IPTI Xtracts

Property Tax and Assessment News from Around the World

United Kingdom – August 2022

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HOLYROOD 'CONTINUING WAR ON BUSINESS WITH PLANS FOR OVERLY COMPLEX PROCEDURE FOR RATES APPEALS', PROPERTY FIRM WARNS

The latest proposed procedure for business rate appeals in Scotland has been branded "overly complicated" by a property firm, although Holyrood has defended its approach and deemed its support for companies "generous".

Colliers, which in Scotland has offices in Edinburgh and Glasgow, is warning that rate-payers will be “left on the back foot” regarding appeals and will need professional advice to navigate the process

It said the latest publication of the appeals process follows the Scottish Government issuing its amendments subsequent to the consultation on reforming the non-domestic rates system, and confirming that the legislation for these changes will be laid on October 7.

Louise Daly, head of rating at Colliers Scotland, said: “The recent amendments created a series of ‘red flags’ for us who work on rating appeals day to day in terms of complexity.

"This latest proposal cements the fact that many businesses will be unable to successfully submit an appeal without an advisor, or at the very least a detailed understanding of the current and proposed changes to our rating system. It seems the Scottish Government is intent on creating an overly complicated appeals system to the detriment of our local businesses.

“There has been absolutely no effort by the Scottish Government to date to communicate with rate-payers to let them know that these huge fundamental changes are coming in Scotland. The onus the system now places on businesses takes a huge and unnecessary leap to try to shut down a ratepayer’s right to challenge their rateable value and have the assessors fully justify it.

“The constant updates to the system are making this a nightmare for both assessors and rate-payers to manage in such a compressed timescale,” she added, while she deemed the Scottish Government’s consultation exercise a “tick box exercise”, with no key concerns having been addressed.

“Where is the fairness to the ratepayer when they have not even been made aware that these changes are afoot? For many, the first notification of this may only be when the draft Valuation Notice is issued in November, at a time when they will not have been made aware of what their significantly altered rights of appeal for the 2023 Revaluation are.”

Property firm Montagu Evans reportedly also feared business-owners would not be given enough time to appeal, while others to have recently called for Scotland to change its approach to business rates include the Scottish Retail Consortium and Scottish Chambers of Commerce.

Generous

A spokesperson for the Scottish Government said: “[We are] delivering the lowest non-domestic property rates in the UK for the fourth year in a row for over 95 per cent of non-domestic properties, and support a generous package of reliefs forecast at £801 million, including offering the UK's most generous Small Business Bonus Scheme, which takes over 111,000 properties out of rates altogether, as of 1 June 2021.

"The independent Barclay Review of Non-Domestic Rates called for reforms to the appeals system to modernise the approach, reduce appeal volume, and ensure greater transparency and fairness.

"The Non-Domestic Rates (Scotland) Act 2020 provides for a two-stage appeals system and Scottish Government consulted in 2022 on draft subordinate legislation to implement this, as well as other reforms to the non-domestic rates system. A new two-stage appeals system is scheduled to be introduced on 1 January 2023."

EMBRACING NEW TECHNOLOGY WILL MAKE BUSINESS RATES DATA MORE ACCESSIBLE

Businesses will benefit from the creation of a one-stop shop for all tax information, writes the Chartered Institute of Public Finance & Accountancy's benefits and revenue adviser.

Making tax digital has been a long-standing commitment and priority of the government. Ditching paper book keeping records and moving to a digital-first approach is supposed to make it easier for people and businesses to get their tax right and keep on top of their affairs.

The publication of the Business Tax Road Map at the 2016 Budget paved the way for digitally linking business rates to HM Revenue and Customs records.

Most taxes are collected centrally. One tax that impacts most businesses and is not centrally managed by HMRC is business rates. In July, HMRC launched a consultation around connecting non-domestic rates billing information with wider tax records in England. This will make it easier for businesses to see all their tax liabilities in one place, online.

One-stop shop

Currently, business rates are administered and collected by over 300 billing authorities across the country, none of which have any data sharing arrangements with HMRC. Pulling all the business rates data together into one central location at HMRC, alongside all other tax data, will create a one-stop shop for all tax information.

At the end of June 2022, there were just over 2.1 million non-domestic properties on local rating lists. For centrally available business rates data to be effective and successful, these properties will need to be connected to an existing tax record within HMRC. This is so whatever digital system or software is put in place will be able to link any relevant business rates billing data to the correct tax record.

Once this connection is in place, it then needs to be maintained. Business rates represent a daily liability. There are changes that will need to be reflected every day – whether this is a change to the person responsible for a property or a change to the level of charge on a property.

Real-time updates

Within business rates there is the concept of joint liability. This means it is possible for multiple people to have joint liability for the business rates. In a business owned and run by two partners, which is operated from a single business premises, both partners are equally responsible for the payment of the full charge.

We need to embrace new technology sooner rather than later

This means there isn't always a one-to-one match between a property and the tax account responsible for that property during the year. To address this, the digital system needs to be able to handle part-year liability and the potential for one property being linked to multiple tax records.

It is also important that the business is shown the correct level of liability. As a daily charge that is billed annually, liability can change throughout the year, resulting in the total amount due changing.

Ideally, the links between HMRC and billing authorities should be updated in real-time to give businesses the most accurate data as possible, although realistically this is unlikely to be in place for a significant amount of time. In the meantime, we need to embrace new technology sooner rather than later.

Cipfa is currently working with HMRC and other stakeholders to ensure the processes and systems needed are in place so the benefits of centrally accessible business rates can be realised.

Adrian Blaylock, benefits and revenue adviser, Cipfa

NO REBATE FOR NI RATEPAYERS HIT BY THREE-WEEK COUNCIL STRIKE

People in Mid Ulster will not be refunded for any loss of services as a result of staff walkout

A local authority where staff have been on strike for the last three weeks has ruled out rates rebates despite widespread disruption to services.

Mid Ulster District Council said there was "no facility under the current system" to offer any form of refund.

A fresh wave of strike action is looming at other councils.

Staff at Armagh, Banbridge and Craigavon Borough Council are due to walk out from today after a last ditch offer to reach a deal last week was rejected.

There are also warnings more than 1,000 staff at Belfast City Council could strike, with action also mooted at Ards and North Down Borough Council.

In Mid-Ulster, services such as bin collections have been disrupted for three weeks.

Asked about a rebate, the council said: "Rates are not collected by or paid to councils, but rather to central government (Land and Property Services) and they fund all public services, from health and education to roads, as well as the services provided by councils.

"There is no facility under the current system to offer rebates for any reduction in a service provided by any public body which is funded through rates."

The council has questioned why members of Unite continue to strike when its local pay proposal is, it claims, the most financially beneficial on offer from any local authority here.

It has offered a 4% pay increase for staff over two years, on top of the national pay offer, which would bring a further 10% rise this year for those on the lowest scales.

Also included within the proposal is a one-off payment of £500 in recognition of the financial pressures arising from the cost-of-living crisis.

"The joint trade union side (Nipsa, GMB and Unite) has accepted the local pay offer, while wishing to see an improvement in the one-off cost of living payment," the council added.

But Gareth Scott, Unite's regional officer and lead for Mid Ulster District Council, said the walkout would continue as "extensive attempts" by the union have failed to secure agreement with management.

"Management's offer in response to our members' initial pay claim was inadequate to end the dispute," said Mr Scott.

"To advance things the trade union side made a counter offer which differed by only a relatively small one-off cash payment.

"It was our expectation that agreement on this counter-offer would have ended the pay dispute.

"Unfortunately, despite a positive initial indication, no formal response from management has been forthcoming.

"Our members have, therefore, been left with no alternative but to continue the strike.

"The union is reviewing our current schedule of strike action, which is currently set to end on Friday, August 19."

Today, more than 1,000 staff at Armagh, Banbridge and Craigavon Borough Council are due to begin strike action.

A pay offer to staff was rejected last week.

And a union-imposed deadline of Friday passed without resolution.

The action could last up to four weeks, until Sunday, September 11.

Today will see the most severe impact to services and facilities across the borough with Nipsa, GMB and Unite taking formal strike action.

Nipsa members will return to industrial action short of a strike tomorrow.

Accepting the walkout will "cause significant disruption to services, facilities and events across the borough", the council said it "deeply regrets the inconvenience this will cause".

The strike will hit a range of services including bin collections, household recycling and street cleaning.

Access to public toilets could also be limited

The unions have said the strike was avoidable.

"We have asked management to address the serious and real cost-of-living crisis being faced by our members," they said in a joint statement last week.

"We sought and proposed reasonable and varied solutions. This included incremental progression for all grades of staff and one-off payments to alleviate the immediate hardship staff are facing."

On Saturday the council appealed for unions and staff "to reconsider their position".

"The council has made a substantial offer to the trade unions that would see a payment of £1,400 spread across two £700 payments for all employees, to provide immediate financial relief to staff dealing with cost of living pressures right now, at a cost to council of £2.3m," it said.

"This offer combined with the national pay award of £1,925 would have meant an additional £3,325 of payments to each employee (pro rata) during 2022/23, with a further commitment to a pay and grading review.

"In real terms, staff on lower scale incomes would receive up to a 17.6%, significantly more than the offer sought."

CHANCELLOR URGED TO ACT OVER £750M IN BUSINESS RATES DISPUTES

Firms are able to challenge the valuation of their properties that is used to calculate how much they owe the local council in tax.

Companies in England are still waiting for around £750 million in potential tax rebates, new research suggests.

Experts on Monday called on the Chancellor to hurry the potential payments to firms that have challenged their business rates.

Rates are paid based on the value of the property that a company uses. Under a system introduced in 2017, the firms are able to challenge the valuation of their properties that is used to calculate how much they owe the local council in tax.

But in the three months to the end of June, just 2,830 such challenges were resolved – down 28% from the previous quarter.

More than 4,200 cases were received by HM Revenue and Customs in the same period, according to Altus Group, which advises commercial real estate companies.

"There is a cost-of-doing-business crisis, insolvencies are on the rise, yet firms are being denied a vital cash injection as their rates challenges are kicked down the road," said Robert Hayton, UK president of Altus Group.

He called on Nadhim Zahawi to intervene and set targets for how many cases need to be resolved by the end of the year.

More than 5,600 companies became insolvent in the three months to the end of June, according to the Insolvency Service.

It is 13% higher than the previous quarter and 81% up on a year ago.

Companies are having to face rising inflation, which is pushing up the costs they have to pay. They will also likely be faced with the prospect of a recession in the UK next year.

The Bank of England has forecast that the economy will start contracting in the fourth quarter of this year and continue shrinking every quarter in 2023.

NADHIM ZAHAWI CALLED ON TO FREE UP £750 MILLION IN OUTSTANDING BUSINESS RATE REBATES NOW

The number of outstanding business rates challenges continues to rise in England as firms wait on an estimated £750 million in tax rebates with experts today calling on the Chancellor, Nadhim Zahawi, to immediately intervene to speed up settlement.

The Valuation Office Agency, an Executive Agency of HM Revenue & Customs, say that they resolved just 2,830 Challenges between 1st April and 30th June 2022 with that figure plummeting 28% from the 3,950 that they settled during the previous quarter but also admit 4,240 new cases were received as numbers continue to rise and the situation deteriorates.

Under a 3-stage process 'Check, Challenge, Appeal' (CCA), introduced back in 2017, the 'Challenge' stage is where businesses can make a formal challenge against their property valuation which is used to calculate rates bills which are then paid to Councils.

More than half of all Challenges are ultimately agreed leading to rebates going back many years often back to the 2017/18 financial year. Despite business rates being revalued next year and firms receiving new property assessments later this year, nearly 12,000 Challenge cases still await determination by the VOA with the real estate adviser Altus Group estimating that their resolution is likely to lead to tax rebates of around £750 million.

Robert Hayton, UK President of Altus Group, said: "The Chancellor must immediately intervene setting stringent targets for clearance by the end of the year" adding "there is a cost-of-doing-business crisis, insolvencies are on the rise, yet firms are being denied a vital cash injection as their rates Challenges are kicked down the road."

According to The Insolvency Service, between 1st April and 30th June 2022, there were 5,629 registered company insolvencies. The number of company insolvencies in the second quarter of 2022 was 13% higher than in the first quarter and 81% higher than in the same quarter in 2021.

The Bank of England has also warned that the UK will enter recession and the longest downturn since 2008 with the economy forecast to shrink in the last three months of this year and keep shrinking until the end of 2023.

CUT BUSINESS RATES OR THE HIGH STREET WILL DIE, LIZ TRUSS AND RISHI SUNAK TOLD

Leading retailers urge Tory leadership contenders to pledge rate reduction and save shops from falling into terminal decline

Liz Truss and Rishi Sunak have been challenged to pledge a reduction in business rates and warned that failure to act could kill off more high street shops.

The plea was issued by the Retail Jobs Alliance, whose members include Tesco, Greggs, Waterstones, Claire's Accessories, the Co-op, Kingfisher and Sainsbury's.

In a letter to both Tory leadership candidates, the body warned that companies are facing an increase in their business rates bill next April of about 10 per cent from inflation alone.

Part of the letter read: "The next government must prioritise fundamental changes to the 'shops tax'. A permanent reduction in business rates for all retailers, regardless of their size, would make a big difference to retailers' ability to invest more in shops and stores as well as to create jobs.

"You have both talked of your intention to cut taxes in order to stimulate private investment. If taxes are to be cut, we think a reduction in business rates should be prioritised."

It added: "While much of the discussion in this campaign has focused on corporation tax, it is business rates that are killing our high streets – a pre-profit tax which inhibits investment and disproportionately impacts those communities most in need of levelling up."

Ms Truss and Mr Sunak have both indicated they want to reform business rates, but it remains unclear the specific approach they would adopt if they become prime minister.

Elsewhere in the letter, the body writes: "Should you become Prime Minister in September, it is critical that you prioritise restoring the social fabric of our communities. A key part of this is supporting the high streets and town centres that have been so badly affected by the pandemic.

“We know that people right across the United Kingdom care deeply about this issue and it is encouraging to hear you both talk about the importance of this agenda.

“However, we fear that without urgent action many more shops, restaurants and pubs will struggle to keep their doors open.”

RISHI SUNAK PLEDGES TO SLASH BUSINESS RATES THIS AUTUMN IF HE BECOMES PRIME MINISTER

Former chancellor warns Liz Truss's economic plans would see the Tories get ‘absolutely hammered’ at the next election

Rishi Sunak on Tuesday night vowed to slash business rates this autumn as he warned Liz Truss’s economic plans would see the Tories get “absolutely hammered” at the next election.

The former chancellor said that supporting high streets would be “top of my mind” when asked by a Conservative member whether he would cut taxes on struggling shops.

He committed to extending the current 50 per cent reduction in his first Budget as Prime Minister, saying that small retailers are the “beating hearts of all our communities”.

“Particularly those businesses in the hospitality and the retail sector, those on our high streets and our town centres, that is the number one tax they talked to me about when I was chancellor,” Mr Sunak said.

“That’s why in the pandemic I did an enormous amount to help support that industry, because I know how important it is to our communities, the jobs that it provides.

“It’s why this year I cut business rates for those businesses by 50 per cent as chancellor, that’s the biggest tax cut on business rates outside of coronavirus that we’ve ever seen in this country.

“Because I know that it’s the number one thing that makes a difference this autumn in the budget we’ll do the same.”

Mr Sunak, who has largely resisted outlining big tax cuts unlike his rival Liz Truss, suggested the reduction would then be made permanent under his watch.

He said: “In the autumn we will need to set in place the business rates for the next few years and the top of my mind is always going to be supporting our high streets and town centres.

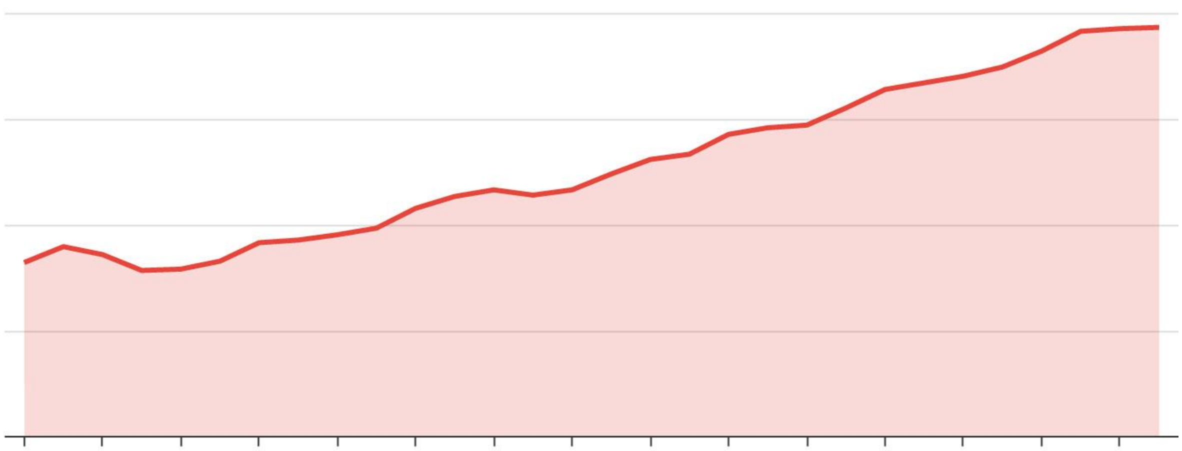
“Because they are the beating hearts of all our communities, all our market towns, all our villages, everything. They need our support.

“It’s the Conservative thing to do to make sure our communities are strong. The best way to help them is through business rates. That’s what I did as chancellor and that’s what I’ll do as Prime Minister.”

Ms Truss has pledged to reform business rates if she wins the keys to No 10.

It comes after leading retailers urged both leadership candidates to pledge a reduction in the tax amid warnings shops face going to the wall without more help.

In a letter to the pair the Retail Jobs Alliance warned companies are facing an increase in their business rates bill next April of about 10 per cent from inflation alone.



It counts high street giants including Tesco, Greggs, Waterstones, Claire’s Accessories, the Co-op, Kingfisher and Sainsbury’s amongst its members.

“The next government must prioritise fundamental changes to the ‘shops tax’. A permanent reduction in business rates for all retailers, regardless of their size, would make a big difference to retailers’ ability to invest more in shops and stores as well as to create jobs.

“You have both talked of your intention to cut taxes in order to stimulate private investment. If taxes are to be cut, we think a reduction in business rates should be prioritised,” the letter said.

During a feisty hustings in Darlington's historic Hippodrome theatre the leadership duo once more traded blows on economic policy.

Mr Sunak said that his rival's plan to address the cost of living crisis via tax cuts are "not much good" to those Brits on the lowest incomes, including pensioners.

He committed to providing extra cash for help with fuel bills this winter but ruled out another blanket £400 payment, saying further support will be targeted.

Without that further help, he warned, "not only will millions of people suffer, we will get absolutely hammered when it comes to an election. The British people will not forgive us for not doing that."

In reply Ms Truss refused to rule out authorising extra handouts but said she wouldn't pledge to do so until she is in office.

She branded the former chancellor's plan "Gordon Brown economics" and said she "fundamentally" disagrees with "putting up taxes and then also giving out benefits".

"I understand people are struggling with their bills on fuel and food but the first thing we should do as Conservatives is help people have more of their own money," the Foreign Secretary said.

WITH THE ONLINE SALES TAX CONSULTATION NOW CLOSED, WHAT CAN WE EXPECT AND WILL IT HAPPEN ANY TIME SOON?

Rishi Sunak was plauded by most for responding so quickly to support small businesses as COVID hit. But what a shame that the years of campaigning didn't trigger such a revolutionary business rates consultation before an unprecedented global pandemic hit the already underperforming high street retail and shopping center sector, or Brexit, the war in Ukraine, spiralling fuel prices and a cost of living crisis.

Any OST is not supposed to be a revenue grabbing exercise. Moreover, it is mooted as a way to fund further retail business reliefs for physical stores that are not high value and thereby protect Britain's high streets and much beleaguered retail sector in a longer-term way than the emergency relief funds during Covid can allow.

The retail sector has undergone structural change with Covid a mere acceleration of the flight to online shopping. While, dependent on the location of course, physical independents and convenience stores have done reasonably well, the flight to online shopping has been well documented and the OST may even the playing field for some but the mere complexity of designing and implementing such a system will not be a simple task.

The consultation itself consisted of some 40 questions, of which many answers will not be simple. We expect that there will be a long period of review from now before any formal policy is proposed. After all, it is not straightforward to mediate what represents an online vs physical sales pipeline for multichannel retail and what goods while be defined as taxable under the scheme.

A lot has recently been made about the charges for returns by online retailers but what happens if you buy a product online but return it to the shop. It touches physical retail but the original transaction was made virtually?

So while to many it's is seen as a positive that the Government is consulting on a possible online sales tax for retailers which, in turn, should allow further relief for Britain's much beleaguered physical retail and high streets, is an online sales tax an appropriate "fix" to assist struggling retailers and their "unfair Burden of business rates"?

It is important to look at how business rates are assessed in the first place.

The rateable value of a property should reflect the rental value of a particular property on a year to year tenancy subject to certain statutory assumptions broadly that the tenant is responsible for rates, repairs and insurance – in essence standard lease terms. Each revaluation cycle the valuation officer will undertake a exercise of collecting and analysing rental evidence from the market and revalue all commercial premises.

Using the current rating list as an example this came into force on 1/4/17 with rateable values based upon rental levels as at 1/4/15, hence two years earlier. The two year "gap" between the valuation date and effective date of the rating list coming into force has been the norm since the first modern rating revalution in 1990.

Rating revaluations are designed to capture changing trends in the commercial property market and in essence, address increasing and decreasing rental levels in the property market.

After many years of campaign across the industry and by ratepayers it finally appears that more frequent revaluations to ensure that the changing trends are more quickly translated to a revised rateable value, hence more reflective of what an occupier is paying in rent. In my opinion, although this move is welcomed, government should have gone further and reduced the period between the valuation date and effective date to 1 year, so that rateable values are even more closely aligned with the market and reflective of actual rents being paid - Rateable values are set against rents being agreed and paid for by occupiers.

My belief is that the delay to implement more frequent revaluations has created the louder calls for additional reform to the business rates system. The current revaluation was only intended to be 4 years in duration whereas it now stands at 6 years, leading to the even greater disparity between rental and rateable values with the backdrop of covid and Brexit exacerbating the problem.

The business rates system has the fundamentals to be a fair tax but an accelerated structural change should have been implemented to rebalance the burden and allow a ratepayer to understand why their rateable values are set at the level they are and that they are more closely aligned with the rent they are paying. The lack of such changes and delays implementing change and extending the more recent periods of revaluations has created further unrest and calls for change.

Another area often overlooked which government has also started consulting upon is transitional relief arrangements. Transition is a mechanism that limits the increase or decrease in actual rate liabilities between rating lists, therefore even if a ratepayer sees a dramatic reduction in rateable value following a revaluation it will not always follow that their rate bills will fall by the same percentage or as much as expected. It will be interesting to see the outcome of this and the proposed arrangements in particular in the retail sector. The message to ratepayers expecting a reduced rateable value from 1 April 2023 is act now, check and where necessary, challenge your current rateable value to ensure it is correct as it may have an impact upon your future liability, don't wait for the new list to commence as the opportunity may be lost.

It is interesting to see the differing opinions of retailers over the OST discussion. Is there unfairness over online and physical sales and how rateable values are derived? To an extent I believe yes however if the fundamentals of the rating system are addressed properly, and rateable values are more reflective to the property market then we wouldn't be in this position of yet another way to reduce the increased rate burden by way of another relief.

In my opinion reform should go further and at a faster pace – reliefs are merely sticking plasters.

Perhaps in conjunction with greater and faster reform to the rating system, any OST should be used to assist small businesses and independent retailers further but moreover used to fund the reinvigoration of town centres, creating safe and sustainable centres and attracting the public back to the high street. Online retail is here to stay but without investment in our towns and cities the decay continues, driving down rental values, increasing void levels and causing unrest and dismay in the retail world.

Like most we await the feedback on the consultation and admire the retail sector's ongoing commitment to innovation and finding a way forward. I, alongside the industry's many business rates experts remain poised to provide guidance and help mitigate against future rises, the end of reliefs, structural changes and global shocks.

WHAT YOU NEED TO KNOW ABOUT BUSINESS RATES AND YOUR LOCAL HIGH STREET

Retailers argue for major tax reform

The retail sector is calling on the next Prime Minister to overhaul business rates – the tax companies pay on their properties based on their rental value. But what does this mean for shoppers?

We might be hearing a lot more about business rates in the coming weeks, as Conservative party leadership candidates Rishi Sunak and Liz Truss share their visions for the country.

Retailers have long called for reform to the tax that they see as unfair and expensive. The question for customers, though, is whether this would mean anything for them.

Here, Which? takes a look at how business rates work, the changes firms are asking for, and how it all affects your day-to-day experience on the high street.

What are business rates?

Pubs, shops, restaurants and other businesses pay business rates on the physical storefronts they use.

They're set based on a property's 'rateable value' (determined by the Valuation Office Agency)– aka its rental value – and calculated based on a multiplier (set by the government).

So let's say a shop has a rateable value of £51,000.

It would need to multiply that by 51.2p (the standard multiplier) or 49.9p (small business multiplier) to figure out the business rate.

This would come to £26,112 if it had to use the standard multiplier or £25,449 if it qualified for the small business multiplier.

If a property's rateable value is less than £15,000 it may be able to get business rates relief.

Business rates work slightly differently in Scotland and Northern Ireland.

What's next for business rates?

As we know, property values change every year – sometimes dramatically. But rateable values are based on the rental market on 1 April 2015. That's over seven years ago.

So a business might be paying much more, or much less, in rent by now, but its business rates will have remained the same.

One of the outcomes of the government's business rates review was a commitment to more frequent revaluations.

Valuations will be updated next year on 1 April 2023, but even then they'll be based on the rental market from 2021.

If a property is found to have changed in value, its business rates won't automatically change in turn. Instead, they will gradually rise or fall in line thanks to something called transitional relief.

What is transitional relief?

Put simply, transitional relief works like this: when a property's rateable value goes up, business rates will gradually rise to match it; when a property's rateable value goes down, rates will gradually fall.

It's the gradual fall that the sector is currently taking issue with. It's called 'downwards phasing', and Helen Dickinson, chief executive of trade body the British Retail Consortium (BRC), has argued that it effectively leads to firms in poorer parts of the country subsidising those in richer areas.

Retailers in London, where property values are rising, will not have to pay the appropriate business rates until after the gradual transition. Regional firms where property values are falling will have to keep paying higher rates while they transition down.

BRC director of business and regulation Tom Ironside said: '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.'

There are two key ways business rates are impacting retailers, at least according to the BRC.

The first is store closures. A 2021 survey of BRC members, including 40 major retailers, found that four out of five retailers (83%) were likely or certain to close stores unless the government reduced business rates.

The same survey found that business rates had a 'material impact' on two thirds (67%) of store closures in the past two years.

So although it might seem quite technical or behind-the-scenes, business rates could be having a very real impact on the high street you see when you head into town.

You might find a lack of choice in your town, making it harder to shop around for low prices, and forcing you to shop online for certain goods.

Are business rates driving up shelf prices?

Retailers also say business rates are a contributing factor to the retail price inflation we've seen throughout the cost of living crisis.

While they don't directly contribute to prices in the way that VAT does, they may be indirectly having an effect. Shops have raised prices thanks to a combination of factors, including supply chain costs, labour shortages and administrative burdens. So while business rates alone can't be blamed, they are part of the overall cost pressures on retailers that have led them to increase prices.

The government has just closed a consultation into business rates transitional arrangements. We'll have to wait and see whether it implements the changes the BRC wants, and whether any changes do lead to more, or fewer, store closures.

NOW IS THE TIME TO CHECK BUSINESS RATE LIABILITIES

With a global pandemic accelerating structural changes, particularly in retail, business owners have been hit hard. As the extended rating list cycle is coming to an end, there is a closing window to mitigate against complex business rate liabilities.

The government has confirmed that the 2017 rating list closes on 31 March 2023. Furthermore, the Uniform Business Rate (UBR) multiplier is expected to rise to over 52p in the £, up from its previous level.

The 2023 rating list is no easy feat, with many commercial property sectors showing a decline in rental values and a notable lack of transactions. The basis of assessment for the forthcoming rating list will adopt rental values effective 1 April 2021, based on rents agreed during the backdrop of the Covid pandemic.

The onus is on business owners to present their case for any reduction they believe is due – if they have not yet started, it is imperative to do so now.

What many ratepayers may not appreciate is that their 2017 rateable value could impact their liabilities once the 2023 rating list comes into force, due to transitional relief that will likely apply. If their rateable value falls significantly, their rates payable may not.

Today, average retail rents are down around 17.6% according to MSCI, which means that, unchecked, there is a chance some retailers will be paying thousands more at a time when any savings are greatly needed to keep tenants on the high street following the increase in vacant stores.

Offices are less easy to predict, particularly in city centres. Occupiers are holding on to their space either because they have not reached their lease breaks, or they are waiting to see what happens in the next 12 to 18 months.

Similarly, industrials have had a surge in rental growth, which may mean a major blow to tenants in terms of their liabilities come 1 April 2023. Transitional relief will also play a part where values have increased, thus avoiding large increases in rates payable.

Either way, it falls on the owners/occupiers to do their own checks, which they should do with a genuine expert who can advise them, so they are aware of their likely liabilities before the window closes. Cluttons is offering business owners a free audit of rateable values, which may highlight savings that can be backdated to 1 April 2017, potentially saving thousands at a time when it has never been more crucial.

Ryan Jones is partner of business rates at Cluttons

CALL FOR BUSINESS SUPPORT AMID RECESSION FEARS

Scotland's business leaders have called for more support in the face of the bleak economic outlook.

The Bank of England has increased interest rates to 1.75% and warned inflation is now set to hit more than 13%.

Retail and licence trade associations said more UK and Scottish government support is needed ahead of an expected recession.

The Scottish government has said its focus is on supporting the lowest paid.

Latest data from the Scottish Retail Consortium (SRC) showed footfall in July was 16.5% down on pre-pandemic levels and 0.7% worse than in June.

The decline was larger than the UK average of 14.2%.

The summer heatwave, rail strikes and the ongoing cost-of-living crisis were all blamed.

Ewan MacDonald-Russell, head of policy at the SRC, told BBC Radio's Good Morning Scotland: "As the year progresses, there is little evidence Scottish consumers are close to returning to pre-pandemic shopping patterns.

"The reality is big ticket items are down and we know people are trading down from premium goods to value goods and cutting back on spending now.

"We need action to tackle the high business rates burden and measures to help consumers, particularly less affluent consumers."

Mr MacDonald-Russell added that "big and punchy" moves to help consumers were needed, adding there was no room for "half measures" in the UK government's autumn budget.

Meanwhile, a survey of 100 businesses by the Night Time Industries Association Scotland has found 38% respondents were "unsure" whether they will survive the next 12 months due to soaring costs.

The vast majority are trading below 2019 levels of business.

Colin Wilkinson, managing director of the Scottish Licensed Trade Association (SLTA), said this pressure was being felt across the hospitality sector and described the Bank of England's interest rate hike as "very unwelcome".

He said: "The sector continues to see a slow recovery from the pandemic and then the cost of living crisis.

"This interest rate increase could simply be too much for our smaller operators.

"The industry benefited greatly from the VAT cut in the pandemic and Eat Out To Help Out was successful. We don't have that now so we'd like to see a cut in VAT for the licensee hospitality sector and a complete review of the business rates."

'Significant support'

Scottish government business minister Ivan McKee said he was "continuing to call on the UK government to support the lowest paid in our communities".

He added: "The Scottish government has put in about £3bn worth of support for low paid families and we would call on the UK government to do something similar.

"VAT is a reserved matter for the UK government and we've asked they consider options there to be able to support businesses at this difficult time."

Mr McKee said the Scottish government had put "significant support" into the business rates system to help businesses through the pandemic.

On the calls for more support for the hospitality sector, a Treasury spokesman said the UK government had "stood behind the hospitality sector throughout the pandemic with a £400bn package of economy-wide support that saved millions of jobs and offered a lifeline to thousands of night-time businesses up and down the country."

He added: "At the Spring Statement we went further, announcing a £1,000 increase to the Employment Allowance which will cut taxes for thousands of bars, clubs and venues in Scotland."

AROUND HALF OF ENGLISH COUNCILS HAND OUT CASH FROM £1.5BN PANDEMIC FUND

Real estate experts have said it is 'too little too late' and could mean thousands of companies miss out.

Just over half of councils in England have started making payments to Covid-hit firms from a £1.5 billion support package, almost 18 months after it was first launched.

Real estate experts have said it is "too little too late" and could mean thousands of companies miss out on almost £700 million of available funding.

In March 2021, the Government said that businesses affected by Covid-19 outside the retail, hospitality and leisure sectors, and therefore ineligible for the pandemic business rates holiday, would not be able to appeal their payments for the property tax.

However, it announced a £1.5 billion business rates relief fund for these companies, which include office operators and property firms.

Rishi Sunak, the chancellor at the time, gave councils the responsibility to hand out the cash to businesses which applied to the Covid-19 Additional Relief Fund (Carf).

Nevertheless, the results of Freedom of Information requests by property consultancy Gerald Eve have found that hundreds of millions of pounds remain unpaid despite less than two months being left before the scheme's deadline.

The FOI requests to 309 councils in England resulted in 207 responses.

Slightly over half, 119 councils, said they started making any payments to businesses.

Responding councils which have started making payments account for £632m of the £1.5 billion funding package but have collectively paid out just £329m.

Gerald Eve said that if this trend was extrapolated across England's remaining councils, a maximum of £820 million from the total £1.5 billion available would have been paid out.

Jerry Schurder, business rates policy lead at Gerald Eve, said: "This fund was supposed to help businesses negatively impacted by the pandemic, but which were denied other business rates support.

"The Government claimed Carf was the fastest and fairest way of getting support to businesses that need it the most, but the past 17 months has shown this to be complete hyperbole.

"In fact, the opposite is true.

"Sadly, it's a case of too little, too late for the hundreds of thousands of firms that were retrospectively denied their rights to appeal their rates bills but have yet to receive a penny from the local authorities."

A Government spokesperson said: "The Government has provided an unprecedented package of support for businesses, including a total of £26 billion in grants to those affected by restrictions put in place to tackle Covid-19.

"Councils are responsible for allocating funding and targeting it to businesses, based on local circumstances."

HOMEOWNERS SET FOR COMPENSATION AFTER THEY OVERPAID COUNCIL TAX FOR 30 YEARS

ALMOST 80 households in one council are owed thousands back after overpaying on their council tax.

These overpayments often result from houses being in the wrong council tax band.

STV news was the first to report that 79 households in the East Lothian Council region are owed thousands back.

This resulted from a review conducted by the local valuation board which discovered that far too many properties were in the wrong council tax bands.

The investigation saw 127 homes moved up a band - meaning these households would have to pay more council tax.

However, 79 households moved down a council tax band and will subsequently pay less council tax.

Households who move up a band don't need to pay any underpayments for being in the wrong band, but those moving down will get thousands back from the local authority.

For example, if someone living in East Lothian saw their property move from council tax band E to G they'd save £527 this financial year alone.

And if the property was in the wrong band for a period of five years and the tax difference between these two bands was roughly £500 a year - it would mean they'd be owed £2,500 back from the council.

Changing council tax bands is hard work but here's how to go about it.

What is my council tax band?

Council tax bands are based on how much your property was worth on:

1 April 1991, for England and Scotland
1 April 2003, for Wales

Band A represents the lowest value of a home, while band H in England and Scotland and band I in Wales represents the highest value.

You can check your council tax band here by entering your postcode.

The problem is that when the council tax system was brought in, the Government didn't have time to get detailed information about each home in the UK.

So the people it hired to do the valuations ended up allocating each property a band "with just a glance", according to MoneySavingExpert.com.

This is why thousands of homes across the UK could be in the wrong council tax band, and paying the incorrect amount.

How much do I have to pay?

Council tax is set by local authorities with the cash from the levy being spent to fund the budget for the area.

For example, the money is used to organise bin collection and fund businesses like council run leisure centres.

Every year, the Government sets the thresholds for how much a local authority can increase its local rates by.

How much you have to pay depends on what council tax band your property is in and where you live.

To find out how much tax you have to pay, you'll need to check your local council's website.

How do you change council tax bands?

You might find that you're already paying more for your council tax if you notice that your property may be in the wrong tax band.

According to MoneySavingExpert.com, as many as 400,000 homes are potentially in the wrong council tax band.

The first step is to check what council tax band your neighbours are on - you can then see if it matches your band. If there's a discrepancy then your property may be in the wrong band.

But, you'll need to make sure that it's your band that's incorrect as there's always the chance that your neighbours is wrong.

Finally, you'll also need to work out how much your property was worth in 1991, as this is when council tax was launched by the government.

MoneySavingExpert.com has a free calculator tool to help you do this, plus a table showing what band you should have been put in.

If you want to go ahead with a challenge, you can contact the Valuation Office Agency (VOA) in England and Wales or the Scottish Assessors Association (SAA) in Scotland.

Be aware, that there's always the chance that you may get it wrong and could find your home moved up a council tax band - if this was to occur you'd end up having to pay more.

It's important you're absolutely sure about your case before you challenge it with the VOA.

HUNDREDS OF EAST LOTHIAN RESIDENTS FOUND PAYING WRONG COUNCIL TAX FOR DECADES

HUNDREDS of homeowners in a Scottish town have had their council tax band changed after an investigation into "inconsistencies" between neighbouring houses.

Some of the houses which have been moved had been on the same band for more than 30 years.

Residents in Haddington, East Lothian, were shocked to receive letters from Lothian Joint Valuation Board (LJVB), which sets band levels, last week saying they were being moved – with the majority going up at least one band.

One resident said he thought the letter was a scam when it arrived.

He said: “I’ve been a Band C since 1991, now I’m being told it should have been a Band D and my council tax will go up from next month.

“I couldn’t believe it.”

Assessor for the LJVB Gary Elliott said in total 127 houses in Haddington have been moved up a band, with 79 moved down after it was discovered they had been paying too much council tax.

East Lothian Council has said no refunds will be given to homeowners who are moved down a band just as no backdated payments will be sought from those moving up.

Elliott said the review of houses in Haddington was sparked after a number of appeals lodged by council tax payers in the town against their bandings raised concerns.

He said: “After discussions with appellants, and a subsequent hearing of these appeals before the Local Valuation Appeal Committee, it became clear that there may have been inconsistencies in the bandings of a number of broadly similar properties within Haddington.

“Following a thorough investigation it did transpire that this was in fact the case and has led to the bandings of 127 properties being increased and 79 being reduced.

“Decisions to amend bands are not taken lightly but where inconsistencies are found and a banding is clearly incorrect it is the correct thing to do, not least to ensure all council tax payers are treated equitably.

“Bandings of properties within the Lothians are only reviewed where it is brought to my attention that there may be inconsistencies, or an obvious error, in the banding of a property.

"All the council tax payers affected have been notified of these changes in writing and valuation notices are in the process of being issued.

"Any council tax payer affected by these changes does have a right of appeal against the amended band. Details of how to lodge a proposal/appeal can be found on their new valuation notice should they wish to do so."

One female residents living in the town said news she had been paying the wrong council tax came as a surprise.

She said: "I was told I should be a Band E which is more than £500 more a year and at first was worried they were going to try and charge me for 30 years after they said I should have been in it for decades.

"I'm relieved that is not the case but still angry that at a time when everyone is struggling with costs, they decide to do this now."

Current council tax charges in East Lothian are:

Band A – £1213.42
Band B – £1415.66
Band C – £1617.90
Band D – £1820.13
Band E – £2347.60
Band F – £2871.33
Band G – £3424.89
Band H – £4244.03

East Lothian Council said the change date for properties affected was August 1 and stressed the decision to change bands was made by the LVJB who are independent of the local authority.

A spokesperson said: "The council will update council tax accounts from that date and will re-bill with instalments re-profiled, as required.

"No backdating or refunds of overpayments will be required in those circumstances."

ONE OF BRITAIN'S BIGGEST SHOPKEEPERS JOINS CALL FOR TORY LEADERSHIP CANDIDATES TO PRIORITISE SHAKE-UP OF 'OUTDATED' BUSINESS RATES

- Iceland boss Richard Walker urged next PM to promise 'root and branch' reform
- Walker said the levy is penalising bricks and mortar retailers
- His intervention follows similar calls from the Retail Jobs Alliance

One of Britain's biggest shopkeepers has joined the call for Tory leadership candidates to prioritise a shake-up of 'outdated' business rates.

Iceland boss Richard Walker urged the next prime minister to promise a 'root and branch' reform of the tax.

He said the levy is penalising bricks and mortar retailers and, without a fundamental change, the High Street will 'continue to decline'.

His intervention follows similar calls from a consortium of retailers – the Retail Jobs Alliance (RJI) – which includes Tesco, Sainsbury's and B&Q owner Kingfisher.

RJI members employ more than a million people – a third of all jobs in the sector. And last week it accused Rishi Sunak and Liz Truss of 'failing to prioritise the High Street'.

Business rates are based on rental value not profit. Walker said reform is especially important as hard-pressed shoppers turn to discount retailers such as Iceland, which has close to 1,000 stores around the UK.

Iceland has locked the price of its £1 value range until 2023 – meaning it now sells the products at a loss.

Walker said: 'Our business rates bill is well over £40m a year. It's just unfair. You have massive online businesses who are getting a piggyback for free.'

He pointed out that online giants benefit from the same infrastructure as brick and mortar retailers but do not pay a fair share of the tax that funds it.

Walker said business rates reform would also encourage more retailers to open businesses. This would revitalise town and city centres. Front-runner Truss, the Foreign Secretary, has promised to 'cut taxes from day one' if she becomes PM, while former chancellor Sunak would scrap VAT on fuel.

He has otherwise avoided promising tax cuts but at the weekend unveiled a plan to revitalise high streets and reduce shuttered shops.

Walker said candidates should focus on business rates as they will have a bigger impact on jobs, productivity and levelling up.

He added that businesses were happy paying back the Government's generosity, having been helped through the pandemic.

Walker said: 'I think it's right we call out that a few percentage points increase in corporation tax is not a big deal.

'In return it's absolutely about jobs, productivity, levelling up and high streets which need business rates reform.'