IPTI Xtracts
Property Tax and Assessment News from Around the World

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QUEEN'S SPEECH 'DISAPPOINTING FOR BUSINESS RATES' SAYS COLLIERS

John Webber, head of business rates at Colliers has called the Queen's Speech 'disappointing' in terms of what was announced concerning business rates.

Although absent from the speech itself, the government did confirm a 'Non-Domestic Rating Bill' will form part of the agenda during the next Parliamentary session.

The Bill, which will apply to England and Wales, commits to a move to shorten the revaluation cycle from five years to three from next years and will be accompanied by new duties on ratepayers and 'measures to support compliance' in what it claims is a bid to improve valuation accuracy and timeliness.

The government is also set to provide relief on rates for a year where increases to rateable value occur as a result of improvements made to a property in a move it says is aimed at boosting investment in properties, and a new 100% relief for low-carbon heat networks.

The Valuation Office Agency is also receiving new powers to provide ratepayers with information on the calculation of their rateable value.

There will also be a ‘tightening’ of appeals against rates based on changing circumstances, with the government relying on the £1.5bn provided in the pandemic support fund to ‘future-proof business rates against further shocks.

“Reading these proposed reforms, feels like careering into a brick wall,” says John Webber. “None of these proposals are new and most were announced in last year’s Budget where they were criticised then for not being radical enough.

“Obviously a three yearly revaluation is to be welcomed, although we would prefer a move to annual valuations so that rates bills give a more accurate reflection of market values. But the new duties on ratepayers will be burdensome, time consuming and costly as we have continually said since they were first announced last year.”

Webber also raised his concerned about the statement concerning ‘tightening’ of appeals against rates based on changing circumstances, commenting: “This sounds ominous. Last year the government effectively denied over 400,000 rate payers the chance to appeal their business rates bills on the grounds of Material Change of Circumstance caused by the impact of Covid 19 and the subsequent lockdowns, through striking such appeals out in one fowl swoop and legislating against them. This was the biggest MCC in history and it was a disgrace that businesses were denied their right of appeal.”

“The £1.5bn COVID-19 Additional Relief Fund (CARF) offered instead has been a joke - not just in terms of the inadequacy in size, but also because thousands of businesses are still waiting to receive support one year on.”

He added, “Yet again the government is missing a golden opportunity to bring about proper business rates reform.”

“There has been nothing said about reducing the business rates multiplier to a manageable 30p in the pound - so that businesses are not straddled with a 50p plus tax, nothing said about reforming the myriad of reliefs that complicate the system and no reassurances to the retail and hospitality sectors that the government won’t bring in downwards transition following the next revaluation in 2023.

“If they did introduce downwards transition, as they did in the last revaluation, this would delay rate bills immediately reflecting the lower rental levels we have been seeing in the sector. This would particularly hit retail in some of the less affluent parts of the country.

“The government must make an announcement about downwards transition soon, particularly as retail businesses are making their business plans now. Without this reassurance the government's "levelling up agenda" will be meaningless and the high street unlikely to get back on its feet."

HOW BRITAIN'S OLDEST TAX IS STIFLING THE HOUSING MARKET

Heavy burden of stamp duty has become a cash cow for successive chancellors

Britain's oldest surviving tax could be one of the most suffocating for the economy.

First introduced in 1694 by William of Orange as he tried to raise money to fund his war with France, the scope of stamp duty has changed dramatically in the three centuries since but survived in some form.

Initially, it was intended to only entangle the most expensive houses but has now been harnessed as a cash cow for the Chancellor that almost every mover pays, particularly as prices surge.

While stamp duty land tax (SDLT) has impressive longevity, economists on both sides of the political spectrum are in agreement it is a distorting tax that could be worsening Britain's housing crisis by stifling activity.

Though it is raising record amounts of revenue for the Exchequer, are the economy and homebuyers paying the price for not scrapping stamp duty?

"Economists are pretty much agreed that this is a bad tax and some kind of ongoing property tax is a much better tax," says Kath Scanlon, deputy director at LSE London.

"It used to be the case that the average buyer purchasing the average house would not be liable for stamp duty land tax anywhere.

"That is definitely not the case now. It would be almost impossible to buy any property in London that wouldn't make you liable for SDLT."

The Chancellor raised £14.1bn from stamp duty in 2021/22, more than double the amount generated a decade ago and the highest on record. It accounted for 2pc of all tax revenue last year compared to 1.3pc in 2011/12, raising almost as much as capital gains tax and more than all alcohol duties combined.

Lucian Cook, head of residential research at Savills, says: “It has been an incredibly effective means of raising revenue but it's also been an increasingly effective policy tool to achieve some of their housing goals.”

He says this has helped to give younger first buyers “a competitive advantage in the market” with a reduced tax rate or to “charge additional rates for investors and second home buyers”, deterring them.

The Exchequer has raked in revenue from the pandemic-induced surge in property prices, a result of Rishi Sunak’s stamp duty holiday that not only propped up the housing market through Covid but caused a flurry of transactions.

Official figures indicate that house prices have jumped 20pc since the start of the pandemic. Meanwhile, the stamp duty bands have returned to their pre-Covid levels, meaning more of the transaction is caught up in higher tax bands when a property is sold.

The average property in Britain paid £2,100 in stamp duty before Covid but the property price boom has pushed it up to £3,800.

While higher property prices have helped, decisions to widen the scope of the tax in recent decades have also made it a big money earner.

In the 1980s, there was just one stamp duty band with homebuyers paying a 1pc tax on properties worth £30,000 and above. The average property price was just under £26,000 in 1984, meaning the majority of transactions were not caught up in the tax.

However, there are now four bands with homebuyers beginning to pay a 2pc rate from £125,000 upwards.

That is well below the current average home price in the UK of £277,000 and disproportionately impacts London and the South East where the housing crisis is at its most acute. The tax hits 10pc for properties above £575,000.

Sam Robinson, senior research fellow at think tank Bright Blue, says: “We've been seeing quite a few properties pushed into new stamp duty brackets as a result of a rise in house prices.

“It does lead to quite a different world for first time buyers. Given that the buyers pay stamp duty, this is a worsening problem for people wanting to get into the housing market.”

Heavy taxation of property transactions is stopping Britons from moving and - crucially - keeping them in homes that are the wrong size, deepening the housing crisis. Think tanks from both the left and right have proposed scrapping stamp duty while the idea has gained traction with some MPs on the Tory backbenches.

“A tax on any activity tends to reduce the frequency of that activity,” says LSE London’s Scanlon. “People who gain the most from avoiding [stamp duty] are people who live in big houses, people who live in valuable houses, people who live in London and the southeast, so basically potential downsizers.”

Economists believe the housing crisis could be eased at least partially if people were able to move out of unsuitable homes, freeing up supply.

Many older people are in three or four bedroom homes designed for families but stamp duty deters these so-called “empty nesters” from selling up when their children leave.

Scanlon says this stops these properties being used “more efficiently”. He argues that a fundamental reform that brought in an annual property tax would help to disincentivise people from staying in homes larger than they might need.

“That would change the dynamics of the incentives so that you would be basically paying to remain in your big house but you pay less if you move to a small house.”

Bright Blue’s Robinson adds that scrapping stamp duty would allow people to move around the country more, relocate for jobs and use the current housing stock in a more efficient way.

Scrapping stamp duty might be able to help alleviate Britain’s housing crisis but few Chancellors will be willing to give up such a lucrative cash cow.

COUNCIL TAX REBATE BLUNDER AS THOUSANDS TOLD THEY WILL HAVE £150 TAKEN OUT OF THEIR ACCOUNTS

Thousands of households have been told £150 taken out of their accounts in the latest council tax rebate blunder.

People whose houses falls between council tax bands A-D are being given £150 to help with the ongoing cost-of-living crisis.

But while some have already received their bonuses, thousands in Kent were told the money would be paid in as well as also being taken out.

The borough council for Swale, who were in charge of paying the money into people's accounts, said that more than 33,000 residents were affected by the error.

It said that some residents would "see both a debit and a credit on their bank account today due to an error processing the planned payments".

"We are deeply sorry that this has happened, and we have been working to rectify the situation and make sure people's accounts are in a neutral position. If you are worried, please check with your bank to confirm both a debit and credit has been made to your account."

The council has now said that the debt will not be taken from people's accounts, while also "wholeheartedly" apologising for the issue.

It said in a statement: "As the debit subsequently failed, we're now in a position where more than 33,500 residents are in receipt of their energy rebate.

"This was a complicated situation, and it's taken longer than we would like to get the information and clarity we, and those potentially affected, need."

The issue comes after 25,000 residents in Leeds received two payments in error, with the council warning they will be reclaiming the money.

A Leeds council spokesman said: "We are aware that a significant number of council tax rebate payments have been duplicated, meaning some residents have received the payment twice.

"This is due to a process error where the same payment file was incorrectly processed twice after it was initially rejected by the bank.

"We are working with our bank to recover the duplicate payments so that the situation can be rectified as soon as possible."

COUNCIL TAX ENERGY REBATE – YOUR QUESTIONS ANSWERED

We know many of you are wondering when you will get your Council Tax Energy Rebate payment.

We've answered some of the most frequent questions below.

What is the Council Tax Energy Rebate?

Earlier this year, the government announced support to help with rising energy bills, including a one-off payment of £150 to households in Council Tax bands A to D, and a discretionary fund for residents in higher band properties.

People will not need to pay it back and it will not be treated as income for tax or benefit purposes.

How do I know if I qualify?

The Government has said you must be liable for Council Tax and have lived in a property within Council Tax bands A to D on 1 April 2022. This includes a property that is valued in band E, but has an alternative valuation band D as a result of the disabled band reduction scheme.

It must be your sole or main residence – second homes and empty properties are not eligible.

It must be a chargeable dwelling, or in the following exemption classes:

N (wholly occupied by students)

S (wholly occupied by residents under 18)

U (occupied by residents who are severely mentally impaired)

W (one of two dwellings in a single property occupied by a dependent relative of a person living in another dwelling in the property)

The person who is liable to pay the Council Tax (or would be were the property not exempt) is not a local authority, a corporate body, or other body such as a housing association, the government or governmental body.

When will I receive mine?

Our staff have been working really hard to put in place the necessary systems and procedures to make the rebate procedure as simple and efficient as it can be.

This is a significant piece of work because there are 224,500 eligible households in Liverpool and we need to make sure that payments are made correctly.

We are starting to pay the rebate to households in May.

When and how you receive your rebate depends on how you pay Council Tax:

Direct Debit households

If you are one of more than 110,000 households that pay by Direct Debit, you do not need to do anything – you will be paid a rebate during the month of May, although we can't say exactly when because we are processing the payments in batches.

Other households

Look out for the letter from the council coming through your door from later in May explaining how you can apply online. We will be putting in place alternative procedures for people without internet access.

I am in a Band E – H property and I am struggling to pay my bills

We do know there are some families living in larger properties in Bands E to H that will also be struggling, so in the near future we will be releasing details of a discretionary scheme that they may be eligible to apply for.

If a household is not eligible for the £150 rebate because it is in Council Tax bands E to H, there may be help available through a discretionary fund.

More information about the criteria, and how to apply will be provided in the coming weeks.

I can't afford to wait until the payment is made

We know that many people are struggling with the rising cost of living.

Liverpool City Council has a range of support in place:

Benefits advice

Request benefits advice or get help with Universal Credit claims today at www.liverpool.gov.uk/bms or check if you qualify online at www.gov.uk/benefits-calculators. You can also call freephone 0800 028 3697 or visit any One Stop Shop. You can also speak to your landlord if you're a social housing tenant.

Liverpool Citizens Support Scheme

If you find yourself in crisis you can apply for support to get food and basic necessities for you and your family including gas and electric vouchers (urgent needs) and furniture and household essentials (home needs). An emergency or crisis might be a fire or flood, or you have had to move due to violence or fear of violence, or you are leaving care or prison and need support to stay in the community. Find out more: www.liverpool.gov.uk/benefits/help-in-a-crisis/liverpool-citizens-support-scheme/

Debt

Your local Citizens Advice can help you deal with debt. You can book appointments with a specialist advisor by calling 0344 848 7700 or visit www.citizensadviceliverpool.org.uk to find your local office. For details of other organisations go to www.liverpool.gov.uk/debt

Council Tax

Call us today on 0800 028 3686 if you're having problems paying your Council Tax, have Council Tax arrears, are struggling to pay back overpaid Housing Benefit, or owe other debts to the council.

Free school meals

Apply today at www.liverpool.gov.uk/freeschoolmeals or call free phone 0800 028 3697.

Fuel and energy bills

Our Healthy Homes team can provide free help and advice if you're struggling to pay your fuel bills, and energy saving hints and tips to help keep you warm and your bills low. They may also be able to help with replacement boilers and windows. Visit www.liverpool.gov.uk/housing/fuel-poverty-and-energy-efficiency/ or call them on freephone 0800 0121 754.

Council Tax Support

Council Tax Support helps you pay some of your Council Tax if you are on a low income or claiming certain benefits. You can claim whether you own your home or rent, or whether you're working or unemployed. Find out more: www.liverpool.gov.uk/benefits/housing-benefits/council-tax-support/

Discretionary Housing Payments

Discretionary Housing Payments (DHP) can give you short term help to pay your rent when Housing Benefit or Universal Credit does not meet your rent in full. You can apply if you receive Housing Benefit or the housing cost element of Universal Credit or there is a shortfall between your rent and benefit entitlement. Find out more: www.liverpool.gov.uk/benefits/housing-benefits/discretionary-housing-payments/

Want to know more?

Visit www.liverpool.gov.uk/counciltaxenergyrebate for the latest information.

COUNCILS 'NEED CLARITY' OVER BUSINESS RATE FUNDING CHANGE

Councils have called for clarity over proposed compensation levels after the government announced it will press ahead with plans to remove large telecom companies and railway services from local authority business rates billing lists.

As part of the revaluation of business rates for 2023, the government is set to move assets of large telecom companies and railway services from English and Welsh local authority billing lists to Whitehall, a consultation response on reforms to the central rating list published today said.

The government said it will compensate authorities through business rate retention increases, but experts told PF that councils will need to know how the government calculates compensation paid to them.

Geoff Winterbottom, principal researcher at the Special Interest Group of Municipal Authorities, said: “The only concern that we have got, and have voiced time and time and time again, is that once funds go into the central list it is very opaque about how they are applied.

“Our big fear would the government uses that increased central list funding to reduce support from other resources including the revenue support grant.”

Similarly, Adrian Blaylock, lead revenues advisor at CIPFA told PF that the government’s upcoming consultation on funding will be crucial to giving clarity to how it will compensate councils.

He said: “CIPFA has always argued for more certainty in funding.

“These proposals obviously bring less certainty, because we do not know exactly what is going to be moved across and we do not know what the impact is going to be."

The government said that moving telecoms companies and larger railways to the central list would reduce administrative burden on councils, because these assets often span a number of billing authorities.

It added that it will not compensate councils for any Business Rates Supplements (BRS) currently charged on assets that are moved to the central list.

Under the BRS scheme, public bodies can levy an additional charge on larger business properties to help fund infrastructure projects.

For instance, Transport for London has levied a 2p increase on business rates with a rateable value of over £70,000, to help fund Crossrail.

Blaylock said that any assets transferred to the central list could impact on the overall funding available for the affected transport projects.

The response also scrapped proposals to move new mobile phone cells installed as part of the 5G rollout to the central list, after respondents said that authorities are capable of administering these payments.

The government said it will consult on changes to the business rate retention scheme ahead of the 2023-24 local government finance settlement later this year.

BUSINESS LEADER CALLS FOR EMERGENCY BUDGET TO HELP UK COMPANIES

British Chambers of Commerce head Shevaun Haviland urges chancellor to take steps to offset soaring costs

The head of a leading UK business lobby group has called on chancellor Rishi Sunak to draw up an emergency budget to support companies struggling with the rising costs of energy, raw materials and labour.

Shevaun Haviland, director-general of the British Chambers of Commerce, will on Monday write to the government to ask for a package of economic measures to ease the cost of doing business in the UK, as demand shows signs of slowing down.

In an interview with the Financial Times after her first year as director-general, Haviland said business confidence had fallen sharply since the start of April as companies were forced to absorb soaring energy costs while the economic outlook deteriorated.

The Bank of England last week warned that the UK economy would slide into recession this year as higher energy prices pushed inflation above 10 per cent.

Haviland said there was a risk that companies would stop investing in the UK. “Businesses were optimistic about their prospects until last month,” she added. “Confidence has taken a big dent. Businesses know that the government could help.”

Haviland, who has completed a two-week tour of the UK to gauge business confidence, said some companies have reported that their energy costs have more than doubled and wiped out profit margins.

Companies were trying to limit passing on rising costs to consumers, but many said they were forced to raise prices to share at least part of the pain, she added.

"The government thinks that the cost of living is divorced from the cost of doing business but they are the two sides of the same coin," said Haviland. "Keeping costs down for business will benefit households."

Haviland said demand remained strong for many businesses as they emerged from the coronavirus pandemic, especially in hospitality and tourism as people sought to spend on leisure and holidays, but for manufacturers' order books were deteriorating.

This would become a significant problem for the government given it was hoping for a business-led recovery from the coronavirus crisis, she added.

Sunak should not wait until the autumn to intervene, when his next Budget is expected, said Haviland. "It is easier to keep a business open than to get them to reopen once they have closed," she added.

The British Chambers of Commerce, which represents tens of thousands of companies around the UK through its network of chambers, has urged Sunak to take immediate action to help businesses or risk stamping out "green shoots of recovery".

It has proposed the Treasury push back its increase to national insurance that took effect last month to ease cost pressures on employers.

It also recommended Sunak cut value added tax on energy bills from 20 per cent to 5 per cent.

With many businesses worried about the impact of a potential new wave of Covid-19 infections on workforces, the British Chambers of Commerce said the government should also bring back free coronavirus testing for employers.

In her letter to the Treasury, Haviland cited a British manufacturer that exports to more than 70 countries that has reported high profits turning into an expected £2mn loss this coming year. She also highlighted a hospitality business where energy bills have increased 250 per cent.

Haviland raised concerns about rising interest rates for businesses that took on state-backed debts to survive the pandemic, with loans set to cost more to service just when companies were starting to worry about faltering demand. "Covid meant that businesses used a lot of their cash," she said.

Finding and keeping workers was also an issue for almost all sectors, said Haviland. "Workforces are pushing hard for pay rises as they can see their own costs going up," she added.

The Treasury highlighted how certain high street businesses were eligible for 50 per cent relief on business rates, and also a freeze in the inflation component of the property-based tax.

"No government can control the global factors pushing up prices, but we will act where we can to support businesses," said the Treasury. "At the Spring Statement we went further, cutting taxes for hundreds of thousands of businesses through increasing the employment allowance and cutting fuel duty."

RETAIL NI ASK FOR EXTENSION OF BUSINESS RATES HOLIDAY TO HELP WITH 'PERFECT STORM' OF COST INCREASES

Retail NI Chief Executive Glyn Roberts has called for the rates holiday to be extended to help businesses cope with a "perfect storm" of cost increases.

Speaking at an event in Lisburn on Thursday night alongside representatives of the five main Assembly parties, Mr Roberts said that his members were concerned that the end of the rates holiday "will make a bad situation even worse".

Businesses in Northern Ireland were granted a rates holiday in April 2020 that was extended into June of this year.

This suspension of business rate payments is due to expire at the end of June.

The Retail NI Chief Executive was keen to stress the multi-faceted nature of the challenges facing Northern Irish businesses.

"We are no longer just experiencing a cost-of-living crisis", Mr Roberts said, "it is also a cost of doing business crisis which threatens jobs and businesses across every sector of our economy.

"Businesses are facing a perfect storm of cost increases including Energy, National Insurance, Inflation, Covid Recovery, and rising Interest rates"

Retail NI is calling for immediate political action on this issue in the aftermath of the election, saying that the new Executive must "hit the ground running" and make moves to agree "a business support package" that includes a continuation of the rates holiday.

The cost-of-living crisis has impacted businesses in recent months as the cost of supplies and fuel increasing.

There have also been an increasing number of labour disputes in recent months, with strike and industrial action taking place across the public and private sectors as workers seek wage increases to help deal with rising costs.

NEW UK RETAIL LOBBY GROUP ‘OPEN TO’ ONLINE SALES LEVY

A new lobby group of UK retailers has declared itself “open to the possibility” of introducing an online sales tax to finance a big cut in business rates, highlighting deep industry divisions about how to rebalance the burden of taxation between physical and internet stores.

The Retail Jobs Alliance, which was unveiled on Tuesday and says it is a temporary one-issue group, includes supermarket groups Tesco, J Sainsbury, Coop and Wm Morrison; DIY specialist Kingfisher; bookstore Waterstones and food-to-go chain Greggs. Between them, the members employ more than 1mn people.

“We will be making the case for an overall cut in business rates for all retail premises and we are open to the possibility of funding this through the introduction of a new online sales tax,” the group said in a letter to chancellor Rishi Sunak.

The campaign is also backed by Usdaw, the shop workers’ union, and two organisations representing smaller independent retailers.

Almost all retailers that operate shops are of the view that business rates, a property tax based on annual rental costs, are too burdensome and are not adjusted often enough to reflect changes in the rental market.

But there are significant differences of opinion about whether an online sales tax is the way to finance a reduction in the business rates burden.

A group of online-only retailers set up in 2021, the UK Digital Business Association, has argued against such a levy. Its members include Ocado, electricals retailer AO, fashion groups Asos and Boohoo, and health and beauty retailer THG.

Tesco has previously suggested that a 1 per cent online sales tax could fund a 20 per cent cut in business rates for physical stores. Others, such as Currys and Frasers, have previously said that more frequent revaluations and other adjustments would better align business rates with economic reality.

The range of views has left the British Retail Consortium, which traditionally speaks for the industry on public policy issues, in a difficult position.

“The breadth of the BRC’s membership means that for perfectly good reasons it’s not able to take a position on an online sales tax,” said a spokesperson for the Retail Jobs Alliance, who added that some of those who had signed the letter were BRC members.

Andrew Goodacre, chief executive of the British Independent Retailers Association and a signatory of the letter, said online sales taxes were “a very divisive issue”.

“It’s really hard to find a position that pleases all of your membership. But according to our surveys, the majority of members are in favour of an online sales tax that taxes big companies like Amazon more than it does them”.

Some retail executives say it has become much harder for the BRC to arrive at a unified position regarding online sales taxes since Amazon, the UK’s biggest online-only retailer, became a member.

But longstanding BRC members such as Currys, John Lewis and Next are also longstanding opponents of online levies on the basis that they will simply add to the overall tax burden on retailers or be passed on to consumers. DBA members such as Asos, Boohoo and AO are also BRC members.

The BRC declined to comment but acknowledged it was working with its members to develop its response to the government consultation on online sales taxes. It has been a strident critic of the existing business rates system.

The Treasury consultation closes on May 22. An earlier report on business rates concluded that while more frequent revaluations and other adjustments could reduce the burden on retailers, it saw “little value in ripping up the system and starting afresh”.

In a normal year, the tax raises around £25bn in England, with devolved administrations in Scotland, Wales and Northern Ireland operating slightly different systems.

During the Covid-19 pandemic, retail and hospitality businesses were given substantial business rates relief and smaller retailers continue to benefit from a 50 per cent discount until April next year.