IPTI Xtracts

Property Tax and Assessment News from Around the World

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UK GOVERNMENT TO ASSESS WHETHER ONLINE SALES TAX COULD ADDRESS TAX IMBALANCE REPORTED BY RETAIL SECTOR

The UK government has published an early-stage consultation, exploring the arguments for and against an Online Sales Tax (OST).

As committed to at Autumn Budget, the UK government has published a consultation to explore arguments for and against an Online Sales Tax (OST)

Consultation follows concerns reported by businesses of a potential tax imbalance between in-store retailers and online

Whilst no decisions have been made on whether to go ahead with an Online Sales Tax, consultation will look at potential designs and impacts on consumers and businesses of implementing such a tax.

The consultation was committed to at Autumn Budget as part of the government's conclusion to its review of business rates, where stakeholders, including some of the UK's most well-known high street businesses, called for an Online Sales Tax to help rebalance the tax system through funding a reduction in business rates for the retail sector. Given the significant changes in the retail market and shift online, it is right that the government reassesses the taxation of this sector, although no decision have been made yet as whether to implement such a tax.

Today the government has delivered on that commitment.

Lucy Frazer, Financial Secretary to the Treasury said:

We want to see thriving high streets and a fair economy as we move forward from the pandemic, which is why our business rates review cut the burden by £7 billion for businesses, and committed to look at an Online Sales Tax - given the imbalance identified by some between online and in-store retailers

Whilst we've made no decision on whether to introduce such a tax, it's right that, given the growing consumer trend to shop online, we work with stakeholders to assess the appropriate taxation of the retail sector.

As part of the three-month consultation stakeholders will be asked for their views on the challenges on the design of an Online Sales Tax, including which products and services would be in scope and whether it would be a flat-fee tax based on the number of transactions or deliveries, or a revenue-based tax.

The consultation delves into what effect an Online Sales Tax would have on consumers and businesses alike, which will also be a key determining factor in policy decisions.

The UK government has supported retailers over the entirety of the pandemic through our economic support plan worth around £400 billion, including through tax cuts such as business rates and VAT relief, funding via business grants and loans, and wage support through our world-leading furlough scheme.

The Autumn Business Rates Review further supported the high street, reducing the rates burden by over £7 billion, and making the system fairer, including through more frequent revaluations, freezing the multiplier and cutting business rates in half for the retail, hospitality and leisure sector for 2022-23.

The consultation will run from 25 February to 20 May 2022

The government recognises that an array of business models operate in UK retail, which is a mark of the vibrant and innovative sector. It also recognises the value of lively high streets and town centres to the local communities as places to live, work, and visit.

Whist no decisions have been made yet as to whether to proceed, if implemented, revenue from such a tax would be used to fund reductions in business rates for retailers with properties in England and fund the block grants of the devolved administrations in the usual way.

Should the government proceed with an Online Sales Tax, the precise nature of associated business rate reductions will be considered at a later date.

This is a complex issue, and therefore it is right that the government looks in detail at the policy options before making a decision.

Read the online sales consultation
https://www.gov.uk/government/consultations/online-sales-tax-policy-consultation

HOUSEHOLDS URGED TO GET READY FOR £150 COUNCIL TAX REBATE

Households across England are being urged to set up direct debits with their local council to receive a council tax rebate that will help millions of families manage costs of living.

From: Department for Levelling Up, Housing and Communities and The Rt Hon Michael Gove MP

- 20 million households to benefit from £3 billion scheme to help with cost of living pressures
- Comes as part of a £9 billion package to help spread the cost of rising energy bills
- 4 out of 5 households will benefit including around 95% of rented properties
- Households encouraged to set up council tax direct debits to ensure payment is made automatically from April

Households across England are being urged to set up direct debits with their local council to receive a £150 council tax rebate that will help millions of families manage costs of living.

People who pay council tax by direct debit, which is a safe, simple and quick way to pay will see the cash go directly into their bank accounts from April. Those who do not pay by direct debit will be contacted by their council and invited to make a claim.

Around 20 million households in council tax bands A to D - including 95% of rented properties - are set to benefit from the £3 billion council tax rebate, which does not have to be repaid. It is part of an extensive package of government measures to help families with rising energy costs.

An extra £144 million will also be given to councils to provide discretionary support to vulnerable households who may not qualify for the £150 council tax rebate. This includes people on low incomes in council tax bands E to H.

Secretary of State for Levelling Up Rt Hon Michael Gove said:

As we emerge from the pandemic, we understand the pressures facing many families as global inflation levels increase.

The support we have introduced will help millions of people, particularly those on the lowest incomes and the most vulnerable.

We continue to stand behind the British people and I urge everyone who is eligible to claim this rebate to do so.

The advice follows the publication of guidance for councils today (23 February 2022) which will help them administer the rebate.

The council tax rebate is part of a £9.1 billon government support package, which from October, includes a further reduction of £200 on energy bills for domestic electricity customers.

The £200 reduction will help people manage the increase in energy bills by spreading the increased costs over a few years, so they are more manageable for households. It will be automatically recovered from people’s bills in equal £40 instalments over 5 years, beginning in 2023, when global wholesale gas prices are expected to come down.

The Warm Home Discount will be expanded so nearly 3 million low-income households will benefit from a £150 discount.

BBPA QUESTIONS DEPARTMENT FOR LEVELLING UP ON UNFAIR RATES BALANCE

The British Beer and Pub Association has responded to the Department for Levelling Up, Housing and Community and Treasury's joint technical consultation on moving to a three-yearly business rates cycle, calling for exemptions to proposed Duty to Notify requirements for pubs.

The brewing and pub industry in the UK makes a major contribution to the local and national economy. The sector generates £26 billion of economic value and supports 940,000 jobs, and 85% of pubs in the UK are run as SMEs.

However, the sector has also long suffered from over-taxation on business rates. Pubs pay more in business, per pound of turnover, than any other business sector. The business rates bill for the sector accounts for 2.5% of total business rates paid despite only representing 0.5% of total rateable turnover, an overpayment of £570 million.

The submission by the BBPA highlights these statistics and states that as one of the highest taxed sectors per pound of turnover, that the potential benefits of more frequent revaluations will be more than offset by the increase the administrative burden and cost to publicans up and down the country.

Within the response the BBPA makes numerous recommendations to improve the proposed new system, including:

- Totally exempting properties not currently paying business rates under SBRR exemptions and residential elements.
- Extending timelines for filing from 30 days to three months, and for appeals, from three months to six months.
- Dramatically reducing the trigger for filing requirements to reflect only the most essential changes that would impact on a pub's Fair Maintainable Trade to avoid unnecessary administrative burdens.

Emma McClarkin, Chief Executive of the British Beer and Pub Association said: "It is clear the proposed changes to the business rates system to improve fairness will be totally undermined by the increase the administrative burden and cost to publicans up and down the UK.

"Pubs and brewers are at the heart of communities fostering social cohesion as we reconnect and recover from the pandemic. With the required support our sector can deliver jobs and additional economic value in every part of the UK, supporting levelling up and the regeneration of high streets and town and city centres up and down the country."

ICAEW RESPONDS TO BUSINESS RATES CONSULTATION

ICAEW has responded to proposals aligning business rates more closely to current values and granting greater autonomy to local authorities to set rates and provide reliefs, stressing the administration burden that they would place on businesses.

In his 2021 Autumn Budget, the Chancellor set out a number of key reforms to the business rates system, including a plan to move to three-yearly property revaluations from 2023, on which those rates would be based. A technical consultation was published on 30 November 2021 setting out a number of technical changes in support of these measures.

In its response, ICAEW has welcomed the use of up-to-date property values but is concerned that most of the burden in determining these values will fall on businesses. This is largely due to the introduction of provisions requiring businesses to provide information relating to relevant properties and their activities to the Valuation Office Agency (VOA) on a regular basis, along with an annual requirement to confirm that the data held by the VOA remains correct. ICAEW considers this administrative burden to be significant, given that revaluations will still only take place every three years.

ICAEW has suggested that more use could be made of information already held by other government departments and that a more digitalised system would help to facilitate this.

The consultation also provides details of an improvement relief regime, which would reduce the disincentive businesses may have to carry out property improvements, if those improvements increase the value of the property and therefore their business rates. ICAEW welcomes the principle of the relief but is concerned by its complexity and considers that businesses may struggle to understand what forms of work qualify.

ICAEW also calls for greater transparency in the process of setting rates and for an online system, which would allow businesses to see how their rates are calculated and the valuations on which those rates have been based.

WILL THEY EVEN NOTICE THE COST-OF-LIVING CRISIS?

Boris and Rishi enjoy lowest council tax in the country in Downing Street – barely a THIRD of places like Nottingham and Bristol – as well as paying a fixed rate for their energy bills

- Boris Johnson and Rishi Sunak pay council tax on their Downing St residences
- The PM and Chancellor will not benefit from £150 rebate announced this month
- But the levy in Westminster is barely a third of those in other parts of England
- Their energy costs will also stay same as a flat rate is paid for bills at residences

Boris Johnson and Rishi Sunak will not benefit from the £150 council tax rebate to ease the cost-of-living pain for families - but they do enjoy the lowest charges in the country.

The PM and Chancellor pay the levy at their grace-and-favour residences in No11 and No10 Downing Street respectively.

But council tax in Westminster is the lowest in England, with a band D property liable for £827.56 in 2021-22 - less than half the national average of £1,898.

Both Downing Street apartments are in Band H, which entails a £1,655.12 bill. But a home in the same band in Bristol would be paying £4,327.30, and in Nottingham the figure is nearly three times higher at £4,451.52.

Costs are expected to rise across England in April, although how much is yet to be confirmed.

Mr Johnson and Mr Sunak will also escape soaring energy bills causing misery for millions this spring because of a 'cap' on contributions at the residences.

The PM and the Chancellor are only liable for a 'benefit in kind' to cover heating and utilities at flats where they live rent-free.

And the value of the benefit is limited to a maximum of 10 per cent of their ministerial salary - meaning they only pay a few thousand pounds a year and it will not change.

Figures this week showed the headline CPI inflation rate hit another near 30-year high of 5.4 per cent in January, driven by energy costs.

Mr Sunak - reputed to be one of the richest MPs with a multi-billion pound family fortune - has insisted he 'understands' the pressure on ordinary Britons.

He announced a cost-of-living package earlier this month that means properties in bands A to D will get a £150 rebate on their council tax.

Every household in England will also get an upfront £200 discount on their bill in October.

But it is provided through a loan from the government to energy firms, which will be recouped with a £40 per year supplement over the next five years from 2023.

Westminster has long benefited from low council tax, with the Tory-run authority proud of its restrained levy and getting significant revenue from business rates and parking in the thriving area.

Mr Johnson lives in the four-bedroom apartment above No11 with wife Carrie and their children. There is a £30,000 a year taxpayer allowance for maintenance and improvements, but Mr Johnson has been heavily criticised for initially trying to get donors to pay for a much more expensive refurbishment.

Mr Sunak lives in the flat above No10 with his wife and two daughters. Since Tony Blair premiers have tended to choose the No11 residence because it is larger.

The politicians pay council tax on the properties as their main homes.

Mr Johnson earns just over £75,000 as PM, on top of his £82,000 salary as an MP. Mr Sunak receives £67,500 as Chancellor plus his MP pay.

Under government rules, the PM and Chancellor have a tax liability for expenses 'relating to the use' of their official apartments, such as heating and lighting.

The value of the benefit is capped at 10 per cent of their ministerial salaries - so not including their MP pay.

According to the latest Treasury accounts, Mr Johnson had a benefit of £7,500 for the No11 flat in 2020-21, while Mr Sunak's at No10 was £6,800.

The actual cost to them will depend on their total taxable income, but is likely to be between £3,000 and £3,300.

The government insists there is no way of separating the individual energy costs for the flats from the wider Downing Street complex.

'COUNCIL TAX IS NOW WORSE THAN THE HATED POLL TAX'

The 1989 community charged sparked riots, but town hall levies are even more unjust

Council tax is now more expensive than Margaret Thatcher's much-hated poll tax – and just as unfair for average households.

The riot-starting poll tax cost households of two adults £714 on average when it was implemented, first in Scotland in 1989, then England and Wales the following year. It would cost £1,890 in today's money, accounting for inflation. But council tax for the average home now costs £1,898, and is expected to rise to almost £2,000 from April – close to £100 more – following decades of rises.

The complex set-up of council tax means many average earners pay significantly more than the richest living in some of the wealthiest parts of central London. This is because the tax is based on 1991 property prices, which have not been updated to take into account changes in wealth distribution.

These disparities became particularly apparent after the Chancellor this month announced a £150 rebate for homes in council tax bands A to D to help ease the spiralling cost of living.

An £800,000 band D home in Westminster qualifies for the handout, but £400,000 band E homes in Wolverhampton do not.

Such inequities will fuel fresh demands for reform, experts have said.

Top five areas with the highest council tax

Local authority	Council tax rates for band D
Nottingham	£2,226
Dorset Council	£2,223
Rutland	£2,195
Lewes	£2,189

Local authority	Council tax rates for band D
Newark & Sherwood	£2,171

Valuation Office Agency

Sarah Coles of broker Hargreaves Lansdown said: “When Rishi Sunak announced the rebate it highlighted huge problems in the current system.

“Those in bands E and above aren’t necessarily better off, they just live in houses that were relatively more expensive in the early 1990s. A retired couple, on a low income living in their family home, could be paying far more council tax than a wealthy London professional whose million-pound home was put in one of the lower bands three decades ago, but has since soared in value.”

Ms Coles said households were being taxed based on values that bear “no resemblance to the reality of the modern day”.

She added: “The poll tax was so hated, it sparked riots in the streets and effectively ended Margaret Thatcher’s tenure as prime minister. Taxpayers were furious because the structure of the tax felt so unfair. But the local levies are in fact worse and more costly today than the poll tax ever was,” she said.

The 1989 “community charge”, as it was formally known, meant everyone was forced to pay the same flat rate regardless of their income or value of their home. Before this, homes were charged “domestic rates”, based on their property’s rental value, similar to business rates today.

Couples living in modest homes saw their bills rise dramatically, as their taxes were brought in line with those with far more wealth.

In the first year of the new system, the charges were so unpopular that millions of people refused to pay. They averaged £357 per person.

In the second year, it was reduced to £252, or £504 for two people, before the charge was scrapped altogether and replaced with the council tax system.

Top five areas with lowest council tax

Local authority	Council tax rates for band D
Westminster	£829
Wandsworth	£845
City of London	£1,049
Hammersmith & Fulham	£1,196
Kensington & Chelsea	1,331

Valuation Office Agency

Ms Coles said: “When we’re right in the middle of the worst cost of living crisis for a generation, at the very least – just as they reconsidered the poll tax – we need to see new council tax valuations and to consider whether this is really the best way for people to pay for local services.”

Think tanks have already called for an overhaul. The Institute for Fiscal Studies has said council levies should be based on today’s property values and revalued routinely.

The right-wing Bright Blue think tank has called for an annual levy based on property values with a 25pc surcharge on second homes and an exemption for the lowest value properties. On the other side of the political spectrum, the Institute for Public Policy Research has called for a similar system.

The left-leaning Resolution Foundation has previously suggested replacing town hall levies with a so-called “mansion” tax, placing a surcharge of 1pc on the value of properties worth more than £2m, and 2pc on homes worth more than £3m.

Under the proposals, the majority of homes would pay a flat 0.5pc rate relative to the value of their properties.

An HM Treasury source said an annual house price tax would mean “soaring bills for many hard-working families and pensioners who have saved and improved their homes”.

He added there were no plans to make any changes, but added all taxes were kept under constant review.

ANDY BURNHAM'S LAND TAXES PLAN TO PAY FOR NORTHERN POWERHOUSE RAIL SHOULD BE EXPLORED, SAYS PATRICK MCLOUGHLIN

New Transport for the North chair Patrick McLoughlin says the idea of using Hong Kong-style land taxes to fund the expansion of the Northern Powerhouse Rail route merits serious consideration - but admits some business leaders are “very sceptical” about whether the idea will work in practice.

The proposal was put forward by Greater Manchester mayor Andy Burnham in November and subsequently backed by the cross-party Transport for the North board - leading to preliminary talks on the idea between TfN officials and the Department for Transport.

In the Integrated Rail Plan published in November, the Government set out plans for a £17.2bn investment in Northern Powerhouse Rail - involving a new high-speed line between Warrington and Marsden on the boundary of Yorkshire that would be part of improving the network between Liverpool and York.

But the plan fell short of the full £42.1bn plan put forward by TfN which would have improved connections between Northern cities from Liverpool to Hull, up to Newcastle and down to Sheffield, with a full new high-speed line between Leeds and Manchester via Bradford at the heart of the proposals.

Mr Burnham suggested the idea of using a process called ‘land value capture’ which is used in other countries called Hong Kong. He said the system would work by taxes on land along the proposed route which should rise in value as a result of the construction process.

Land value capture has also been mooted as a way of helping fund London’s Crossrail 2 project, which is currently on hold. Crossrail 1 has been paid for in part from a supplement on business rates and the Community Infrastructure Levy charged to developers.

When asked about the idea of using land value capture for Northern Powerhouse Rail, Lord McLoughlin said the proposal merits consideration.

“I think it is something we need to look at to see whether it is a feasible idea,” he said.

“If you see an area has vastly improved because of some investment that Government has put in, then why not say some of that money should also come back to the taxpayer?

“That is something that could be looked at. I think some people would say it is a pity that wasn’t argued earlier on and it is a bit after the event.

“I can’t change what’s happened and what’s gone on. I can say, let’s look at it and see if there is a realistic opportunity of doing it.”

He said there were questions as to whether increases in land value would take effect at the construction stage.

“You talk to some business leaders and they are very sceptical about it. They say you get a feedback afterwards but it is difficult to get it in the process.

“It isn’t straightforward but certainly we should do some work on it and look at where it has worked elsewhere.”

Chairman backs integrated ticketing plan

Plans for London-style contactless ticketing across public transport in the North have the potential to be “transformational”, Patrick McLoughlin has said.

“We all struggle to find different tickets, different prices and different regimes at the moment,” he said.

“If we can get something like London, it would transformational..”

The Integrated Rail Plan has proposed the introduction of tap-in, tap-out ticketing at regional railway stations, with the intention of working with local councils of integrating the system so it also works on local buses and trams in a parallel to what is available in London.

GOVE: DEVOLVE BUSINESS RATES TO MAYORS

Levelling up secretary Michael Gove has said England's directly elected mayors should be given control of business rates in order to boost devolution and aid the government's economic vision for reducing regional inequality.

He said he wants to give mayors more control to improve competition between regions, telling the Financial Times regional flexibility is "definitely the direction of travel we want to go down".

Gove said that fellow Conservative, Tees Valley mayor Ben Houchen, should be given power over business rates to "demonstrate how he can make a difference", and that the West Midlands combined authority should be given powers over policing to prove it works.

Asked about whether the Treasury and his ministerial colleague chancellor Rishi Sunak had denied him further resources, after the levelling up white paper published earlier this month came without new funding proposals, Gove said "you never have everything you want, but sometimes you get what you need".

"It is important that people recognise that we're in it for the long haul, that there's a down payment on future investment," he added.

"People are asking if the scale of ambition outlined in the missions is capable of being delivered with the resources necessary, and that's what we've got to demonstrate.

"I don't think there's anyone who's quibbling with the basic analysis of what's required to be done."

Gove said Whitehall's attitude to devolution still comprises "a lot of scepticism", but cases such as Tees Valley and the West Midlands would prove the concept.

He defended the austerity measures introduced in the past decade, which many have said exacerbated the inequalities the new levelling up agenda is nominally aimed at reducing, but admitted local government in particular "had to make some incredibly difficult choices".

This new attitude of relative interventionism, particularly when compared to recent Conservative governments, represents a "modernisation" of Tory thinking, he said.

"We have to be a party that recognises the economic and moral imperative of helping cities like Sunderland to succeed," he said, adding that the new attitude was linked to the Brexit referendum.

"UNDERWHELMING" BUSINESS RATES REVIEW IS SLAMMED BY AGENCY

A consultation exercise on government proposals for its business rates review is totally "underwhelming" according to property agency Colliers.

The consultation ends on February 22 - under a week from now - and the agency says it's concerned about four major issues.

More frequent revaluations - the proposal for a three yearly revaluation cycle will lead to reduced appeal rights and increased red tape for businesses, says Colliers.

John Webber, Head of Business Rates at Colliers, says: "To put into context, currently out of approximately 1.9m ratepayers, 700,000 pay no business rates. These changes will therefore result in these 700,000 ratepayers being required to send one or more pieces of information annually to the Valuation Office Agency, involving them in a bureaucratic exercise where their information is unlikely to be used. This will have no effect on the amount of rates collected. At a time when business is supposedly being relieved of red tape in a post Brexit world, the government seems to be proposing the opposite!"

Improvement relief - Colliers backs the principle of introducing improvement relief targeted at qualifying works which ratepayers carry out to their premises. But it does not appear as generous as the scheme already in place in Scotland and Webber says: "Depending on how it is implemented, may have little consequence to ratepayers in their decision-making process."

Support for investment in green plant and machinery - Colliers wants the government to organise a wholesale review of the plant and machinery regulations to make sure developers, landlords and occupiers carry out investment in all new technology that makes buildings more sustainable, but without carrying an additional tax burden for a period of at least 10 years.

Other administrative changes - The government has also proposed several relatively minor administrative changes which on the face of it seem of little consequence. How the central list is administered may be of little consequence unless the government decides to make it far easier for the VOA to change the valuation approach to certain properties and create a back doorway of raising more revenue.

The government has also proposed simplifying the system which administers discretionary relief by local authorities. This relief can be a vital tool for local authorities to help specific businesses who may be experiencing hardship and underusing their premises.

However in practice Colliers believes the continued underfunding of local authorities across the country means greater control by local authorities is meaningless.

Webber concludes: "Overall, the government's failure to deliver the much-needed fundamental business rates reform last autumn and replacing it with this consultation is desperately disappointing. We urge all interested parties to let the government know this and to respond before the consultation ends next week or they could find themselves snarled up with extra expense and administration."

THE IMPORTANCE OF SOURCING AN ETHICAL RATING SPECIALIST

In a discussion with Chris Moore, Star Pubs and Bars' property director, the group discusses its latest partnership with rating specialist, Dunlop Heywood to help ensure that its leased and tenanted pubs are not excessively overcharged for their business rates - unfortunately, some advisors in the market charge high upfront fees and fail to deliver results.

Why is it important for hospitality firms to mitigate costs as much as possible?

Controlling overheads and costs is always a key part of building a successful, viable business. After two years of disrupted trade due to the pandemic and with rising inflation hitting every area from energy to staffing, cost control has never been more important and more of a challenge for hospitality operators.

How does partnering with the firm's new rating specialist aid this?

Anything that can be done to mitigate costs is essential for hospitality venues right now, particularly on goods and services that are not customer-facing or that are not essential to the smooth operation of the outlet. Business rates are a prime example. They are one of the hospitality industry's highest overheads and are often used to determine other costs such as water bills and the late-night levy, too. Even a relatively small reduction can make a big impact on profitability without detracting from the customer experience.

Throughout this year, the Valuation Office Agency is reviewing the rateable value of every hospitality venue in England and Wales and setting new rates for 2023 onwards. In Scotland, the Scottish Assessors are doing the same. As assessments are based on turnover, and trade has been inconsistent due to the pandemic, the likelihood of erroneous valuations being set on the new rating list is real. Star Pubs and Bars is therefore partnering with rating specialist Dunlop Heywood to help ensure that its leased and tenanted pubs are not excessively assessed and overcharged. The new service will help licensees who are concerned that their current rates payable are too high to challenge them, preventing any errors continuing onto the 2023 list.

In addition, Star will assess all of its pubs' 2023 ratings valuations as they are received and alert any licensees it believes should seek a review. Draft rating valuations are expected to start arriving at pubs later this year.

Dunlop Heywood was appointed after an extensive tendering process. With cost control in mind, Star has used its buying power to secure a comprehensive service at highly competitive rates for its licensees and will receive no financial benefit from the partnership.

The rating system is now so complex that any kind of appeal needs to be carried out by an expert. Unfortunately, some advisors in the market charge high upfront fees and fail to deliver results. Star's partnership with Dunlop Heywood gives licensees the reassurance of being able to access trustworthy advisors should they need them.

How can firms be charged 'excessive' business rates?

The business rates payable are based on the rateable value, which is assessed by the Valuation Office Agency or the Scottish Assessors, depending on the venue's location. If their opinion of value differs from how the pub trades, the rates can be too high and so cost the operators more than necessary.

How much money can be expected to be recouped?

Successful challenges to their current rates payable can see hospitality operators receiving savings backdated to as far as 2017 in England and Wales. One-off payments alone can amount to thousands of pounds. The Bull in Warlingham was one of the first pubs to trial Star's new service with Dunlop Heywood. It has resulted in a rebate of £13,800 and cut the pub's rateable value by more than 25%, leading to reduced bills ongoing.

Where else can this money be placed?

Money that is not tied up in rates can be invested back into a business to make it more sustainable. Rebates and ongoing savings on rates bills can fund improvements – such as adding a new covered outdoor space or refitting a kitchen – that will immediately generate more trade for the business. At a time of high inflation, reduced rates are also helpful for offsetting increases in other bills.

What is Star's take amid the new VAT figure?

It is unfair that pubs and licensed venues such as bars and restaurants – which are already over taxed – are required to pay VAT on food, whilst other retailers, like takeaways and supermarkets, are not. Star would like to see the temporarily reduced 12.5% VAT rate brought in during the pandemic become permanent on all food and drink sold in pubs to bring them more into line with other food businesses. Increasing the VAT rate back up to 20% in April as proposed will only hinder the recovery of the hospitality sector and the country as a whole.

Why is it paramount that hospitality is aided during this time?

The hospitality industry is essential to society and the UK economy, but it has been one of the worst hit by the pandemic. It is only just emerging from two years of closures and restrictions. Government support could make a huge difference to hospitality operators trying to rebuild their businesses and also finally address the unfair tax burden that hospitality operators have faced for many years. In addition to making the temporary 12.5% VAT rate permanent, a complete overhaul of business rates is required. As a percentage of turnover, pubs pay five times more than the average of other sectors. Lower, more equitable rates for hospitality venues are long overdue. We are continuing to lobby the Government for reform, and would urge everyone across the trade to get behind the 'Long Live the Local' campaign.

NI RATES EXPLAINER: WHY ARE THEY RISING AND WHERE IS YOUR MONEY GOING?

Rates in Northern Ireland council areas are set to rise in the coming financial year. However, some will rise more than others. Here's a guide to why this is the case, how rates are calculated and where the money goes.

Rates are made up of two parts: the regional rate and the district rate. The regional rate is set by Stormont and, along with the block grant from the Treasury, pays for the likes of schools, health and roads. The district rate is set by your local council and pays for services that the council is responsible for, such as refuse collection, leisure provision and street cleaning.

Finance Minister Conor Murphy has frozen the regional rate for the coming financial year, due to the lingering impact of the pandemic and the current poor financial climate.

District rates are either domestic (for households) or non-domestic (for businesses). While councils have the power to set different rates increases for households and businesses, this year all councils have chosen to instead set one percentage increase for both. Domestic and non-domestic rates are calculated by multiplying the rateable valuation of your home/business by the combined district and regional rate.

Domestic and non-domestic rates are set in terms of the number of pence in each pound of the value of your home/business. For instance, in the Newry, Mourne and Down council area, the domestic rate for the 2022/23 financial year is 0.4146 pence, while the non-domestic rate will be 24.4633 pence.

Why are rates increasing, and why are they rising in some areas more than others?

There are several factors that councils have to take into account when setting their district rate, including cost of living, inflation, the council's own financial reserves and other income, and the wider economic outlook.

Last year, several councils chose to freeze their rates due to the impact of the pandemic, dipping into their reserves to absorb the loss of income. Others chose to raise their rates slightly, however this has meant playing a degree of catch-up this year, when all councils have opted to hike their rates.

Some councils may be able to mitigate the rise through other savings, while those local authorities which are in a more financially healthy state, can strike a lower rate and use their savings to make up for the loss.

Where does the money go?

As mentioned, district rates pay for services the council is responsible for. Many councils also increase rates with an eye on using some of the revenue for particular projects.

Ards and North Down council, for instance, has said the money for the coming financial year will go towards redeveloping Bangor Waterfront and creating an 'innovation hub', while in Belfast some revenue will go towards supporting the development of office accommodation, hotels and retail as part of city centre development.

In Fermanagh and Omagh, the council said the rates will raise around £38m in extra revenue, £10m of which is to be set aside for waste management.

NI - BIGGER RATES BILLS ON WAY FOR ALL NORTHERN IRELAND HOUSEHOLDS

Increases struck by 11 councils mean some people will pay up to £21 extra

Rates for the incoming financial year are to be increased across all of Northern Ireland’s 11 councils.

Mid Ulster is to have the highest percentage increase for the 2022/23 financial year at 3.9%, mainly due to the council’s decision to freeze the rates last year.

It will mean an increase of just over £16 to the average annual household bill. The council has also agreed to generate around £1m in savings and additional income in order to offset the increase.

Rates bills for householders and businesses in Northern Ireland are calculated by adding the district rate set by councils and the regional rate set by Stormont. Legislation also allows for councils to set different rates for households and businesses.

Finance Minister Conor Murphy has proposed a continuation of the current rates freeze on both the domestic and non-domestic regional rates for the next three years — but due to the political crisis he told MLAs on Monday that this rates freeze could only be in place for one year.

In a statement, Mid Ulster District council explained that, in their area, only 42% of the domestic rates paid go towards funding council services and facilities, while 58% funds the services provided centrally.

“This means the overall aggregate rate increase for Mid Ulster ratepayers (that is, the total of the district rate and regional rate) is estimated to be 1.69% (domestic) and 1.82% (non-domestic),” the council said.

The councils in Mid and East Antrim and Lisburn and Castlereagh City have both agreed increases of 3.64%. For Mid and East Antrim, this means the average householder’s bill will increase by £17.59 per year and, in Lisburn and Castlereagh, this figure will be £20.70.

Elsewhere, Causeway Coast and Glens have struck a rate increase of 3.49%, representing an average of £16.80 on the household bill, while in Derry City and Strabane the rates increase will be 3.44% — an average of £16.97 on the household bill.

The next highest rates increase is in Belfast, where rates will rise by 2.99%. This means an average increase of £14.11 per year for householders.

Councillor Aine Groogan, chair of Belfast City Council’s Strategic Policy and Resources Committee, said: “As councillors, it’s important that we strike a balance between supporting communities, businesses and our most vulnerable as we move forward on our Covid recovery journey, and forge ahead with investing in our services.

“We have worked hard to keep the increase to an absolute minimum, and below the level of inflation, while also delivering on our community plan for the city and prioritising action on climate, digital innovation and investment in council facilities.”

In the Ards and North Down Council area, rates will jump by 2.75% — an average increase of £12 per year for households. Fermanagh and Omagh’s rates will rise by 2.72%, working out at average of £11.96.

In Armagh, Banbridge and Craigavon, rates will go up by 1.97% — an extra £9.79 on the average household bill.

At the lower end of the scale, in the Newry, Mourne and Down council area rates will go up 1.95% (an increase of £7.90). Antrim and Newtownabbey’s rates will rise by 1.9% — the lowest in Northern Ireland.

Mayor Billy Webb said: “The rates process was difficult given the uncertain times we are experiencing, but through prudent financial planning council have been able to deliver this low rates increase of just 15 pence per week for ratepayers.”

GOVERNMENT APPEARS UNLIKELY TO EXTEND RELIEF FROM UK FIBRE TAX

Since April 2017 the UK Government has allowed broadband networks to claim 100% business rates relief on new fibre infrastructure, but this “Fibre Tax” holiday is about to expire and there’s been no indication of an extension. Some operators fear this will add “significant cost and uncertainty to the investment case for full fibre.”

The 5-year holiday on business rates for new fibre optic (FTTP) broadband ISP infrastructure, which has also been adopted by Wales, is currently due to expire at the end of March 2022. This covers new fibre that has been “laid, flown, blown, affixed or attached” since 1st April 2017, including any plant and machinery intended to be used in connection with that fibre.

NOTE: Back in 2017 the Government estimated that the tax holiday would produce “a saving of £60m”, but the huge surge in Alternative Networks (AltNets) may have increased that.

The rates relief was introduced alongside various other schemes (e.g. broadband vouchers), regulatory changes and investment programmes, which together formed a key part of what has since helped to drive more competition into the UK fibre market. As a result, a mass of AltNets are now investing to help deploy gigabit-capable broadband alongside the big boys.

Admittedly, the change had less of an impact on existing operators, such as Openreach (BT) and Virgin Media, because it was introduced alongside a "revaluation" of business rates for existing infrastructure, which at the same time hit them with a huge tax hike. Nevertheless, the holiday has played a part in helping to support the business case for greater investment in new fibre.

Where next for the "Fibre Tax"?

However, the UK government has so far shown no indication that it will extend the current relief, which is despite Scotland's decision in 2019 to introduce a similar relief that will last for 10-years until 31st March 2029 (this may even be extended). Furthermore, a lot of fibre builders will continue rolling out after 2025 and many don't expect to see payback on their investment for around 15 years, thus a longer period of relief would help.

One problem on this front is that the Valuation Office Agency (VOA), which sets the business rates, isn't expected to run another revaluation exercise until 2023 and thus the boat of opportunity for another extension in England, as well as Wales, may have already been missed for this year.

A Government Spokesperson told ISPreview.co.uk:

"We are committed to meeting our fibre rollout target of at least 85% of UK premises having access to gigabit-capable broadband by 2025, which is why we're investing £5 billion so hard-to-reach areas can access gigabit speeds, whilst firms can still benefit from the super-deduction, the biggest business tax cut in modern British history, as well as, from next year, a new business rates improvement relief."

We should point out that the Government's "super deduction", which gives a big tax break to businesses that invest in new plant and machinery assets, is also due to expire next year. But admittedly, that will be offset in later years by the subsequent increase in the corporation tax rate to 25% from April 2023. Still, this is something else that could be extended, although it probably won't be.

The Government noted that they keep all taxes under review, but do not generally comment on speculation around tax policy outside of fiscal events.

Openreach spokesperson said:

"The business rates system adds significant cost and uncertainty to the investment case for full fibre, with the next revaluation coming in 2023. The Government's tax super deduction has had a very positive impact in bringing forward fibre investment, but also expires next year.

The industry therefore needs more predictability and transparency over the long term to boost investment and help deliver the Government's broadband commitments."

A Virgin Media (VMO2) spokesperson said:

"We're on a mission to upgrade the UK and believe that the Government should be ensuring the right environment exists to support privately funded network expansion and upgrade programmes which are bringing gigabit broadband and 5G services to even more homes and businesses across the country."

In fairness, the rates relief, while desirable, hasn't stopped operators from preparing huge new fibre builds and related investments that will continue well beyond this year. Part of that may be because, in terms of the extra cost per home passed (just a few additional pounds per annum), the fibre tax doesn't add very much. But such figures do add up as new networks pass more premises, particularly for the biggest players.

At this point it's worth highlighting that the need for an extension beyond 5 years also came up as part of the original consultation on the relief. In response, the government said that idea was "out of scope of the consultation," but they did then amend the legislation so that the final act "allows the Government to extend the relief in future if they wish." So the possibility does exist, even if there are no signs of it being utilised.

The good news is that, so far, no operators have publicly said they would have to scale-back their deployment plans as a result of the rates relief coming to an end. We also have to consider that the UK economy has just been ravaged by the global pandemic, among other things, which has left the Government with less financial flexibility.

None of the other operators that we engaged with for this article are currently anticipating any positive movement on the Fibre Tax before the current relief expires, although we'd love to be proven wrong.

USE RATES TO LEVEL UP, SAYS BIRA

The British Independent Retailers Association (Bira) has called on the government to reduce business rates for bricks and mortar retailers as part of its 'Levelling Up' programme for the north of England.

In response to the government's Levelling Up White Paper, Bira's chief executive Andrew Goodacre said: "The government has announced its vision for levelling up and identified 12 'missions' as areas of focus for this ambitious plan. It is hard to disagree with the intentions of this plan but we do need to see more detail to better understand how it will work in practice.

"The ambition for this Government is to level up the UK. From a business perspective there is one easy thing to do, and that is to level the playing field between high streets and the internet by reducing business rates.

"Research from last year showed that business rates have a disproportionate impact on businesses in the north of the UK, reducing investment and job opportunities. Incentivise business, especially independent businesses, and there is no doubt that local economies and communities will see the difference."

He added: "We welcome the commitment to improving transport infrastructure because access to town and cities, and High Streets in general is very important. There is a further commitment to creating 'pride in place', and in this respect we urge the government to recognise that independent retail plays an increasingly important role. Indie retailers support communities, invest in the local economy and are integral to creating a vibrant 'place' and something to be proud of."

Bira works with over 6,000 independent businesses across the UK.

GOVE CALLS FOR DEVOLUTION OF CONTROL OF BUSINESS RATES TO ENGLAND'S MAYORS

Levelling up minister says ceding powers to adjust the commercial property tax is 'the direction of travel we want to go down'

Control of England’s main commercial property tax should be devolved to directly elected mayors to boost investment, according to the minister overseeing the UK government’s “levelling up” agenda to tackle regional inequality.

Following the launch of his long-awaited policy white paper setting out plans to improve “left behind” parts of the country, Michael Gove told the Financial Times that he would like to see further authority given to mayors.

Although the Treasury is devolving some powers to switch business rates between different sectors, Gove would like to cede more control to adjust the commercial property tax. “That’s definitely the direction of travel we want to go down,” he said, noting that “previous Treasurys” would not have wanted any flexibility.

Ben Houchen, the Conservative mayor of Tees Valley in north-east England, has called on the government to devolve business rates to improve competition between regions and expressed disappointment that tax-cutting powers were not part of the white paper.

He admitted there was “a lot of scepticism” in Whitehall about mayors but said that views had changed and the same would happen with business rates. “I think it’s a case of making the argument. Few people are better equipped to make it than Ben because it’s not just a theoretical case, he can demonstrate how he can make a difference.”

Gove also said that the West Midlands combined authority should be given powers over policing and that other mayoralties should “have more of a role when it comes to skills, to further education, to careers”.

The 332-page white paper published on Wednesday was broadly welcomed by local governments but criticised by the opposition Labour party for lacking new ideas and funding.

The minister rejected suggestions he had been denied further resources by chancellor Rishi Sunak. “You never have everything you want, but sometimes you get what you need,” Gove said, adding: “It’s important that people recognise that we’re in it for the long haul, that there’s a down payment on future investment”.

Gove admitted the government had to convince those who voted Tory for the first time at the 2019 election that it could deliver on the dozen levelling up objectives that will be set into law.

“People are asking if the scale of ambition outlined in the missions is capable of being delivered with the resources necessary. And that’s what we’ve got to demonstrate. I don’t think there’s anyone who’s quibbling with the basic analysis of what’s required to be done.”

He denied that the levelling up agenda, which he said prime minister Boris Johnson had made “the defining mission for the government”, was about punishing London and the more prosperous south-east of England, where economic activity has far outpaced the rest of the UK in recent decades

“London succeeds if the whole of the United Kingdom succeeds, so we’re not doing anything to make London less competitive, less attractive, less of a global supercity. . we mustn’t dampen down the animal spirits in London and the south-east.”

We can’t be a party of any class, geography or ideology, we have to be a party that recognises the economic and moral imperative of helping cities like Sunderland to succeed.

Critics of the levelling up agenda have argued that it is merely undoing the effects of austerity during previous Conservative governments. Over the past decade, core government funding to local governments has been cut 37 per cent, according to the Institute for Government think-tank.

Gove did not reject this, saying that in the past the government had to “bring the budgets back into balance”, but accepted that some of the cuts might have been in the wrong areas. “It is the case that local government had to make some incredibly difficult choices and that’s why we’re now increasing spending in local government,” he said.

The white paper was also criticised by some Conservatives for its interventionist economics. Steve Baker, an influential MP, described the proposals as “socialist”. Gove said he had not taken a leftwing turn in his world view, but that his conservative thinking had evolved.

He said that the government’s approach to reform represented “another modernisation” of the Tory party that sees a focus on economic reform and represents the values of voters who are “part of our new coalition”, a reference to its new supporters in former Labour heartlands.

“The Conservatives are a national party or they’re nothing,” he said. “We can’t be a party of any class, geography or ideology, we have to be a party that recognises the economic and moral imperative of helping cities like Sunderland to succeed. And I think that new sort of conservatism was partly born in the aftermath of the Brexit referendum.”

Gove insisted the levelling up agenda could survive Johnson’s exit from Downing Street, but he stressed: “Boris is the best champion that levelling up has, and that’s why I’m supporting him 100 per cent of the way.”