IPTI Xtracts
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BANKRUPT SLOUGH COULD RAISE COUNCIL TAX BY 20% AND BE FORCED TO SELL OFF ASSETS

Local authority told to offload thousands of assets including council houses in stark report, a year after declaring bankruptcy

A bankrupt local authority could have to raise council tax by 20% a year and will be forced to sell off thousands of homes and other assets under “unprecedented” plans imposed on it after it ran up catastrophic debts amid overspending running into hundreds of millions of pounds.

The scale of the financial and management chaos at Labour-run Slough council is revealed in a stark report by a team of government commissioners sent in to run the authority after it declared effective bankruptcy a year ago.

It calls on ministers to give special powers to commissioners to effectively rebuild “the basics of local government” in an authority it says lacks top-level leadership, faces a major staffing crisis and struggles to deliver what it calls “extremely fragile” services.

The council has been told to offload hundreds of millions of pounds’ worth of assets to fund its recovery programme, including its stock of about 6,700 council houses, and a number of development sites earmarked for housebuilding.

But the report warns council leaders that even a fire sale of assets – everything the authority owns except roads and parks is said to be “on the table” – may not be sufficient and that it may need financial support from government for up to eight more years.

The parlous state of Slough’s finances mean local residents face potential council tax increases of between 12% and 20% in each of the next three years, the report says. Annual council tax increases are normally limited to a maximum of 5%.

Although Slough initially reported a £100m “black hole” in its budgets at the time of its Section 114 bankruptcy notification in July 2021, this ballooned to £480m as auditors went through the books. It also owes £680m borrowed in recent years to finance a series of property developments.

Formally responding to the report, local government minister Paul Scully said the “unprecedented” scale of the financial challenge in Slough meant “radical solutions may be required to ensure best value and sustainable service delivery for the residents of Slough”.

The commissioner’s report describes a council reeling from years of disastrous investment decisions and leadership failures and which now struggles to deliver even basic services as it grapples to recruit and retain staff.

“Even in the best of times, managing such a small unitary authority would be very challenging, requiring the highest-quality political and officer leadership and a degree of luck, hoping nothing much would go wrong. Regrettably, this has not been the case over recent years," the report says.

The report attributes a series of financial failures in recent years to incompetence and deliberate missteps on the part of officers, including overambitious borrowing, the draining of reserves, and misuse of capital receipts. "What is surprising is that no councillor seemed to notice," the report says.

It reveals senior executives at the council spent £2.8m on consultants with little local government experience to guide a management restructuring that was supposed to deliver £4m of savings. The ill-fated plan, launched at the height of lockdown, instead ran up costs of £1m and left the council shorn of key staff.

The scheme was "totally unfit for purpose and resulted in the speedy destruction of officer capacity and competence with many remaining individuals now in posts they had no experience in and whole teams being made redundant which were essential to delivery of statutory services", the report says.

The commissioners' report says many of the posts that were eliminated under the plan are now having to be re-created. There is just one permanent senior director in place at the council, which is highly dependent on agency staff, not least in children's services, which has been under special measures for eight years.

The former Slough chief executive Josie Wragg was sacked by the commissioners in March for "gross negligence and reckless behaviour."

James Swindlehurst, the leader of Slough council, said: "The mistakes which brought us to this position are laid out clearly, but what is also clearer as we move forward is what we need to do to help put things right. We have always accepted the seriousness of our situation and the difficult decisions we have to make in the coming years."

RELIEF VITAL FOR LOCAL SHOPS AHEAD OF BUSINESS RATES REVALUATION

ACS (the Association of Convenience Stores) has highlighted the importance of transitional arrangements in advance of the business rates revaluation due in 2023 in a submission to the Department for Levelling Up, Housing and Communities.

In the submission, ACS makes a number of recommendations including:

- Deliver faster downward transition to businesses that have seen a reduction in their business rates bills

- Retain upward transitional rate relief for business that have seen an increase in their business rates bills funded through central government
- Continue to recognise small businesses in the transitional rate relief caps

ACS chief executive James Lowman said: “Transitional arrangements are important to smooth fluctuations in business rates at revaluations. A revaluation has not taken place since 2017 so the latest revaluation will result in big fluctuations in rates bills given the disruption that has occurred as a result of the pandemic and significant changes in consumer shopping habits over the last six years.

“We are pleased that the government is considering delivering a transitional rate relief scheme and would urge there to be further consideration of centrally funding upward transitional relief which would serve to bridge the gap to the business rates system moving to more frequent revaluations.”

RATES RELIEF SCHEME COULD COST RETAILERS £1BN

The British Retail Consortium (BRC) has warned that failure to fix the flawed business rates Transitional Relief system could cost retailers over £1 billion between 2023 and 2026.

The Transitional Relief is the mechanism by which Government limits how much a retailer’s bill can change each year as a result of business rates revaluation. At revaluation, the Valuation Office Agency (VOA) adjusts the rateable value of business properties to reflect changes in the property market.

The system means that retail is subsidising other sectors, including over £550 million between 2017 and 2020 for government-owned infrastructure. The BRC says it also forces businesses in poorer parts of England, where rents are dropping, to subsidise those in richer areas, where rents are rising.

The Transitional Relief system gradually moves businesses to the correct rate over a period of years. The BRC pointed out that this “contrasts with other business and personal taxes, where those who are overpaying are immediately moved down to the ‘correct’, lower level of tax.”

The most recent revaluation came into effect in England and Wales on April 1, 2017, based on rateable values from April 1, 2015. The next revaluation will come into effect on April 1, 2023, based on rateable values from April 1, 2021.

The BRC has cited two examples of one retailer who is losing out to Transitional Relief. The first is a store in Chorley, Lancashire, that saw a 45% fall in the rateable value from 2010 to

2017, reflecting lower rents. Its business rates bill remained over 50% higher than it should have been in 2017, forcing them to pay £4,300 rather the ‘correct bill’ of £2,800.

The other example was a large store in central Blackpool seeing a 36% fall in the rateable value from 2010 to 2017, reflecting lower rents. The business rates bill for that store remained 44% higher than it should have been in 2017, forcing them to pay £26,000 rather the ‘correct bill’ of £18,000.

Retailers are struggling with rising costs and disrupted supply chains, warned the BRC, and while businesses are trying to limit how much of these costs are passed on to consumers, there is little margin left. It says the money lost to Transitional Relief in 2023-2026 is “yet another burden that must be accounted for, particularly for retailers outside of London, who are worst affected by the scheme”.

Tom Ironside, director of business and regulation at the British Retail Consortium, commented: “The business rates system is damaging our high streets and town centres by directly undermining store viability. The retail industry accounts for 5% of the economy yet is saddled with 25% of the total business rates bill.

“This is directly contributing to the loss of shops and jobs, particularly in many of the parts in the UK in need of ‘levelling up’ and putting additional pressure on prices.”

Said Ironside: “Transitional Relief is a flawed system that could cost retailers over £1bn during the next three years, leaving them with no choice but to close those shops which are most impacted by artificially inflated rates bills. This is money that could be used to help address the cost of living or support the vitality of towns and cities around the UK.

“In the short run, the most impactful change that any new Prime Minister could make to reform business rates, would be to scrap the ‘downwards phasing’ part of Transitional Relief.”

DIGITALISING BUSINESS RATES COULD WEAKEN LOCAL AUTHORITY POWERS

The Government’s plans for digitalising business rates (DBR) set out last week could marginalise power among local authorities, according to Colliers.

This comes after Government launched a public consultation on DBR, setting out and seeking views on how it proposes to connect business rates and tax information.

The Government committed to DBR in its conclusions to its business rates review in the Autumn Budget 2021. The proposed new system would link business rates information (held by local billing authorities) to tax records, which are held by HMRC.

Furthermore, it would enable businesses to view a copy of business rates billing information for all their non-domestic properties in England in one place, alongside other tax information.

Better policy?

The Government has said the new system would allow opportunities to better target business rates policy, including reliefs, in the future by have access to more comprehensive data.

It would also permit more effective compliance and a better experience of the business rates and wider tax system for businesses, including the ability to better to understand and review their tax liabilities in one place.

A Government spokesperson said DBR represents a major step towards modernisation of the system, which would tackle many of the concerns raised by stakeholders in previous consultations.

Colliers Head of Business Rates John Webber added: “While there are some strong merits in the new proposals – in particular this might help central Government in the distribution of reliefs and grants – it does beggar the question about the long-term role of local authority finance."

Distributing power

He continued: “At present, every local authority sends out bills and collects business rates. The proposals would mean local authorities would be in effect sending out bills for central government or HMRC which would be taking a more controlling role in the whole process. Would this ultimately lead to business rates being part of HMRC’s overall tax assessment?”

He also believed this could be the first step on the way to a system of self-assessment for business rates, which has long been floated.

The work on the new scheme is being led by the DBR team in HMRC and welcomes views from ratepayers, their agents and representatives, billing authorities and any others who have an interest in the business rates or wider tax system.

THOUSANDS OF BUSINESSES GO BUST WHILE AWAITING BUSINESS RATES REBATES

Thousands of business sites have foundered while waiting for rebates over property taxes, according to new data.

Research by real estate advisory firm Altus Group has showed that 3,165 business premises, including offices, factories, shops, pubs and restaurants, entered insolvency whilst they were awaiting the result of a business rates challenge.

Business rates are the property tax levied on firms across the UK and have steadily increased despite property valuations tumbling in recent years.

Currently, firms have a three-stage process – check, challenge, appeal – for complaints about business rates payments, which was introduced in 2017.

The challenge process allows firms to make a formal dispute their property valuation which is used to calculate the bills that are paid to councils.

Around 60% of all challenges are ultimately agreed, according to industry experts.

The latest researched indicated that the 3,165 business premises which entered insolvency after challenges could have seen a cash injection of £50.76 million in rebates, with many dating back five years.

The Valuation Office Agency (VOA), an executive agency of HM Revenue & Customs, is expected to resolve 90% of all challenges within 12 months.

However, they have failed to meet that target in every financial year since the introduction of the check, challenge, appeal policy.

During the 2020-21 financial year, around 43% of cases were resolved in line with the target.

Robert Hayton, UK president of Altus, said: “Firms emerged from a global pandemic to face a cost-of-doing-business crisis yet there is no urgency to help aid cash flow by resolving these challenges quickly.

“Rather than kicking the can down the road to be determined by overstretched tribunals, resources need to be deployed now by the VOA to clear the backlog whilst it is still manageable.”

NEXT PRIME MINISTER MUST ACT ON SOARING BUSINESS RATES: BRITAIN'S BIGGEST RETAILERS CALL FOR ACTION FROM SUNAK AND TRUSS

- Retail Jobs Alliance: Candidates to be PM have 'failed to prioritise high street'
- They must come up with 'serious proposals' to support shops across the country

- RJA also formed to fight for an overhaul of widely hated business rates system

The two Conservative leadership candidates must pledge to cut business rates, a group of the UK's biggest retailers has warned.

The Retail Jobs Alliance (RJA), representing firms including Tesco and B&Q owner Kingfisher, said candidates to become the next Prime Minister have 'failed to prioritise the high street'.

They must come up with 'serious proposals' to support shops across the country being hamstrung by the so-called 'shops tax', it said.

The RJA also includes Greggs, the Co-op and Sainsbury's and was formed to fight for an overhaul of the widely hated business rates system. Members employ more than a million people in the UK – a third of all jobs in the sector.

As Rishi Sunak and Liz Truss go head-to-head to succeed Boris Johnson, the RJA called on the pair to put cutting business rates at the 'top of their to-do list'. The RJA's call came after The Mail on Sunday revealed companies are facing a £22billion tax bombshell from an increase in business rates due to soaring inflation, which the Bank of England has predicted will hit 11 per cent this year.

As Chancellor, Sunak oversaw a review into business rates, but there were no sweeping reforms to the levy.

Truss, the Foreign Secretary, has promised to reform business rates so that they reward investment if she becomes Prime Minister.

Business rates are charged on shops, restaurants, pubs and other business properties based on their rental value. Critics of the tax say it holds back investment as it is charged regardless of how much profit a business makes, unlike corporation tax.

In an analysis seen by the Daily Mail, the RJA found cutting business rates would cost 'substantially less' than scrapping the planned 6 per cent increase to corporation tax.

And the RJA found that the tax could be removed from all 197,000 retail properties in England for less than the cost of scrapping the planned rise.

It also found the tax could be cut in half for all commercial properties across the UK for the same amount as scrapping the corporation tax rise.

The campaign group argues Sunak and Truss should prioritise cutting business rates as this would 'do the most' to boost investment and job creation and revitalise communities across the country.

A Retail Jobs Alliance spokesman said: 'The next Prime Minister could introduce a tax cut that retailers have been crying out for for years, and have a transformative impact on our high streets – especially in the areas most in need of levelling up.'

FIRMS FACING £22BN BUSINESS RATES HIKE

Plea for increase in Government support as companies brace for rise in tax toll AND soaring costs

- Impact of business rate hikes will hit firms battling costs and uncertain futures
- The rise is a result of record high inflation which is expected to peak in autumn
- Increases pegged against September's Consumer Prices Index, forecast at 11%

Companies face a £22billion tax bombshell that will hamper the recovery and could tip struggling businesses over the edge.

Experts say the impact of a sudden increase in business rates will hit firms as they battle soaring costs and an uncertain future.

The rise, based on additional payment calculations for the next five years, is a result of record high inflation which is expected to peak in the autumn.

Business rates increases are pegged against September's Consumer Prices Index, forecast to be as high as 11 per cent.

The rise would be the highest for decades and the single biggest jump by value in one year – around £3billion extra in the 12 months from next April and increasing in subsequent years to make up the mammoth figure.

Business rates are a tax on property which means it has traditionally been disproportionately borne by high street retail and leisure companies, many of which are already nervous about a slump in demand this winter as energy bills and food prices rocket.

Retailers have long argued that the system is archaic. They point out that a tax on property means rapidly growing online firms do not share the burden.

The calculations have been verified by business rates adviser Altus based on the sudden hike and then compound increases based on the Bank of England's target inflation rate.

Alex Veitch, Director of Policy & Public Affairs for the British Chambers of Commerce, said: 'Business rates hammer firms with significant costs before they turn over a single pound, irrespective of their economic health or circumstances. Businesses require vital support now to enable them to think and plan for the long term.' The Government has already made alterations to the business rates system – changing the benchmark for increases from the Retail Prices Index to the Consumer Prices Index, which traditionally rises at a slightly slower rate – and reduced revaluations from every five to every three years.

It has also introduced relief for small firms and, more recently, those in sectors under most pressure from the pandemic, although much of that help will be scaled back by next year.

Veitch said: 'To support long-term investment and success, the Government must do more to reduce the cost pressures that are holding back business growth.

'While recent changes to the rates system – such as more frequent revaluations – will help, a significant amount of unfinished business still remains. We need to see a reform of the entire system that takes all types of businesses into account.'

Some firms in the hardest hit sectors may be helped by a revaluation of rates from April 1 next year. But the total tax take will still rise with inflation.

The owners of high street businesses, including restaurants and shops, are feeling increasingly fraught about their prospects for the autumn. One retail chief executive said last night: 'We've had a good few months coming out of Covid, but the reality is that demand might all fall off a cliff pretty quickly in September when the summer is over, people come back from holiday and belts start tightening.

He added that if prices on basics such as food and energy bills continue to rise, then people would be forced to cut back on optional spending including fashion and eating out, which would have a 'pretty ugly' impact on high street businesses.

Robert Hayton, UK president at the real estate adviser Altus Group, said emergency measures to help firms with business rates during the pandemic were 'a good start in reducing the overall rates burden'.

But he added that the Government needed to stop its 'ridiculous policy' of raking in more taxes as a consequence of inflation and concentrate instead on creating genuine growth. This, he said, would in turn boost local tax revenues and help fund services.'

According to the Confederation of British Industry, which represents the nation's biggest firms, the UK has the highest property tax on firms across the G7 as a proportion of GDP.

This compares to a corporation tax rate which is the third lowest in the OECD and is currently set at 19 per cent.

The Treasury is under pressure to cancel a rise in corporation tax to 25 per cent from April, that would net it £17billion a year by 2026.

Tory leadership hopeful Liz Truss has promised to axe the corporation tax rise, as well as a National Insurance hike worth £12 billion – which she has branded a mistake – and a £4.2billion 'green levy' on energy bills.

UK'S OUTDATED PROPERTY TAXES FAVOUR THE WEALTHY, SAYS OECD

An increase could mean lower income tax and and also help young people on to the property ladder

Britain's property taxes are outdated and favour a wealthy elite, according to a comparison with other countries carried out by the Organisation of Economic Cooperation and Development (OECD).

The report found that surging property prices across the OECD's 38 member states were a cause for concern and should be restricted by more punishing property taxes.

In a series of recommendations that will make difficult reading for supporters of low property taxes, the Paris-based organisation said governments could cut taxes on workers' incomes by raising charges on property wealth.

Laying out a six-point plan for property tax reform, the OECD said countries that sought to spur economic growth by cutting taxes on property transactions were propping up sky-high prices and favouring already wealthy sections of society.

Residential property has become the number one investment target for most people in the developed world, accounting for around 80% of all asset investment in the last 10 years. About 90% of bank lending is on mortgages.

Last year the Resolution Foundation thinktank said the government should increase property taxes to recoup some of the £3tn gained from property price rises over the previous 20 years.

Since the 2008 financial crash, when UK house prices dipped by about 15% on average, house values have soared. The most recent official figures showed prices grew by 12% in the year to May, despite concerns about the Russian invasion of Ukraine and the increasing likelihood the UK will suffer a recession later this year.

The then chancellor, Rishi Sunak, cut stamp duty on housing transactions up to a value of £500,000 in response to the downturn following the first pandemic lockdown. In the last two years house prices have increased by more than 20%.

In its annual review of taxes on housing, the OECD identified "a variety of ways in which the design and functioning of housing taxes could be improved".

It criticised countries that allowed annual property taxes to be based on outdated values that failed to reflect current trends.

Britain's only annual tax on property – council tax – is based on a banding system that uses house values dating back to its inception in 1993. It has been widely criticised by economists who argue it favours residents in larger houses that have gained in value over the last 30 years.

The report highlights that housing is the main asset for most households, and plays an even more important role for middle-income households, with owner-occupied housing representing on average 60% of middle-class wealth.

"Nevertheless, high-income, high-wealth and older households hold a disproportionate share of overall housing wealth. Unprecedented growth in house prices over the last three decades has made access to the housing market increasingly difficult for younger generations," the report said.

Pascal Saint-Amans, director of the OECD centre for tax policy and administration, said governments could cut taxes on income if they pushed ahead with reforms to property taxes that raised extra funds.

"In the face of unprecedented housing market challenges, it is more important than ever to ensure that housing taxes are both fair and efficient," he said.

"There is significant scope for countries to improve the design and functioning of housing taxes and this report provides a number of policy options to help countries implement reform."

UK RETAILERS CALL FOR IMMEDIATE REDUCTION IN BUSINESS RATES

Industry urges action amid fears that a cut in tax paid on commercial property could be blunted by transitional relief

Leading retailers have urged the UK government to pass on an expected reduction in business rates immediately, with one property consultancy arguing that phasing it in gradually could cost the industry £1bn.

The UK's stock of commercial real estate is being revalued for the first time since 2017 and retailers, who pay a quarter of all business rates, expect substantial reductions in one of their biggest outgoings.

As part of each revaluation, the government consults on the mechanics of transitional relief, which smooths the effect of rising valuations on business rates but funds that by limiting the benefit of falls. The current consultation process ends on July 25.

Business rates are a tax paid by the occupiers of commercial property based on the premises' rental value. In most regions shop rental values have fallen sharply in recent years, and the latest revaluation was delayed in order to capture the full impact of the Covid-19 pandemic.

In the five years since the last revaluation, transitional relief of £633mn was given to English retailers facing increases in business rates. But that was more than cancelled out by the £1.28bn withheld from those whose liabilities fell.

Transitional relief does not apply in Scotland or Wales, where business rates are an issue for the devolved governments. A slightly different system applies to Northern Ireland.

The British Retail Consortium lobby group cited the example of a supermarket in Cornwall, where the rateable value fell 23 per cent in the 2017 revaluation. Without transitional relief, the supermarket would have paid £62,000 in business rates for the 2017/18 tax year, but ended up paying £82,000.

"Transitional relief means thousands of retailers overpay their business rates, worst affecting those shops in 'levelling-up' regions where property value has fallen the fastest," said Tom Ironside, BRC director of business and regulation.

The BRC said it planned to call on chancellor Nadhim Zahawi to abolish the downwards phasing of business rates ahead of the 2023 revaluation, with Ironside adding that this would be "the single biggest immediate change any new prime minister could make to help struggling high streets".

None of the remaining Conservative leadership candidates has pledged to act specifically on business rates, preferring to focus on corporation tax, VAT and national insurance.

Jerry Schurder, head of business rates at property consultancy Gerald Eve, estimated that if the 2017 relief regime were retained, retailers could lose out on £1bn over the three-year period until the next revaluation because the upwards relief granted would be very limited but the downwards relief withheld would be substantial.

Schurder added that the draft assessment of rateable values would normally be available before any consultation and that the debate over the design of reliefs was "taking place in something of a vacuum".

The Department for Levelling Up, Housing and Communities said it had introduced temporary reliefs for retailers during the Covid-19 pandemic and frozen business rates for this year at last year's level.

"We continue to support businesses with tax incentives . . . as well as investing in skills, innovation and infrastructure to boost growth," it added.

BBC FUNDING COULD BE ATTACHED TO COUNCIL TAX BILLS, LORDS COMMITTEE SUGGESTS

The BBC licence fee could be abolished and replaced with a universal household levy linked to council tax bills, a Lords committee report has said.

A new report from the Lords' communications and digital committee explored a number of alternatives to the current model of funding the broadcaster which included a Netflix subscription-style model, an advertising-led model and government grants.

The report highlights that in recent years, several European countries have moved to funding their public service broadcasters from the traditional licence fee model to a universal household levy.

Under the new model, each household must pay a flat fee regardless of their consumption, which would be linked to the monthly payment they make to their local authority.

According to the report, a household levy could "provide predictable and sustainable levels of income" for the BBC, "if the same overall level of funding were collected, it would lead to a reduction in the level of the fee, as all households would pay, rather than just those who had opted in".

It states that if funding for the corporation were attached to council tax bills "collection could be more efficient, driving down administration costs as there would be no need to determine which households have a TV set".

However, the committee's report also points out that a potential drawback of the "flat-rate" household levy would be that it is "regressive". It suggests an alternative be attaching the levy to the existing council tax system, meaning that the fee would in theory differentiate on the basis of household wealth.

"Linking the fee to existing systems might better meet the test of proportionality by avoiding creating an entirely new system to assess and administer fee levels," the report said.

Although, the report said: "We note this would be subject to existing imperfections in the council tax system's ability to accurately measure wealth, and outdated versions upon which it is based."

"A universal household levy could offer a viable alternative to the licence fee. It would need to be means-tested to make it fairer than the current model," the report said.

"Linking the fee to council tax offers one route to achieving this via an existing system. This could reduce collection costs."

Baroness Stowell of Beeston (Con), the committee chair said: "The greatest threat to the BBC's future isn't a battle amongst politicians about the licence fee – though decisions about how it is funded are important to get right and becoming increasingly urgent.

"That's why the committee concluded that, when it comes to what the BBC does, the status quo is not an option. There will be choices for the government and Parliament to make when it comes to funding mechanisms," she said.

UK'S INDEPENDENT PUBS ON THE BRINK AS COSTS SPIRAL

Trade body calls on government to cut business rates as smaller bars brace for tough second half

Staffing shortages and cost pressures are hitting the UK's almost 40,000 independent pubs hard, forcing them to cut trading hours and putting their future in peril, according to a major industry survey.

Some 15 per cent of independent pub operators said their business is no longer viable, predicting they would have to close permanently, and around half have had to reduce trading hours because of a lack of staff, according to a survey of 207 businesses commissioned by the trade body the British Institute of Innkeeping.

Around three-quarters of independent pubs have vacancies they are struggling to fill, the survey conducted in early July found. Nearly one quarter have had to close their doors for one or more usual trading days because of staffing shortages.

Steven Alton, the chief executive of the trade body, said independent pubs were “currently under threat from the exceptionally tough trading conditions that they are battling”.

The majority of BII members are single pub operators, who either run a leased business, have a tenancy with a pub chain, from which they must purchase beer, or own a freehold property. There are roughly 36,000 independent pubs in the UK, according to the BII.

The warning from smaller, independent pubs comes days after JD Wetherspoon, an 860-site pub chain known for its tight cost control, said that rising labour costs would push it to a larger-than-expected loss this year.

In a letter to the new chancellor Nadhim Zahawi, seen by the Financial Times, Alton called on the government to cancel business rates for pubs next financial year and cut beer and cider duties, among a suite of measures, to help independent traders survive.

“Without support we will lose the opportunity for growth and regeneration, we will lose pubs from the heart of their communities, and we will lose something very special in our nation’s unique heritage and culture,” wrote Alton.

The survey found 43 per cent of pub operators said they had faced cost increases of more than 20 per cent, more than double the rate of inflation.

Almost half said their profits were down more than 30 per cent in the first six months of the year, compared with the same period in 2019, in large part because of a rise in food, drink and energy costs.

The BII’s findings “graphically illustrate the unprecedented pressures being faced for our independent community pubs”, said Kate Nicholls, chief executive of the industry body UK Hospitality.

Nicholls said pubs were facing “a toxic cocktail” of waning sales, staff shortages and cost pressures. “Without intervention to reduce the cost of trading, removing regulatory blockers to growth and filling job vacancies, many of these businesses — particularly smaller or independent businesses without big finance behind them — will not survive,” she said.

David Hage, director of the Secret Pub company, which operates three sites across Nottinghamshire and has around 70 employees, said he was trying to fill two chef roles, adding that applicants were “demanding higher salaries”.

“Sales and business are good right now. It always is in the summer months,” added Hage. “The true test for our industry and our pubs will come in the autumn and winter months, when sales naturally reduce, but the increased costs will remain.”

THE END OF THE DOUBLE EDGED SWORD OF TRANSITIONAL RELIEF?

I’m currently formulating my response to the Government’s latest business rates consultation, this time on the transitional relief scheme to be implemented for the April 2023 revaluation.

Transitional relief is designed to phase in changes in liability so that an occupier facing a large increase in rateable value doesn’t immediately bear the full brunt of an overnight increase in liability. Sounds good I hear you say, and why would anyone want to do away with that? Whilst transitional relief limits increases, it also limits decreases and according to the treasury, should be fiscally neutral. So downward transition pays for upward transition.

If we look at projections for the new rating list, industrial/warehouse up across the country, retail almost universally down and offices very dependent on age, specification and location. The huge slump in office values predicted by some because of covid, has failed to materialize.

Putting that into context, some areas of the country could see RVs on industrial properties double, whereas retail properties in the same area would see a reduction of more than half. If you apply the previous transitional relief mechanism to that scenario, it could take years for warehouse occupiers to see their bills increase to the right level, while at the same time, high street units remain empty as rates liability is kept artificially high because of downward transition.

This just can’t be the right answer.

Part of the problem with business rates is that bills are almost incomprehensible. There are 350+ councils in England & Wales, who all have their own formats and a different way of showing the calculation of transitional relief. I’d go as far as to say that most of the property profession don’t understand transitional relief and even if they get the concept, the calculations themselves are shrouded in mystery. I was made to learn transitional relief calculations long-hand by my old friend and mentor Andy Duguid back in the mists of time, so I can understand how people struggle with it.

My initial reaction was that we should scrap transitional relief altogether; the purpose of the revaluation is to make rateable values more closely reflect rental values and the planned move to annual revaluations would see RV's tracking rents more closely. The problem is that the last revaluation was in 2017, so we have six years of rental growth and some very significant and fundamental market changes. If TR was scrapped then properties with big RV increases would see a big rates liability increase, on top of utilities, staff, rent etc. Not good and with next to no time to prepare.

So on reflection, some upward transition would be a good thing. It absolutely shouldn't be fiscally neutral or funded by downward transition as the high street and other retail properties needs an immediate shift in values to have any chance of recovery.

The consultation states "It is too early to know the result of the 2023 revaluation. However, the government is required by law to introduce at each revaluation transitional arrangements which we have previously used to support businesses to adjust to their new bills".

Ok, so the 2023 revaluation isn't complete but the VOA are sufficiently advanced in the preparation to provide a broad sample of values to allow a modelling exercise to be undertaken by government. Creating a TR scheme without knowledge of the shift in values is impossible.

Data modelling and the sheer volume of data collected from local councils has come a long way since the last revaluation in 2017. It is possible to model the impact of a TR scheme that limited large upward increases and spread the cost across all other properties for a finite period of time, say the first year of the new list. This wouldn't necessarily result in the UBR multiplier increasing further above the £0.512p in the pound currently payable.

If the overall pool of RV across all properties increases, for the overall revenue generated from business rates to remain stable, the multiplier can drop but still pay for some assistance to those facing big increases.

I'm still writing my response and would be interested to hear your views. Whether there will be anyone left at the government to read my response remains to be seen.

EMPTY SHOPS AUCTIONS - WHY THE GOVERNMENT HAS MISREAD THE MARKET

It was a surprise to hear in the Queen's Speech on 10 May 2022 that the government's levelling-up agenda includes potential legislation to compel landlords of vacant retail units to let such empty units by way of an auction.

Misreading the market

The detail of how these auctions will work is not clear, but it appears that the government has mis-read the market.

It is apparent that the government believes that landlords are deliberately leaving properties empty and they view empty shops to be a blight on high streets up and down the country. The government presumably thinks that landlords are waiting until a time when rental values are at levels where they will do business before letting empty units.

There appears to be a clear disconnect between government thinking and the reality of the retail lettings market. The reality is that in addition to rent, tenants need to bear business rates and insurance and service charges too under most lettings. After rent, business rates are generally the most expensive of these outgoings. When occupiers look at renting properties, they look at the aggregate occupational costs when selecting properties from which to trade.

Whilst a tenant can negotiate to pay reduced rents, or perhaps turnover rents or inclusive rents including insurance and service charges, there is very little either landlord or tenant can do about the levels of business rates.

Business rates reform

Since 2007, after relief periods have expired, landlords have become responsible for the rates on empty properties. This means that, in addition to landlords assuming property occupancy costs for insurance and service charge for vacant units, they have been paying rates too. This has seen landlords be prepared to do very 'soft' deals, often at very low rents or even nil rents, to see their properties occupied so that their property holding costs are covered as a minimum.

The inference that these shops are left empty deliberately flies in the face of what we have seen increasingly over the last 15 years. In fact, in certain parts of the country the retail lettings market has been so challenging that landlords may be interested to see what the outcome would be if a local authority imposed an auction of a retail unit that had been vacant for a year or more.

It is the rating system that needs overhauling in order to make occupancy of high-street shops more affordable, rather than a new system designed to compel landlords to let shops which they are already more than happy to let.

We note that whilst shop occupancy rates vary from town to town and city to city, the average void occupancy rate is one in seven shops according to the British Retail Consortium. If the government want to redress these issues as part of the levelling-up agenda and breathe life into the high streets, they need to focus their efforts towards making it affordable and, critically, profitable for businesses to trade from high street shops.

Reforming business rates, a heavy fixed occupational cost, is one obvious move for the government to make in terms of property occupancy costs. The promised Non-Domestic Rating Bill does not appear to go anywhere near far enough.

Changing shopping habits

Consumer habits were changing long before Covid arrived in 2020 and the lockdowns have impacted heavily on high streets that were already battered and bruised. Whilst footfall will inevitably be increasing as we move back towards more normal times, at best that footfall will be at pre-Covid levels.

There is no incentive for new traders to take leases of shops when they would be better off running a market-style stall without the fixed overheads a shop brings. We see in our towns and cities that new retailers principally operate by way of internet sales, save for appearances at Christmas markets and modern markets which are the only times that they can see value in a physical presence on the street.

New retailers operate in such manner, not just because they do not see value in traditional retail methods, but because such an approach is more affordable – and, critically, profitable - as their business grows, as they have lower fixed costs.

These approaches will see demand for shops on traditional leases remain low and have a consequential impact on rents too. Whilst the retail lettings market remains in the doldrums, such economic backdrop will act as a disincentive for landlords to invest in their retail stock as they will not see returns from such investment.

Holistic solutions

The concept of local authorities compelling landlords to let empty shops by way of auctions has been described as a ‘gimmick’ by the British Property Federation. The reality is that the government must find a holistic solution to the issue of occupancy levels on high streets and not seek to coerce landlords into letting space, because the other obstacles to the high street’s recovery will remain.

Local authorities have had some success in turning round high streets. Altrincham’s rejuvenation is a very good example of work that Trafford Borough Council has done in conjunction with local stakeholders (including property investors). Empowering local authorities to take control of the destinies of their towns and cities may well be a very good idea but forced property auctions of vacant shop units does not appear to be a way of solving the high street’s woes.

WHERE DID ALL THOSE US SWEET SHOPS IN LONDON COME FROM? THE PROBLEM IS, WE DON'T KNOW

Many of them rip off customers and owe us millions in business rates – but tracking down their owners is proving impossible

Walk down the UK's most famous shopping street and you will see bright, inviting emporiums of Americana, stacked high with sweets and rainbow-coloured vape pens. Dotted between them you'll see identikit souvenir stores selling keyrings and miniature models of double-decker buses. Oxford Street has at least 30 of these candy stores on the last count, with some even in prime locations.

Everyone understands that retail had a really tough time during the pandemic, which saw big names leaving high streets across the country. Even so, shoppers and tourists are perplexed. Why are there so many? Why do they often appear to be empty? Why are sweets being sold at eye-watering prices?

The answer to the first question is the long-term decline of the high street due to online shopping, compounded by the short-term shock of lockdowns during the pandemic. The increased number of empty units has created a headache for freeholders or long leaseholders of these buildings, who become liable to pay business rates on the empty stores. To avoid this, a number have let their sites to an intermediary company (or series of companies) or managing agent, who in turn let to other companies who run souvenir or sweet shops.

Anyone moving into an empty shop becomes liable for business rates instead of the freeholder or long leaseholder. The problem is establishing who the occupier actually is. When council officers visit US candy shops, they frequently meet staff who claim not to know who the owner is and point to a shell company licence certificate on the wall. The council has the job of trying to unpick a trail of false occupation names or shell companies that dissolve before we can take court action for business rates owed. When we do find the occupier, we encounter shell operations where assets may have already disappeared.

While some of the stores are legitimate, others are under investigation by Westminster city council for tax evasion and selling counterfeit goods. We are currently investigating unpaid business rates of £7.9m from 30 shops. That is the taxpayers' money – yours – being siphoned off. Westminster is the largest collector of business rates in the country (£2.4bn per year) with the vast majority of the money redistributed across the country to other local authorities. Therefore this lost income affects all UK taxpayers, not just those in Westminster.

The ordinary customer often also gets ripped off, too. Unpriced goods ring up a hefty charge at the till. Children can find themselves forking out £13 for a bag of pick'n'mix. Some of these shops are also outlets for suspected fake and unsafe goods. In the last six months, Westminster city council officers have recovered around £575,000 worth of these items from candy and souvenir shops on Oxford Street.

To give you an example: we recently recovered more than £100,000 of suspected fake or unsafe items after raiding three shops on Oxford Street. From one store alone we recovered more than 2,000 suspected fake Willy Wonka bars. If that doesn't sound like big business, consider the mark-up. The chocolate inside these bars is sometimes genuine – a supermarket's own-brand – rebadged in fake Willy Wonka packaging. The original cost of the chocolate is around 40p; the fake bar is sold at £9 to £10. In other cases, as the Food Standards Agency warns, the chocolate may be hazardous. The haul is also suspected to include 3,000 vapes carrying excessive levels of nicotine; around 1,400 fake designer label phone covers; 78 fake designer hoodies and a number of bogus Apple AirPods; the list goes on.

Our trading standards officers make life difficult for these rogue traders with their enforcement activity, but they can't tackle the problem alone. We are pressuring the landowners of the buildings where these stores operate to reflect on whether a short-term ploy to deflect business rates serves the long-term future of Oxford Street. We know there are many landowners who want to work with us; however, so far there are some who are in denial about the problem, or who seem set on obfuscating in the face of reasonable requests from the council.

One significant measure the council is taking to stop the inexorable rise of the candy store is offering discounts to startup businesses who will take void spaces on. The West End pop-up scheme helps landlords secure a reduction of 70% in business rates where startup businesses are allowed to use an empty shop. Since May 2001, we have supported 38 up-and-coming brands – ranging from a company that turned old kimonos into lampshades, to a lingerie business, to a company that produced recycled clothing.

We are working with central government and enforcement partners to take action. But we also need new measures in the forthcoming Economic Crime Act – like a change in Companies House legislation – to make it easier to navigate the labyrinthine world of shell company structures. Government agencies need the power and resources to investigate – and if necessary, take action – when similar firms are repeatedly created and closed by the same people. The end result must be to ensure that taxpayers' money isn't wasted, and that means understanding who is responsible in order to hold them to account.

It is difficult to avoid the conclusion that many of these shops may simply be vehicles for a tax evasion racket exploiting UK laws. I know other UK cities are being similarly affected, and it feels like the moment to take collective action.

Ultimately, if consumers want to go into US sweet shops and buy expensive goods, I can’t stop them. But what I will strive to do is stop customers and taxpayers getting conned.

Councillor Adam Hug is leader of Westminster city council

NUMBER OF PUBS IN ENGLAND AND WALES FALLS TO RECORD LOW

Covid-19 and soaring costs result in drop to below 40,000 during first half of this year

There are fewer pubs in England and Wales than ever before, according to analysis that sheds light on the ruinous impact of the coronavirus pandemic and soaring business costs.

The total number of pubs dropped below 40,000 during the first half of 2022, a fall of more than 7,000 compared with a decade ago.

Pubs that have disappeared from communities have been demolished or converted into other buildings such as homes and offices, the research from the real estate advisers Altus Group says.

The hospitality sector has faced immense challenges in recent years as it recovered from the pandemic, which resulted in national lockdowns that caused closures and reduced demand.

However, the researchers suggest that while pubs managed to battle through Covid-19, they are facing a fresh challenge because of record-high inflation and an energy crisis.

“While pubs proved remarkably resilient during the pandemic, they’re now facing new headwinds grappling with the cost of doing business crisis through soaring energy costs, inflationary pressures and tax rises,” Robert Hayton, Altus Group’s UK president, said.

Two hundred pubs vanished from English and Welsh communities from the end of 2021 up to the end of June.

The biggest drop was in the West Midlands – 28 in only half a year – followed by London and the east of England, which both lost 24.

Pubs in the overall count are those that must pay business rates, including those vacant and being offered to let.

According to research from the British Beer and Pub Association, the British Institute of Innkeeping, and UK Hospitality, only 37% of hospitality businesses are turning a profit.

The rising cost of energy, goods and labour were identified as the biggest factors behind falling profits.

The hospitality industry has called on the government to provide more support.

Emma McClarkin, the chief executive of the BBPA, said: "When pubs are forced to close it's a huge loss to the local community, and these numbers paint a devastating picture of how pubs are being lost in villages, towns and cities across the country.

"As a sector we have just weathered the hardest two years on memory, and we now face the challenge of extreme rising costs, with only one in three hospitality businesses currently profitable.

"It's essential that we receive relief to ease these pressures or we really do risk losing more pubs year on year."

In the past week, pub bosses have warned of the impact of rail strikes on sales for hospitality firms, adding to the existing problems of price rises and waning consumer demand.

Clive Watson, a co-founder of City Pub Group in London, said in June he could have lost as much as 25% of usual sales as industrial action led people to cancel outings.

SCOTLAND'S PROPERTY TAX SYSTEM 'PENALISES' HIGH STREET

A LEADING academic on retail studies has hammered home the need to radically reform Scotland's business rates system, branding it a "historical anachronism".

Leigh Sparks, professor of retail studies at the University of Stirling, told The Herald that there is an urgent need to change taxation policy to help drive the recovery of Scotland's country's town and city centres.

Professor Sparks, who recently wrote and chaired the A New Future for Scotland's Town Centres report for the Scottish Government, said: "You have got a system that penalises high streets; penalises businesses that want to renovate properties, and privileges those that want to build new buildings on greenfield sites, and want to trade online.

"For me, if you think about the national performance framework, [and] the aims the Scottish Government has, then there will come a point they have to have the non-domestic rates system working in alignment with national policies. Currently for me they are not."

The comments from professor Sparks come amid renewed focus on business rates in Scotland, with firms in the retail, hospitality and leisure sectors poised to pay the local authority property tax in full again following a period of relief due to the pandemic.

Some critics say the business rates system, a form of local taxation firms pay based on the rateable value of their premises, has become out of date given the huge shift to online retailing in recent years.

The hospitality sector argues it is treated unfairly by the current system because assessors use a hypothetical turnover figure in arriving at their bills, which the industry argues does not accurately reflect how profitable businesses are and how much they can afford to pay.

A New Future for Scotland's Town Centres recommends amending the rates system and changes to value-added tax, the latter to encourage the redevelopment of existing buildings in town centres. It also suggests the introduction of a digital tax, an out-of-town car parking space levy and a moratorium on out-of-town development to help stimulate the high street.

Professor Sparks said: "We need to think about what element of a property tax we should have, we need to change both property taxes for in-town and out-of-town, we need to think about VAT on renovations and in-town businesses, and we need to think about [a] sales or online tax.

"It is the balance and mix of all of those together which reflect the nature of the economy.

"If you have got 25 per cent of retail sales now going online, and the taxation system isn't catching up with that, then your taxation base doesn't reflect the economic realities. And that I think is a problem for any government in the longer term because that will continue to privilege that (online) type of business."

He added: "There comes a point where you have to ask big questions of rates, and that will come in the next few years I think."

The idea of an online sales tax has attracted support from leading business figures such as Sir Tom Hunter. Although he admits it is a "thorny issue", Sir Tom contends that there should be a "level playing field" between high street and online retailers.

Stuart Mackinnon, head of communications and public affairs at the Federation of Small Businesses, expressed caution over the move, noting that it could undermine small firms that had moved into online retailing to stay afloat during the pandemic.

"We would not like to see businesses that pivoted online during the disruption of the last three years punished," Mr Mackinnon said.

The Scottish Government is in the process of making some changes to the business rates system, which flowed from the Barclay Review in 2017. Among the biggest changes will be to increase the frequency of valuations from every five years to every three to help ensure property values better reflect prevailing market conditions.

Changes have also been made to streamline the appeals process. These reforms will come into place next year, when the next revaluation of non-domestic property takes place.

Mr Mackinnon said: "Barclay has initiated a number of changes which will come to fruition next year. It will be a test of his reforms whether they will stand up to the stresses of the next revaluation."

Professor Sparks expects the Scottish Government to focus in the short term on bedding in such changes, and on addressing the "data gaps" he said had been thrown up a report by the Fraser of Allander Institute on the small business bonus scheme.

He suggested that there may be a reluctance among politicians to interfere with business rates because there is a "predictability" of how much they raise, which in turn gives certainty to "what they can afford and can't afford to do".

Professor Sparks added: "The second element is there is not a lot of votes in non-domestic rates. People don't get too exercised about it – it is not something everyone is campaigning about. The business owners clearly do. It is trying to make that link to… the good things (they are trying to do) in town centres.

"Businesses are often fighting with one hand tied behind their back because of the system. It is trying to get that point over as something people treat really seriously. We have lost a lot of things because it is so much more expensive to work in town centres."

Meanwhile, Scottish Retail Consortium David Lonsdale has voiced disquiet over the recent signal from the Scottish Government that it plans to raise the poundage – a figure of pence in the pound multiplied by property valuations to calculate rates bills – north the Border.

In a spending review and medium-term financial strategy published at the end of last month, the government said an increase in the poundage "would be required" to ensure the next revaluation of non-domestic property is revenue-neutral in real terms.

Ministers said this was because the non-domestic rates deficit had increased "due to relief provided through the pandemic support and other factors including higher-than-expected levels of NDR income lost to write-offs, bad debts following Covid-19 and emerging 2017 revaluation appeals losses".

Mr Lonsdale said: “The prospect of a further increase in the business rate, which is already at a 23-year high, sounds ominous and will set alarm bells ringing across retail and other sectors with a significant property footprint in Scotland.

“A further rates hike next Spring, immediately following revaluation when it normally falls, is unnerving. The only fixed point in a world of flux for retail seems to be rising supply-chain and government-imposed costs, which are increasingly difficult to absorb and ultimately add to the pressure on shop prices.

“A shift in mindset is needed on business rates, with a switch from trying to squeeze tax revenues from commercial properties to one which encourages investment into retail destinations.”

ALARM BELLS SOUNDED OVER DELAY TO MAJOR BUSINESS RATES CHANGES

CONCERN is mounting over a delay to the introduction of changes to the business rates appeals process, as hospitality trade campaigners ramp up calls for a new approach to determining bills for the sector.

A senior ratings expert has expressed worry that business owners will not be given sufficient time to appeal bills that will follow the next revaluation of non-domestic property in Scotland, which is due to take effect in April.

Ken McCormack, partner at property firm Montagu Evans, said the delay in the publication of regulations that will overhaul the old appeals process means business owners will have little time to challenge the rateable value given to their properties. Draft regulations, which aim to modernise the appeals system and reduce the volume of appeals, were published at the end of 2021. But it will now be October before the final regulations come into force.

Mr McCormack told The Herald: “The main impact will be the lack of time for ratepayers to understand the new system and rating agents to implement new IT systems.

“The Scottish Assessors will provide draft valuations at the end of November 2022. Ratepayers will be allowed to discuss their draft valuations with the Assessor between the end of November 2022 to March 31, 2023, but due to the lack of time and resource issues, it is unlikely any meaningful progress can be made before the official rateable values are issued and come into force on April 1, 2023.

“Both the Scottish Assessors and ratepayers should have been made aware of the proposed legislation changes earlier to allow them to fully understand what will be required for a successful proposal to be accepted by an assessor.”

Mr McCormack has already publicly expressed concern that the changes, which will see the current appeals system replaced by a two-stage proposal process, place an undue burden on business owners who wish to challenge valuations. Asked to elaborate on his concerns, Mr McCormack said: “Unless a client has been informed of the proposed changes by their rating agent, I suspect most ratepayers remain the dark about the recent changes.

"Clients are concerned about the lack of information being provided to them and what the new proposals mean. They are really concerned about the information they will require to provide within a very short timeframe. The draft regulations state that when submitting a proposal the ratepayer (or their agent) needs to supply a detailed valuation, evidence of how they have arrived at the valuation and any other evidence to support this valuation. Once submitted the ratepayer will not be allowed to provide any further evidence even if the assessor submits either any new evidence or evidence which does not support the ratepayers contentions.”

Mr McCormack highlighted his concerns as hospitality campaigners renewed calls for a change to the way rates are calculated for their sector.

Pub, hotel and restaurant owners have long argued that their industry pays higher rates than other sectors because assessors have traditionally used a figure known as a hypothetical achievable turnover in determining bills. The hospitality trade says this method fails to capture how profitable businesses are, resulting in bills that are disproportionately high.

Now, as the next revaluation of non-domestic property approaches, hospitality figures say that a fairer method is needed to help the industry recover from the pandemic.

Calum Ross, who owns the Loch Melfort Hotel near Oban with wife Rachel, said: “The industry has been fighting this battle with the Scottish Government and the assessors for the best part of 10 years, and indeed we inputted into Barclay Review, but our requests and our thoughts were pretty much ignored. It is not just pubs, it is the whole of the hospitality industry [it affects]. It is the actual methodology in and around valuing properties in the hospitality sector that is open to challenging question and has been contested by the industry for many years.”

He added: “The industry’s gripe with it is [that] it takes no consideration at all of cost, or actual profit being delivered by the businesses.”

Paul Togneri, senior advisor at the Scottish Beer & Pub Association, said: “There are several changes we’d like to see, including a lower percentage of turnover being applied, higher allowance for the sale of food and sector specific reliefs to support those most impacted by the pandemic. We will continue to push the Scottish Government for additional support in the form of rates relief as soon as possible and [are] engaging with the Scottish Assessors Association ahead of next year's revaluation to secure fairer rates in the longer term."

Leon Thompson, executive director of UKHospitality in Scotland, noted: "We continue to make the case for reform of business rates to arrive at a fairer and more reasonable level of rates for our businesses. The current way they are calculated means that hospitality, which generally requires more space, investment and therefore pay higher rents, results in a higher rateable value relative to turnover.

"UKHospitality wants to see a taxation system that takes into account the modern digital economy, with some fresh thinking to identify which sectors are able to pay more. Business rates, in their current outdated form, remain one of the biggest barriers to recovery for operators looking to rebuild following the pandemic."

Meanwhile, Mr Ross expressed frustration that some local authorities are distributing the current relief from business rates for the hospitality, retail and leisure sectors over a 10-month period, rather than three. The Scottish Government had provided that businesses in these sectors receive 50 per cent relief, up to a maximum of £27,500 per business, for the first three months of the financial year, which began on April 1.

Mr Ross told The Herald: "It certainly has undermined the intention of the Scottish Government, which was to give a bigger amount of relief for a shorter period, when businesses were returning to paying business rates for the first time in a couple of years."

BUSINESS RATES HAVE MADE AMERICAN CANDY STORES A BLIGHT ON OUR STREETS

The emergence of large numbers of American-styled candy stores across the West End over the last year has become a cause for concern amongst high street retailers, leisure businesses and hospitality owners alike.

Having weathered the storms of the pandemic, which saw footfall and revenues plummet during lockdowns, the West End was beginning to show signs of recovery. Sales were on the rise as domestic visitors flocked back to central London, reuniting with friends and family across the district's world-famous shops, bars and restaurants. In order to sustain this recovery however, we must continue to present the most attractive streets possible – enticing visitors from overseas to return, and domestic shoppers to make the journey into the centre of our capital more frequently. The opening of the Elizabeth Line and dressing of our streets for the Jubilee quite rightly made us all feel proud of London.

But this welcome recovery of one of Britain's national assets is being soured by the growth of these stores which add little to the West End's appeal.

To fight back before it gets out of hand, we need to understand the driving reason behind these new players in the West End. Many of these stores are an unfortunate symptom of a particular tax system that is no longer fit for purpose and is actively harming Britain's high streets – namely, business rates.

When it was established in 1990, the business rates system had its merits. It provided councils with a valuable and predictable revenue, but they are no longer linked to business performance. In the West End in particular they have become staggeringly high and act as a barrier to new businesses wanting to move into the district. Unlike leases, they cannot be negotiated down. And while many landlords have recently agreed new rents and terms with their tenants that reflect the impact of the pandemic and changing shopping and working practices, business rates remain stuck outdated in an era that no longer exists.

For some landlords this is a double hit. Many are already suffering as rents have fallen sharply or simply gone unpaid by struggling tenants. Now, with many more stores empty because of the pandemic, they also have to pick up the costs of business rates on these properties which are generating no income. This means that any new tenant, including these new candy stores, is better than waiting with an empty premise for the ideal tenant that meets the standards the West End strives for.

But the fundamental review of the business rates system promised by the government turned out to be a damp squib. Nothing fundamental has changed. So, the long-term solution to the empty shop problem has to start with a complete overhaul of the business rates system, ensuring that it is fit for our increasingly digital ways of working and that it fairly reflects the constantly changing environment in which retail and leisure businesses operate.

In the immediate term we need to give businesses greater flexibility to respond to these emerging consumer demands. By embracing more progressive planning and licensing policies and adopting a fresh approach to the delivery of improved street services, we will be able to create an inviting West End that attracts inspiring new brands and businesses to the area.

Local planning and licensing policies have been made more flexible to encourage new formats that complement the existing shops in the West End. We need more of this sort of positive approach to filling our empty units.

And with £150m already pledged by Westminster City Council to transform the wider Oxford Street district, we have a real opportunity to create an exciting new environment for returning visitors if we move quickly to make these improvements and accelerate this investment before it is too late.

So much is going right, from the completion of the Elizabeth Line to the construction of Outernet London which will create a new world-leading entertainment district. But for every step forward these make for the West End's vibrant and viable future, every new candy store is a step backwards, exposing the unfair taxes our retailers are subject to.

BUSINESS RATES AND ONLINE SALES TAX – REVIEWS AND ROWS BUT WHAT HOPE OF A RESOLUTION?

Where are we with business rates?

As retailers battle the increasing costs of doing business, they still bear one of their longest-suffered and biggest burdens – business rates.

There has been a blizzard of reviews, the debate has been diverted by focusing on a possible online sales tax, and now renewed economic and political upheaval following the resignation of Boris Johnson may turn the spotlight elsewhere.

So, where do things stand at this moment in time?

Business rates reviewed

A 'fundamental review' of the business rates system was carried out last year but retail's hopes of a radical overhaul were dashed. There had been optimism that the government was willing finally to grasp the nettle and adopt ambitious reforms. But the impact of the pandemic and the turmoil it heralded sent rates hurtling down the queue of priorities in Westminster. It did lead, however, to some welcome changes, including more frequent revaluations.

The review sparked further consultations, such as on the mechanics of more frequent revaluations and the potential for improvement reliefs. In the past, property owners were sometimes reluctant to improve assets, for example by making buildings more sustainable, because that would lead to higher rates. Such obstacles to regeneration could become less obstructive.

There is another consultation on the statutory revaluation. It could prove important because revaluation is based upon antecedents – in this case, the reference point is April 1, 2021, coinciding with the end of lockdown. One industry source says it is "not clear how it will play out". On one hand, factors such as lower retail rents during the pandemic may benefit retailers. On the other, a revaluation based on "an extraordinary point in time" could mean a disrupted picture bringing unexpected and unwelcome results.

A consultation on transitional relief is also ongoing. Through trade body the British Retail Consortium, retailers are campaigning for downward phasing to be abolished so that businesses benefit from rapid relief from any reduction in the burden they bear.

Finally, a consultation on the potential introduction of an online sales tax has just been brought to a close. The government was primarily interested in hearing views on the idea. A response to the consultation is expected in the autumn, perhaps around the time of the Budget.

Online sales tax – for and against

The online sales tax has proved a lightning rod, drawing comment and argument for and against from a retail industry that has been split down the middle on its merits.

Big names such as Tesco and Kingfisher are open to the idea, believing that the imposition of such a tax could facilitate rates reform, while other leading retailers from Amazon to Marks & Spencer oppose the idea.

The conflation of the debate is unhelpful. Resentment about the amount of UK tax Amazon pays generally has led to the arguments for rates reform being subsumed in another, bigger issue.

Viewing taxation, and online giants' responsibilities, primarily through the prism of business rates diverts attention from the merits of desperately needed rates reform in its own right and brings additional dangers.

If an online sales tax was introduced, there is no guarantee that retailers would not end up paying that too – on top of their already cumbersome business rates bills.

There is no guarantee, either, that the imposition of an online sales tax would hit the tech-driven giants in the way some hope. In an environment where marketplaces like Amazon and eBay are ever more important, would the platform bear the bulk of a tax, or would it fall upon the retailers that trade on that website to foot the bill? That would hit big names as well as small businesses, which have grown through their use of Amazon and other online platforms.

HUGE CHANGES FOR COUNCIL TAX IN WALES PLANNED BY THE WELSH GOVERNMENT

All homes would be revalued under Welsh Government plans

A huge shake up of council tax in Wales is being discussed. As part of the Welsh Government's plans, all 1.5m properties in Wales would be revalued, new bands would be created and new tax rates for each band would be set.

Options also being discussed are for new bands to be added at the top and the bottom and rolling revaluation cycles introduced. Discounts, exemptions and premiums would all be overhauled along with the Council Tax Reduction Scheme which provides support to low-income households. As part of the consultation being launched on July 12, there is also a pledge to "continue to explore alternative approaches to the council tax for longer term consideration, such as a local land value tax or unbanded systems."

The Welsh Government says the system isn't fair and the bands used to determine bills are based on information since 2003 so are nearly 20 years out of date and no longer represent current house values or our choices. The amount of council tax charged for band I properties is currently three and a half times as much as band A, yet homes in the top band could be worth at least nine times as much as those in the bottom band.

The Institute for Fiscal Studies' latest report suggests house prices across Wales had increased by 150% between 2003-2022 so means people living in properties that have increased in value by more than the Wales average since 2003, are likely to be paying less council tax than they should, whilst others in properties whose value has not kept pace with the Wales average have been paying more than they should. The IFS said the system is "out-of-date, regressive and distortionary".

However, the Welsh Government says the plan isn't to increase the total amount of council tax raised overall from council taxpayers through this exercise but to redistribute the money individual households pay. They say it is not an immediate solution to the current cost of living crisis but "will help many households to better cope with these events in the future as we create a fairer Wales". Finance minister Rebecca Evans said: "The reforms are not intended to raise more revenue from council taxpayers overall as, while some people could pay more, many others would pay less, and we will consider the need for transitional arrangements for any changes."

Modelling of how many homes would change bands if the current ones were used showed 25% would go up and 25% would go down.

The cost of the changes is currently estimated to be £10m but depending on the final system decided upon could change that and a full financial review will take place.

What is council tax?

Council tax raises £2bn of the £10bn needed to run services like schools, social care, transport, housing, fire and rescue, policing and hundreds of other community services. By far the biggest area it funds is education, then social services, housing and police and fire services.

How is it worked out?

It was introduced in 1993 and has low admin costs to government and low levels of fraud. Each property is placed in one of nine tax bands, A to I. The Welsh Government added an additional tax band (Band I) for the highest value properties min April 2005, but council tax bills in England and Scotland are based on 1991 valuations.

The independent Valuation Office Agency assesses property values and places each property into a band. Each band attracts a tax rate relative to the middle point, band D, and these tax rates are set out in legislation by the Welsh Government. However, the band D charge for each local area is set locally by councils as part of setting their annual budgets so, for example, the band D charge ranges from £1,573 in Caerphilly to £2,099 in Blaenau Gwent.

Nearly half of households in Wales (48%) receive some form of support.

Why should it change?

Welsh Labour said in its manifesto it wanted a fairer system, and say the bands being 20 years out of date mean the tax people pay no longer reflect circumstances. Post election, it is something that Labour and Plaid Cymru, as part of their co-operation agreement are now working towards.

The Welsh Government say in its consultation that the bands no longer represent current house values or our choices, and we know the property market in Wales has changed significantly since 2003. In addition, the amount of council tax charged for band I properties is currently three and a half times as much as band A, yet homes in the top band could be worth at least nine times as much as those in the bottom band.

If my property value has increased, will it automatically mean higher council tax?

No. The Welsh Government says if your property value has increased over the last 20 years, this doesn't necessarily mean your council tax bill would increase. A revaluation would update everyone's tax band, and a new set of bands according to the latest data would be set.

However, substantial physical improvements that have been made to properties that have not been sold to a new owner since 2003, would also be fully captured. It is not possible to make such changes without conducting a revaluation.

The aim of this is that property values as from April 1, 2023, would be used for the new system.

What happens next?

We've already heard from the Welsh Government about its plans but taking this to public consultation moves it forward again. This is the first phase of consultation, which would be followed by property valuations, engagement and development of proposals and a second proposal in summer 2023.

The relevant laws or regulations would need to be passed or introduced before the possible implementation date of April 1, 2025.