IPTI Xtracts

Property Tax and Assessment News from Around the World

UNITED KINGDOM – January 2021

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Business rates in the spotlight ahead of Spring Budget

Local shops are calling for government intervention to avoid a "sudden shock" when rates relief comes to an end, as well as a revamp of the entire system

Business rates in the spotlight ahead of Spring Budget

Trade groups are urging action on business rates as the lockdown continues to put local shops at risk. The Association of Convenience Stores (ACS) is calling for chancellor Rishi Sunak to extend the rates discount into 2021/22 so that local businesses aren't met with high rates bills while still dealing with the fallout from the Covid-19 pandemic.

In a submission of evidence to the Treasury ahead of the Spring Budget on 3rd March, ACS has recommended a minimum 50% reduction in business rates for 2021/22 to avoid a "cliff edge spike" in operating costs.

Meanwhile, the UK's leading business group has called for action to be taken ahead of the Budget in order to support businesses more immediately.

The Confederation of British Industry (CBI) urged an extension of the business rates holiday for at least three months for firms that are forced to close, and providing support to their supply chains as well. The group also called for the furlough scheme to be extended to the end of June.

"The government must once again stand shoulder-to-shoulder with businesses," said Tony Danker, CBI director general. "Many tough decisions for business owners on jobs, or even whether to carry on, will be made in the next few weeks. If the government plans to continue its support then I urge them to take action before the Budget, which is still more than six weeks away."

The Federation of Small Businesses (FSB) told Speciality Food that the situation today with regards to business rates is "all the more pressing as small businesses have faced their toughest year on record". FSB national chair Mike Cherry says: "They have a mountain to climb to get back on their feet, so extending the business rates discount to 100% for another year is the right thing to do."

"Crucially, the government needs to recognise that Covid impact is not restricted to just retail, hospitality and leisure properties and so ensure relief reaches not only their supply chains currently excluded, but small businesses right across the country in all our communities and sectors," he adds.

At the Budget, the CBI recommends that the government goes further by delivering comprehensive reform of the "outdated" business rates system to support struggling high streets.

Since the pandemic began, the government has provided a package of support measures, which the CBI welcomed. Without financial support from the government through rates relief, grants and loans, the ACS says 42% of convenience stores would have had to shut their doors for good.

"The operational challenges of the pandemic are not yet behind us. Local shops are still investing in additional services, Covid-secure measures in store, and increased staffing costs to cover absences, so a sudden shock of high business rates costs, especially for those with high rateable values in city centres that have been hit hard over the last year, could be devastating," explains ACS chief executive James Lowman.

"Forcing businesses to pay extra business rates at a time when they are barely operating threatens to stop the reopening of the high street altogether, which our economy so desperately needs," adds Mike Cherry.

By tapering the reintroduction of business rates and providing more relief where it's needed, the government can help to ensure the recovery of local economies begins as soon as possible.

Is Council Tax being scrapped?

COUNCIL TAX must be paid by everyone over the age of 18 who owns or rents a home, but is it possible this tax could soon be scrapped?

Council Tax is a system of local taxation charged on domestic properties and collected by local authorities. Some properties are exempt from this charge, while some people are exempt or entitled to a discount. But the majority of Britons are responsible for these payments which are used to fund important local services. New plans to scrap Council Tax have been supported by more than 100,000 people, but could the property tax really be scrapped?

What is Council Tax?

Council Tax is an annual fee paid by all households in the UK to local councils.

This fee is charged to households to cover the cost of local services.

Normally you would pay Council Tax in 10 monthly instalments, followed by two months of not making any payments.

The amount of Council Tax you pay depends on your personal circumstances, the valuation band of your property and how much the council needs to fund its services.

What does Council Tax pay for?

Local services are funding by Council Tax, including:

- Police and fire services
- Leisure and recreation projects such as upkeeping parks and sports centres
- Libraries and education services
- Rubbish and waste collection and disposal
- Transport and highway services including street lighting and cleaning, and road maintenance
- Environmental health and trading standards
- Administration and record-keeping, like marriages, deaths and birth, and local elections.
- Council Tax does pay for healthcare services.

How much is Council Tax?

The amount you pay for your Council Tax is contingent on where you live and the value of your home.

You can find the amount you will pay via your local authority in England, Wales and Scotland.

Once you find your local council you will be able to access information about Council Tax.

You should also be able to contact your local council directly to find out how much you should pay.

Is Council Tax being scrapped?

The Chancellor of the Exchequer Rishi Sunak is coming under increasing pressure to scrap Council Tax and Stamp Duty entirely.

Under new plans submitted by campaigners, households would instead pay a single property levy called the Proportional Property Tax.

The plans have gained support in the past 24 hours after Labour leader Sir Keir Starmer called for the upcoming Council Tax rise in April to be delayed amid concerns regarding the financial hardship faced by families during the pandemic and third lockdown.

In the Telegraph, Sir Keir wrote: “It is absurd that during the deepest recession in 300 years, at the very time millions are worried about the future of their jobs and how they will make ends meet, Boris Johnson and Rishi Sunak are forcing local governments to hike up Council Tax.

“The Prime Minister said he would do “whatever is necessary” to support local authorities in providing vital services – he needs to make good on that promise.”

Express.co.uk has approached the Treasury for comment.

The plans from the Fairer Share campaign, backed by more than 100,000 households, propose a simple flat rate of 0.48 percent on the current value of your property.

This tax would be paid by property owners only, rather than tenants.

Payment of this tax would be deferred for homeowners unable to pay.

Exceptions for second homes and undeveloped plots would be scrapped.

The new policy would also see annual and automated valuations for all properties.

What would the new policy mean for you and your Council Tax bill?

The impact of this new policy would be contingent on one’s own circumstances.

According to campaign Fairer Share, the following outcomes would take effect if Council Tax and Stamp Duty were scrapped:

- Renters would no longer be required to pay Council Tax or Stamp Duty if they decide to buy their own home.
- Property owners would likely see a reduction in property tax with around 75 percent likely to pay less and those who move homes will not need to pay Stamp Duty.
- Property owners struggling to pay their Council Tax bill will be able to defer the Proportional Property Tax payment until they can afford to pay it or until they sell their property.
- Council or housing association tenants with a spare room will no longer need to pay the Bedroom Tax.
- Those living outside London will see communities boosted by a £6.5 billion reduction in property taxes
- Property owners of more than one home will see an increase in property taxes in a bid to “level up” and narrow the social inequality gaps.
- Property developers with undeveloped land will see an increase in property taxes.

Those running a local council will see less administrative work as the obligation to pay property tax will be transferred from tenants to a smaller number of landlords which will reduce the number of bill payers by at least 4.5 million.

MPs add their voices to call for SDLT extension

The Northern Research Group (NRG) – backed by over 50 Conservative MPs have written a letter to Chancellor Rishi Sunak, making a number of demands, including the extension of the stamp duty land tax (SDLT) holiday.

The NRG has echoed similar worries to other bodies stating that families and businesses face a series of cliff edges over the coming months as existing support programmes come to an end.

The NRG says:

"Extensions are necessary to protect families and individuals caught up in the economic fallout from the pandemic."

Seemingly, this is just another needle in the Chancellor's side as an online petition calling for the extension of the SDLT holiday nears 110,000 at the time of writing. This means that this petition will now be debated in Parliament as it has breached the 100,000 signature threshold.

However, there are some who believe that it'll only be a matter of time before the Chancellor announces an extension.

Sunday Times political editor Tim Shipman, wrote in his column:

"Contrary to some reports [Sunak] is considering an extension to stamp duty cuts."

Mark Hayward, Chief Policy Advisor at Propertymark, has welcomed the NRG's stamp duty stance.

"The [housing market] boom, caused by the stamp duty holiday, has been hugely beneficial for the housing market; however, the stamp duty cliff edge on the March 31 could cause thousands of sales to fall at the final hurdle and have a knock on and drastic effect on the housing market which has recovered well from the Covid slump.

"We support the Northern Research Group's call to the Chancellor to extend the stamp duty cut, and we have been calling on Government for some time to rethink the March 31 deadline, so pressure on the system can be released to allow transactions to complete and avoid a disorderly and distressing period for movers and businesses throughout the market."

UK firms make plea for furlough and business rate relief extensions

Businesses are calling for an extension of the UK government's Job Retention Scheme as well as the business rates release holiday, as firms across the country continue to struggle under the strain of COVID-19 lockdowns.

The Confederation of British Industry (CBI), a membership body speaking on behalf of 190,000 British businesses, has said that 2021 will be a "defining year" for the government's quest to create a greener, more dynamic and competitive UK. It argued that the time is now for a comprehensive reform of the business rates system.

It said "ensuring firms' survival until the economy reopens fully will be key to turning this ambition into reality."

The UK government has extended multiple lifelines to businesses over the course of the last year, as COVID-19 hit sectors such as retail and hospitality particularly hard.

In a letter to chancellor Rishi Sunak, business group outlined demands for support measures needed in the next few weeks, ahead of the budget, to help protect UK companies through the Spring.

It has requested action on extending furlough, lengthening repayment periods for existing VAT deferrals until June and extending the business rates relief holiday for at least another three months.

Tony Danker, CBI director general, said: “The Budget comes at a crucial time for the UK. Almost a year of disrupted demand and extensive restrictions to company operations is taking its toll. Staff morale has taken a hit. And business resilience has hit a sobering new low.

“Many tough decisions for business owners on jobs, or even whether to carry on, will be made in the next few weeks. If the Government plans to continue its support then I urge them to take action before the Budget which is still more than six weeks away.”

Other recommendations included in the letter are to announce details of the successor of the Coronavirus Business Interruption Loan Scheme (CBILS) and ensure the Coronavirus Corporate Financing Facility (CCFF) scheme is kept open until the end of June 2021.

The CBI says that the budget also provides a chance to look beyond the immediate crisis to the reopening of the economy.

It says: “Setting the UK on a path to recovery will rely on unlocking business investment.”

It recommends using the UK’s net-zero transition to drive economic recovery, revamp the business rates system and to incentivise businesses to retrain and up-skill workers, among other things.

Rain Newton-Smith, CBI chief economist, said: “The Government should use the upcoming Budget to speed ahead to low carbon: to accelerate investment in low-carbon infrastructure - through fundamental business rates reform to promote energy efficiency - and the innovative technologies that will smooth the path to achieving net-zero by 2050.

“This Budget is an opportunity to focus on a balanced economic recovery, not driven solely by consumption and government spending, stimulating much-needed business investment and tackling the systemic challenges that have held the UK back.

Rishi Sunak is warned not to hit Tory shires with a new property levy as critics blast plan for raid on homes as 'wealth tax in all but name'

Treasury officials have modelled a plan to scrap council tax and stamp duty

- It would be replaced with a property tax based on a percentage of a home's value
- One economist said there was a danger it could become a 'creeping wealth tax'

Rishi Sunak was urged yesterday to resist calls to introduce a property tax amid fears it would be a wealth tax in all but name.

Treasury officials have modelled a plan to scrap council tax and stamp duty and replace them with a property tax based on a percentage of a home's value.

The scheme would be revenue-neutral, meaning it would not bring in any more money for the Treasury.

But it could see winners in northern areas and losers in the South, where property prices are higher.

One economist said there was a danger that it could become a 'creeping wealth tax', while another said it could be devastating for cash-poor pensioners who live in valuable homes.

Professor Philip Booth, from the University of Buckingham, said: 'Property taxes in the UK are high by international standards. They are also appallingly designed. It is important that property taxes overall do not rise.'

He added: 'Stamp duty and council tax must both be abolished. This must not be a creeping wealth tax.'

Iain McCluskey, a tax partner at the consultancy firm PwC, said: 'The challenge that a change like this throws up is that, depending on where someone lives, you might have a person in the South East or London who has lived in their house for a long time, and that house has now become very valuable, but they may be a pensioner or not have a very high income.

'That's because this is not a tax on liquid assets, like money you are actually receiving, but rather on illiquid assets – where you have to pay whether you have got the money or not.

'So I think the Chancellor would struggle to make something like this work and make it fair. Just because someone lives in an area like the South East, it does not mean they have the wealth or income to pay taxes like that.'

Mr Sunak is understood to be resisting the property tax idea, and there is no prospect of it being introduced in the Budget on March 3.

The Budget is expected to announce an extension of Government support for those hit by the pandemic, including the furlough and business loan schemes. The cut to stamp duty, which is due to end in March, could also be extended.

But the Budget could include moves such as an increase in corporation tax. Mr Sunak is said to believe it is the fairest way to begin raising significant sums because it targets business profits rather than people and firms who have been plunged into the red.

In what is understood to be a coded reference to raising taxes, a senior Whitehall source told The Sunday Times. 'Things would have to go pretty badly wrong for us not to begin some consolidation in the Budget.'

Under the proposal, council tax and stamp duty would be replaced with a 'proportional property tax' levied on the existing values of homes. Council tax is based on property valuations from 1991.

Such a move would be controversial because people in the South with expensive homes would pay more.

However, supporters of the plan say it will benefit voters in the 'Red Wall' seats in the North the Tories won from Labour in 2019. They also say scrapping stamp duty would remove the barrier to families trading up to a bigger home and elderly people in large houses downsizing.

The consultancy WPI Economics is calculating the winners and losers in all English constituencies. It said that in Mr Sunak's constituency of Richmond, North Yorkshire, 97 per cent of households would be better off, on average by £650 a year.

WPI claims the tax would raise the same as council tax and stamp duty if it is set at 0.48 per cent of the value of a home. So someone with a £150,000 house would pay £720 a year. But a family in a £1million house would have to pay £4,800 a year. The average band D council tax in England for 2020/21 is £1,818.

Tory MP Andrew Bridgen said: 'In principle I'd be willing to look at it because council tax is not working and stamp duty is detrimental to the housing market.'

Last night the think-tank Onward called for cuts in the lower council tax bands to boost northern areas and help 'level up' the nation. It said council tax in London was the lowest per head despite high property prices.

The pandemic has left a chasm in the national finances, and it rests on the slender shoulders of Rishi Sunak to ensure our Covid debts are not insupportable.

But he should resist siren calls to attempt this through tax grabs on property and other wealth.

If the Chancellor is as astute as I believe him to be, he will treat the notion of a property tax that has been aired this weekend with the contempt it deserves.

The idea is to scrap council tax and stamp duty and instead impose a charge based on current property value.

But any such levy on family homes would be deeply unfair and would alienate the Tories from some of their most loyal supporters. It would be divisive, vindictive and ultimately, ineffective.

No 11 rejected proposals last week for an emergency wealth tax of 5 per cent on assets, including homes, of more than £500,000 per person.

The mooted property tax should be given similarly short shrift. Since most people have the majority of their personal assets tied up in their homes, a property charge amounts to a wealth tax in disguise.

No doubt the advisers trying to persuade Mr Sunak of its merits will present their plan as 'levelling up' because the burden will fall most heavily on the property-rich South, where the value of bricks and mortar has soared over the decades.

But it would be perceived as 'levelling down', and a punishment for prudence.

The effects on individuals would be harsh. Older people who bought houses years ago, and who are living on a small income, could struggle to pay their tax bill and be forced to sell a cherished family home.

And not every owner-occupier in the South has benefited from huge windfall gains. Young people with huge mortgages on recently purchased tiny flats in the capital would be hammered too, with a chilling effect on their aspirations.

The housing market has held up well in the pandemic, as many of us re-evaluated our lives and decided we want to move.

The property sector should be a motor for economic recovery. Every new build, house move and step up the property ladder has a multiplier effect as money is spent on solicitors, mortgages and furniture.

A new property tax would slam on the brakes. It is also profoundly at odds with Conservative values, the beating heart of which is home ownership. It gives people a stake in their community, lets them put down roots and can be a store of wealth and security to be passed to future generations. Any Tory Chancellor who undermines that does so at his or her peril.

Mr Sunak has to work out how to pay for the damage wreaked by the pandemic, and start recouping the £280billion spent by the Government to prop up the economy.

He is looking down the barrel of a budget deficit predicted to be £394billion. The real number may well turn out to be more.

The national debt is more than £2trillion. A dangerously deluded strain of thought is gaining traction – that the 'wealthy' can somehow be made to pick up the tab for Covid while the rest of us remain unscathed. This idea lies behind proposals for tax raids on pensions, increases to capital gains tax, and now this truly terrifying plot to pounce on people's homes.

Hitting the so-called 'rich' may touch a chord in the current climate.

The failings of some fat-cat corporate bosses are grist to the mill for wealth tax campaigners. But the people caught in the property tax net are not tycoons – just middle-class professionals.

The genuinely rich are adept at finding ways to evade the tentacles of HMRC.

No chancellor wants to put up income taxes, National Insurance and VAT. That, however, is the only way to raise enough to scratch the surface of our debts – wealth taxes will not bring in enough money.

Mr Sunak will have to repair the balance sheet in the long term. But the coming Budget is not the time to embark on draconian tax policies. Interest rates are low and our national credit rating is strong. He should use this to promote growth.

There are plenty of sound economic reasons for this approach – and psychology can have a very real effect on prosperity.

Confidence is the most valuable commodity the nation has, and he should concentrate on creating more of it.

The Budget should set out a blueprint for a stronger post-pandemic economy, fuelled by tech, innovation and research.

Rishi must give us a plan for growth, and not reduce himself to mean-spirited tax measures. The sooner the economy thrives again, the sooner we can tackle our debts.

National property tax: Rishi Sunak plans tax rises for March but stamp duty and council tax could be axed

Those with expensive homes could end up paying more

Chancellor Rishi Sunak is planning to raise taxes in March in an attempt to re-balance the national finances after the havoc caused by the coronavirus pandemic.

It's thought that corporation tax is likely to increase as Mr Sunak reportedly regards it as the fairest way to begin raising significant sums of money.

It targets business profits rather than the individuals who have suffered heavily during the crisis, the Express reports.

A senior Whitehall source said: "Things would have to go pretty badly wrong for us not to begin some consolidation in the budget."

While there will be no radical change to property taxes in this budget, ministers and officials are looking at the tally of winners and losers from the abolition of council tax and stamp duty.

They would be replaced with a proportional property tax, levied on the existing values of homes. Council tax is calculated on property valuations from 1991.

Polls show both taxes are unpopular but such a move would be controversial in the Tory shires since those with expensive homes in southern England would be likely to end up paying more.

They also say scrapping stamp duty would remove the barrier to families trading up to a bigger home and elderly people in large houses downsizing.

Meanwhile, the Chancellor wants to exploit the opportunities of Brexit by turning the UK into the "Singapore of Europe" by cutting back on bureaucracy.

Mr Sunak is to head a new committee intended to shape the post-Brexit business environment with the idea that Britain can become a Singapore-style hub that will beat France and Germany in the battle for billions of pounds of international investment.

The Chancellor's new body, which is called the Better Regulation Committee, will focus in particular on Boris Johnson's favoured big-ticket infrastructure projects which have been hampered by European rules.

It will also focus on cutting-edge science and technology projects and greater help for struggling small businesses hit hard by the pandemic.

A source said: "Now that we have secured a trade deal with the EU, it is finally time for the UK to take advantage of its hard-won, new-found freedoms."

Singapore's low-tax, low-regulation economy was frequently cited by Brexiteers as an example for post-EU Britain to emulate.

It would be welcomed in particular by the financial services industry, which contributes more than ten per cent of the UK's total economic output and employs over 2.3 million people.

Mr Sunak has assured senior City figures that Brexit will unleash a "Big Bang 2.0", a reference to the boom that followed Margaret Thatcher's deregulation of the financial services industry in the 1980s.

Mr Sunak said at the weekend: "Now that we have left the European Union, we have an opportunity to do things differently and this Government is committed to making the most of the freedoms that Brexit affords us.

"This isn't about lowering standards but about raising our eyes to look to the future – making the most of new sectors, new thinking and new ways of working."

Ministers 'consider plans to replace council tax and stamp duty with property levy' which would hit Tory Shires hard as Rishi Sunak 'weighs up raising corporation tax' at Budget on March 3

- Rishi Sunak will deliver Budget on March 3 amid reports he could increase taxes

- It is thought he is considering putting up corporation tax to pay for Covid crisis
- Officials said to be looking at long term plan to replace council tax, stamp duty

Ministers are considering replacing council tax and stamp duty with a new national property levy which could hit Tory Shire heartlands hard, it was claimed today.

The Government is said to be looking at what the impact would be of doing away with the two taxes.

But the suggestion of replacing them with a property tax, likely based on the current value of a home, could spark a Conservative rebellion.

Meanwhile, Rishi Sunak is reportedly weighing up tax hikes at the Budget on March 3 in an attempt to start repairing the damage done to the public finances by the coronavirus crisis.

The Covid-19 pandemic has prompted ministers to borrow money at record levels in order to prop up UK plc.

The UK's national debt continues to climb above £2trillion - its highest level since 1962.

Official forecasts from the Office for Budget Responsibility (OBR) predict borrowing could reach £393.5 billion by the end of the financial year in March, which would be the highest seen since the Second World War.

Meanwhile, official figures publishes last week show the UK is on track for another recession, with GDP tumbling by 2.6 per cent amid the second coronavirus lockdown in November.

There are growing concerns about how the crisis will be paid for and Mr Sunak is said to be considering increasing corporation tax as a first step.

At the 2020 Budget ministers announced that the main rate of corporation tax would remain at 19 per cent.

A corporation tax hike is viewed by some in Whitehall as an appropriate first step in starting to pay for the current crisis because it would target business profits rather than struggling households.

It is thought that Mr Sunak could go ahead with such a move if the UK's coronavirus vaccination programme continues to go smoothly.

A senior Whitehall source told the Sunday Times: 'Things would have to go pretty badly wrong for us not to begin some consolidation in the budget.'

It is thought Mr Sunak could use the Budget to announce an extension of the Government's furlough programme beyond the end of April while a stamp duty holiday could be extended.

The Chancellor announced the stamp duty holiday at the start of July and it is due to last until March.

Ministers and officials are also said to be looking at long term plans to replace stamp duty as well as council tax with a national property levy.

No changes are believed to be imminent but the Treasury is examining what the impact would be.

One of the main criticisms of the council tax system is that it is based on property valuations dating back to 1991 while stamp duty is viewed by critics as a barrier to people getting onto, and moving up, the housing ladder.

However, a national property tax based on more up to date valuations would almost certainly prompt a backlash in Tory Shire heartlands where owners of expensive homes would likely see their bills increase.

S*tamp duty scrapped: Rishi Sunak could extend tax holiday permanently for house buyers*

STAMP DUTY could be scrapped, according to new reports, despite fears the SDLT holiday would come to an abrupt end on March 31. Campaigners and industry experts have been calling on Chancellor Rishi Sunak to extend the deadline in light of the most recent national lockdown.

Mr Sunak is reportedly considering extending the current holiday and is facing further calls to scrap the property tax completely. The Chancellor is being urged by homeowners, campaigners and more than 50 Tory MPs to extend the tax or scrap it in favour of another tax. The property tax usually adds three percent to the price of homes worth under £500,000.

The steep tax rises to 15 percent on homes worth over £1.5million.

However, SDLT was scrapped last summer in order to boost the property market after it ground to a halt during the first national lockdown.

The stamp duty holiday, pent-up demand and a mass exodus from cities has seen the property market remain surprisingly robust despite the ongoing pandemic.

The House of Commons confirmed today there will be a debate about stamp duty after more than 100,000 people signed a petition for the stamp duty holiday to be extended for a further six months after the March 31 deadline.

The petition, called "Extend the Stamp Duty Holiday for an additional 6 months after 31st March 2021" now has almost 110,000 signatures.

The petition was signed by individuals who fear the looming deadline could see their property transactions fall through and chains collapse.

Conveyancing, surveys and legal complications can take months to complete which could see some transactions struggle to meet the March 31 deadline.

There have also been calls for Mr Sunak to scrap council tax as well as stamp duty.

Tory MP Kevin Hollinrake is backing calls for property taxes to change.

He said: "These taxes are unfair, complicated and block aspiration.

"Unfair because the poorest find themselves hit hardest.

"Complicated because they are difficult to understand and command an intricate web of bureaucracy to administer.

"And they hinder aspiration by taxing property transactions and discouraging people from moving home."

Some Tories have suggested the stamp duty holiday hinders families looking to buy bigger homes.

According to The Sunday Times, there could be a proportional property tax which would be based off the existing value of homes as an alternative to both SDLT and council tax.

Despite calls for the stamp duty holiday to be extended, some experts have claimed a deadline extension would not cure the housing market.

Nick Sanderson, CEO of Audley Group, said the holiday was put in place originally to "inject new life into the property market" at the beginning of the pandemic.

However, Mr Sanderson said it is "by no means a long term cure" for the housing market.

He added: "In the long term the Government does need to truly commit to solving the housing crisis and addressing some fundamental flaws.

"There is a chronic shortage of specialist housing for older people in the UK. It's all well and good giving people a financial incentive to move, but if the properties aren't available, the numbers won't ever add up in the long term.

"We need to see the Government giving the green light to the development of more specialist retirement housing so older people looking to move can actually find properties which suit their current needs."

Twitter users have taken to the platform to share their support for the scrapping of stamp duty.

One user said: "Apart from inheritance tax, stamp duty is the most immoral and illogical tax in existence.

"Paying out thousands of pounds you've already been taxed on. Needs to be scrapped ASAP."

Another user said: "Based on the current lockdown an extension of three months would seem fair in my opinion."

"The government should raise the stamp duty threshold to £500,000 permanently!," one user Tweeted.

Rishi Sunak eyes tax rises in March budget

Rishi Sunak is planning to begin raising taxes in March's budget to plug the black hole in the national finances as officials model a long-term plan to replace both council tax and stamp duty with a national property tax.

Following talks with Boris Johnson over the past week, the chancellor is expected to use the budget on March 3 to announce an extension of government support, including the furlough and business loan schemes.

Contrary to some reports, he is also considering an extension to stamp duty cuts and an increase in benefits.

But senior government sources say that, if the coronavirus vaccination programme remains on track, the chancellor will also begin to plug the yawning deficit in the public finances.

Corporation tax will be the first to rise. Sunak regards it as the fairest way to begin raising significant sums, because it targets business profits rather than people and firms who have been plunged into the red.

A senior Whitehall source said: “Things would have to go pretty badly wrong for us not to begin some consolidation in the budget.” This is understood to be code for beginning to raise taxes.

While there will be no radical change to property taxes in this budget, ministers and officials are looking at the tally of winners and losers from the abolition of council tax and stamp duty.

They would be replaced with a proportional property tax, levied on the existing values of homes. Council tax is calculated on property valuations from 1991.

Polls show both taxes are unpopular but such a move would be controversial in the Tory shires since those with expensive homes in southern England would be likely to end up paying more.

However, supporters of the plan say it will be hugely beneficial to voters in the red wall seats in the north that the Tories won from Labour in 2019.

They also say scrapping stamp duty would remove the barrier to families trading up to a bigger home and elderly people in large houses downsizing.

Insiders say that Jesse Norman, the Treasury secretary, is interested in the plan and has asked for more work to be done on it.

A campaign is under way to persuade Sunak, who is sceptical about property taxes, of the possible political benefits.

The consultancy WPI Economics, which is led by a former Treasury economist, is calculating the number of winners and losers in every constituency in England. Full data will be unveiled later this month, but preliminary findings show that in Sunak’s constituency of Richmond, North Yorkshire, 97% of households would be better off. The average household in his constituency would save £650 a year.

WPI’s analysis shows that the tax would be revenue-neutral — raising the same as council tax and stamp duty — if the levy were set at 0.48% of the value of a home.

That would mean someone owning a £150,000 house would pay £720 a year, just £60 a month. The average band D council tax in England for 2020-21 was £1,818. But a family in a £1m house would have to fork out £400 a month, or £4,800 a year.

A proposal for a council tax revaluation was removed from last year’s budget because Treasury modelling showed that it would create too many losers.

Covid: Airport support scheme to open in England

A financial support scheme for airports in England will open this month, the government says, as the aviation sector faces new Covid travel curbs.

Aviation minister Robert Courts said the move was a response to the closure of all UK air corridors from Monday.

The aim is to provide grants before the end of this financial year, he said.

Industry groups had warned there was only so long airports could "run on fumes", following the announcement of the new quarantine rules.

Under the new rules beginning at 04:00 GMT on Monday, all travel corridors - which have been in place to allow arrivals from some countries to forgo quarantine - will close.

All arrivals to the UK after that time will need to isolate for up to 10 days, although the quarantine period can be cut short with a negative test after five days.

People will also have to show proof of a negative test taken in the previous 72 hours before travelling.

In a tweet, Mr Courts said the Airport and Ground Operations Support Scheme "will help airports reduce their costs" and that further details would follow soon.

The scheme had first been announced in November, but without a set start date. It will involve grants of up to £8m per applicant, to be used to cover fixed costs, such as business rates.

In a statement at the time, the Airport Operators Association said the scheme would be a relief. However, it said support equivalent to business rates would only go so far and with the pandemic crisis deepening, a broader package of support was needed for all four nations, to see the sector through the next few months.

The AOA's chief executive Karen Dee said the measures would "provide much-needed support to many embattled airports, helping them through the challenging months ahead".

Prime Minister Boris Johnson announced the changes to the UK's travel rules at a Downing Street briefing on Friday, saying they would "protect against the risk of as yet unidentified new strains" of Covid.

The new rules will be in place until at least 15 February, he said.

A ban on travellers from South America, Portugal and Cape Verde also came into force on Friday, having been imposed over concerns about a new variant identified in Brazil.

New variants causing concern have previously been identified in the UK and South Africa, with many countries imposing restrictions on arrivals from both nations.

Scientists fear the variants seen in South Africa and Brazil may interfere with the effectiveness of vaccines and evade parts of the immune system.

The government's chief scientific adviser Sir Patrick Vallance told the press briefing on Friday that some of the new variants may be able to "get round" the Covid vaccines but it was "really quite easy" to adjust the vaccines to deal with mutations in the virus.

The travel industry said closing the travel corridors was understandable due to the health emergency, but warned it would deepen the crisis for the sector.

Tim Alderslade, chief executive of Airlines UK, said the system had been "a lifeline for the industry" last summer but "things change and there's no doubting this is a serious health emergency". He said he assumed the government would remove the latest restrictions as soon as it was safe.

"We've had no revenue now effectively for 12 months, give or take a few months in the summer last year. If we're going to have an aviation sector coming out of this we need to open up in the summer," he told the BBC.

Travel operators had already been forced to cancel holidays before the latest restrictions were announced.

Earlier this week, Jet2 suspended all flights and holidays until 25 March over "ongoing uncertainty" and budget travel provider EasyJet on Thursday began cancelling holidays up to and including 24 March.

The Department for Transport has said it is supporting the travel industry with an extension to the furlough scheme until the end of April, business rates relief and tax deferrals.

Travel corridors were introduced in the summer to allow people to travel to and from some countries with low numbers of Covid cases without having to quarantine on their return.

With all parts of the UK under strict virus rules amid high levels of infection, only essential travel is permitted.

Britain's business rates regime needs 'policy change', warns eBay boss

The online marketplace chief Rob Hattrell also said that the digital services tax needed to be "tightened up"

Britain must reform its business rates and "tighten up" the digital services tax to help small retailers thrive in a digital age, the head of eBay Europe says today.

Writing in the Telegraph, Rob Hattrell warns that "we need to think about the kind of businesses we want to see on our high streets – and incentivise a new kind of economy. "

He claims an urgent reform of business rates - which are charged on most non-domestic properties, including pubs, restaurants, and shops - is the first step. The taxes are calculated based on a property's "rateable value", or the estimated price the property would fetch on the open market.

Chancellor Rishi Sunak has implemented a holiday on tax rates until April but business groups have called for the stay to be extended.

"The small businesses who use our platform want to keep running physical shops and told us that Rates was one of the biggest bills they have to pay," says Mr Hattrell.

"We have to help more small businesses succeed offline as well as online."

The eBay chief also believes the Government must "tighten up" the digital sales tax. The levy, which was introduced in April, charges 2pc on revenues generated in the UK from search engines, social media websites and online sales by internet companies like Google, Facebook and Amazon. It applies on revenues over £25m for companies with more than £500m in sales worldwide

The tax has been criticised after reports suggested that businesses would just pass the cost onto their consumers. In September, Amazon increased its fees to sellers by 2pc.

Mr Hattrell says his company had instead "absorbed the tax" despite it costing the business more money.

"This was brought in to rebalance our economy and ensure platform businesses were contributing fairly," he says.

"So it's extraordinary that some platform businesses have simply passed the tax down onto small UK businesses who trade on their websites."

Retailers faced significantly lower footfall in 2020 as the number of shoppers on British streets fell by more than two-fifths, according to figures from the British Retail Consortium.

Mr Hattrell questions the assertion that ecommerce had killed the High Street and says that there was "no doubt" consumers had been "empowered" by smartphone retailing.

"But for every Debenhams and Arcadia, there's also a Greggs or a Next," he says.

"These are firms that have adapted, not just once, but again and again in the face of economic change and new consumer habits."

U.K.'s Sunak Faces Call From Tories, Business to Boost Virus Aid

Chancellor of the Exchequer Rishi Sunak came under pressure from a powerful bloc of Conservative lawmakers and one of the U.K.'s biggest business groups to step up coronavirus assistance, with the U.K. mired in its third lockdown.

Sunak should extend tax breaks and a temporary uplift in benefits, as well as borrow money to help fund an "infrastructure revolution," 50 Tory lawmakers in the Northern Research Group said late Thursday in a letter to the chancellor. The group warned of a series of "cliff edges" faced by families and businesses, with various support programs due to close.

"Households and businesses face a series of challenges over the coming months as existing support programs come to an end," Jake Berry, the former minister who leads the group, said in a statement. "To relinquish support now would cause long-term damage to large parts of the North and weaken our recovery. Now is the time for the Treasury to provide stability -- not uncertainty."

The letter illustrates the pressures faced by the chancellor as the third national lockdown, which began last week and could last until the end of March, increasingly takes its toll on businesses and workers.

Sunak has repeatedly warned that the current level of expenditure isn't sustainable in the longer term. The government has spent more than 280 billion pounds ($383 billion) fighting Covid-19 and supporting workers and businesses, pushing the national debt above 2 trillion pounds for the first time.

Adding to the pressure on Sunak, the British Chambers of Commerce, one of the U.K.'s main business lobby groups, warned that many businesses are "on their knees" and need more assistance to ensure they survive the latest lockdown.

The Northern Research Group includes Members of Parliament from northern England, Wales and Scotland. Many of the English MPs in particular represent seats in the former so-called red wall that the Tories took from Labour in last year's general election. They called for:

- Prioritisation of infrastructure that improves cross-border connectivity with Scotland and Wales

- Delivery of small infrastructure projects as well as large ones
- An acceleration of the relocation of civil servants to non-metropolitan towns
- Business rate holidays -- the one currently in place applies to the retail, hospitality and leisure industry and expires in April
- An extension of the 20-pound-a-week uplift in Universal Credit benefit payments, which is currently due to end in April
- A sales tax cut to 5% for businesses in the leisure and tourism sector to add to an existing one for the hospitality industry
- The abolition of the Stamp Duty property tax on homes valued under 500,000 pounds. There's currently a holiday on the tax until March 31
- An extension of mortgage holidays for furloughed workers

"The drip-feed approach to business support measures has meant many firms simply cannot plan for the future," BCC Director General Adam Marshall said in a statement. "We are urging the government to urgently adopt a package of measures that covers the whole of 2021, and that takes away the cliff-edges firms face in a few weeks' time when reliefs, forbearance and furlough are set to end."

The BCC said companies need more time to pay their Value Added Tax bills, greater relief from business rates and a further round of grants of at least 25,000 pounds to tide them over. It also called for the furlough program -- which pays workers 80% of their wages and is due to end in April -- to be kept in place until there's a full reopening of the economy.

Sainsbury's is playing the long game by surrendering rates relief

The reputational gamble of hanging on to Treasury support is not worth taking if permanent reform is the goal

Sainsbury's Christmas trading update was a demonstration of why the boards of all the big supermarket chains were obliged to come to their senses last month and concede that, yes, all that relief on business rates had to go back to the Treasury.

After surrendering relief worth £410m this financial year, Sainsbury's expects to achieve pre-tax profits of £330m, an uncomfortable year-on-year decline of 44% from the previous £586m. But consider the alternative: if it had kept the money, Sainsbury's would now be forecasting profits this year of £740m, a year-on-year increase of 26%, which would have guaranteed endless publicity about profiting from a pandemic.

That reputational gamble was never worth taking, especially when you are also in the business of lobbying government for permanent reform of the outdated rates system. The case for change was strong before Covid: the playing field, in the standard imagery, is tilted too far in favour of the online brigade. After Covid, the argument ought to be overwhelming. Just wait to see the boost to sales and profits that tax-shy Amazon will have enjoyed in the UK in 2020.

A fairer system would whack up rates on warehouses (by 30% and 50%, Next's chief executive, Simon Wolfson, has suggested) to fund reductions for shops and give battered high streets a lift. Such a move would merely reflect market reality – warehouses have soared in value since the last rates rejig; shops haven't. The overall tax take from an evened-up system could even emerge roughly neutral.

By playing fairly on relief (albeit only after some prodding), the supermarkets may have done themselves a favour in the long term. The need for a fundamental rewrite of the perverse business rates system is now crystal clear.

Sainsbury's expects £60m profits boost after surge in Christmas trade

UK supermarket group benefits from strong demand for premium ranges

J Sainsbury expected a £60m boost to profits after bumper Christmas trading driven by the closure of pubs and restaurants and customers splashing out more on luxury food.

Same-store sales at the UK's second-largest grocer grew 9 per cent in the nine weeks to January 2, prompting the company to increase its guidance for full-year underlying pre-tax profit to £330m, from £270m.

Sainsbury's said it had been helped by its geographic bias towards areas of the UK that were placed into higher levels of coronavirus restrictions just before Christmas, particularly London and parts of the south-east.

Customers bought fewer large turkeys and more small joints and alternatives such as beef or lamb, reflecting the limitations on large family gatherings. Sales of premium ranges were up 11 per cent.

Online grocery sales more than doubled in the weeks leading up to Christmas. Like its rivals, Sainsbury's has dramatically increased capacity — from 340,000 orders per week last March to about 830,000 now — but said profitability had also improved.

Its shares were up almost 4 per cent in early trading on Thursday.

Sainsbury's trading statement is the latest example of how essential retailers are benefiting during the pandemic. Discount store chain B&M, which was promoted into the FTSE 100 last year, on Thursday reported that its sales rose more than a fifth in the 13 weeks to Boxing Day, a significant increase on a year earlier.

On Monday, Wm Morrison said festive like-for-like sales were up more than 9 per cent after strong demand for items such as champagne and salmon.

Simon Roberts, Sainsbury's chief executive, said that the pandemic had changed customers' behaviour, with December 21 the biggest shopping day and Christmas Eve "the quietest in a decade".

Orders per van increased and in-store picking rates had returned to pre-coronavirus levels, despite the limits imposed by social distancing, according to Mr Roberts. Click-and-collect accounted for 24 per cent of online orders during Christmas week; this type of business carries higher margins because there are no “last mile” delivery costs.

Sainsbury’s would evaluate ways to increase click-and-collect use while maintaining the choice of home delivery, he added.

Clive Black, analyst at Shore Capital, said the year-on-year increase in ecommerce capacity was “an amazing advancement” and noted that “this route to market is now demonstrably profitable, something for sector sceptics to note”.

The revised profit forecast includes the £410m impact of forgoing the UK government’s business rates relief, and while it is comfortably ahead of even the most optimistic market figure, it is more than 40 per cent below the £586m reported last year, due to the costs of hiring additional staff to cope with the pandemic.

Mr Roberts said he expected the current lockdown to be “more like November than March” — there had been no stockpiling this time, although a surge in demand after the latest lockdown was announced meant that “things were difficult for a few hours on Monday”.

He noted that about 8 per cent of staff were currently off sick or self-isolating. That is below the peak of the pandemic last year, but sickness rates are rising, which Mr Roberts said was a cause for concern across the industry. He added that while it was right that the most vulnerable were inoculated first, he wanted to see key workers “front and centre” as more vaccines became available.

Total sales growth, excluding fuel, for Sainsbury’s third quarter was 6.8 per cent, above the 5.2 per cent reported in the second quarter but not as high as the 8.4 per cent in the first quarter, which included several weeks of elevated grocery demand ahead of the UK’s first lockdown.

Sales at Argos, the company’s general merchandise chain, were up 8.4 per cent, helped by strong demand for televisions — it sold a set every three seconds over Black Friday — and gaming consoles.

Last year Sainsbury’s said it would close most of the shops it acquired via its 2016 takeover of Argos in favour of stores and collection points within its supermarkets.

Government must now reveal its business rates strategy for retail and hospitality

The Government really can't leave it any longer before it spells out its proposals for business rates for the beleaguered retail and hospitality sectors post April 1 says John Webber, head of Business Rates at Colliers International.

And at the very least it should extend the current business rates holiday for another six months.

Mr Webber warns that unless the Government announces reliefs soon, billing authorities across the country will be getting bills ready to send. And as businesses in the sector struggle with yet another third national lockdown with shops, restaurants and hotels remaining closed for another six weeks, "the last thing businesses need is for exorbitant business rates bills to be landing through their letterboxes in February and March."

"We had the deadline for the call for evidence for business rates reform on 18 September 2020 and since then there has been no mention of any further business rates reliefs or holidays, and reform proposals have been kicked into the New Year. Now it's the New Year, the start of a national lockdown and still no hint of a reprieve, time is running out! " added Mr Webber.

In non-COVID times, business rates provide the Government with a net tax take of about £26 billion, of which the retail sector is the largest single sector, paying between a quarter and a third (around £7.625 million) of the total tax bill. This is even though the gross value added by retail to the national economy (GDP) is less than 10 per cent (ONS). Together with the hospitality sector, the tax contribution is well in excess of £12 billion.

Although both retail and the hospitality sectors have been receiving a business rates holiday since last March and the government has just announced a new grant scheme to help businesses generally, casualties in the sectors have continued to be far and wide.

Given the state of hardship being faced by both sectors, Mr Webber believes therefore that it is inconceivable that retailers and hospitality would be able to take back their business rates commitments in the next twelve months. "Even "successful" retailers such as John Lewis would be facing annual rates bills of over £50 million (not including Waitrose) for a chain of fewer than 50 stores."

The Chancellor really can't delay any longer says Mr Webber and must give retailers and the hospitality sector some glimmers of hope. "Otherwise we'll find them opening their stores purely to pick up a rates bill for 2021-22."

"It would be no surprise if they quickly shut the door again" says Webber. "And this time it could be permanently."

Pub group boss calls for business rates holiday extension and VAT cut

National chain does not expect venues to reopen until March at the earliest

Pub group Marston's has warned that it does not expect venues to reopen until March at the earliest - with its boss calling on the Government to extend the business rates holiday beyond its current end date in April, and cut VAT when doors finally open again.

Total revenue across its estate of around 1,400 pubs - 21 of which are located in Scotland - during the last quarter period was just £54m.

In 2019, sales had been £1.17bn.

The update for the 13 weeks ended 2 January 2021 showed that trading was materially disrupted due to Covid-19 related restrictions imposed across England, Scotland and Wales.

Chief executive Ralph Findlay said the pub sector remains in a very difficult position.

"Regrettably there have been casualties across the sector and it is vital that the government reviews urgently the opportunity to continue to support pubs as we reopen the economy in the coming weeks.

"Pubs are viable businesses which are part of the social fabric of Britain and which make a major contribution to the economy and the communities in which they serve - it is vital that they not only survive the short-term crisis but are supported in order to recover and flourish."

"Extending the business rates holiday and VAT cut for the rest of this year is a minimum requirement," he added.

In October, Marston's cut 2,150 jobs due to the pandemic lockdown restrictions.

Despite the disruption, Marston's stated it remains focused on strategic development, with the £233m initial proceeds of a joint venture with Carlsberg UK - completed at the end of October - being used to reduce debt.

The profit on disposal into the joint venture is estimated to be around £280m and the spot value of the contingent payment due to be received in October 2021 is approximately £20m.

In December, the group also exchanged contracts with SA Brain to operate its portfolio of 156 pubs in Wales, on a combination of leased and management contract arrangements.

These pubs generated pre-Covid outlet earnings before tax of £14m, from which Marston's will pay rent of £5.5m per annum with effect from April 2021.

During the last three months, Marston's continued to focus on cash preservation, with all non-essential spend avoided.

Government support has been accessed through the job retention scheme - with 97% of employees currently furloughed - and business rates relief.

Despite the ongoing disruption to trading, the group reported net cash at 2 January of £104m, from a £280m facility which extends to 2024, providing bank facility headroom of £176m.

Within its securitisation, sufficient cash has been generated to make scheduled repayments of £18m which fall due on 15 January. The securitisation also includes a £120m liquidity facility, of which £10m is currently drawn.

Marston's estimates that its cash burn in full lockdown is £3m to £4m per week, before scheduled securitised payments.

However, due to having significant liquidity in its financing arrangements, along with the absence of any near-term refinancing requirements, the expectation is that the outlook for the second half-year is much more positive.

Retail demands aid during lockdown 3.0

Retailers across the country have called for meaningful government support to survive the coming months, as a third national lockdown in England comes into force, and Covid restrictions escalate in the rest of the UK and Ireland.

On Monday prime minister Boris Johnson confirmed England would be placed into a lockdown initially lasting for six weeks. Non-essential retail will remain closed and members of the public have been told to stay at home. On Tuesday chancellor Rishi Sunak announced that grants totalling £4.6bn will be made available to businesses. Companies in the retail, hospitality and leisure sectors will receive an additional one-off grant of up to £9,000 per property.

While any support has been welcomed by the industry, one chairman of a fashion multiple said the "token" aid announced so far does little to address vital concerns: "Until Rishi Sunak tackles business rates and VAT the rest is quite frankly in the weeds – it is token. If anybody in government thinks that is going to be enough to save business, it is not in the slightest."

She explained that although a further national lockdown was anticipated and planned for, it was still a "brutal" blow to the business and additional staff will be placed on furlough as a result. Staff in stores and at its head office will be reduced to minimum numbers.

"We're planning that [lockdown] will last longer [than six weeks] because it always does. You plan for the worst and hope for the best. It will alter the capital structures of most retailers and will mean that those who haven't restructured their business, will have no choice but to.

"Those that have exposure to stores will have a massive overhead fixed cost, so they'll have to take advantage of furlough and they'll have to think more carefully because retailers have to contribute [to furlough payments]."

Simon Poole, managing director of menswear retailer and brand Luke 1977, also urged the government to take further action to support businesses: "Some cities really need to think about extending the business rates holiday, even if it is 50% off rates for another year, just to give the retailers a chance to get back on track.

"[We need to think of] the long term. Businesses may have cash built that up over the years, as that cash starts to dry out, [the business rate holiday extension would] keep you going to the next phase of the recovery."

Poole also called for measures to be taken to help reinvigorate the high street once stores start to reopen: "When we come out of lockdown and it is safe to do so [there should be] free parking for the next six months, to help reinvigorate the high streets.

"Otherwise, if we come back to a malaise where nobody is encouraging [shoppers to come out and spend], we will see a demise of a lot of the shopping centres."

One footwear insider said: "How long can some of these businesses survive? The government needs to look at retail rent and rates. If they don't do something, we will lose the high street as we know it. How are businesses going to start paying back rents and rates after 31 March when stores have been closed. Where will they find that money? We have to find a way to support our town centres."

The government's lockdown announcement follows a challenging Christmas for retailers that were forced to close non-essential retail stores on 20 December in London and parts of south-east England. On Boxing Day additional parts of east and south-east of England moved into the highest tier. Wales faced the tightened restrictions from 20 December. Northern Ireland imposed a six-week lockdown from Boxing Day and Scotland also moved into tier 4 on 26 December.

As a result, retailers relied heavily on online trading throughout the festive period. In its Christmas trading update Next said its online sales "compensated for almost all those lost in retail stores". In the nine weeks to 26 December full-price sales were down just 1.1% year on year. Online sales in the UK were up 36%, while store sales declined by 43% compared with last year.

The CEO of one fashion etailer said trade over Christmas was "unbelievable": "In December sales were up 200% year on year. 2020 was by far the best year's trading we have ever experienced and our fastest growing year to date.

"For an online direct-to-consumer brand like ours, tighter lockdowns only result in more online traffic and sales. In a year of chaos, the one silver lining has been the growth of ecommerce."

Trade was mixed for many independent retailers.

Darren Hoggett, co-owner of independent J&B Menswear in Norwich, told Drapers sales were better than anticipated over Christmas but remained lower than previous years: "Online increased but as an overall picture we were down because everyone knew a lockdown was coming [and so didn't need new clothes]. Sadly, this is going to continue for quite some time on and off during 2021. The only things that are selling are core, everyday items [such as] jeans and T-shirts, and that will continue."

Matt Horstead, owner of Dartagnan Menswear in Chichester, reported that after a slow start, his business did better than predicted: "[In the lead-up to Christmas] it didn't feel busy but we were taking quite good money and that feeling went right the way through to Christmas Eve, which ended up being the second-best day I've ever had. This was more down to large purchases than a huge amount of footfall, people were just buying big."

However, Horstead is concerned for the coming months as shoppers have no reason to buy: "When we were closed in November I was doing click and collect for Christmas presents. People were going to be allowed out [for Christmas]: that was my hook. Now what is my hook? Other than discounting, I am struggling to think of a reason that is going to get people to go shopping. It is difficult. It is going to be price driven."

Looking ahead to the rest of the year, retail analyst Richard Hyman said that, while many retailers are currently "trading in the dark", retail will have a revival: "Once we're free, there's going to be a lot of pent-up demand. People will want to spend.

"There will be a very significant bounce and there will be opportunities to transform trading economics. It is really about getting in the right position and being able to take advantage of that. That in itself is a huge challenge, but I think the opportunity will be there."

Court of Appeal holds business rates payable despite property guardian scheme

The Court of Appeal has overturned a decision by the Upper Tribunal and confirmed that a property guardianship scheme did not mitigate liability for business rates.

Background

Property guardians are individuals who temporarily live in empty property at reduced rents, ostensibly to protect it from damage and squatters. Typically, they are students, key workers or young professionals looking for cheap living space. Their right to occupy is usually granted by way of a licence from a company engaged by the property owner to find guardians. The licence allows the company, at its discretion, to allocate, alter and inspect space within the property.

Guardianship schemes are promoted as a way of reducing liability for non-domestic or 'business' rates. Properties are exempt from business rates, but liable to council tax, if they are wholly or partly used for the purposes of living accommodation. Which tax applies depends on how the property is used.

We wrote an article last year (link) about the case of Ludgate House Ltd v Ricketts in which the Upper Tribunal (UT) found that a property occupied by 'guardians' was used wholly for the purposes of living accommodation and this meant council tax, not business rates, was payable. That decision has now been overturned.

Facts

VPS (UK) Ltd (VPS), was engaged by the owner, Ludgate House Ltd (LHL), to find individuals to act as property guardians for a large office building in London. These 40-50 individuals were granted separate licences to occupy the whole building as living space. Most of the guardians selected a specific room to occupy but a few occupied an open plan floor area. The local authority considered that the building was "essentially vacant" and sought to charge business rates on the whole building as a 'composite hereditament'. In basic terms, a hereditament is a unit of property for rates calculation purposes and 'composite' means it was treated as a single hereditament despite some parts being used as domestic property and others as offices. LHL challenged that decision before the Valuation Tribunal.

The Valuation Tribunal found that the guardians occupied under licences, not tenancies, so did not have exclusive possession of any part of the property. LHL was still in possession of the whole building. As such business rates at an annual value of over £3m applied in full. LHL appealed.

The Upper Tribunal allowed LHL's appeal and found that whether the guardians had tenancies or licences was irrelevant to the question of whether business rates were payable; what mattered was how the property was used. It found the property was used wholly for the purposes of living accommodation and this meant council tax, not business rates, was payable.

Key to the decision was the UT's finding that the rooms were separate hereditaments, each being in the exclusive possession of the separate guardians. The occupation was not on behalf of LHL but was to the individuals' benefit for the purpose of having somewhere to live.

Court of Appeal's decision

The Court of Appeal overturned the UT's decision, finding it had mis-appreciated the terms of the contract between VPS and the guardians.

The question is not one of tenancies or licences. The mere fact that someone lives in a unit of property around which a continuous red line can be drawn does not necessarily mean that they are in rateable occupation of it. Service occupiers who live in a house will not be in rateable occupation of it if either (a) it is essential to the performance of their duties that they should occupy the particular house; or (b) they are required by contract to occupy the house and by so doing they can better perform their duties to a material degree. Similarly, caretakers in occupation of property are not in rateable occupation. Likewise, lodgers may have their own room in a house that they can lock, but they are not in rateable occupation of their room. The occupation by the guardians had features of all of these examples.

LHL had engaged VPS for the specific purpose of providing property guardian services and the guardians were the means by which those services were provided. They could not have performed those services without living in the building. The terms on which they occupied did not give them exclusive occupation. The presence of the guardians on site was an essential component of the contract between LHL and VPS. The terms of that contract, and the licences between VPS and the guardians, were consistent with LHL retaining general control of the building as a whole. The building therefore remained a single hereditament.

Comment

The Court of Appeal's decision makes it clear that where a building owner retains general control of a building which guardians occupy for the specific purpose of providing property guardian services, there is now less scope for such an arrangement being used to mitigate liability for business rates.

One other point not decided by the Court of Appeal was whether the presence of 42 guardians on the property triggered an obligation on LHL to comply with requirements for houses in multiple occupation and be licensed by the local authority. This issue was neatly sidestepped by the court saying the point did not need to be decided.

London Borough of Southwark v Ludgate House Ltd & Anor [2020] EWCA Civ 1637 (04 December 2020) (bailii.org)

Sadiq Khan to boost share of London council tax by nearly 10 per cent

Sadiq Khan today announced that his share of council tax will increase by nearly 10 per cent from April in order to keep funding public transport services.

Under the proposals, the average bill for Band D will increase by £2.63 a month – £31.59 over the whole year.

Of the increase, £15 will go towards funding free travel on Transport for London services for young people and people aged over 60.

Another proposed £15 will go to the Metropolitan Police, while the final £1.59 will go to the London Fire Brigade.

Khan said: “With a lot of hard work, I have been able to limit the council tax increase this year to less than half of what some expected, in the face of huge pressure from Government Ministers to increase council tax to pay for public transport and policing in the capital.

“I fully recognise that in many households, finances are more stretched than ever before because of the pandemic and this decision is not taken lightly. Council tax is a regressive tax but the Government have left us with little other option.

“The Transport Secretary told me that he expected council tax would have to go up in London and the Home Secretary assumed a huge increase rather than funding the police properly.”

At the moment, free travel for under 18s and people over 60 is paid for by the government, but this is due to expire in April as a condition of TfL’s bailout package.

The rise in City Hall’s council tax take will create an estimated £40m for concessionary travel programmes, which cost between £110m and £130m.

The rest of the shortfall is expected to come from proceeds from raising the Congestion Charge.

Conservative candidate for Mayor Shaun Bailey was scathing of Khan’s “mismanagement” finance, despite the pandemic, singling out Transport for London.

“Over the last four years, Sadiq Khan racked up £9.56 billion in waste at Transport for London — leaving TfL unable to afford the services Londoners rely on.

“That’s why he’s now forcing Londoners to pay for his mismanagement with a massive £130m hike in the council tax and congestion charge.

“As I feared he would, Khan is passing on the cost of his mistakes to Londoners,” Bailey added.

But Labour AM Len Duvall hit back, saying that the rise was “necessary” due to the government’s “refusal” to provide a long-term funding package for TfL.

“It needs to be made clear that this rise was proposed by the Government, who refused to protect travel concessions for under 18s and older people in London and have stripped almost £1 billion from the Met Police over the last ten years”, he said.

"If council tax was not raised this year, we would see further cuts to vital services and the Government penalising Londoners next year by taking it out of central grants.

Is taxing wealth possible?

Research published by the Resolution Foundation has found that at least £800 billion of wealth is unaccounted for in the official national statistics (which seem to be based on asking people how much they are worth). All this undisclosed wealth is owned by the richest families and the take-home from the research is that the top one per cent of UK households own not 18% of the nation's assets as previously believed, but rather upwards of 23%. These findings provide further grist to the already-turning mill in favour of wealth taxation.

In the UK, taxes on wealth (Inheritance Tax, Capital Gains Tax, the tiny fraction of Council Tax that is related to owner-occupied property value) account for well under one-tenth of Treasury revenue and much of the activity of the tax-avoidance industry is dedicated – on behalf of the richest citizens – to minimising even this small take.

These wealthy citizens have bought allies in many places, including in university economics departments and think tanks. Reasonable, principled arguments are advanced against taxing wealth: it encourages capital flight and discourages saving, both of which inhibit domestic investment and reduce economic growth; valuing certain non-financial assets is next-to-impossible; and as the above-mentioned discrepancy between official figures and reality illustrates, if the richest in society can hide their wealth so easily, how can a wealth tax be fair?

But none of these arguments apply to the single asset-type that, according to the best official figures available, accounts for over half of UK wealth. This is the land underneath us all. Ownership of land, the ultimate source of all wealth, is concentrated in a tiny minority of hands with over half of England owned by less than 1% of its citizens (as well as quite a few non-citizens). Land cannot be spirited away to somewhere it won't be taxed; nor can it be hidden and, even if its true ownership is obscured through a labyrinth of shell companies and off-shore vehicles, it doesn't matter because you know where the tax can be collected and you know what to do if it isn't paid. If a tax has to be paid on land, much of the "investment" currently siphoned off into property markets will be diverted towards productive economic activity.

And perhaps most importantly, land is easy to value with modern off-the-shelf technology – far easier than property which requires assessment of bricks and mortar as well as the underlying land.

According to Carol Wilcox, Secretary of the Labour Land Campaign, "True, taxing land will only cover half of all wealth but it's not a bad start.

Above and beyond generating revenue for the Treasury to replace unfair, economically damaging taxes on productive economic activity like Income Tax, National Insurance Contributions and VAT, a sensibly implemented annual Land Value Tax (LVT) will optimise the use of land and thereby ensure better allocation of our most precious resource."

In this context, "better" might mean forcing speculators to sell their long-empty office buildings in central London to people who will use them; it might mean encouraging all those house-builders sitting on land with planning permission to get on and build those much-needed homes; it might mean attracting businesses to the North-East where land values are low and jobs are scarce; it might mean that bosses can improve work conditions and raise productivity without their Business Rates bill going up; it might mean pressuring the Duke of Buccleuch to open up and repurpose his grouse-shooting moor for use by the community.

When serial crises (first financial, now health) have left behind those who have traditionally borne the burden – workers and consumers – it is time to think about taxing wealth and land wealth is a good place to start.

Retail counts jobs cost of brutal 2020

More than 176,700 retail jobs were lost in 2020 after a brutal year on the high street led to 15,747 shop closures.

The number was almost a quarter higher than jobs lost in the sector in the year before, according to the Centre for Retail Research, which is warning that 2021 could bring further turmoil.

Joshua Bamfield, director at the research body, said that up to 200,000 more jobs could go this year because of lockdowns and plunging store sales.

"Our forecast is based on a number of factors, such as the cumulative effects of months of closure and its impact upon cashflow and rent arrears that will be payable when the moratorium ends," he said, adding that the acceleration of online shopping would be "hugely damaging for physical stores".

More than 71,800 jobs were lost when retailers including Debenhams, Oasis, Cath Kidston and Laura Ashley filed for administration, while a further 11,986 jobs were cut when retailers went through company voluntary arrangements, a type of insolvency procedure. CVAs were used by retailers including Monsoon Accessorize, New Look and All Saints to reduce shop costs either by closing outlets or switching to turnover-linked rent while they were suffering a steep drop in shop sales.

The biggest share of job cuts came from solvent retailers "rationalising" their workforces, resulting in a further 92,921 jobs being shed. Marks & Spencer axed 7,000 jobs in August, Boots cut 4,000, John Lewis made 1,500 redundancies and Dixons Carphone lost 3,700 staff after shutting all its Carphone Warehouse stores.

The lockdowns before Christmas, when retailers typically make a fifth of their year's sales, have raised concerns about how many further corporate casualties there will be this year. Restructuring advisers are warning, too, that some retailers will take the decision to not reopen stores, even when the present restrictions are lifted.

Robert Hayton, head of property tax at Altus, a consultancy, said: "There is a real risk larger non-essential shops may not reopen once Tier 4 restrictions have been lifted, having missed out on vital Christmas trade. Grants of £3,000 a month won't even scratch the surface of fixed operating costs, such as rent."

More than one in eight shops failed to reopen after the first lockdown in the spring as some chains took the decision to mothball unprofitable stores.

The business rates holiday is due to finish on March 31, but retailers have urged the government to extend the relief, particularly as it will take until the spring for Covid-19 vaccinations to be fully rolled out and for shopper numbers to start returning to normal levels.

Mr Hayton said: "It is crucial that government ensures future support is targeted to where it is needed, including funding the valuation office so that it can expedite settlement of the tens of thousands of formal challenges against business rates assessments that must now be reduced to reflect the impact of Covid before bills are sent out."

£800,000,000,000 missing in official data on UK's wealthiest 1%

Official statistics do not account for at least £800 billion in assets held by the wealthiest 1% of people in the UK, a think tank has claimed. The oversight would mean that the country's richest few actually own nearly a quarter of UK wealth and that national inequality has been dramatically underestimated.

The UK is already a highly unequal society compared with many nations around the world, but the Resolution Foundation's new findings would mean 1% of households account for 23% of its wealth, rather than 18%. It says 5% of UK wealth 'missing' from Office for National Statistics (ONS) figures 'conservatively' amounts to around £800 billion – but could 'easily' exceed that figure.

Jack Leslie, an economist with the Foundation, explained: 'The UK has undergone a wealth boom in recent decades, which has continued even while earnings and incomes have stagnated. But official data has struggled to capture these gains, and misses £800 billion of assets held by the very wealthiest households in Britain.

'With the country facing a decade of mounting fiscal pressures, now is the time for Britain to do a better job of taxing its record levels of wealth by reforming our capital gains, inheritance and property taxes.'

The Resolution Foundation is now calling for higher taxes on the wealthiest ahead of a 'decade of mounting fiscal pressure'. Its research merged the official ONS Wealth and Assets Survey (WAS) with data published in the Sunday Times Rich list to create what it sees as a more accurate picture of UK wealth distribution.

Danny Dorling, a world-leading expert on inequality who works at Oxford University, told Metro.co.uk: 'The more closely researchers look into the wealth of the best-off 1%, the greater the slice of the cake we find they have taken.' The Resolution Foundation said that even without the £800 billion, 'wealth across the UK is very unequally distributed – with total wealth inequality around twice as high as income inequality'.

It went on: 'With the UK entering a decade of mounting fiscal pressures – both due to the cost of the pandemic and an ageing population causing health and welfare spending to rise by £38bn a year by 2030 decade – the Foundation says that wealth taxation will need to play a bigger role in the UK economy over the course of the 2020s.

'The Foundation is calling on the Chancellor to embark on the biggest reforms to wealth taxation in a generation – including via the restriction of capital gains and inheritance tax reliefs (together raising several billion), and adding a Council Tax Supplement of 1 per cent on properties worth over £2 million (raising over £1 billion).'

A HM Treasury spokesperson told Metro.co.uk: 'Our priority right now is to support jobs and the economy. 'By protecting jobs and creating new opportunities through the Kickstart scheme and apprenticeships, we will be able to grow our economy and create wealth when more businesses are able to reopen again. 'We're committed to a fair and efficient tax system.'

NORTHERN IRELAND

Northern Ireland's latest draft budget 'difficult' says Conor Murphy

The finance minister has announced a "difficult" draft budget for the next financial year.

The amount of money the executive receives was set by the Treasury's Spending Review in November.

Conor Murphy said it had not delivered the required level of support "to kick start our economic recovery from Covid-19 and Brexit".

"It is difficult and effectively a standstill of our 2020-21 budget position," he added.

The draft budget is broadly flat in cash terms for government departments, setting aside additional funding to deal with Covid-19 and as part of the New Decade, New Approach agreement.

The executive's response to Covid-19 has been allocated £538m, compared to more than £3bn received last year.

More than half of that funding - £380m - will go to the Department of Health, while £30.6m will go to the Department of Education to help low income families and £700,000 towards higher education.

The remaining £126.9m has yet to be allocated.

Funding packages not yet confirmed

"With increased demands on public services, and taking account of inflation, it will be a challenge merely to deliver existing services at their current levels," Mr Murphy said.

"Choices will have to be made, public services will have to be prioritised."

Money for welfare reform mitigations and special education needs has been prioritised.

But funding packages for measures outlined in the confidence-and-supply agreement, the NI Protocol, the New Decade, New Approach and city deals have yet to be confirmed by Secretary of State Brandon Lewis.

No funding has been set aside for victims pensions payments, only the administrative cost of the pensions.

Flagship infrastructure projects like the A5, the A6 and Casement Park, as well as the schools estate and social housing, will get £1.75bn of capital spending.

"Next year we intend to freeze the regional rates for both households and businesses," Mr Murphy said.

"I would urge councils to play their part and do the same in respect of their district rates.

"I also intend to provide £150m of additional business rates support in 2021-22."

Glyn Roberts, from Retail NI, said it had been "lobbying for further rate relief" and was pleased by Mr Murphy's commitment.

The head of the Federation of Small Businesses in NI, Roger Pollen, also welcomed the move but said "councils must also step up and ensure that their share of the rate bills are not increased for businesses".

Consultation on the draft budget has now opened and will run until 25 February, with a final budget to be put to the assembly before April.

On the issue of victims' pensions, a spokesperson for the Northern Ireland Office said: "The UK government legislated for this scheme in the absence of the executive.

"This remains a devolved matter and, as such, funding has to come from the block grant."

They added the government has "provided unprecedented levels of additional funding to the Northern Ireland Executive this year, totalling more than £6bn".