making it harder for high street chains to compete on staff wages at a time of acute labour shortages.

Steve Holmes, chief executive of the group that owns Zizzi and ASK Italian, warned that business rates, which are calculated according to rent values in 2015, are "outdated" and need to be revamped to reflect "where the revenue is taken".

"For all those businesses that don't have the same tax regime as those on the high street it means they can pay staff more . . . It's not just the rates bill that puts pressure on [high street] businesses, it's the knock-on effect of that. They then can't compete on wages so they lose their staff."

His comments come as a business survey suggests the UK labour market is in crisis, with the shortage of workers limiting the country's economic rebound.

Around three quarters of businesses reported access to labour as a threat to the UK's labour market competitiveness, data by the Confederation of British Industry in partnership with Pertemps Network Group Employment Trends Survey showed on Monday. Nearly 8 in 10 businesses interviewed in August said that access to skills was among their top current concerns.

Matthew Fell, CBI Chief Policy Director, said that from logistics to hospitality, businesses across the whole economy "are feeling strain" and expect this to continue "not just for two months but two years."

Before the pandemic, the hospitality and retail sectors were campaigning for an overhaul of the rates system, which they argue places a disproportionate tax burden on high street sites that had higher rental values in 2015 than warehouses used by the likes of Amazon and Deliveroo.

In 2019, before the pandemic, Azzurri paid about 4.4 per cent of its overall turnover in business rates, while Amazon reported a total tax rate as a proportion of its turnover of about half that.

Restaurants and shops were given a 15-month holiday from business rates during the pandemic but since the end of June, it is being gradually withdrawn.

High street businesses are also having to compete for a smaller labour pool because of Brexit and people leaving retail and hospitality during the pandemic for jobs elsewhere.

Trade body UKHospitality said that a government proposal to increase the frequency of business rates valuations "does not redress the wide-ranging issues with the current system that will severely hamper the sector's ability to recover from the pandemic".

It also estimates that the sector is facing a shortage of about 210,000 staff — 10 per cent of its total workforce.

Holmes said that Azzurri, one of the UK's largest casual dining companies, was lacking one or two chefs per restaurant on average and was finding ways to increase the productivity of existing staff instead.

"Government keeps saying things like we want you to retrain and re-educate our British workforce but they are just not there," he said.

The group is spending roughly £10m across its 198 sites installing high powered ovens that halve average cooking times to four minutes and a new kitchen management system that aggregates orders for dining in and delivery and prioritises them according to cooking time.

"It does the thinking that a head chef would have to do, which means the chefs are just available to cook rather than organise," Holmes said.

Other companies such as Pret and Costa have already raised salaries for store staff by 5 per cent in a bid to keep people but Holmes argues that restaurant margins are too thin simply to put up wages.

Andy Hornby, chief executive of The Restaurant Group, which owns the Wagamama chain, told the Financial Times that the company was "doing a number of things" to make sure staff pay was "particularly attractive", such as splitting tips more evenly between chefs and waiters.

Holmes also said restaurant chains needed to introduce digital ordering and make dishes look Instagram-able to boost their appeal post-Covid. Azzurri has spent "hundreds of thousands" developing its own app, he added.

The group said that trading had been generally strong since it reopened in May.

Sales at its food-to-go brand Coco di Mama, which has 15 sites in London, increased 30 per cent last week compared to the week before as office workers returned.

Even more shops will close without business rates reform, Sunak warned

Four in five major retailers say they will be forced to close stores unless the financial burden is slashed

More than four in five big retailers say they will be forced to close stores without reforms to the business rates system as the Treasury prepares to publish its long-anticipated review.

The British Retail Consortium found that 83pc of major retailers said they were likely or certain to close stores unless the upcoming review leads to lower payments.

Its survey also found that the burden from the rates was a factor in two thirds of store closures over the past year.

The trade body is calling on ministers to cut business rates to the same level they stood at in 1990 when they were introduced, as well as an overhaul of how properties are valued to ensure "accurate valuations".

Business rates, charged as a percentage of the rateable value of a property, are disproportionately borne by retailers due to the size of their stores.

Critics say they disadvantage the high street against online retailers such as Amazon and hold back investment. One in seven shops in the UK are closed.

The consortium said one in four stores pay more in business rates than in rent, despite the tax being designed as a proportion - known as a multiplier - of a property's value. The rates are based on valuations from the Government's Valuation Office Agency, rather than rents themselves, which critics say are often inaccurate.

It is calling for a cut in the multiplier, from 51.2p in the pound to 35p. It is also demanding changes to the system of "transitional relief", where declines in rates based on property revaluations are phased in.

The BRC report also recommends relief for improvements to buildings that might increase their value, saying they discourage investment, and for an overhaul of the Valuation Office Agency.

Rishi Sunak, the Chancellor, announced a review of business rates in March 2020, saying he wanted to reduce the overall burden on businesses. The Treasury is due to issue a final review in the coming weeks.

Retailers were disappointed after an interim report in March failed to outline whether rates would fall.

Helen Dickinson, the BRC's chief executive, said: "It is essential that action is taken, or else it will be our local communities and high streets which suffer the consequences."

Distorted inflation figures raise fears of £1bn rates rise

Businesses are facing a punitive £1 billion rise in business rates next year as a result of soaring inflation caused by distortions during the pandemic.

Altus Group, a real estate adviser, said the inflation figures suggested that the business rates bill, excluding any reliefs, will rise by £1.07 billion next year.

According to the Organisation for Economic Co-operation and Development, property taxes across the UK rose to £90.6 billion during the 2019-20 financial year, up from £88.4 billion during 2018-19.

Robert Hayton, head of property tax at Altus Group, said: "The unexpected cost of Covid might mean that the chancellor has limited short-term scope to meet his commitment to reduce the burden of tax on commercial property, but that must not also mean that potential reforms are shelved.

"There are fiscally neutral, and blinding obvious, changes that could be made to property taxes that would increase fairness and pave the way for a better system in the future."

The annual increase is being driven by "base effects" as temporarily low rates of inflation last year due to action taken in the pandemic unwind, according to the Office for National Statistics.

August's consumer prices index jumped by 1.2 percentage points to 3.2 per cent, the largest monthly increase since 1997, caused by a temporary drop in prices last year due to Eat Out to Help Out and VAT cuts.

Base effects accounted for almost 1 percentage point of the monthly CPI rate. Business rates, which are forecast to generate £31 billion next year, are uprated annually using the September rate of CPI inflation. Economists said September's inflation rate was likely to match the distorted August numbers.

The tax hike comes as business faces a £6.5 billion increase in employers' national insurance contributions to help pay for health and social care, and a £16 billion increase in corporation tax from 2023. Tony Danker, director-general of the CBI employers' group, has warned the government against targeting business for tax revenue as it deters investment and may damage recovery.

In-store retailers, many of which were hit hard by the pandemic, face the steepest increase in bills, as they pay a disproportionate share of business rates. Altus estimates shops will pay £260 million of the £1 billion increase.

The Treasury is conscious of statistical distortions in key datasets. It has scrapped the pensions triple lock, which would have forced the government to raise the state pension by 8.3 per cent in line with headline wages. It accepted that wages data had been distorted by the furlough scheme.

The National Institute of Economic and Social Research estimated that underlying inflation was 1.6 per cent in August — half the headline rate.

The Paris-based OECD said tax revenues from property topped £90 billion for the first time last year, according to its annual revenue statistical survey.

Property tax reform

Stamp duty and council tax should be abolished and replaced with a single, simple annual levy on the value of a home, the Institute for Public Policy Research has said.

A “proportional property tax” would reduce regional inequalities by targeting the most valuable houses in the richest areas while leaving three quarters of households better off, the think tank has claimed.

An annual tax rate of 0.48 per cent of the value of a property would be “revenue neutral”, costing £1,230 a year for a home valued at the average UK price of £256,000. The tax would cause house prices to fall 3 per cent in London and the southeast while raising prices in the northeast and northwest by 11 to 15 per cent, the IPPR estimated.

Council tax is overdue an overhaul: bands were set using 1991 prices that have little bearing on today, “which means council tax paid on the nation’s most expensive homes has lagged far behind their soaring values”.

The institute said its proposal would support levelling-up by reducing costs for most households.

Call to scrap council tax in favour of property tax

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 (PPT)

IPPR said the council tax is based on outdated property valuations, which means the amount paid on the nation’s “most expensive homes has lagged far behind their soaring values.”

Council tax helps councils pay for the services they provide, such as maintaining roads and garbage disposal. Meanwhile Brits pay stamp duty land tax if they buy a property over a certain price.

As per the current system, the lowest earning households by income decile pay around twice as much council tax as the highest, as a proportion of their income.

The IPPR believes that a property tax, set at a flat rate of 0.5%, that is designed to raise the same amount of tax as council tax and stamp duty combined could mean three quarters of households in England paying less than they currently do.

"Council tax is unfair and outdated. It's based on property valuations from 1991 and poorer households pay a higher percentage of their property value in tax," said George Dibb, head of IPPR's Centre for Economic Justice.

"It's time to replace it with something fairer: a proportional property tax would be more equitable, with all households paying the same rate and would help address regional inequalities in housing wealth. To raise the same amount of revenue as council tax and stamp duty, a proportional property tax would mean lower taxes for 75% of households."

The IPPR said the PPT would more accurately reflecting the variation in house prices across England than the council tax system, with the highest taxes being levied proportionately upon those with the most property wealth.

It would reduce tax bills for most households and this could stimulate the economy - with poorer households that gain from the tax reduction likely to spend more of their extra disposable income.

Existing housing could be used more efficiently, leading to fewer houses remaining empty or under-used in high demand areas of the country.

The IPPR is optimistic that the PPT would also encourage a rebalancing of property values across the country, with prices likely to fall in the long run in expensive areas compared to those elsewhere.

Challenges that could arise, as per the report, include practical issues such as coming up with a new mechanism for redistributing the increased revenue from areas where property values are high, to areas where lower values will yield less tax than under council tax.

The report has also looked at ways to soften the immediate impact on owners of high-value homes, who could otherwise see their tax bills leap overnight.

Back in July, MPs said council tax property values in England need a "long overdue" revaluation, adding that the tax had become "increasingly regressive" to the detriment of more deprived areas.

Council hangs up as business owner is hit with £116,000 rates bill despite being 'exempt'

A business-owner says she received a bill totalling more than £116,000 from Brentwood Borough Council for unpaid business rates despite claiming they are exempt from the levy.

Julie Reeves, who owns Connect Traffic Management with her husband Mark. has a premises in Pilgrims Hatch used to store equipment worth a rateable value of £5,500 – an amount which does not require business rates to be paid – and said the bill had been issued "incorrectly".

When Mrs Reeves rang the council for help, she claimed she spoke to an officer who "put the phone down on her" leaving the business-owner "disgusted".

Business rates is a levy on companies based on the premises they occupy, and a property with a rateable value of £12,000 or less is not levied with business rates at all.

Brentwood Borough Council said it could not comment on individual cases, but added: “if an adjustment needs to be made to a bill it is done so quickly and the bill is resent.”

Mrs Reeves said the authority issued five backdates demands to 2017 in August, threatening legal action “without further notice” if payments were not met.

The borough council states on the bill that “if you have paid this amount within the last seven days, or if you think it is wrong, please contact Recovery Services”.

She said: “I rang the council up saying this is really distressing for us and it could finish the company.

“I said it had been revalued and just because the council hasn’t got it that it’s an internal problem.

“I asked her name because I needed some accountability for the actions of Brentwood Council and I wanted to know they are going to sort this out.

“She put the phone down on me.”

The couple still have to reapply to the authority to reset the bill to zero.

She added: “Let’s say the bill was right and they had come back and say you owe us £125,000. How can they just demand five years in rates and not care?

“It just the thing where she put the phone down. It is disgusting.”

The amount of business rates owned is calculated by the rateable value of a property – representing the rental value of a property – priced by the Valuation Office Agency and a government “multiplier” set by HM Treasury.

Mrs Reeves added that she had tried to explain that the family had been going through a particularly difficult period after her daughter was diagnosed with cancer.

She said: “When I spoke to them initially – the council is meant to be all about mental health – our daughter has breast cancer and is only 27. I told the council this and what a tough time we were having and they didn’t care.

“We are going through such a time where everyone is meant to be caring for each other.

“I said this has really upset me what can they do about it and they have gone ‘nothing’. How does that work?

“When we have tried to speak to them they don’t like it so they put the phone down.”

A spokesperson for Brentwood Borough Council said: “The Valuation Office Agency assesses the rateable value of properties and then notifies the council of the chargeable rate and any changes. Based on this information the bills are calculated and sent out. If a business disagrees with the VOA bill then it is best to contact the VOA directly.

“For companies that are finding paying the bill difficult our officers are on hand to help advise and, in certain circumstances, offer a payment arrangement plan.

“Whilst we cannot comment about individual cases, if an adjustment needs to be made to a bill it is done so quickly and the bill is resent.”

Dunelm gives shareholders £132m payout from bumper year

But the homewares chain said it remains right to not repay the £22m saved from the business rates holiday.

Homewares chain Dunelm has announced plans to hand a £132 million payout to shareholders after profits soared despite the pandemic closing stores.

But bosses at the firm said there are still no plans to hand back any of the £22 million saved from the Government’s business rates holiday.

The company pointed out it has already repaid the money claimed under the furlough scheme, and has not made any claims under the various grants some retailers have been entitled to.

Different retailers will make different choices about what’s the right balance to take and we think as a business that was closed for a third of the year, this is a balanced position

Its decision comes as the boss also said prices have started to rise as a result of inflationary pressures hitting supply chains and that Dunelm has been offering incentives to HGV drivers to keep trucks moving.

On business rates, chief executive Nick Wilkinson told the PA news agency: “We’ve looked at it in the round. It’s a complicated area and we’ve really considered what’s the right thing to do here. We’re taking a balanced approach.

“We repaid the CJRS (coronavirus job retention scheme) money which we took out in lockdown one. It was a scheme that allowed us to keep going and stay focused.

“We self-funded 8,000 store colleagues on full pay when the stores were closed to customers, we’re not taking advantage of local grants, which were given to non-essential retailers.”

He added: “The business rates relief was applied to all retailers, essential and non-essential. Different retailers will make different choices about what’s the right balance to take and we think as a business that was closed for a third of the year, this is a balanced position.”

Several essential retailers have already repaid the savings made from the business rates holiday introduced during the pandemic, but there have also been a handful of non-essential retailers who made partial payments too, including fashion chain Next.

Dunelm was classed as a non-essential retailer, but managed a strong year despite the closures, with online sales holding up well and click-and-collect services still offered from the front of stores.

In the year to June 26 sales rose 26.3% to £1.34 billion, with pre-tax profits up 44.6% to £157.8 million. Digital sales were 46% of the total, up from 27% a year earlier.

As a result, shareholders will receive a dividend of 35p a share and a 65p a share special dividend. The dividend was scrapped a year earlier at the height of the pandemic.

Bosses said they have seen sales rise across the board and continue to be strong in the first 10 weeks of the new financial year, with emphasis placed on digital innovation.

The company also benefited when stores reopened from being primarily based in retail parks, which have outperformed high streets and shopping centres since Covid-19 restrictions eased.

But Mr Wilkinson said cost pressures from inflation – with global shipping costs, the Brexit-related HGV drivers shortage and rising raw material prices all playing a part.

He said: “We work really hard to try and absorb as much of that as possible in our price structure, so we don’t pass prices on to consumers.

“But that’s not always possible, so we’re super focused on value for money, but we are taking up some retail prices where that’s the necessary thing to do. When we put a price up we’re very clear about that. We don’t go up and down.”

He added: “Most of the inflation pressures you hear about are mitigated within the system, but when we can’t do it fully, and we think it’s necessary to do and we think it doesn’t reduce our value for money and competitiveness, we pass prices on to consumers, and that’s what has started to happen.”

Amazon pays £492m in UK tax as sales surge to £20.6bn

Online shopping giant Amazon has said it is "proud" of its contribution to the UK economy, as it reveals its latest financial results.

The firm paid £492m in direct taxation as its sales rose 50% to £20.63bn, amid a Covid-driven surge in demand.

Amazon and other tech firms, which pay tax on profits not sales, have faced scrutiny over the level of their tax bills in the UK.

But Amazon said it had invested £32bn in UK infrastructure since 2010.

"We are proud of the significant economic contribution we are making to the UK economy," Amazon said in a statement.

"Looking ahead, we know that the UK remains full of opportunity and we continue to be excited by the potential to continue to invest, create jobs, develop talent and have a positive impact in communities across the country," the statement added.

Amazon's total sales in the UK, rose to £20.63bn during 2020 - up by more than 50% from £13.73bn in 2019.

The direct tax bill was up by more than two-thirds compared with the £293m it paid in the previous year.

The firm, which employs 55,000 people in the UK, said the taxes included business rates, stamp duty, corporation tax and other contributions.

Amazon said employers' national insurance taxes accounted for the majority of the bill as it took on 22,000 more staff over the course of the last year.

The company's indirect tax bill came to £1.06bn, up from £854m, driven by VAT on increased sales and employee taxes, as it took on more people and increased wages.

Amazon said that when both direct and indirect taxation were taken into account, it had contributed £1.55bn, up from £1.15bn.

'Get a grip'

GMB, the union for Amazon workers, said the company's tax bill was "frankly insulting" and said firms that had profited from the pandemic should pay more.

Mick Rix, GMB National Officer, said: "Amazon workers suffer unsafe, dehumanising work practices; breaking bones, falling unconscious and being taken away in ambulances.

"Ministers must get a grip of this runaway company and make sure pandemic profiteers pay more.

"Amazon's key UK business paid just £3.8m more corporation tax last year than in 2019, even as sales increased by £1.89bn."

In April last year, the UK government launched a 2% tax on digital sales amid concerns that big tech firms were re-routing their profits through low tax jurisdictions. The Digital Services Tax is also included in the £492m figure.

Chancellor Rishi Sunak said in June last year that the coronavirus crisis had made tech giants even "more powerful and more profitable".

Other global tech firms have faced similar scrutiny over their tax bills.

French tax authorities recently settled disputes with Facebook, Google, Apple and Amazon over their operations in the country over the last decade.

Last year, Facebook boss Mark Zuckerberg said he recognised the public's frustration over the amount of tax paid by tech firms and backed plans by think tank the Organisation for Economic Co-operation and Development (OECD) to find a global solution.

'Legally compliant but opaque'

"As usual the accounts are legally compliant but opaque and lack the crucial information about intra-group transactions which enable the company to shift profits is not there," said Labour peer and emeritus professor of accounting at the University of Sheffield and University of Essex, Prem Sikka.

"Therefore it's impossible to know what their true economic profit is," Prof Sikka said.

Given the profits declared by competitors, Prof Sikka said Amazon's tax bill "seems very low", whereas, for retailers such as supermarket chains, tax bills as a proportion of sales were much higher.

"We need a complete change in accounting regulations which currently increase opacity rather than transparency," Prof Sikka added.

Professor of taxation law at King's College London, Ann Mumford agreed and said that there was a lack of public discussion around the rules which led to this amount of tax.

"It seems that Amazon realised that they would need to pay a respectable amount - and, are hoping that an increase of £3.8 million sounds like a lot of money," Prof Mumford added.

Analysis by Sarah Corker, BBC business correspondent

The pandemic has accelerated the shift towards online shopping and Amazon has been one of the biggest winners amid those changing consumer trends.

As Covid closed physical stores during successive lockdowns, sales at the internet giant rocketed.

Today's numbers will raise further questions about how tech giants operate, the level of tax they pay and their impact on the struggling High Street.

Amazon moved to fend off criticism by pointing out that its direct tax bill increased by more than two-thirds from the £293m it paid in 2019.

Critics say that's still nowhere near enough given the surge in sales.

The firm's been on a hiring spree to meet soaring demand, offering a £1,000 joining bonus to encourage staff to work in its fulfilment centres in the north east of England.

Make Amazon pay rates – and save the High Street' – York business leader launches national campaign

A York business leader has launched a campaign to save the High Street – by making the online retailers pay their fair share.

York Retail Forum chair Phil Pinder says Amazon and the other online stores should pay business rates, just like physical stores.

He says this will end the injustice which sees smaller shops paying more in taxation than these giant conglomerates – and raise billions for a cash-strapped exchequer.

Phil was talking on the first episode of BizMix – his new weekly show on YorkMix Radio.

He said that councils in the area, and organisations like the York BID, have done an enormous amount to help businesses in the last year.

“But to be honest, it’s all going to be for nothing if we don’t fix one crying out issue, and that is business rates,” he said.

“Today, we’re going to start campaigning on YorkMix to level that playing field with one simple idea. And that’s that websites should have a rateable value.

“Business rates are sort of based on footfall – so the busiest shopping centres like Oxford Street in London, that’s where you pay the highest business rates.

“So why shouldn’t the websites that are getting the busiest footfall in terms of clicks pay the highest business rates based on the number of hits that their website gets?”

Generate billions

Phil says that Amazon, the biggest online retailer, paid only 0.37% tax on its UK turnover in 2020. A supermarket chain would pay 4-5%.

“Amazon generates sales around £20 billion a year and avoids business rates by not having many physical shops on the High Street. Business rates for smaller shops, for example, would be around 5% of their turnover.”

If Amazon was made to pay this too, “that’d be a billion pound in extra tax for Rishi Sunak at the Treasury. That’s around 40,000 nurses on a fully qualified rate for the NHS.”

Chains like John Lewis were closing stores – including their one in York – “simply because they feel they can make more money online where there are no such taxes.

“Let’s get them back into the shops and level that playing field and we will save the High Street.”

In the coming weeks he will reveal more about how everyone can get involved in the campaign.

“We’re even going to try it and see if we can get it to a local MP who happens to be the Chancellor of the Exchequer as well – see if we can get a meeting Rishi Sunak and chat this idea free with him.

"It's a simple idea. It's going to generate him millions – who wouldn't want to hear it?"

Fundamentally unfair

Business rates are fundamentally unfair, Phil argues. "The more prominent position you're in, the more you will pay.

"A typical smaller shop in York Shambles will have a rateable value of about £15,000 to £20,000 a year. That means you have to pay about 45% of that as tax – it might even be 48%."

At the bottom end, there is a small amount of rates relief. "But the top end, you can basically negotiate what you want and end up paying very little.

"This hinders smaller businesses who end up paying lots more than bigger businesses. And if you trade online, you don't pay business rates at all."

Small firms slam UK business rates for being 'regressive and outdated'

Small firms have said the UK's business rates are a major disincentive to invest in measures such as net zero environmental pledges and employee wellbeing, ahead of a government review of the system meant to take place in the autumn.

Mike Cherry, national chair of the Federation of Small Businesses' (FSB), said: "This is a levy that hurts small firms trying to do the right thing: if you put solar panels on the roof to aid your transition to net zero, or install ventilation to support the wellbeing of your staff, the Valuation Office Agency will advise your local authority that you should be paying more in business rates."

He said the tax is "regressive and outdated" and called for several changes, including urging the government to exempt all childcare providers from business rates and bring support across England in line Wales and Scotland.

He also wants the government to stop "penalising" investments aimed at improving sustainability and working conditions for employees.

The FSB said the government should accelerate reforms that have seen some of the smallest businesses removed from the rates system, by increasing the threshold for 100% small business rates relief to £25,000 ($38,383).

The federation also wants a "quirk" in the system removed that is currently causing a firm operating across two premises to be charged rates even if its total valuation should see it qualify for relief.

"Renewed efforts to ensure that rates bills are based on fair valuations are welcome and much needed – the more we can move to rolling up-to-date valuations, the more we can ensure this is a fair system fit for the digital age," said Cherry.

Current business rates valuations are based on figures from 2015 and are not set to be changed until 2023 after the latest update was pushed back by a series of delays, including the impact of COVID-19.

Earlier this week the British Property Federation (BPF) said business rates reform is "long overdue", ahead of the end of the government's revaluations consultation on Tuesday.

In its submission to the consultation, the BPF said the current property tax system is "broken" and has "failed to respond to significant changes in the UK economy".

Consultation on more frequent revaluations response

Property continues to provide a good basis for a local tax on business. Business rates is efficient to collect and has been relatively predictable and buoyant in recent years. However, the changing nature of business alongside the nature of demand pressures on councils means that we cannot look to business rates to form such a substantial part of local government funding in the future and alternative means of funding councils will be needed instead of or as well as a reformed business rates system, of which one example is a tax on online businesses.

Introduction

The Local Government Association (LGA) is the national voice of local government. We are a politically-led, cross party membership organisation, representing councils from England and Wales.

Our role is to support, promote and improve local government, and raise national awareness of the work of councils. Our ultimate ambition is to support councils to deliver local solutions to national problems.

We responded to last year's Call for Evidence on the Business Rates Review. In our response to Tranche One we said that local government has strong interest in a reformed business rates system which commands confidence. An income which keeps up with demand is also important given the pressures on local government especially at this point.

Property continues to provide a good basis for a local tax on business. Business rates is efficient to collect and has been relatively predictable and buoyant in recent years. However, the changing nature of business alongside the nature of demand pressures on councils means that we cannot look to business rates to form such a substantial part of local government funding in the future and alternative means of funding councils will be needed instead of or as well as a reformed business rates system, of which one example is a tax on online businesses. Our response to Tranche Two covered the questions on more frequent revaluations. We would respond to the questions in this consultation as follows.

1. Does the proposed package of measures represent a fair and balanced trade-off for ratepayers between new benefits and new requirements? If not, please detail what adjustments you would like to see, to ensure a balanced package of measures that would support a three-yearly cycle while taking account of deliverability constraints.

Improving the accuracy of the list

In its submission to Tranche Two of the Business Rates Review call for evidence in 2020, the LGA said that we believe that a time limit on appeals, and a requirement for ratepayers to provide more data so that valuations take less time, might make more frequent valuations a viable proposition. We therefore welcome the fact that the Government is consulting on introducing a package of measures alongside revaluations once every three years.

The consultation makes reference to a new 'duty to notify' the Valuation Office Agency (VOA) of changes to occupier and property characteristics – for example splits, mergers, conversions or change of use. This would be made through an online portal. We support this.

We also support an annual return by the ratepayer and a compliance regime as outlined, including making the ability to submit a challenge conditional on having complied with the Duty to Notify and the mandatory provision of lease information. We support revising the regulations to deal with late or incomplete information and penalties for non-compliance, including missed deadlines or the provision of inaccurate or false information.

We consider that alongside new measures for ratepayers to provide information to the Valuation Office Agency (VOA) there should be measures for information to be provided to billing authorities where this would enable councils to discharge their functions effectively, relating for example, to determining liability and eligibility for reliefs.

In Wales sections 151-153 of the Local Government and Elections (Wales) Act 2021 give billing authorities powers to seek information for the purposes of non-domestic rating (section 151), require ratepayers to supply to billing authorities information relevant to determining liability to non-domestic rates (section 152), and give billing authorities powers to inspect properties (section 153). We would like to see these provisions introduced in England at the same time as the requirement to provide information to the VOA for valuation purposes.

If new duties are to be placed on ratepayers, relating to their dealings either with the VOA or with councils, it makes sense for them to be introduced together, particularly as both are likely to require primary legislation. The document mentions a fair compliance regime and we consider that this should apply both to ratepayers' dealings with the VOA and with billing authorities.

Streamlining the appeals system

As highlighted above we are supportive of a new 'duty to notify' the Valuation Office Agency (VOA) of changes to occupier and property characteristics. With a 'duty to notify' this may lead to the check stage no longer being needed so in theory we are supportive of the discontinuation of this stage as part of the formal process. However, there is merit in a process whereby ratepayers can check and correct the information that is held on their property.

We also called for a clear deadline for the submission of appeals, pointing to the situation in Scotland where the deadline is six months. The proposals in this consultation are for there to be a three month window after the list comes into force for completed challenges to be submitted. However, this relates to challenges not appeals. The consultation makes it clear that there would be a maximum 18 months allowed for challenges to be resolved before they automatically become appeals. Although this will allow for similar challenges to be grouped together by the VOA, it could still mean a maximum of 21 months from the commencement of the list for appeals to be submitted. We therefore welcome the streamlining of the process but call for it to be kept under review with a view to further streamlining if there are continuing delays.

We also repeat our suggestion made in our Tranche Two submission that billing authorities should be allowed to be parties to appeals as was the case before the introduction of Check, Challenge and Appeal. Local authorities frequently have an interest in strategically important ratepayers, particularly given the implications for business rates retention and they should be allowed access to the process in order to be able to submit evidence which will help the VOA or the tribunal to come to a view.

We agree that there should be a fee for submitting a challenge, refundable in the event that the challenge is found to be valid, in the same way as this applies to appeals.

We welcome a review of the circumstances in which Material Changes of Circumstances (MCC) apply. We have supported the Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Bill which will amend the law with respect to MCC with reference to COVID-19 and would welcome further consideration of when Material Changes of Circumstances apply.

Providing greater transparency on valuations

The key steps are ensuring that ratepayers have more information and ensuring that there is more information for ratepayers which is accurate and understandable, such as the publication of new guidance on valuation methodologies and, at a later stage, analysis of rental evidence for each specific property. We also support the introduction of a fee for transparency requests, this should not be set at a level to discourage such requests but should enable costs to be covered.

Finally, we would urge that the VOA be properly funded to discharge its functions. There has been concern that in recent years some of the delays in resolving appeals have been due to understaffing at the VOA. One of the conditions of introducing the new regime, where more will be asked of ratepayers, should be that the VOA is resourced appropriately.

2. What steps could be taken to support ratepayers to comply with the new duties? For example, elements to reflect in the design of the reporting portal, or content that would be helpful to include in the supporting guidance.

We believe that ratepayers are best placed to answer this question but agree that the compliance regime should be proportionate and consider that this should apply to ratepayers' dealings with billing authorities as much as it should apply to their dealings with the VOA.

We consider that it is important that this be designed to be as user friendly as possible, learning the lessons of the VOA's experience with CCA where there were early problems with its introduction. Consideration should be given to improving the existing portal rather than inventing something new as the latter could lead to further teething problems and would create a system unfamiliar to everyone.

3. Are you supportive of the proposed approach to Transparency? Are there further elements you think should be made available as part of a Transparency offer?

Please see the reply to Question 1 above. We do not have any further elements to suggest at this stage.

4. What steps could the Government, stakeholders, or industry take to support a smooth move to a 3-yearly cycle?

It is important that the move to a three-year cycle should go as smoothly as possible. However, it should not be unnecessarily delayed. The consultation sets out the proposed stages but does not set out a timetable. We think it important that this be published. For example, if the 2023 list were to be a period of transition it should be possible to introduce the measures gradually so that check can be removed for the 2026 list to allow for the new duty to notify to embed in the system. However, this should not delay the passing of appropriate legislation including measures for greater information to be provided for billing authorities outlined above.

5. Do you have any other comments on the proposed approach to the move to a three-yearly cycle?

The proposal to move to a 3-yearly cycle for business rates is a positive step, but needs to be considered alongside further proposed local government finance reforms to enable authorities to effectively plan for the medium term. The long overdue fair funding review, social care green paper and other reviews need to be concluded; multi-year settlements need to be re-introduced and local government needs to be appropriately resourced for the future.

6. Do you agree that that moving to a three-year cycle should be the Government's priority for this stage of reform, and that going further should remain an option for the future?

We agree that at this stage the aim should be to embed three year valuations, and the associated changes, successfully before considering moving to even more frequent valuations. Please see the comments in the answer to question 7 below.

7. Would you support a move to an annual revaluations cycle or a shorter AVD in the future, accompanied by the necessary enabling reforms set out in this chapter?

We note that an antecedent valuation date of one year is being introduced in Scotland in time for the 2023 list, so that valuations will relate to April 2022 as opposed to April 2021, which is the case in England and Wales. We consider that the Government and the VOA should look at how the Scottish experience goes and see if there are any lessons to be learned. However, we would be concerned about any discontinuation of the draft list. With the 2023 list the timetable for the draft list is going from six months to three months before the new ('compiled') list comes into force in April 2023; it remains to be seen the extent to which the draft list in 2022 will be published in time for councils to carry out the necessary functions with their software suppliers.

Business rates "should be revalued every year", property sector says

UK property sector urges government to revalue business rates every year, instead of every 5 years
The government is considering proposals which would introduce three-yearly revaluations

The UK property sector has called on the government to revalue business rates every year in a bid to support the recovery of high streets and town and city centres following the pandemic.

The British Property Federation (BPF) said fundamental business rates reform is "long overdue", ahead of the end of the government's revaluations consultation today.

The consultation is considering proposals which would introduce three-yearly revaluations, compared with the current five-year gap between assessments.

However, current business rates valuations are based on figures from 2015 and are not set to be changed until 2023 after the latest update was pushed back by a series of delays, including the impact of Covid-19.

In its submission to the consultation, the BPF said the current property tax system is "broken" and has "failed to respond to significant changes in the UK economy".

Rental prices in the retail property sector have plunged in recent years, dropping by around 50 per cent outside London in real terms over the past 10 years.

However, business rates bills have continued to rise, partly caused by the long periods between revaluations.

The BPF said the government should push ahead with the proposals to reduce the revaluation period as part of a road map to annual changes in the tax.

The organisation said reform of rates should also set the business rates multiplier at a fairer level and make improvements to the appeals process.

"The business rates system is undermining town centre recovery and poses a significant risk to the future of our high street businesses," chief executive Melanie Leech said.

"Business rates have become so unaffordable, they are now hampering town centres' ability to adapt, modernise and thrive.

"We welcome this first step to increase frequency and transparency of revaluations, but the Government must recognise it is only the beginning of the journey to create a more sustainable and fairer system.

"We need annual revaluations and transparency over how valuations are determined; more frequent revaluations is only one piece to the jigsaw."

Blunder leaves Powys pensioner with £20 million tax bill

A POWYS pensioner was mistakenly sent bills from his local authority demanding that he owed them £20 million in council tax.

Michael Napolitano, from Presteigne, received letters from Powys County Council (PCC) indicating he owed more than £6 million on each of three properties he owns. And while Mr Napolitano fully acknowledged he'd paid his council tax bill late he was stunned to discover that he supposedly owed his local authority a total of £20,290,019.

After failing to resolve the matter because he couldn't get through to the council on the phone, Mr Napolitano attended a court hearing he was summonsed to in Llandrindod Wells last week, where an apologetic council employee informed him there had been a clerical error. The council explained that the error occurred when original data was misaligned with a document template, but said the correct amount Powys residents owed was also sent out to them at the end of July alongside the incorrect amounts.

However, the 74-year-old – a former builder who still works in the trade – said the authority is yet to issue an official apology. Meanwhile, he also wants to invoice them for the morning's wages he lost attending the court hearing.

"I'll say they must be pretty expensive properties," joked Mr Napolitano, who can see the funny side, although he said it's a "disgraceful" error from the council.

"It's farcical. I'm always late paying my rates but I do always pay. When I saw from the three letters that the total summons amounted to £20 million, I thought 'bloody hell, what is going on?'.

"I made some effort to ring up the council, but I couldn't get through. They say there are channels to contact them on but you can't get through, I failed to communicate with anybody. I suppose I didn't try as hard as I could but I've got other things to do with my life."

Mr Napolitano instead decided to answer the summons, attending Llandrindod Wells Magistrates Court last Wednesday, August 18.

"So, I thought I'd turn up on the day. I owed council tax on three properties and they wanted over £6 million on each. They're pretty expensive properties by the sounds of it, and I don't have a spare £20 million to give to the council. It's a simple mistake but it's an embarrassing one.

"The gentleman from the council was very helpful, very apologetic and very embarrassed. He did everything he could. He explained they moved forward some digits and no-one checked it."

Mr Napolitano was told by the council tax officer at court that around 1,200 letters had been sent out in error by the local authority, which prompted further alarm. “He (the officer) offered to scotch the £50 court fee, but then I thought that if they’ve sent out that many mistaken letters then that’s £60,000 in court fees issued,” added Mr Napolitano.

“I’m 74 and a pensioner but I still bumble about with work and I’m lucky I’m still fit enough to be able to do so. But there are surely other, more vulnerable, people out there who had similar letters and they might have really been panicked by this. There’s been enough stress for people in the last two years without this.

“Anybody can make a mistake but you’d think there’d be someone there to look at it and say £6 million plus in council tax isn’t likely to be right.”

A spokesperson for PCC said: “The county council cannot comment on an individual case; however, it can confirm a number of duplicate summonses were issued in error on July 30.

“The error occurred when original data was misaligned with a document template. A corrected file was produced but unfortunately both were issued.

“Once council became aware of this issue, the telephony system was updated with a message outlining the issue and directing customers to the correct summons document.

“The council is investigating the cause of the error and will be implementing additional controls to prevent it happening again. The council apologies for any inconvenience.”

Business rates are a tax on existence, not performance

Entrepreneur Philip Bier, who brought a Danish chain to the UK tells Candice Krieger about physical retail’s continuing struggle and why he’s leading a campaign for reform

The former boss of Tiger UK is ramping up calls for the government to reform the business rates system, which he says is “fundamentally flawed”.

Philip Bier, who brought the Danish chain (now Flying Tiger) to the UK in 2005 believes current rates for physical retailers are damaging the high street, which is plagued with empty sites.

“Fundamentally it’s a tax on existence, not performance,” says Bier. “Business rates are a fixed overhead whereas they should be performance-related. It’s wrong for people to pay whether they succeed or not.”

He continues: “The system is broken and should have ended last century. Why should the state benefit before anyone else? They should be the last to benefit or at same time as shareholders, not before.

“The government should have worked out by now that you can’t have one business paying one lot of tax and others (online businesses) paying different rates.

“Rates have remained high despite what happened in the market. It’s not about not wanting to pay tax, it’s about a tax that is detrimental to the development of this country. Something different needs to be introduced.”

The retail property sector has pinned its hopes on a long-term reform due in the autumn but Bier is not convinced.

He is part of a committee representing the sector and recently met with Labour leader Sir Keir Starmer to discuss the future of the high street, and earlier this year signed an open letter, drafted by the Tesco CEO Ken Murphy, which was sent to the government calling change.

“The Treasury has promised to do a fundamental review of business rates in the autumn and whether they do remains to be seen.”

Bier, who lives in north London and is a member of Muswell Hill Synagogue, discovered Tiger, which sells quirky lifestyle products at affordable prices, after a trip to Copenhagen, where he was born.

A commercial photographer, he thought it would do well in the UK and remortgaged his house to take a 50 percent stake in the company and roll it out on the country’s high streets. The chain grew exponentially and when Bier made a multi-million pound exit in 2017, he had opened more than 40 stores and Tiger Retail had a turnover of £44 million.

Bier, who sits on several retail advisory boards, saw first-hand how business rates impacted Tiger some 10 years ago. “In 2012, there was a shop I didn’t take in Muswell Hill; the rates were the same as the rents and there was no negotiation about it. Rates have become prohibitively high.”

Unsurprisingly, two of his latest projects are online: EyeEye and Sharesy. EyeEye.me is an online-only venture launched together with his friend and fellow photographer, Mark Fluri. The business sells limited-edition, museum-quality black and white prints at affordable prices (they start at £60), mainly from negatives that Fluri has assembled over time.

Bier is also on the board of Sharesy, which launched in June and is a kind of Airbnb for community halls. Founded by Felix Atkin, it lets users book venues around north London for their events.

Through the platform, venues can take control of their earning potential, hiring out their spaces with a hassle-free solution that puts listing, booking, payment and reporting in one place.

Meanwhile, bookers can discover and book affordable venues, simultaneously giving back to their local community.

Bier accepts that the shift to online is “permanent and relentless”. He says the government needs to come up with a strategy to ensure town centres don’t become ghost towns. “Physical retail will never come back to what it was and will struggle with ‘just need’ purchases. Less and less sales are being done in store and we need to address this by what the space should be used for. This is a three-way responsibility between local authorities, the government and private landlords.

“There needs to be a national plan for what empty spaces are used for, such as whether they are turned into community centres with libraries /workshops or for housing.”

So what will retail look like a year from now? “Low-cost bargain stores and the top end will be fine, but it’s the middle markets that will be hit. The ‘holy cow’ John Lewis is also coming into question. It used to be aspirational but I don’t think it’s somewhere my son (age 23) would shop. They have lost the next generation – people under 35.”

He adds: “Retailers need to make the experience of going into store something you want to do. There has to be really good customer service and give consumers something they can’t get online, whether that means a ‘hello’ or ‘goodbye’, or simply a smile.”

IRELAND

As Local Property Tax gets its first revamp since 2013, what are you likely to pay?

Revenue is about to begin contacting 1.4 million owners of 1.9m homes to tell them it is time to pay the Local Property Tax again. Here is how to tell if you are liable, how much it will cost and how to pay it.

What are key dates?

You value your home on November 1, submit the details by November 7 and either pay at that stage in a lump sum or indicate what alternative payment option will be used.

The lump sum can be paid up to January 12 by cash, cheque, credit or debit card or, by March 21 by direct debit; monthly direct debits start on January 15. Deduction at source from salary also begins in January.

Who has to pay?

Almost everyone who owns a habitable home or homes. That includes owner-occupiers and landlords. Long-term lease-holders may also be liable – Revenue have staff to help with such queries. Some exemptions applied up to now but the numbers are small.

I’m a homeowner but have never paid – how come?

The tax was introduced in 2013 and there has been no revaluation since so properties built since then were exempt. That exemption comes to an end next month.

I’ve paid every year since 2013: can I just submit the same details again?

No. Because of the change in property prices since 2013, you are being asked to go through the exercise afresh.

How do I know exactly what my home is worth?

You don’t have to know exactly but you do need to know what valuation band it is in. There are 20 bands, beginning with properties valued €1-€200,000, €200,001-€262,500, and so on. Revenue have an online valuation tool to help but you make your own assessment.

What should I pay?

There are different rates for each band, starting at €90 and increasing to a minimum of €2,830 for a house worth more than €1,750,000.

Property prices have soared since 2013 – will I have to pay a lot more tax?

You would if the existing bands were retained but they are now being widened. For example, the €90 rate only covered homes worth up to €100,000 but will now cover homes up to €200,000.

The €225 rate, which is the national average, applied to homes valued at €100,001-€150,000. Under the new bands, it will cover houses valued at €200,001-€262,500.

Could my tax rate fall?

It could. Revenue expect 10pc of homes to attract a different rate this time, and some will have a reduced liability. On the flip side, house prices rose by almost 160pc in some postcodes between 2013 and 2020 so that could tip them over into a higher rate even with the wider valuation band.

What are these 'local authority adjustments' I hear about?

Those are what make the property tax a 'local' property tax and what make an otherwise clear system of bands and rates complicated.

Local authorities are allowed to vary the base tax rate set by plus or minus 15pc. For the coming year, 22 councils have opted to go above the base rate, some by the full 15pc, some by between 5pc-10pc; five are sticking with the base rate and four are going 10-15pc below.

How do I know how much to add or subtract?

Revenue have a Local Property Tax calculator on their website. Once you know your valuation band, go on the calculator and it will ask which local authority area you are in and do the calculation for you.

Where are the four with the decreases?

They are the four Dublin local authorities – where average property prices are highest in the country – so you win some and lose some.

I have a vacant property – do I have to pay?

You do, unless it is in an uninhabitable condition. There's an online checklist to help assess habitability.

What if I don't hear from Revenue?

Revenue say the tax is a legal obligation and you must do the revaluation even if you are not directly contacted.

What if I don't pay?

You will be in a minority as there is a compliance rate of over 97pc. Revenue say they'll find you and begin enforcement action.

They have powers to take the money from your salary or other income at source so it's a hard one to evade.

How much does it raise?

Revenue expect it to bring in €552m on the base rate but that falls to €538m when local authority adjustments are taken into effect. That's an increase on the 2021 figure, mainly due to the €34m from previously exempt homes being brought into the net.

What is the money spent on?

Some of it goes towards funding some of the day-to- day services provided by local authorities, such as planning, fire services and street lighting. Some is spent on roads and other capital projects.

Do local authorities get to keep what they raise?

The revenues go into a central fund and are paid back out again, more or less in line with each county's contribution to the total, but a portion is kept as an 'equalisation fund' to supplement councils with larger numbers of lower valued properties.

8 actions that would make the Local Property Tax more acceptable to taxpayers

Analysis: Given the unpopular nature of property tax with voters and politicians in Ireland and worldwide, there are a number of straightforward measures that would make LPT more acceptable to Irish taxpayers.

With the revaluation of properties due on the 1st November, there are a number of measures that Revenue and the authorities could take that will improve the integrity and legitimacy of the Local Property Tax (LPT).

Informed by the literature on the political economy of property tax reform we know what matters and what works, subject to the usual country-specific circumstances.

Given the unpopular nature of property tax with voters and politicians in Ireland and worldwide, here are eight relatively straightforward actions that would make the local property tax system in Ireland more acceptable to taxpayers.

1) It is widely acknowledged in economics that there are good and bad taxes. Property taxes are considered to be good taxes as they distort economic activity, behaviour and decision-making less than other taxes. Aside from the virtue of neutrality, a property tax has many of the characteristics of a good tax: it is salient, hard to evade, predictable and relatively stable.

The Irish government needs to continue to make the case for property taxes, as a way of mobilising revenue, widening the tax base, taxing wealth (rather than labour or transactions, for example) and funding local government.

2) Unlike many other taxes, property taxes can be viewed from very different perspectives. For some, it is a tax on capital. For others, it is a tax on housing consumption while alternatively it can be seen as a benefit charge, paid as a price for locally-provided public services.

Governments can take advantage of this when making the case for property taxes. By tailoring the message, they can make the property tax more tolerable to taxpayers and citizens.

3) While accepting that the LPT is a tax on property (but on residential properties as opposed to commercial or industrial properties which are subject to business rates), it is sometimes forgotten that it is a local tax. It is a tax assigned to local government, with the burden falling on local residents who use local services. Because of its immobile nature, and that it varies with changes in economic activity less than income or consumption taxes do, it makes for an ideal local tax.

While the base, assessment and collection are decided centrally, local authorities have rate-setting powers at the margin, where they can vary the base rate by +/- 15% per annum. Aimed at strengthening local government and promoting decentralisation, this makes local authorities accountable to their electorate, and on the hook for tax and spending decisions. In defending the LPT, authorities need to remind taxpayers of the local dimension to the tax, and of the importance of local autonomy and the principle of subsidiarity.

4) Following on from the above point, Revenue and the local authorities can inform taxpayers of the link between the LPT and local services.

These include social housing and homeless services, local and regional roads, planning and local enterprise supports, fire service, library services, leisure and public parks. As property values for purposes of the LPT are self-assessed, there is always the likelihood that some taxpayers will undervalue their properties.

In advance of the assessment date but also when LPT bills are issued, a list of the local public services that are funded by the LPT (in specific terms, using euro amounts, or percentages) should be communicated to all taxpayers, by means of traditional post but also a public awareness and social media campaign.

In addition, if local authorities use their discretionary powers to increase the base rate, details on how the extra funding is spent (on what services, and by how much) should be communicated to the public.

5) In the interest of transparency, the communications campaign should also include the old and new valuation bands, and the respective charges, so that taxpayers understand their LPT bill, how it is calculated and any changes from the initial liability.

6) The reasons for the revaluation (and future periodic reassessments to reflect changes in property values) need to be fully explained and justified. An out-of-date assessment can undermine the short-term credibility and long-term sustainability of the property tax, lead to inequities across the

distribution of taxpayers, and make future revaluations politically difficult, as we know from other countries including the UK and Germany.

7) The LPT has a very high compliance rate, estimated at over 94% in 2020. Indeed, this is one of the successes of Ireland's residential property tax.

The involvement of Revenue as the tax collection agency is viewed by many as a contributing factor, as well as the multiple payment options (including deduction at source, from salary, pension, or welfare payments, which helps mitigate the unpopular visible nature of the tax). Continuation of these options should help to retain the high compliance rate.

8) One common complaint against the property tax is its regressivity (perceived or otherwise), inequity (unrelated to ability-to-pay) and impact on low-income property owners, the so called 'asset-rich, cash-poor' argument. Aside from the existing exemptions and deferrals, consideration could be given to the introduction of a tax credit for low-income taxpayers as this may be the best solution to resolve this issue.

Although a fan of property taxes and the LPT, I am reminded of the famous quotation from King Louis XIV's finance minister, Jean-Baptiste Colbert, who supposedly said 'the art of taxation consists in so plucking the goose as to obtain the largest possible amount of feathers with the smallest possible amount of hissing'.

When considering future operational and design changes to the LPT - including the thorny issues of the possible effects of property taxes on land use, urban development and property prices - our Minister for Finance would do well to remember the hissing goose!

Property tax net widens in first revaluation of homes since 2013

More than 100,000 previously exempt homeowners will have to pay property tax for the first time next month in the first revaluation of the charge in eight years.

Revenue will be contacting 1.4 million homeowners in the coming weeks to tell them they must revalue their properties on November 1st.

The tax is paid annually at 20 different rates beginning at €90 and rising to over €2,830 depending on the valuation band a property falls into.

The bands have been widened by 75pc to take account of the rapid rise in house prices since the last valuation in 2013.

Revenue say 90pc of homeowners will pay the same next year as they have been paying to date, with the average expected to be €225.

But they warn owners are still obliged to perform the revaluation and submit their new figures to Revenue by November 7th.

Payment can be made immediately, in a lump sum up to next March or on a staged basis throughout 2022.

The chosen payment arrangement must be notified to Revenue in the November 7th submission.

An online valuation tool is available on the Revenue website which has divided the country into neighbourhoods with estimated average values.

Officials say it is only for guidance, however, and urge people to check with other sources of information.

“We don’t know the value of every single home in the country,” said Keith Walsh, Revenue’s head of statistics.

“People can check with the Property Price Register for recent sales or with local estate agents for current prices. Don’t over-rely on one source of information is the message.”

The valuations applied on November 1st will remain in place until 2025 when the next revaluation is scheduled.

Based on the 1.9m homes Revenue say are eligible for the tax, the total yield from it next year is expected to be €552m.

Had the Government not moved to widen valuation bands, rising property prices would have pushed many home owners into higher brackets and the total yield could have been as high as €972m.

The tax brought in €501m this year and expected rise to €552m next year is due mainly to the inclusion of 100,700 homes which were newly built after 2013 and given an exemption up to now.

There is a better way to levy local property tax

Current local property tax arrangements raise many issues to do with tax equity

There has been the usual annual controversy about the decisions of elected members of local authorities in the greater Dublin area to “reduce” local property tax by 15 per cent below the amount which homeowners in their areas would otherwise be liable to pay. These decisions are frequently opposed by the unelected management who make a case for exacting the statutory maximum amount of LPT. Some commentators imply that councillors are making the wrong decision out of fear for their electoral survival.

I have no problem with financing local government largely by local taxation, including local property taxation. The abolition of domestic rates in the 1970s and the abandonment of land tax in the 1980s left commercial properties as the sole area for annual property taxes. Narrowing the tax base so as to concentrate on income and commercial activity inevitably tended to a state hostile to individual effort (in the form of extremely aggressive marginal rates of income tax of up to 77 per cent at one stage) and heavy commercial property rates and high indirect taxes (given our commitment to low rates of corporation tax).

With house prices reaching eye-watering levels in some parts of Dublin, uniform statutory rate of LPT is clearly a matter which needs examination. Naturally, there is little sympathy in respect of the massive LPT bills which purchasers of trophy homes in the so-called leafy suburbs are apparently able to pay in the context of purchase prices between €3 million and €8 million.

Tax equity

Consider that a former artisan’s dwelling in inner-city Dublin consisting of a very small terraced house with, say, two bedrooms, one living room, one kitchen and a bathroom, can easily cost €500,000. Meanwhile the same sum can purchase a detached Victorian residence standing in its own grounds with five bedrooms, extensive gardens, loose boxes, etc, situated, say, 70 miles from Dublin. Given this comparison, you can query the equity of demanding more from the Dublin resident than from his or her fellow citizen residing outside the Pale.

We talk about the 15-minute city, and it seems that we have finally copped on to the absurdity of spending hours daily commuting from dormitory suburbs to our city centres. However, increasing the population densities of city centres does not fully address many of the tax-equity issues involved in the current LPT arrangement.

Going back to the contrasting examples mentioned above, the terraced former artisan's dwelling may be the home of a young couple paying a mortgage of €400,000, while the gentleman's residence on the edge of the Pale may be the mortgage-free home of a married wealthy professional couple with adult children earning very significant incomes.

If you ask whether these households should contribute the same amount to the cost of local services , a question arises as to whether the costs of local government services are being fairly shared across the community. This, in turn, raises fairness as between those who can choose to live outside cities and work from home online and those who can't do so, such as those who must work in offices, retail, factories, hospitals and schools, etc.

Part five of the planning Act which enables local authorities to acquire up to 20 per cent of new developments produces remarkable results, such as the acquisition of two-bedroomed apartments as social housing for prices in excess of €500,000.

Value categories

There is a better way, I think, of achieving equity. Instead of calculating liability for LPT on the basis of the market value of homes, it should be possible to devise a scheme whereby, in each local-authority area, the homes are classified, say, in 10 value categories, A to J, from the best to the most basic types of residence, and the owners or occupiers are charged LPT by category so as to pay for a specific fraction of their local authority's annual budget.

Dublin city has an annual budget approaching €1 billion. Whether this represents value for money is hardly ever examined since, apart from the statutory discretion vested in councillors to vary the LPT charge by up to 15 per cent, elected members have little or no control over the size of the budget, and voters in local elections are effectively disenfranchised as to the total amount of expenditure by their local authority. There was a time when ratepayer candidates were elected to Dublin Corporation and other urban authorities with a mandate to keep rates under control. But this issue simply doesn't arise any more in the context of local elections.

Another issue which arises in rural Ireland is as to whether it is fair that the proprietor of a small coffee shop or similar person must pay commercial rates while farmers with huge cattle sheds and built infrastructure contribute nothing. Is this fair?

Sometimes there is a call for a citizens' assembly to deal with issues such as climate change. It would be interesting to convene a citizens' assembly to discuss local government and LPT.

Vacant property tax likely under Housing For All proposals

House crisis plans include downsizing stamp duty discount and Fair Deal rent break

A vacant property tax looks set to feature in the Government's new Housing for All plan with a vacant sites tax also under consideration.

Minister for Housing Darragh O'Brien will bring the latest draft of the long-term plan to solve the housing crisis before a Cabinet subcommittee next Monday where the last details will be signed off on ahead of publication.

Talks are still under way between government departments on a plan which would see couples or individuals given a grant to renovate vacant properties in towns around the country.

Agreement in principle has been reached to go ahead with a vacant property tax based on forthcoming information in relation to the local property tax. Owners of vacant homes now have to declare their unused houses to the Revenue Commissioners and explain why they are empty and this information will be needed first.

There is increasing unhappiness in Government with the existing vacant sites levy which has been in place since 2019 and is collected by local authorities. Introducing a vacant sites tax instead, to be collected by Revenue, is "on the table", a source said.

Discussions are also under way to introduce an incentive for people who want to downsize to a smaller home which would see a halving of the stamp duty charge from 1 per cent to 0.5 per cent. The incentive is designed to make it more attractive for people living in family homes to trade down after their children have left, particularly to apartments, via a halving in the stamp duty bill on the purchase of the smaller property. The measure would be introduced in the budget, due in October.

Other new measures will include a plan code-named "Project Tosaigh". This will see the Land Development Agency play a role in activating thousands of dormant planning permissions which have not yet been activated on lands which may be privately owned. They could take a partnership role in a project or they could take them over and develop them out.

This could deliver thousands of houses in larger urban areas if the plan is successful.

The multibillion plan will aim to deliver 33,000 houses a year by 2025. The exact split between public and private, and social and affordable will be announced by the Government either next week or the week after.

Land earmarked

Thousands of homes could also become available under a plan to allow families keep rents where an elderly homeowner is in care under the Fair Deal scheme. Currently 80 per cent of the rental income derived from the owner's home must go towards their nursing home fees.

The Department of Housing has also earmarked land controlled by commercial State companies for the expansion of the planned home-building programme, including sites controlled by CIÉ and the ESB.

The Government is also advancing plans to transfer some 1,400 social housing units to the Land Development Agency from the National Asset Management Agency (Nama).

Another centrepiece of the plan will see "land value sharing" introduced, which would see property owners and developers compelled to pay the State up to half of the increase in the value of land when it is rezoned for housing. The aim is to ensure the State makes a gain from the significant increase in the value of private land that arises from zoning and investment decisions by public authorities.

Similar measures were proposed as far back as the early 1970s in the Kenny report, a landmark document on controlling property prices, but were never advanced.

The Finance (Local Property Tax) (Amendment) Act 2021

With all of the focus on the delivery of residential property since local property tax ("LPT") was first introduced in 2012, a review of the operation of LPT has taken a back seat, until now. The Finance (Local Property Tax) (Amendment) Act 2021 (the "2021 Act"), enacted on 22 July 2021, updates the regulation and collection of LPT in a number of important ways. All owners of residential property will need to become familiar with their obligations, and changes to relevant exemptions, in the coming months, to ensure they are ready to comply by November 2021 and beyond.

Next Valuation Date: 1 November 2021

LPT has stood still since 1 May 2013 but this all changes on 1 November 2021. A new valuation period begins on 1 November 2021, running for 4 years and triggering an obligation on liable persons to submit returns for the year 2022 by 7 November 2021. Provided the LPT is paid and the liability or payment method doesn't change, no further returns will need to be submitted until 7 November 2025.

The full extent of "relevant residential property"

LPT applies to all "relevant residential property" in the State in use or suitable for use as a dwelling. The 2021 Act clarifies that for properties in excess of 0.4047 hectares (1 acre), it is those parts of any yards, gardens and other lands, which would be the most suitable for occupation and enjoyment with the dwelling, up to a total area (excluding the main residence) of 0.4047 hectares (1 acre), that is to be taken to form part of the residential property when ascertaining the chargeable value for LPT.

Chargeable values: bands and rates

In a move that's widely expected to either maintain or lower the current tax payable in respect of most properties, the 2021 Act updates the applicable rates, introduces fixed charges at the lower end of chargeable values and widens the chargeable value bands otherwise. These new bands apply to the liability for years 2022 onwards and so are the relevant values to be taken into account in the returns to be submitted for 2022 on or before 7 November 2021.

Exemptions & Deferred Payments

Significant changes are made to the availability of exemptions from LPT. Two new exemptions are introduced: for properties built with defective concrete blocks and where a north-south implementation body is the liable person, but the following exemptions set out in the Finance (Local Property Tax) Act 2012 (the "Principal Act") will no longer apply:

1. any property purchased during 2013 by a first time buyer; and

2. the exemptions linked to property being newly constructed, ie:

- newly constructed property purchased since 1 Jan 2013;
- unsold, unoccupied and non-income-producing trading stock of an owner/developer; and
- property in unfinished housing estates.

In addition, the exemption for properties adversely affected by pyrite will cease to apply for new applicants after the end of the 2-year period following the enactment of the 2021 Act.

While all other original exemptions remain available, the 2021 Act requires any liable person relying on an exemption to submit an application to Revenue in order to avail of it.

The possibility to defer an LPT payment remains, subject to satisfaction of certain conditions. Income thresholds to be met as part of these conditions have been increased under the 2021 Act.

Social Housing Transactions

The provision whereby properties in respect of which a local authority or an approved housing body (an "AHB") is the liable person are deemed to be in Band 1, irrespective of the market value of those properties, continues to apply. Band 1 properties attract a standard LPT charge of €90 per annum. The Principal Act also provides that where the liable person in relation to a property changes during a valuation period, the chargeable value on the previous valuation date (as stated in or ascertained for the purposes of a self-assessment or a Revenue assessment) continues to apply until the next valuation date. Notably, the 2021 Act now provides that where a local authority or an AHB is the liable person before a transfer, such a transfer is excluded from the application of this provision. In this way the Band 1 valuation that applies to local authority or AHB properties ceases to apply to the property once sold and the purchaser must file a return and pay LPT based on the actual value of the property.

Significantly for owners and investors in residential property let or intended to be let for social housing, the 2021 Act provides that where a local authority or AHB leases a residential property from the owner of the property for a period of at least 20 years, it is the owner of that property and not the local authority or AHB, as would otherwise be the case, who is the liable person in relation to that property for the year 2022 and onwards.

Interaction with Revenue and the submission of returns

Several changes are made to the requirement to submit returns and interaction with Revenue. In addition to the requirement to submit an application to claim an exemption mentioned above, the 2021 Act requires returns to be delivered where liability changes during a valuation period; eg when:

- newly completed properties become chargeable
- exempt properties lose their exemption
- property is purchased from a local authority or AHB

It also entitles Revenue to collect certain information about the occupation of properties on a valuation date as part of a return and to make an estimate of an amount of LPT in advance of a liability date.

Revenue is also no longer required to accept all self-assessments in respect of properties valued at under €1 million that were valued in accordance with published Revenue guidance. Future LPT self-assessments will be subject to the usual Revenue compliance regime that applies to other self-assessed taxes.

With regard to the surcharge payable for non-compliance with either the requirement to submit a return or LPT, the 2021 Act reduces the current surcharge that is applied in practice, once a liable person is once again compliant, from 100% of the amount of a person's LPT liability to 50% of the LPT liability.

Commencement & Operation

The 2021 Act was signed into law on 22 July 2021 and came into operation on the same date. Certain provisions, including the rate changes and the change to the liable person for social housing leases, are expressed to apply to the liability for the year 2022 and onwards. In this way they don't affect or apply to this year's 2021 liability but will be relevant to the return submitted in November 2021 for 2022. With November fast-approaching, the time to become familiar with the new requirements is now.

WALES

Wales extends business rates relief for nurseries until 2025

The Welsh government has extended business rates relief to nurseries and pre-schools to help them recover from the pandemic.

Registered childcare premises in Wales will benefit from 100 per cent non-domestic rates relief for an extra three years, the deputy minister for social services Julie Morgan has announced.

The extension of the rates relief, until 31 March 2025, will provide £9.7m of extra support for registered childcare premises, the Welsh government said.

It is aimed at helping those who are facing financial difficulties as a result of the pandemic and secure the level of provision that children and parents need and rely on.

The Small Business Rates Relief scheme was enhanced in April 2019 to provide 100 per cent relief to all registered childcare premises in Wales for three years, as part of a move to help the sector deliver 30-hour childcare.

Julie Morgan, deputy minister for social services said, 'We are committed to investing in Wales' childcare sector. It is vital we recognise the essential service childcare settings provide to families, offering positive and caring environments for our children and helping parents to access employment, education or training.

'The pandemic has had a devastating impact on businesses across Wales and childcare settings have been severely impacted. The pandemic has created new, and exacerbated existing challenges for childcare settings. The extension of the rates relief will help registered childcare premises continue the crucial work they do and help to ensure they remain viable businesses.'

The move has been welcomed by sector organisations who have campaigned for an end to business rates for childcare providers and who reiterated calls on the Government to do the same in England.

Purnima Tanuku, chief executive of the National Day Nurseries Association (NDNA) Cymru, said, 'We really welcome this very positive announcement from the Welsh Government which will continue to support childcare providers and parents by extending business rates relief for a further three years.

'This extended relief shows recognition of the important role of private, voluntary and independent settings in delivering early education and vital childcare places.'

The NDNA said that speaking to providers about how the relief has helped them, 35 per cent had told them it had allowed them to keep childcare costs lower for parents, while just under a third said it had helped them stay sustainable, reducing the risk of settings closing.

Other benefits were being able to invest in staff, resources and their premises.

Tina Jones, owner of Tiny Tots Day Nursery and Out of School Club, who is also a trustee for NDNA Cymru, said, 'This is fantastic news for childcare settings like mine and means we can keep offering affordable places for families in our area. Business rates were a large cost to find for our settings and the irony was that the more space you had for the children, the higher your rates. This relief has helped us remain sustainable over really uncertain times, particularly with the pandemic.

'Over the past three years with the business rates relief in place I've been able to avoid increasing my fees to parents. We've also invested in our outdoor space meaning children have great opportunities to learn through play in different environments. It has been a great support and it is such good news that this will be in place for another three years.'

Last December, the Scottish Government confirmed that nurseries in Scotland would be exempt from paying business rates until 2023.

The Nursery Rates Relief Scheme in Scotland, which was initially due to end on 31 March 2021, has been extended until 'at least' June 2023.

Commenting, Neil Leitch, chief executive of the Early Years Alliance, said, 'While we recognise that business rates are only one piece of the puzzle and do not affect all early years providers, there is no doubt that both extending business rate relief beyond March 2022 and increasing it back up to 100 per cent would give some much-needed breathing space to eligible providers at what is still an incredibly difficult time for many settings.

'If the Scottish and Welsh governments can recognise the need for such action, then there is no reason that policymakers in England cannot do the same.

'As such, we urge the Government to use the upcoming Spending Review to announce the extension of business rate relief rates for all eligible early years settings – or better still, a permanent exemption for the sector – alongside much-needed wider early years funding reforms.'