IPTI Xtracts
Property Tax and Assessment News from Around the World

United Kingdom – October 2022

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SHADOW CHANCELLOR CALLS FOR BUSINESS RATES REFORM, BUT WHAT DOES THE BUSINESS RATES TAX SYSTEM ACTUALLY NEED?

News provided by RVA Surveyors on Monday 3rd Oct 2022

The dust has finally settled after Friday's fiscal statement, and while many are still talking about the ramifications, it did deliver the government's plan going forward. What was obviously, starkly, missing however was a plan concerning business rates. Many people including experts, business owners and leaders, and commercial property tenants and owners – have spoken about reforming the business rates tax system in recent (and not so recent) years.

As the Labour Party Conference opened, Shadow Chancellor Reeves held nothing back as she went for the throat of the government's fiscal statement. A term, she pointed out, used to allow the Chancellor to avoid an independent costings review by the Office for Budget Responsibility (OBR). The most pressing issue seemed to be the unfunded tax cuts, but while Reeves did outline a plan to reform the business rates tax system, what was proposed was in fact a complete scrapping of the current system to be replaced with a National Economic Council.

While Reeves was keen to point out problems with the fiscal statement, what was not immediately obvious was how Labour would push through with their own alternatives. Everything shiny and new looks great on principle, but without a fully defined and thought-out plan, these ventures can often fall apart.

"People have been talking about reforming the business rates tax system forever," Anthony Hughes, Managing Director of RVA Surveyors said. "And it's great that it seems to be getting traction now, but it is a relatively simple fix. To create a fairer and more transparent tax system, all they need to do is make sure that commercial properties are inspected every five years and are rated on individual merits."

According to the Valuation Office Agency (VOA), they employ over 3,600 people. If roughly half of these were surveyors or referencers – so about 1800 people – then over a five-year period, each person would have to inspect a minimum of four properties a week. Of course, this is based off of the UK parliament findings that there were 1.9 million commercial properties in the private sector as of January 2022.

When presented with these numbers, representatives of RVA Surveyors agreed that it was more than feasible, adding that their own surveyors often see in excess of this in a single day, let alone a week. If the rating list changes to a three-year period as it is set to do from the 1st of April 2023, then representatives of the VOA would have to see a minimum of seven properties a week. A jump that is not beyond the ability or workforce of the VOA. It certainly appears a considerably easier fix than the government have been saying. Now it seems that they have been dragging their feet over a tax system that business owners and leaders often feel benefits them too much, and commercial property owners and tenants too little.

"It is not beyond the will of man to sort this out," Anthony Hughes observed. "The government just need to get out of their own way."

Labour are not the only party currently calling for a reform or elimination of the current business rates system, with Liberal Democrats expressing their concerns on how the business rates tax systems crippling high streets.

“The time for the government to step-up is here.” Anthony Hughes added. “We’ve said it before, and we want to go on and be able to say to our clients – ‘yes, there is good news’, but to do this there needs to be clear and decisive action taken. Actual, true rents/leases on commercial properties need to be recorded. It is a massive undertaking and will need a lot of manpower – but they have this manpower. It is doable, it is fair, it is the way forward to making sure that commercial property owners and tenants are paying a fair and accurate tax.”

While many people debate just what Friday’s fiscal statement might mean for business rates, it is clear that they need to differentiate if they wish to reform, replace, or simply merge ideas with the current business rates tax system.

FREEPORTS AND INVESTMENT ZONES – AN ECONOMIC BOOST OR RACE TO THE BOTTOM?

A key plank of the Government’s bid to drive economic growth has been its commitment to Freeports and Investment Zones – but are they as beneficial as they would appear?

The Government pledges they will remove onerous regulations and make it easier for businesses to invest and develop trading links.

Regulations are similar for both initiatives and range from big tax cuts, including proposals for the abolition of stamp duty, employment taxes being slashed, planning rules swept aside and companies able to completely write off investments in plant and machinery.

Planning changes under consideration include removing restrictions on height limits and potentially ditching requirements for affordable housing alongside developments, as well as other regulations such as environmental rules.

Former Chancellor, Kwasi Kwarteng, stated in a fiscal statement: “On purchases of land and buildings for commercial or new residential development, there will be no stamp duty to pay whatsoever.

“On newly-occupied business premises, there will be no business rates to pay whatsoever. And if a business hires a new employee in the tax site, then on the first £50,000 they earn, the employer will pay no National Insurance whatsoever.”

There are currently eight English Freeports, including East Midlands Airport, Humber Region and Liverpool City Region.

Liverpool City Region Mayor, Steve Rotheram, welcomed Freeport status, claiming: "Our Freeport has the potential to add an additional £850m to the local economy."

John Lucy, director of Liverpool Freeport, said the number of new jobs likely to be created by Liverpool Freeport is 10,000, while Dafydd Williams, head of policy, communications and economic development (Humber) at Associated British Ports, estimates that 7,000 jobs could be created at Humber Freeport.

Former Chancellor, Rishi Sunak, unveiled plans to create Investment Zones in his March Spring Statement and there are currently 38 areas in England that could set up an Investment Zone, including Liverpool and Greater Manchester, Lancashire, and West Midlands.

They promise similar freedoms from red tape as Freeports.

But there are growing concerns over what these relaxations could mean.

One unlikely objection is from wildlife charity, the RSPB, which fears easing planning regulations will lead to an "attack on nature" and claims housing and commercial developments could be incentivised to damage nature with little or no restriction

Another area of concern is the impact on workers' rights and even the opportunity to encourage lawlessness, such as money laundering.

These fears are voiced by tax campaigner Richard Murphy, Professor of Accounting Practice at the University of Sheffield Management School.

He said areas, like Freeports, are, in effect, tariff-free zones: "The effect of this exemption from tariffs is to provide a tax subsidy to products sold from the Freeport if they are exported. That means that this benefit goes to other countries, and not into the UK market.

"Very often, other tax laws are also waived. The most common relate to employment taxes. So, for example, current UK Freeports waive the employer's National Insurance charge in respect of people employed in Freeports, meaning that the cost of employing people is reduced.

"Again, though, this does not reduce tax for the employee. All the benefit of this goes to the employer. It is they who get the subsidy. And the country, as a whole does, of course, lose out on tax revenue as a result.

"There are also local taxes that are usually waived, eg, business rates. That means that unless the council in which the Freeport is located is compensated for this loss of revenue – which is another subsidy to business – then the local community loses out or has to pay more tax.

"These are not the only taxes that can be waived. For example, corporation tax on profits arising in Freeports can be reduced – although how to calculate just what those profits are is open to widespread abuse. This, once more, is a subsidy to business.

"And there can also be exemptions from other taxes, eg, to capital gains tax on assets held in Freeports. This is currently the appeal of many EU-based Freeports which are used to store works of art tax-free because of this exemption."

He also raised another area of concern: "In addition to the tax exemptions, reduced health and safety standards are often permitted in Freeports. These put workers at risk. Reduced employee protections are also common, again putting workers at risk.

"Environmental standards can also be waived. So, too, might other standards, eg, on money laundering and other measures intended to prevent crime.

"The whole essence of a Freeport is, then, to provide a low regulation environment, not just because of relaxed law, but also because of relaxed enforcement.

"And this is not only within the Freeport, but also on its border. Bizarrely, what Freeports create are many borders within a country as goods can move in and out of different Freeports, each with their own separate regulations and maybe tax rules.

"The very borders right wing politicians say they hate are at the heart of Freeports. There is good reason for this paradox. The more rules there are, and the more borders there are, the more a business can abuse the rules of Freeports to negotiate their own advantages."

He added: "Unsurprisingly the Organisation for Economic Co-operation and Development, of which the UK is a member, has found that there is a strong link between the lax regulation in Freeports and criminal activity.

"This criminality is not just related to normal trades. There have been many reported concerns about the use of Freeports to trade artworks that are owned by offshore companies as a way of criminal money laundering.

"So, Freeports are linked to lax, and potentially unenforceable regulation whose operation is very often outsourced to private Freeport operators. This is bad news for law enforcement as they create an environment where the law is often not known.

"Worse than that, Freeports create a 'race to the bottom' in the regulations that they offer to out-compete each other to get businesses to locate in their Freeport rather than another one."

Prof Murphy accepts he could be accused of being too negative, but asks: "Do Freeports actually encourage growth as their proponents claim? There is no evidence for it. At best there is evidence that they might encourage jobs to be moved into Freeports from areas outside them. But there is no evidence that Freeports actually create new jobs or growth."

He said this is why a previous experiment with Freeports was scrapped in 2012: "They simply did not work for the economy as a whole."

Prof Murphy concludes: "Freeports undermine the integrity of the law and regulation in the UK, reduce taxes for employers, but not employees, and usually end up with workers more vulnerable than they are in the rest of the country."

TAXES MUST RISE TO PLUG £40BN BLACK HOLE IN SUNAK AND HUNT'S BUDGET

There's limited scope for further spending cuts so the PM and chancellor must surely look to higher taxation to repair damage done by the mini-budget

Devon county council leader John Hart dreads the return of austerity. A Conservative who has long complained about Whitehall's tenuous grasp on regional issues, Hart must find savings of £27m next year before Jeremy Hunt has even begun looking for further cuts in local authority funding.

England's counties, most of them Tory run, face a £500m shortfall next year, according to the Local Government Chronicle. The big cities and unitary authorities are also on course for huge deficits and worse when the chancellor slashes their budget allocations for the 2023-24 financial year and beyond.

Jeremy Hunt and Rishi Sunak are under pressure from all sides to limit spending cuts after 10 years of austerity and the Covid-19 pandemic left much of central and local government gasping for air.

Early in his tenure at No 11, Hunt called for efficiency savings to repair the damage caused by Liz Truss and Kwasi Kwarteng's mini-budget fiasco without spelling out how he planned to achieve them. Hart made it clear to fellow councillors at a recent meeting that he could not conceive where further cuts might fall.

“When I heard a minister saying in the last few days that local government has got to take some more pain because it still has fat on it, my comment was: I’ve got bone left and we’ve already been chipping into some of that over the last year or two,” he said.

Whitehall departments are in a similar position. Traditional Tory targets like justice and transport complain that every possible saving has been made in the last decade. Lacking options to cut spending without sparking a Tory revolt, Hunt and Sunak are likely to rely heavily on higher taxes to recoup much of the expected £40bn to £50bn extra shortfall in next year’s budget.

There will be stealth taxes, like the ones already planned by Sunak when he was chancellor – most notably the inflation-linked increase in tax thresholds year-on-year that will pull millions of people into higher tax brackets, generating billions for the exchequer. Council tax, called Britain’s most unfair tax by many and kept out of the spotlight during the pandemic, could again become a major source of income.

Briefings from No 10 have signalled that there will be 50-50 split between tax rises and spending cuts. The money is needed because while Truss’s tax-cutting bonanza has largely been scrapped to reduce next year’s budget shortfall, the legacy of her misguided approach, coupled with a deteriorating outlook for economic growth and a financial market panic that damaged overseas investor confidence, mean that to bring down debt, more needs to be done.

Sunak can say the cost of government borrowing has stabilised and the pound has mounted a modest recovery, but both are only back to pre-Truss levels and financial markets remain on high alert. Bank of England officials, concerned about an inflation rate that hit 10.1% in September, are also on the warpath.

This week the bank’s monetary policy committee is predicted to raise its base interest rate by 0.75 percentage points to 3%. City traders expect the figure to hit 5% next year. Higher credit costs are going to add further pain to all those who have extended their borrowing in the last 10 years, and not just those people refinancing their mortgages.

Government is also facing higher borrowing costs. In September public borrowing jumped in response to a £7.7bn debt interest bill, £2.5bn higher than the same month last year. In a further twist of the financial knife, the benefits of the Bank’s quantitative easing programme of buying government debt are about to reverse. Last year the Treasury benefited from low interest rates on its borrowing and the profits from QE.

One of the Bank’s former deputy governors, Paul Tucker, has estimated that the Treasury will be £40bn worse off from QE losses in addition to the higher interest to be paid on new debt, and argued that the government should override the usual rules to prevent this from happening.

Intervening to limit the QE bill is known to be under consideration by Hunt given the amount of money at stake, but such a move goes under the heading of damage limitation.

The Office for Budget Responsibility, which will produce forecasts for economic growth and the public finances at the budget on 17 November, may report some good news. A dramatic drop in gas prices this month will give it room to predict lower inflation and interest rates over the next five years, taking some of the pressure off Hunt.

The bad news for the Tory party faithful like Hart and everyone else is that Hunt will still need to raise taxes, even if he can avoid harmful spending cuts.

U.K. RETAILERS GROUP CALLS FOR BUSINESS RATES FREEZE TO SUPPORT INVESTMENT, PROTECT CONSUMERS

The U.K. government should freeze business rates to support investment and help keep prices low for consumers, the British Retail Consortium has said ahead of a planned 800 million-pound ($930.2 million) increase from April.

The trade association for U.K. retailers' Chief Executive Helen Dickinson said Friday that the operating costs for businesses remain high and demand will be tested by the fragile economy and falling consumer confidence ahead of the Christmas period.

An increase in rates, as retailers are also facing higher costs, would force businesses to make decisions on new store investments and the closure of existing locations, she added. Systemic reform should also be undertaken, Ms. Dickinson said.

The British Retail Consortium's chief executive called on the U.K. government to make the changes as the industry body released statistics for the third quarter of 2022 that showed the overall shop vacancy rate decreased to 13.9%, 0.1 percentage points better than the prior quarter and 0.6 percentage points better on year. The outturn marked the fourth consecutive quarter of falling vacancy rates.

All locations saw improvements in the quarter, the BRC said. Shopping-center vacancies fell to 18.8% from 18.9% in the second quarter, high-street vacancies decreased to 13.9% from 14.0% in the previous three months and retail-park vacancies decreased to 9.7%, a 0.5 percentage point improvement from the comparable period.

London, the South East and the East of England had the lowest vacancy rates, while the highest were in the North East, followed by Wales and the West Midlands, the BRC said.

"The overall shop vacancy rate improved for the fourth consecutive quarter; however, vacancies remain higher than pre-pandemic levels. Some locations are benefiting from a pickup in tourism and a gradual return to offices, but levels of footfall are still below those of 2019," Ms. Dickinson said.

HIGH STREET BRACED FOR £3BN RISE IN BUSINESS RATES BILL

Rates hike adds further pain to businesses struggling with soaring energy bills

Retailers face paying an extra £3bn next year in business rates, piling further pressure on the high street as costs soar and shoppers cut back on spending.

Business rates, which are a tax on company properties, are due to rise in line with inflation, which hit 10.1pc in September.

It means the overall business rates bill for companies across England is projected to jump by £2.7bn to £30bn from April, when the tax rises, according to property experts Altus Group.

According to the British Retail Consortium, retailers alone are set for an £800m tax hit next year as a result.

Suren Thiru, economics director at the Institute of Chartered Accountants in England and Wales, said the tax surge is a double blow for retailers, pubs and restaurants as temporary Covid support measures are withdrawn.

He said: "Many firms are facing eye-watering tax rises next April as business rates rise with September's CPI inflation, aggravating already diminished cashflows.

"This is particularly acute for those in retail, leisure, and hospitality, whose temporary 50pc rates relief expires in the same month."

It comes as retailers battle soaring energy bills, rising ingredients costs and staff shortages even before rates go up.

A survey from the Federation of Small Businesses (FSB) this week showed that bosses are more pessimistic now than at any point except during lockdowns.

Separate data published by the Office for National Statistics on Wednesday showed prices rises facing manufacturing businesses are even higher than those hitting households.

Factories said their input costs last month were up by 20pc while the prices charged to customers increased 15.9pc on the year.

For services companies, prices charged are up by a more modest 6.6pc, though this is the highest level on record.

Martin McTague, national chairman of the FSB, said: “The prospect of business rates going up next April by 10pc is hugely worrying, and would be devastating for thousands of small businesses.

“With relief for businesses in hospitality, retail and leisure due to end around the same time, the impact on these industries will be particularly acute.”

Jerry Schurder at property consultancy Gerald Eve said rates have not risen this much since 1991, and will add another £3bn per year to already unaffordable costs.

He said: “The Prime Minister claims that her policies are designed for ‘growth, growth and growth’ but further business failures and shop closures will result unless the UBR [Uniform Business Rate] is frozen again.”

It comes as Jeremy Hunt, the new Chancellor, is seeking ways to save money or raise extra revenue to plug a hole in the Government’s finances and reassure financial markets he is serious about fiscal prudence.

This includes raising the headline rate of corporation tax, which applies to companies with profits of more than £250,000, next year from 19pc to 25pc. Those with profits below £50,000 will not face a rise in the tax.

A Treasury spokesman said: “Our business rates review led to almost £7bn of support to reduce the burden of rates over the next five years and brought about reforms which will make the system fairer, including further business rates relief and freezing the multiplier in 2022-23 to put the brakes on bill increases.”

REVALUATION 2023: DRAFT RATING LIST IS COMING BUT WHAT DOES IT MEAN?

Preparations for the rating Revaluation 2023 are well underway, but what should businesses expect next?

The next stage in the process is the publication of the Draft Rating List which should be published by the Valuation Office Agency (VOA) on 21 November 2022, subject to any further delays by the VOA.

The Draft Rating List is exactly what it sounds like – a draft list which outlines what the new rateable values (RVs) will be for all commercial properties in England and Wales.

The list is published by the VOA, an executive agency of HMRC, and should coincide with the release of the 'multiplier' which is used to calculate your liability.

There are, in fact, two multipliers – a small business multiplier and a standard multiplier. Your business rates are calculated by multiplying the rateable value of your property by the multiplier.

This means that, once published, the Draft List and business rates multipliers will give you the opportunity to forecast what your business rates liability will be for the next financial year (with the following years released at Autumn budget). You can also check for factual errors in your valuation.

What should you do once these are published?

The best thing you can do is seek professional advice to cross-check for any factual inaccuracies which may have impacted the rateable value of your property, so that this can be regularlised with the VOA.

This can be done both with future business rates liability in mind, as well as exploring the potential for historical overpayments in rates which may have occurred.

What to expect from this year's Draft List

The publication of the Draft List is based on valuations of your property on 1 April 2021. Why might this be important?

Well, this 'antecedent valuation date' as it is known, was the height of the pandemic at a tumultuous time in property market terms. This means that the valuation of properties at this time were founded on unprecedented events and markets.

In the office sector, transactions were scarce which means that the valuation of your premises will not be based on a significant amount of market evidence – because there simply wasn't any.

Meanwhile, for occupiers of industrial, warehouse and logistics space, in April 2021 the marketing was booming, so the value of your premises at this time would have increased significantly. This could have a drastic impact on your business rates liability for the next rating period.

This prospect, together with the coming together of rising energy costs and interest rates, could deliver a financial triple whammy for occupiers of industrial premises from 2023.

Get help now

Once you have been notified that the Draft List has been published and the multiplier has been established, it is important to check for any factual errors, so that appropriate representations can be made to the VOA to address any mistakes.

Our team of business rates experts can do this on your behalf – whether you have one premises or a whole portfolio of commercial properties across the UK.

Working with you, we will undertake a business rate audit and provide you with liability calculations based on your premises / portfolio, to help you to budget for this over the next rating period.

We can also explore the full range of business rates reliefs that are potentially available to you, including any historical savings that can be recovered, and will work with the VOA on your behalf to regularise your position.

If you would like support to understand the potential implications of the Draft Rating List on your liability over the next rating period, contact our team for support with your business rates.

*The information in this article is correct based on the date of publication and is subject to potential change based on Government announcements on or after this date.

MATTHEW & GOODMAN WARNS COUNTY OVER BUSINESS RATES

Business rates are set to rise by more than a quarter, according to a property consultancy firm.

Matthews & Goodman has issued the warning after a government revaluation of liable properties.

Head of northern business rates team Jonathan Young said: “Given everyone’s current focus on cost management, it’s important that business leaders don’t ignore the implications of this revaluation - because it’s only six months away.

“The reality is experts believe that the average rates bill in Yorkshire will rocket up by around 26 per cent compared with an expected average increase across the country of 35 per cent - at a time when every organisation is already suffering from crippling energy and staffing cost rises."

He added: "The anticipated rises are based on the rental values which vary according to location and property type. I strongly advise any ratepayer to seek advice from a business rates specialist to make sure that their position is clear."

David Skaith of the York High Street Forum said: "Business rates are an outdated tax that unfairly impacts bricks and mortar operations - they need to be abolished, not risen.

"Regardless if you make money or not, you have to pay the rates, it means many business owners decide to not even take on a unit because of this extra cost.

"With all the other cost increases businesses are seeing and loss in sales, an increase on this scale with be the death of so many. We think the high streets are struggling now, fast forward to a rates increase and it will be disastrous."

A spokesperson from City of York Council, said: "While any revaluations of business rates have yet to be announced, it is important to be aware there is national and local support available for York businesses to help with rising energy costs."

York businesses can get in touch with the Economic Growth Team for businesses information, advice, and support, including business start-up and growth support, access to finance and funding and skills and training support.

A spokesperson for HM Treasury said: "Our business rates review led to £7bn of support to reduce the burden of rates over the next five years and brought about reforms which will make the system fairer, including further business rates relief and freezing the multiplier to put the brakes on bill increases."

The Treasury added that relief included £1.7bn for retail, hospitality and leisure. Having revaluations every three, not five years, would be fairer in future.

LAST ORDERS: PUB NUMBERS SINK AMID CALLS FOR FURTHER SUPPORT

The number of pubs vanishing from communities in England and Wales increased by 50 per cent in the last three months, according to new data, amid warnings that more must be done to protect the great British institution.

During the three months to the end of September, 150 pubs were either demolished or converted into other types of use such as homes and offices, according to real estate adviser Altus Group.

That number is up 50 per cent on the 200 pubs which were lost for good during the first six months of the year.

The sharp jump in the number of pub closures comes after industry bosses have called on the government for further tax support as the colder months approach and rising operating costs continue to eat away at margins.

The Night Time Industries Association has forecast that up to seven in ten pubs could be forced to close due to soaring energy bills.

Pubs struggling to make a full post-pandemic recovery

According to the new data, there were 39,823 pubs at the end of September, compared to 39,973 at the end of June.

London said goodbye to a total of 13 pubs during the last three months.

Robert Hayton, UK president at Altus Group, said that "it beggars belief that a self-proclaimed low tax government could allow pubs to lose out to their business rates discount next April as well as seeing any benefit from next year's revaluation potentially wiped out by inflation."

On Friday, JD Wetherspoons warned that enticing punters back to its venues after the pandemic has proved "a momentous challenge."

Consumers were now enticed to stay at home after developing a preference for cheaper drinks from supermarkets during the pandemic, said Wetherspoons boss Tim Martin.

He said that publicans had seen a "painstakingly slow" post-pandemic recovery paired with "great inflation in costs".

ESTATE AGENCY CALLS FOR BUSINESSES TO CHECK BUSINESS RATES NOW

Since announcing free business rates audits in a bid to get Britain prepared for the incoming 1 April 2023 deadline, Cluttons says that it has seen a flurry of businesses looking to save costs and prepare for new liability levels.

In the last few days alone, the company reports that it has seen 350 properties worth over £7m in rateable values with the potential to save several hundreds of thousands for the businesses involved thanks to backdated payments.

The business rates specialist also points out that despite the 1 April deadline seeming a long way away, the quicker rates are checked by the Valuation Office, the quicker repayments can be made and the more likely future rateable values are likely to be positively affected for businesses struggling amid a perfect storm of energy costs, rising inflation and interest rates and economic uncertainty.

Ryan Jones, partner in business rates at Cluttons, said: “The closer we get to the deadline, the more checks will be submitted for the Valuation Office to deal with. Never has being prepared been more crucial. Around December, the VOA is likely to publish the intended rating list for April 2023 and this will create many layers of administrative work for businesses in addition to ongoing and future checks that will take time to wade through. Businesses that leave their audits and checks to the last minute are potentially writing off thousands of savings that can be backdated six years – the length of the current business cycle.”

The Valuation Office Agency typically publishes its rating list around four months before the new rating list comes into force. In this case it is likely to be in December 2022 before April 2023.

As part of its warning to ‘get cracking on business rates’ Cluttons points to recent ongoing work with a variety of different sized businesses across a range of sectors where backdated savings are very much in reach.

One occupier landlord client Cluttons is working with currently has 40 sites and has seen almost a quarter of them eligible for savings, a total that could be upwards of £500,000. While an industrial occupier in Salford with just one premises is likely to see savings of £20,000 over the course of the 2017 rating list.

Michael Hampton-Riddington, head of business rates at Cluttons, commented: “Typically the proportion of business costs outside of talent have been ranked in order of rent being largest, followed by rates then perhaps utilities. Given the current energy crisis, energy costs may even have overtaken business rates possibly in cost, but definitely in terms of levels of concern. However, with no immediate solution to energy, businesses should focus on the very real opportunity to mitigate their ongoing costs and potentially receive thousands in refunds by checking their rateable values now, before their opportunity is lost and well ahead of the 31st March 2023 deadline.”

He added: “While the obvious focus is very much on smaller and mid-sized businesses who need as much financial support as possible, we must not forget the larger businesses with multiple properties, pension funds and public sector bodies that also own and occupy real estate and who have a duty to ensure finances are protected to support real people in the long term.”

DEPARTMENT STORE BEALES IN PETERBOROUGH IS SET TO CLOSE EARLY IN THE NEW YEAR

Decision to shut follows unsuccessful business rates battle

Department chain Beales has announced that its Peterborough store is to close - less than two years after it opened.

About 20 jobs will be lost when the store in Westgate finally ceases trading some time in January next year.

Staff were told of the closure early today.

Chief executive Tony Brown said he was extremely disappointed that the decision to close needed to be taken.

The company has been embroiled in a battle with Peterborough City Council and the Valuation Office Agency for some months over its business rates bill.

Mr Brown said: "We were being charged about £300,000 a year for use of the entire building when in fact we only use 12,000 square feet on the ground floor - which equates to a bill of between £40,000 and £50,000 a year,.

"The business is just not viable faced with a demand for £300,000. With other cost pressures it was the last straw.

"It's higher than London's Oxford Street per pound per square foot.

"I don't think the council is fully aware of the challenges facing businesses at the moment.

He added: "It is not possible to move to anywhere else in Peterborough as it is all too expensive.

"I am really disappointed as I like Peterborough.

"With the loss of staff and the concessions holders here, about 20 jobs have gone."

Mr Brown said there would be a closing down sale through November with the store expected to shut for good at some point in January.

He said plans to redevelop the Westgate buildings would have closed the store in about two years.

It is the second time the iconic retail brand has closed in Peterborough.

Beales occupied two floors of the same Westgate premises for nine years before the national retailer's collapse into administration in 2020.

The Beales web address and brand were bought last year by New Start 2020, of which Mr Brown was a director.

Mr Brown, who was chief executive at the original Beales, said ahead of the opening of the new store in May 2021: "The Peterborough store always traded to a high standard and we see a future here for us.

"I am very confident that it will work well."

BUSINESS RATES LEAP A "HAMMER BLOW" SAY EXPERTS

A multi-billion pound business rates leap will be a "hammer blow" to struggling companies, according to industry specialists.

The tax is linked to the September measure of consumer prices index (CPI), which came in at 10.1 per cent.

It will add £2.7billion to bills, just as pandemic- era rates relief for businesses such as shops, cinemas and bars come to an end.

Property consultancy Gerald Eve told thisismoney.co.uk it was the biggest annual jump in the levy for 32 years.

Its business rates expert Jerry Schurder said: "Businesses are quaking in their boots. Huge business rates hikes are not the way to grow our economy and attract inward investment."

Corporation tax is also expected to increase from 19 per cent to 25 per cent costing firms £12.4billion in 2023-24.

Martin McTague, chairman of the Federation of Small Businesses, said: 'With rates help for many firms ending in March, higher rates bills in April will be a hammer blow at precisely the wrong time.'

He said it 'risks worsening the vicious circle of decline seen in too many of our towns and high streets'.

Kate Nicholls, chief executive of trade body UK Hospitality, said: "There is a real risk that hospitality businesses will face an enormous cliff edge in April if these numbers are used to hike the business rates tax level."

Retailers have long called for an overhaul of business rates, which they say unfairly burdens those with high street stores compared to online sellers.

The Retail Jobs Alliance, which represents firms such as Tesco, Sainsbury's and B&Q owner Kingfisher that together employ over 1million staff, said there was an "urgent" need to freeze rates, followed by "proper reform".

IF TRUSS TAXES LAND, SHE WON'T NEED SPENDING CUTS

Martin Wolf ("Truss's growth plan is nothing but a magic potion", Opinion, October 3) understandably dismisses the government's "growth plan" as "a plan for inequality and insecurity". But it could be converted into a fairer, fully funded tax-cutting strategy if it would only distinguish between earned and unearned incomes.

There is wide acceptance of high earnings for those at the top of their professions in industry, commerce, technology and the arts. Taxes demotivate all these activities, possibly just as much as with lower paid workers.

With increase of population and social amenities, demand for land presses inexorably on the fixed supply. Land values and rents increase apace. These are unearned. There is a compelling economic and moral case for taxing them more heavily than earned incomes. Taxes do not demotivate land, but they do demotivate work, enterprise and trade.

The annual rental value of the UK's hugely valuable stock of urban and rural land and natural resources could easily fund present government expenditure, and rents rise as other taxes are cut. Spending cuts would not be needed. Most of our most valuable land is owned by the wealthy. If they also have high earned incomes, their net income need not fall. With all earned incomes less hobbled by penal taxation, there can be fairness and net gain for all.

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'WE NEED HELP NOW': UK HOSPITALITY WARNS OF 'TIDAL WAVE' OF CLOSURES AS CRISES LOOM

After lockdown closures, supply and staffing issues, inflation and high energy bills could be fatal for many businesses

Britain's hotels, restaurants and bars had high hopes that Liz Truss might act as prime minister to address crushing cost rises as they emerged from the Covid pandemic.

Her business energy support package offered some respite, but the economic chaos and mortgage payment rises triggered by the shortest premiership in British history have further hit customer spending power.

Business owners now say a lifeline for the sector must be first on the list for Truss's successor, Rishi Sunak.

The industry, which creates £130bn in economic activity according to the industry body UKHospitality, has already been hammered by a number of factors, including the financial pain of successive Covid lockdowns, supply issues, labour shortages, wage inflation, and fragile consumer confidence.

Now, it faces a deadly combination of rising prices, rocketing food and energy costs and the prospect of recession, as the vital Christmas trading period looms.

Kate Nicholls, the chief executive of industry body UKHospitality, said: "The hospitality sector continues to battle soaring energy costs, worker shortages and a cost-of-living crisis dampening consumer confidence, which is threatening the future of thousands of businesses.

"Hospitality businesses add huge value to the cultural and social fabric of local communities and we must avoid a situation where we lose a critical mass of our industry. Once these businesses are gone, they are gone for good."

Insolvencies have hit their highest level since the depths of the global downturn in 2009, according to the ONS. More than a quarter of businesses reported their turnover was lower in September this year compared with August, with the largest drop-off (52%) for accommodation and food service firms.

In the third week of October, when many shops were preparing for half-term holidays, footfall declined by 2.3% in retail destinations, including retail parks and shopping centres, with high streets worst affected, according to Springboard data released on Monday.

Matt Snell, the chief executive of Gusto Italian, warned that hospitality businesses had a "very, very hard winter" and had faced "unbelievable pressures" in the last 12 months.

"A big problem has been the 15% increase in food inflation this year, it has been unbelievable, just so high. But what has also really come home is wage cost inflation. Since 2019 prior to the pandemic we have seen a 16% increase, it's been a mad scramble for staff.

"In particular, we have found a lack of availability of chefs, partly due to Brexit, but we also lost staff to firms such as Amazon and the supermarkets during the Covid furlough and they haven't returned."

Gusto Italian has lost "hundreds of thousands of pounds" overall by not operating restaurants at full capacity, says Snell. The business – which operates 13 restaurants and is soon to open a 14th in Oxford – has faced a hefty increase in its energy bills from £800,000 a year to £1.5m, despite the government's energy cap.

One in five hospitality business owners said they would not make it through the current economic crisis, according to a recent survey of UKHospitality members.

A further three in five operators said they were no longer profitable and more than three-quarters were being forced to hike prices due to steep cost rises. UKHospitality estimates this will lead to a £25bn loss in trade and a potential loss of 383,000 jobs across the UK.

Jamie Langrish, 45, who owns three pubs in the Stockport area, has urged the government to offer further support. "The really pressing situation was the energy bills and fortunately the government has introduced a cap. But it's still a significant problem.

"At one of my pubs, the Bakers Vault, our energy bill used to be £12,000 a year and we were then quoted £68,000. With the cap it's now £38,000 which is still a huge sum for our business."

Truss's support package covered businesses for only six months, and there is nervousness in the sector about whether the new administration will extend help beyond April 2023.

"The problem with the energy situation is the uncertainty going forward," Langrish said. "We cannot plan ahead because the energy cap is only for six months rather than two years. Will we get help after that? We don't know."

The 45-year-old said there has been significant food inflation, such as the doubling in price of cooking oil and escalating costs of meat and fish. Rising costs have forced the publican to delay opening a new kitchen at another of his pubs, The Crown in Heaton Mersey, over the busy festive period.

Langrish said the industry managed to get through Covid only to find another set of issues he described as a "car crash" this year. "As an industry we have been warning the government about these issues such as rising energy bills, rates, inflation – the sector is struggling and we need help now."

Figures on critical corporate financial distress levels from management consultants Begbies Traynor reflect the urgency of the pressures the hospitality industry faces as it enters winter. Its latest statistics show a 25% jump in financial distress, with the main drivers of that increase coming from bars, restaurants and the retail sector.

The squeeze on finances it set to deepen as the 50% business rates relief that many hospitality firms are receiving ends next year. Firms could also have to pay an extra £2.7bn in tax on company properties, which is due to rise in line with inflation, now at 10.1%.

Anthony Penden, 40, owner of London's Somers Town Coffee House in Euston and The Victoria in Mile End, warned that the industry was "suffering" and that without intervention there could be a "tidal wave" of closures in January. The publican urged the government to cut VAT from its current rate of 20% down to 15%.

James Allcock, who owns neighbourhood bistro The Pig & Whistle, in Beverley, east Yorkshire, has also called for a reduction on the goods and services tax. "I cannot see how the current high level of VAT is sustainable for the industry. This is a long-term problem that existed before the pandemic and has created a disproportionate trading environment that does not exist in the US or wider Europe."

Allcock, who has owned the restaurant for five years, said difficulties recruiting staff meant he's had to turn away £35,000 in business.

Sian Evans, 36, and Tom Mathews, 39, started baking in 2020 during lockdown. They opened the Chatsworth Bakehouse in Crystal Palace, south London, in September last year and people were soon queueing out the door for baked goods.

The business has been hit with a 35% increase in electricity bills and the duo are cautious about expanding to a larger premises without further certainty of the energy bill situation. Mathews said: "We are being cautious because we want to know what's happening with the energy prices in April next year."

Nicholls said that prior to the pandemic, hospitality was one of the only sectors expected to grow.

"Before the energy crisis hit it was forecast to grow 3%."

She has called for urgent help from the new prime minister, including business rates relief and a lower rate of VAT. "It's clear the economy needs hospitality to be firing on all cylinders and, while the government's energy support package was very welcome, there now needs to be considered and urgent action to ensure businesses can survive."

NEW WELSH SECRETARY RUNNING PETITION ON SENEDD WEBSITE CALLING FOR NO COUNCIL TAX REVALUATION

The new Welsh Secretary has taken the unusual step of running his own petition on the Senedd website calling on the Welsh Government to scrap plans for a council tax revaluation.

David TC Davies said that voters in his own constituency of Monmouth faced “astronomical council tax hikes” if proposals to revalue homes go ahead, and were being used as a “cash cow” by the Welsh Government.

The former Senedd Member became the new Welsh Secretary in Rishi Sunak’s reshuffle on Tuesday after his predecessor Robert Buckland’s resignation, having formerly been the Parliamentary Under-Secretary of State for Wales at the Welsh Office since December 2019.

Changing the council tax system is part of the Labour-Plaid co-operation deal at the Senedd. Both parties promised to reform council tax in their manifestos for last year’s Senedd election.

The revaluation of all 1.5 million properties in Wales is now being suggested in a Welsh Government consultation.

But in his petition, which he promoted on social media today, David TC Davies said: “I urge Monmouthshire residents to sign this petition so that action can be taken by the Senedd to influence the policy of Welsh Government.”

‘A lot worse’

David TC Davies said that studies suggested that under any council tax revaluation nearly 4 out of 10 homeowners in Monmouthshire would move up a band and face paying £100s more each year in council tax, while less than 1 out of 10 would pay less by moving down a band.

“Residents already face an unfair council tax burden because it is the lowest funded local authority area in Wales,” he said. “The shortfall between what is received from the Welsh Labour Government and what the council spends is made up by council tax.

“Monmouthshire is likely to be a net loser from these proposals potentially pushing hard-pressed families into much higher council tax bands, making it even more expensive and for some local people unaffordable to live here at a time when many are struggling with the cost of living.”

He added: “At present, Monmouthshire is being used as a cash cow and this is about to get a lot worse.”

So far 2,751 people have signed the petition, 89% of them in Monmouthshire.

RATES RELIEF NOT POSSIBLE WITHOUT STORMONT EXECUTIVE, SAYS FINANCE MINISTER

Finance Minister Conor Murphy has said it is not possible to cancel or defer rates for households and businesses to help with cost of living pressures due to the lack of an Executive.

The news comes after the largest single energy price hike in Northern Ireland — the 56.3% increase imposed by Firmus Energy — came into effect today.

Domestic and non-domestic rates are paid by households and businesses here to fund public services, from bin collections to healthcare.

Rates have been frozen in Northern Ireland in the past, such as during the Covid pandemic.

Minister Murphy was recently asked by independent unionist MLA Claire Sugden whether he has plans to cancel or defer domestic and non-domestic rates to reduce living and business costs during the cost-of-living crisis.

He replied: “Given the ongoing absence of an Executive it is not legally possible for me to act unilaterality to take forward new legislation to cancel or formally defer rates bills for domestic or non-domestic ratepayers.

“Such legislation would, as a minimum, require Executive agreement because these proposals could reduce the revenue that is required within central government budgets, or stop vital funding to Councils that rely upon rates as their primary source of income.”

Ms Sugden said that, with funds here already stretched, cancelling or deferring rates may not be possible, but without an Executive we are unable to make any serious budgetary decisions at all to help people with the cost-of-living crisis.

“I would, however, expect the Northern Ireland Government to be lobbying Westminster for support funding similar to that which we saw during the various lockdowns and periods of restrictions during the pandemic,” she said.

"It will require considerable resources to ensure everyone here can afford even the basics such as heat, food and electricity. But we need to be thinking of all the different ways that we can limit the impact of the cost-of-living crisis on people.

"For instance, I have also recently asked ministers about their plans to support people to better insulate their homes, assist community and voluntary groups to support their local communities and offer free school meals and extended breakfast and after-school clubs to all pupils.

"Regarding supporting people to better insulate their houses — this is now able to go ahead as it is current Government policy."

In addition to Firmus Energy, a number of other energy suppliers have also increased their prices in recent days — including SSE Airtricity, Electric Ireland and Click Ireland, who all put their electricity price up by about a third, while gas from SSE Airtricity increased by 28%.

Speaking last week, Communities Minister Deirdre Hargey expressed concern over pressures on households with vulnerable people, including those with disabilities, pensioners and children.

"In a matter of days thousands of households here, which are already in crisis, will be faced with yet another increase in energy prices," she said.

"As I continue with my engagement with groups and organisations on the ground I am hearing a consistent story of many households with vulnerable people including those with disabilities, pensioners and children, affected by impossible choices around the basic essentials of light, heat and a warm meal.

"I am determined that my department will continue to do all it can to help those in need with our ongoing schemes like Affordable Warmth, Make the Call, Social Supermarkets.

"I have also tasked officials to develop options to provide further support, but any new initiatives would require a budget and a functioning Executive.

"There can be no doubting now that the absence of these is affecting lives in a very negative way."

LAND AND PROPERTY SERVICES PREPARING TO 'PROSECUTE' FOR NON-PAYMENT OF RATES

The Land and Property Services (LPS) is taking action to make sure courts are available to prosecute people who can't afford to pay massive rates bills this winter, it has been reported.

It comes as BBC Radio Ulster's Nolan Show revealed that 3,389 home owners were prosecuted for failure to pay domestic bills last year.

Another 694 business owners were brought to court in 2021/22.

The LPS, which has a statutory duty to collect rates which fund local council services, is readying courts for a busy November and December, according to the Nolan Show.

Retail NI chief Glyn Roberts said it would be "unacceptable" for businesses to be closed down because they are struggling during the cost of living crisis.

Councillors write to Jeffrey Donaldson urging Executive reform as Belfast residents face 12.5% rate increase
"We need to see treasury bring forth additional funding so that our finance minister can reinstate the business rates holiday introduced during the pandemic," he said.

Mr Roberts said a new scheme should be targeted to those struggling the most – excluding big supermarkets.

He said a rise that goes beyond the rise of inflation "beggars belief" and warned it will have a "domino effect" on the high street.

"LPS will get no rates out of those businesses in the future," the retail representative warned.

A number of Belfast City councillors have revealed they've been told rates are set to increase by over 12% next year.

Last week Sinn Fein representative Matt Garrett said committee members were told about pressures of an estimated £85-90m facing the local the 2022/23 financial year.

A motion to send a letter urging DUP leader Sir Jeffrey Donaldson to form an Executive was passed with 13 members voting for and five against.

A spokesperson for the party told The Nolan Show "tough decisions will have to be made" and "pet projects" will have to be shelved.

People Before Profit MLA Gerry Carroll branded the rates hike and LPS action as "ludicrous and obscene".

"It’s quite harsh to put it mildly,” he said.

"It shows the cost of living crisis is crippling our communities and this proposal is criminalising and punishing people for not being able to afford to pay their rates.”