IPTI Xtracts

Property Tax and Assessment News from Around the World

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MANUFACTURING HAS A VITAL ROLE TO PLAY IN THE UK'S GROWTH STORY SAYS CBI

Action on business rates and energy efficiency will avert a tax cliff edge and encourage investment

In a report published today, the CBI has called on the Chancellor to back the UK's manufacturing sector by addressing the business rates cliff edge and extending the Industrial Energy Transformation Fund beyond 2025 in his Autumn Statement.

With business rates set to increase in line with inflation by 10% in April 2023, the CBI is urging the government to address rates before a significant number of manufacturers face a tax cliff edge – one that could damage their business and stunt growth across the UK economy. Tackling business rates would also unlock investment to build new factories, employ more staff, and focus on net-zero.

Extending the Industrial Energy Transformation Fund beyond 2025 would help kick-start energy efficiency drives and reduce demand.

Matthew Fell, Chief UK Policy Director at the CBI said: "The Chancellor needs to walk and chew gum in his Autumn Statement: he must simultaneously stabilise the economy and set out a credible platform for growth.

"The manufacturing sector has a big role to play in the UK's growth story. For every million pounds invested in the sector, the industry produces another £1.5 million for the wider economy. To help unlock this investment, the government needs to address the business rates cliff edge. Without serious action ahead of next April, many businesses will struggle with eye-watering rises in their business rates.

"Another major cost pressure right now is, of course, energy. Improving energy efficiency is an important part of the toolkit for firms to manage these costs in the long-run. Extending the Industrial Energy Transformation Fund beyond 2025 to 2030 would give the sector the capital to invest and make their buildings and operations more efficient."

Brian Holliday, CBI Manufacturing Council Chair said: "It is great to see the CBI backing UK manufacturing. The sector is key to the growth and resilience of the economy as a whole and crucially, the development of green technologies. If the country is to avoid the worst effects of recession and reduce carbon emissions, manufacturers need confidence to invest.

"Government can help in the short term, enabling finance to flow into projects through freezing business rates whilst extending targeted policy instruments such as the Industrial Energy Transformation Fund."

BLEAK PICTURE FOR BUSINESSES OVER REVALUATION

Property specialists are warning that a lack of information on next year's business rates revaluation is making it impossible for companies to budget with confidence.

The business rates team at property consultancy Vail Williams has criticised the Government for not yet properly addressing the issue, leaving little time for businesses to plan successfully for Revaluation Day on April 1 2023.

Adam Barnfield, the firm's new Head of Business Rates, said the Government has largely ignored the issue of business rates – despite the significant impact that rising inflation is likely to have on the forthcoming revaluation and the amount some businesses will have to pay in business rates from April.

"With just a few months left until the next revaluation we expected the Government might have now addressed business rates but we're left disappointed.

"There is a distinct lack of visibility on how much businesses will need to pay come April, so they are left to put their fingers in the air when it comes to budgeting – at a time of already significant financial uncertainty."

The next stage in the process is the publication of the Draft Rating List which should be published by the Valuation Office Agency (VOA) in November.

This list outlines what the new draft rateable values (RVs) will be for all commercial properties in England and Wales and is published online alongside two multipliers – a small business multiplier and a standard multiplier.

Business rates are calculated by multiplying the rateable value of the property by the multiplier. Only once these two items are known can businesses start to plan and budget for their forthcoming business rates liability.

Adam, an Associate based in the Birmingham office of Vail Williams, added:

"The Government is yet to make any announcements on the new rateable values or what the phasing arrangements for transitional relief are likely to be – or, more importantly, what the multiplier is likely to look like.

"The valuation of premises on 1 April 2021 – at the height of the pandemic – will be used to calculate an occupier's business rates liability for the next rating period

"While some sectors like retail should see a substantial fall in rateable values, we are expecting industrial, manufacturing and logistics occupiers to experience a significant increase in business rates, owing to the property boom in this sector at the height of the pandemic.

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

"Add to all this the additional burden from next April of Duty to Notify, regarding improvements to buildings which may impact valuation, and businesses are left facing not only a significant hike in business rates, but also an administrative nightmare at what is an already difficult time of recession.

"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."

Adam said that once the Draft List has been published businesses should seek professional advice to cross-check for any factual inaccuracies which may have impacted the rateable value of properties.

This would enable them to be regularised with the VOA – both with future business rates liability in mind, as well as exploring the potential for historical overpayments in rates which may have occurred.

The firm has launched a new free resource hub in which business rates experts countdown to Revaluation Day on April 1 2023 with a timeline and a series of advisory articles to support businesses in budgeting for their ratings during the next rating period, as well as to help maximise potential reliefs: https://vailwilliams.com/service/revaluation-2023/

Vail Williams' full-service property advice includes commercial agency, investment and development advice, building consultancy, property valuation, planning, lease advisory, property asset management, business rates and occupier consultancy.

BUSINESS RATES WILL INCREASE BY AROUND 10% FOR THE FIRST TIME SINCE 1991

One of the most contentious bills that businesses pay is their business rates. There has been enormous pressure on the government to review this whole system. The current measures are completely outdated. The assessment basis for the bills is made against the rental value of the property and a percentage of this is then used to calculate the business rate liability.

When it was conceived, it was probably all intended to be a flexible system and an accurate reflection of values. What we have now is a system that is cumbersome, bureaucratic and rarely, if ever, reflects an accurate prevailing value.

The government has reviewed the system several times and has put in place a fair safety net, meaning many small businesses are exempt from any payments. But for the rest, it remains a very significant expense and something that can damage the overall viability of the business.

It represents a significant source of revenue for the government. Current estimates are that it brings in around £30 billion a year. With the current state of finances, there is little or no chance that this tax will be changed or eliminated in the near future.

The problem, however, is that the next round of business rates is likely to rise again from April next year. It is estimated that up to a 10% increase can be expected. This is because the tax is linked to September inflation, which reached 10.1%. The last time rates increased by this amount was in 1991.

When the new Prime Minister was our Chancellor, he froze the "multiplier" that is used to calculate the amount of the fee. Whether it is realistic to expect the government to ignore the chance to boost their coffers by another £3m by April seems highly unlikely. There is of course a huge risk if this decision is made, as forcing business rate bills increases the likelihood of even more business failures. This extremely disturbing situation should have a happy resolution. There are revaluation provisions to ensure these bills accurately reflect rental costs. This will happen across the country in April 2023. At this time, a team of government assessors will be examining approximately 2.1 million properties across the country that are liable. They will need to work out what the open market rental value should be for each of these properties as of April 2022.

When the system was designed, and in an attempt to be fair in terms of its impact, an escalation clause was introduced, whereby any potential increase in bills could only occur for a certain period of time, and as a safety net, bills should not rise by more than inflation. However, no one expected that inflation would go from 2% to 10%. While almost all bills will undoubtedly have to come down, it will only be gradual. Businesses therefore face a double whammy as a result, which is even more unfair as a tax measure.

In recognition of the challenges in the retail, leisure and hospitality markets, a £2.7 billion business rate discount has been introduced to help overcome the challenges caused by Covid. However, this is due to end in March 2023.

So what do we take from this somewhat depressing article? There is a need to lobby hard through our MPs. We need the government to agree to continue the rebate system until at least March 2024. They need to remove the inflation link, but most importantly they need to realize that it is a broken system that needs to be replaced with one that is designed around local tax revenue , which can actively promote growth rather than suppress it.

Written by Tim Jones, Chairman of the Biosphere Foundation

SCOTTISH COUNCIL SET FOR PROGRESS ON FIRST WORKPLACE PARKING LEVY

A charge on workplace car parking – the first of its kind in Scotland – could make millions for City of Edinburgh Council to invest in transport infrastructure.

The authority's transport and environment committee will vote on a motion this week to progress plans for a workplace parking levy (WPL) charged to workers across the city.

A report to be discussed by the committee set out plans for a charge of between £450 and £650 per worker that could raise up to £18.9m, or £13.8m if it only applies to businesses with more than 50 employees.

Edinburgh said that if around £12.5m is raised every year – roughly the estimated revenue from a £450 charge and a similar figure to the amount raised by a comparable scheme run by Nottingham City Council in England – it would fund borrowing of around 10 times that for capital investment in transport.

The money would likely be spent furthering the council's active travel strategy.

The council's previous SNP administration voted through proposals in February 2021 to explore the levy, and together with other opposition parties believe they will vote through the proposal, which entails further work on developing the scheme rather than its complete introduction.

Labour runs a minority administration and opposes the levy.

Scott Arthur (Labour), transport and environment convener, said: "It seems likely that the opposition parties will agree to progress a workplace parking levy this week, and I have to accept the democratic wishes of the council.

"My priorities are ensuring the WPL does not negatively impact people in low paid jobs and those who work in shifts.

"A plan to ensure parking is not simply displaced to streets surrounding workplaces will also need to be put in place."

The Scottish Government voted to enable authorities to charge a parking levy in March on the basis that funding is directly invested into local transport.

The council said that following approval, officers will develop a strategic business case and engage with stakeholders to look at potential impacts and benefits.

John Cullinane, director of public policy at the Chartered Institute of Taxation, said the tax is the latest move from the Scottish Government to give authorities more revenue, alongside proposals for a tourist levy.

“For those that do [decide to use it], it is unlikely the charge would raise significant sums of money and the legislation that allows for their introduction states that the money raised should be used to support local transport projects,” he said.

“From a tax administration perspective, local taxes provide the Scottish Parliament with the greatest flexibility to modify the tax system.

“Devolving existing UK taxes or introducing new Scotland-wide ones requires the agreement of the UK parliament, meaning they would take longer to implement and could have knock-on implications and interactions with the wider UK tax regime.”

The tax is expected to be operational in the council by 2025-26.

EX HEALTH SECRETARY ALEX NEIL CALLS FOR LAND LEVY TO RAISE £2 BILLION FOR NHS

A former health secretary has called for the Scottish Government to introduce a land levy which he estimates could generate £2 billion a year to help fund public services including the NHS and social care.

Alex Neil, a former Cabinet minister under both First Minister Nicola Sturgeon and her predecessor Alex Salmond said the new tax could be introduced by October next year and that in the interim period a suite of measures could be brought in to raise vital funds.

His intervention comes after Deputy First Minister John Swinney announced last Wednesday that frontline health services across Scotland will be scaled back to help save £1.2bn to cover wage rises and stem surging inflation.

Mr Swinney outlined a more than 2 per cent budget cut as he said “there has never been a time of greater pressure on the public finances”.

He said the savings included £400 million worth of “reprioritisation” of resources within the health and social care portfolio.

Mr Swinney told MSPs that a key cost pressure remained public sector wages amid a slew of new pay deals.

He said that £700m has been committed to fund the wage increases, adding: “To be absolutely clear, every additional penny for pay has had to be found from existing, previously allocated and agreed budgets elsewhere within the current, finite, Scottish budget.”

But Mr Neil said a range of measures could be introduced by ministers to raise funds and underlined a possible land levy which exists in Denmark and Estonia.

“As a general principle, I think we should be trying to raise tax rather than cutting essential services,” he said.

“Apart from anything else, when you cut some of these services, it will end up costing the public purse even more as if people, for example, are not getting mental health services when they need them, they are going to have to use other services until they get the help they need.”

He added: “I realise this would require primary legislation but in my view, a simple levy of, say, £100 per acre on anyone owning over an acre of land, could generate £2bn and that would avoid the most damaging cuts like the ones to health and social care.”
Mr Neil was the Scottish Government’s health secretary from 2012 to 2014 and was social justice secretary from 2014 to 2016.

He was first elected to Holyrood in 1999 and stood down last year. He stood unsuccessfully against Mr Swinney in the SNP’s leadership contest in 2000.

In addition to a land levy, Mr Neil also urged the Scottish Government to consider introducing other local taxes and raising income tax on very high earners such as people on salaries exceeding £100,000 a year.

“The SNP should not be acting as a post office for Tory cuts,” he said.

“My view is that the land levy could be introduced ahead of a long-term plan for a proper land value tax, similar to one they have in Denmark and Estonia, both of whom have a comprehensive land value tax.

“That sort of emergency measure could be up and running by October next year.”

Mr Neil also suggested ministers could consider a mansion tax, derelict property taxes, and a council tax supplement on houses valued at more than £350,000.

A Scottish Government spokesman said: “We will continue to take a responsible approach towards developing tax policy in line with the principles of fairness and progressiveness set out in our Framework for Tax.”

The spokesman added: “Decisions on Scottish income tax are taken as part of the annual Budget process, and have created a fairer and more progressive tax system in Scotland, protecting lower earners while raising additional revenue to fund vital public services.”

THE GORDIAN KNOT OF BUSINESS RATES

On Thursday 17 November, the Chancellor of the Exchequer Jeremy Hunt is on track to take his red box to Parliament to deliver one of the most hotly anticipated budgets in recent years. The “U turns” from the now notorious “mini-budget” given by his predecessor, Kwasi Kwarteng, have already been well briefed in advance. What remains of interest to property investors and wider business, however, is what Mr Kwarteng’s mini-budget did not address and whether Mr Hunt’s full, fiscal statement under the new Sunak premiership might now re-examine.

In April next year, business rates in England across 2.1m rateable properties will be re-valued by reference to the September measure of consumer prices index (CPI), which came in last week at an eye-watering 10.1%. It is estimated that this will add a further £2.7bn to the bills of businesses in England. The timing of the rise unfortunately coincides with the end of the pandemic rates relief for businesses such as shops, cinemas and bars and is estimated by property consultancy Gerald Eve to be the biggest annual jump in the levy for 32 years. It will also further coincide with a number of other current economic headwinds, such as declining consumer confidence and record high energy prices.

Peter Fullam, head of rating UK regions at JLL has commented that “the government has a tough call to make. It can opt to adopt the full 10.1% inflationary figure in the multiplier, or in the context of an already challenging period it could choose to intervene and fund a cap, or freeze it altogether.” The Treasury however has stayed relatively tight lipped on the issue commenting last week only that “Our business rates review (of October 2021) 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”.

It is anticipated there will be winners and losers in the revaluation. The most significant changes are likely to be seen in the retail sector, where significant reductions in liability are anticipated, while other properties in parts of the logistics and industrial sector are expected to see substantial increases. Irrespective of being in a sector likely to benefit from the revaluation, The Retail Jobs Alliance, which represents firms such as Tesco, Sainsbury’s and

B&Q owner Kingfisher that together employ over 1m staff, still argue that there was an "urgent" need to freeze rates, followed by "proper reform".

The agenda of reform has been long pushed by a number of industry organisations, the most vocal perhaps being the CBI who have consistently highlighted that reform is required to address their concern that business rates “stifle investment in the facilities and innovations needed for sustainable growth and exacerbates regional inequality, because many businesses in deprived areas get a double hit following a revaluation when economic activity falls, but their business rates bill does not fall immediately to reflect this”. As growth slows and we move towards what is anticipated to be an economically challenging 2023, it is clear there is a deep concern in many quarters over the timing of the forthcoming revaluation.

It seems astonishing that it was only a year ago, but now three chancellors previous, that the now PM Rishi Sunak issued his report as Chancellor on Business Rates reform in October 2021, hoping to respond to long standing calls for action on Business Rates. Of particular note (and potentially of some assistance in offsetting the upcoming revaluation) was the green investment business rates relief that Mr Sunak introduced in the autumn budget last year which effectively put a freeze on business rate increases in relation to "green investment". From 2023 business rate increases were to be delayed for 12 months in respect of certain environmental improvements to non-domestic property. It was later brought forward (perhaps in recognition of the rise in inflation that started earlier this year) to apply from 1 April 2022.
However, in terms of the Government’s wider reforms, and as with so many things this year, events have overtaken us and given that it is confirmed the mini-budget reduction in SDLT rates will remain, it appears that one of the most impactful decisions relating to commercial property in the Budget will be whether Mr Hunt will take any action regarding the April 2023 business rates revaluation, or whether his hands are firmly currently tied, both politically and economically.

THREE GROWTH-FRIENDLY REFORMS FOR THE UK’S BROKEN PLANNING SYSTEM

Land value capture can fund new development and ease local fears about lack of infrastructure for new housing

After the spectacular demise of Trussonomics, fresh thinking about how to resolve the UK’s fiscal crisis has become a priority. The new chancellor, Jeremy Hunt, urgently needs market-credible solutions that enhance long-term growth. An important element in a sensible package is to enable far better land value capture. This entails sharing more fairly the increase in value that results from development permission between society — the taxpayer — and private landowners. It would be a significant source of new funding, and reduce the constraints on growth that come from landowners and from the high prices of land with development permission.

We need three things. First, a planning system that would, on change of use, direct that the uplift in land value be split between the national or local planning authorities — to help meet infrastructure or housing needs — and the current landowner, whose portion would be fair reward for selling the land. The Oxford Civic Society supports land value capture with a 50:50 split.

Second, an amendment of the Land Compensation Act 1961 so that local and central authorities could, where necessary, compulsorily purchase at a price close to the existing value. This would exclude "hope" value — that might at some future time arise if planning permission were given for change of use. The compulsory purchase option reduces the risk of one landowner blocking development by extracting an unreasonable holdout profit from a project entailing multiple plots of land.

The enormous prices of residential land owe much to the exorbitant privileges given to landowners by the 1961 act. This entitled owners to compensation for subsequent planning permission for years following a voluntary sale. In this, the UK is an outlier. In countries such as Germany and the Netherlands, a fairer balance has been struck between the property rights of landowners and those of society. The UK would do well to learn from stellar examples of the use of land value capture for housing and infrastructure projects in cities such as Freiburg, Frankfurt and Rotterdam. Enhancing LVC would be a big step forward in planning towns and cities for the 21st century.

Finally, the government's fiscal rules should become more growth-friendly, shifting the focus from constraining government debt relative to gross domestic product. Instead, the goal should be to enhance the public sector's net asset value (assets minus debt) where the market value of land is counted on the asset side of the balance sheet. In the short term, acquisition of land for the public sector funded by debt would then leave the net asset value unchanged. However, planning consent would soon enhance land values owned by the public.

One of the benefits of land value capture is to reduce opposition to new housing — this can come from those who fear, sometimes with good reason, that the lack of sufficient infrastructure will put unacceptable strains on local services. A well-functioning LVC system would guarantee properly funded new infrastructure, encouraging welcoming attitudes to new housing. There is a growing acceptance across political parties and certainly among the public that housing and planning markets are not fit for purpose: they are not working for the common good, and are not delivering the reasonable housing expectations of most young people.

The owners of land in the UK have pocketed too high a proportion of benefits from the investment that others, especially taxpayers, made in infrastructure and other development. The privileges granted by the 1961 act have contributed to the high costs of land in the UK and constrained growth. High land costs are part of the reason for the UK's housing problems: lack of affordability gives us the highest average commuting times and least well-insulated homes among major northern European economies. All this must change.

The writer is professor of economics at Oxford university

JEREMY HUNT SET TO SCRAP TRUSS PLAN FOR INVESTMENT ZONES

Whitehall insiders say levelling-up secretary Michael Gove wants revamped focus on urban regeneration

Liz Truss's plans for low-tax investment zones to boost UK economic growth are due to be axed by chancellor Jeremy Hunt in next week's Autumn Statement.

Two Whitehall insiders said levelling-up secretary Michael Gove had lobbied hard for the zones to be ditched in favour of a revamped urban regeneration policy.

Although no final decisions have been made, and the zones might alternatively be scaled back dramatically by Hunt, government officials said the chancellor was expected to kill off what was a pet Truss project.

The former prime minister wanted as many as 200 investment zones as part of her promise to turbocharge growth by incentivising companies to set up operations in the low-tax areas.

The proposed zones would involve tax breaks including holidays on business rates and employers' national insurance contributions for new workers earning less than £50,000 a year.

During Truss's premiership, the Treasury calculated the zones could cost "up to £12bn" in lost tax revenues each year — if a strict cap was not placed on the number — because they would subsidise economic activity that would happen anyway.

The zones would also involve streamlined planning consents and reduced environmental audits, which provoked strong opposition from conservation groups.

As chancellor, Rishi Sunak had pursued a programme of low-tax "freeports" to help "level up" left-behind areas and narrow regional inequalities, and these had similarities to Truss's investment zones.

Officials said Hunt has put the investment zone programme under review ahead of the Autumn Statement on November 17.

Local authorities last month made initial bids to host the zones, having been set deadlines at short notice.

“Everyone is just so knackered,” said one consultant who has been advising local authorities bidding for the government’s levelling-up funds. “They were led up the hill on something they didn’t want to do and didn’t believe in.”

Gove, the longstanding architect of Boris Johnson’s levelling-up agenda brought back into government by the current prime minister, told the BBC last month that Truss’s investment zones had “caused some concern”.

“One thing is we’ll look at them, we will review them, but there is no way we are undermining our environmental protections,” he said.

Whitehall insiders said Gove had told Downing Street that Truss’s investment zones should be “shelved” and that officials in the levelling-up department had “downed tools” on the policy.

They added that in place of the zones, Gove was pushing plans for a series of “transformational” housing-led urban regeneration projects across the country.

A government insider with knowledge of Gove’s thinking said he favoured an interventionist approach — whereby housing agency Homes England would be given a “more activist” role to kick-start regeneration by purchasing and clearing land for development.

Such a move might be combined with mayoral development corporations that serve as regeneration bodies in some areas.

The Treasury declined to comment. The levelling-up department said: “All spending decisions will be considered in the round at the Autumn Statement.”

Andrew Carter, head of the Centre for Cities think-tank, said he expected the Treasury would look to rebalance investment zones away from tax incentives and towards planning relaxations.

“The Treasury is keen on planning reform as a means of delivering growth, but not remotely keen on tax giveaways,” he added.

BUSINESS RATES REFORM CALL TO SAFEGUARD RETAIL

Urgent reforms are being demanded to the UK's business rates system and apprenticeship levy are essential to support the retail and wholesale industry.

New research by CBI Economics, conducted on behalf of the CBI and its retail members, reveals retail and wholesale activity is now worth £352billion a year to the UK economy.

It supports one in five of the nation's jobs, with 5.7 million people employed within the sector or its suppliers.

In Scotland alone, the sector is worth £24.7 billion to the economy and sustains 417,993 jobs – around 17-18% of jobs in Edinburgh, Glasgow, Aberdeen and Dundee.

The CBI and retail sector say the £50billion retailers and wholesalers pay nationally in taxes is enough to fund 110 new hospitals a year.

However, they are concerned that an inflation-linked 10% business rates hike due in the spring risks plunging many firms into a fight for survival.

A slow revaluations system also means retailers and wholesalers say they are already overpaying, with many facing liabilities as high as rents.
The CBI – supported by the Scottish Retail Consortium (SRC) – is urging the Scottish Government to both rethink any rise in rates and implement longer term reforms which reward investment.

The Scottish Government, they say, could take steps now by bringing forward their commitment to ensure the Large Business Supplement is brought into line with rates in England, ensuring firms are not facing a longer-term competitive disadvantage during the current cost-of-doing business crisis.

The CBI is also keen to see greater flexibility in the apprenticeship levy, a move which could have an enormous impact on a sector which already spends £4billion a year on training. This amounts to a tenth of all training spend in the UK.

Together, these measures could generate renewed optimism and investment in a sector which plays a vital role in Scottish communities, the wider economy and the growth prospects for UK plc.

CBI Scotland Director Tracy Black said: "We are asking the Scottish Government to smooth the looming Business Rates cliff edge; without intervention to freeze business rates in 2023, firms face the possibility of eye-watering rises which present an existential threat for many businesses that communities depend on.

“Longer-term reforms which encourage investment and fresh thinking on the Apprenticeship Levy can help future-proof the sector and spur further growth.”

Mohammad Jamei, Director of CBI Economics, said: “The retail and wholesale sector has undergone significant change over the recent decade and is on the cusp of digital transformation. It has also been a key sector delivering for its customers and its employees throughout the challenging times of recent years.”

David Lonsdale, director of the Scottish Retail Consortium, said: “The CBI’s new report demonstrates the enormous economic and social contribution that the retail industry makes to Scotland’s communities.

“Retailers have shown tremendous fortitude and resilience to come through the tribulations of the past few years, continually adapting their business models at pace to meet evolving customer expectations.

“If the industry and the broader ecosystem it supports is to flourish and fulfil its potential over the decade ahead then change is required from policy-makers. It’s crucial we see a more strategic and collaborative approach from government towards nurturing the growth of the industry, coupled with concerted action to reduce the burgeoning cost of doing business.
“This will help retailers keep down prices for customers, rejuvenate our high streets and city centres, and sustain tax revenues for government.”

LABOUR CALLS FOR BUSINESS RATES RELIEF IN HUNT’S AUTUMN STATEMENT

Labour deputy leader Angela Rayner told City A.M. today that the government “must” axe the inflation-linked increase to business rates next April

Labour has called for Jeremy Hunt to provide tax relief for small businesses in his autumn fiscal statement as firms stare down rates hikes in April.

Labour deputy leader Angela Rayner told City A.M. today that the chancellor “must” next week axe the planned inflation-linked increase to business rates, while calling for a complete tax overhaul for small-and-medium sized enterprises (SMEs).

British firms are facing a near £3bn annual hike in business rates in April if inflation stays above 10 per cent, according to Altus Group, in what business groups are calling an “existential threat”.

Commercial properties will have their rateable value updated in line with inflation next April – an increase that many SMEs are branding as unfairly onerous.

City A.M. understands the chancellor is looking at whether to change the formula to mute the tax hike.

Labour has said it would abolish business rates if elected and replace them with a system that taxes online companies without a large physical presence more heavily.

Rayner said: "They need to recognise that in order to have SMEs investing in the economy they need to have confidence in the government and the government's going to support them.

"We want to abolish [business rates] and reintroduce a rate that is fair and consistent, which recongises the difference between High Street businesses and those that are online."

The Confederation for British Industry (CBI) is warning next April is a "cliff edge" for businesses and that many cannot stay viable with the planned tax hike.

It comes as the chancellor is preparing to raise £55-60bn in his autumn statement next week through a series of tax rises and spending cuts.

CBI policy director Matthew Fell this week said: "Without intervention, the eye-watering rises scheduled for April will present an existential threat for many businesses which communities depend on."

Rishi Sunak reviewed business rates while he was chancellor in 2021, with the Treasury vowing to make the system "fairer and timelier".

This resulted in more frequent evaluations of the rateable values of properties and a business rates discount in 2022-23 for small retail, hospitality and leisure businesses.

Business groups have called for online companies without bricks-and-mortar shop fronts to face an online sales tax in order to provide tax discounts to High Street shops.

A Treasury spokesperson 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.

"This included freezing the multiplier in 2022-23 to put the brakes on bill increases, and almost £1.7 billion in support to the retail, hospitality and leisure sectors."

HOSPITALITY FACING £900M BUSINESS RATES HIKE, THREATENING 'DEVASTATION'

Ahead of the Autumn Statement, new analysis by trade body UKHospitality reveals that business rate bills could go up by more than a third, leaving firms facing collapse. Hospitality businesses will face a £3.6 (approx. USD 4.26) billion bill next April if business rates increase in line with inflation and current relief is ended. The bill would be an increase of £900 (approx. USD 1,065.37) million, on top of the £2.7(approx. USD 3.20) billion the sector currently pays in business rates.

Ahead of the Autumn Statement, UKHospitality chief executive Kate Nicholls is urging the Chancellor to extend current business rates relief for the entire sector and ditch any plans to increase rates in line with inflation.

The sector is already grappling with record inflation, rising energy costs, staffing challenges and reduced consumer appetite. An increased rates bill of this scale will prove fatal for many businesses.

UKHospitality chief executive Kate Nicholls said: "Hospitality has been hit harder than any other sector by inflation, with many already struggling to pay their bills. To increase business rates bills by a third and hang a £900(approx. USD 1,065.37) m millstone around the neck of the sector would cause devastation.
"Our pubs, bars, restaurants, coffee shops and hotels, to name a few, are so often the pillars of our community and we would lose countless venues if this went ahead. For those that do survive, they would sadly have no option but to pass those unprecedented costs onto customers.

"The Government clearly understands the pressures the sector is under due to rising costs and I would urge it not to compound issues by rising bills further. What it needs to do to ensure the sector survives is extend the current relief for the entire sector and ditch any plans to increase rates in line with inflation.

"Our sector has such potential to expand, deliver economic growth and support fantastic careers, but it is simply unable to do so with more and more cost being put on it at a time of national crisis.

"If the Government wants to prove it's on the side of business and drive investment, it won't go ahead with a business rates hike that will devastate hospitality businesses.

"Hospitality is already disproportionately burdened by overpaying in the current system by 300%, so now is the time for the government to support the sector by extending relief and delivering on its manifesto commitment to fundamentally review the unfair and outdated business rates system."

CBI CALLS FOR REFORMS TO PROMOTE GROWTH IN AUTUMN STATEMENT

The head of the UK's largest business lobby group has warned chancellor Jeremy Hunt that he risks pushing corporate Britain into "hibernation" and curbing business investment if the Autumn Statement does not include reforms to nurture economic growth.

Tony Danker, CBI director-general, told the Financial Times he had spoken to scores of companies in the past few weeks about their plans, and was clear Hunt's statement on Thursday would be key for many of them in deciding whether to invest in the UK or retreat from the country.

Danker said Hunt could not simply talk about economic growth in the statement, adding the CBI was seeking a series of supply-side reforms including measures to address labor shortages.

And as the government raises corporation tax from 19 per cent to 25 per cent next April, the CBI wants ministers to provide companies with allowances to incentivise business investment.

Danker said that it was "incumbent" on Rishi Sunak, the prime minister, and Hunt to make "tough choices" for economic growth.

But he expressed concern "they will not do that. . . and we will regret that because it will trigger a series of decisions by businesses in the next few weeks that amount to almost a hibernation. . . that they will retract from investing in Britain".

Danker said many companies were finalizing their 2023 budgets this month with two scenarios: one with plans to invest and grow, and another reflecting a "doomsday" recessionary outlook.

"The government needs to be careful on Thursday that we don't tip confidence in the wrong direction," he said. "That's a real risk."

Danker said some multinational companies were already choosing to move investment away from the UK after the damage caused by Liz Truss's disastrous "mini" Budget in September involving £45bn of unfunded tax cuts.

He also said there needed to be regulatory reform to make economic growth a primary objective, but added the government was still too "fixated about repealing EU law and not about what is restricting growth".

"A political exercise of repealing EU law does nothing to help," he said, referring to government legislation to review and repeal EU law.

Although Danker said he was one of the first CBI directors general not to call for widespread cuts to business tax, he added that the government "needed to be careful".

He said the government should look to alleviate the burden of business rates, which are set to cost companies an additional £3bn in April because increases in the property-based tax will be based on inflation at a 40-year high of 10.1 per cent in September.

Danker warned this would lead to lower investment and closures on the high street.

The Treasury responded: "Difficult decisions are needed to restore confidence and economic stability, which will help balance the books, get debt falling and grip inflation. This is the only way to achieve long-term sustainable growth.

"The Autumn Statement on 17 November will set out our plans to boost growth," it said, "building on the UK's globally competitive corporation tax rate and investment incentives."

RETAIL BOSSES CALL ON CHANCELLOR TO FREEZE BUSINESS RATES

//Retail bosses from Tesco, Greggs and Sainsbury's have warned that rising business rates risk "pushing some retailers under".
//Thursday's autumn statement is expected to include £20 billion in tax rises

Retail bosses have called on chancellor Jeremy Hunt to freeze business rates in the autumn statement, due to be announced this Thursday.

The chief executives of some of the UK's leading retailers – including Tesco, Sainsbury's, Greggs and Iceland – said that current business rates were already putting retail businesses "at breaking point".

Sent by the Retail Jobs Alliance, the letter – which was also addressed to the prime minister Rishi Sunak – urged them to take action, warning that rising business rates "risks pushing some retailers under".

Thursday's autumn statement is expected to include £20 billion in tax rises as well as £35 billion of spending cuts.

The letter read: "Without intervention, [business rates] are set to rise with inflation by over 10% in April, the same time as the energy support is set to expire.

"Analysis from our members suggests the real-terms cost impact on shops could be up to 20% due to the impact of inflation and transitional relief. This risks pushing some retailers under and will feed through to inflation."

Business groups want the government to reconsider the sharp rise in business rates due to come in next April, which is expected to bring in an extra £3bn to the Treasury.

The annual increase in business rates – which was frozen by Sunak for the last two autumn budgets – is governed by the previous September's level of consumer price inflation, which hit 10.1%.

The BRC recently warned that shop vacancies could begin to rise if business rates increase next spring.

JEREMY HUNT TO DELIVER BUSINESS RATES BLOW IN AUTUMN STATEMENT

Jeremy Hunt is unlikely to step in with business rates relief in this week's autumn statement, dealing a blow to firms that have said they are facing a cocktail of bill rises next year.

Government insiders have signalled that the chancellor will not bend on calls for a delay in the uprating of business rates or an extension of relief on the tax, which is charged on most non-domestic properties.

From April, business rates are expected to be uprated by the consumer prices index measure of inflation, which as of September stood at 10.1 per cent. On top of this, certain sectors, including shops, restaurants, cafés, bars, pubs, cinemas and gyms, are benefiting from 50 per cent relief, which is due to expire on April 1.

The government is also expected to press ahead with a revaluation of business rates, which will see bills altered to reflect changes in the rental market. The next review will be based on rental prices in April 2021, during the Covid-19 pandemic.

Some sectors are concerned that the review could leave certain firms facing steeper than expected increases while others will see notable declines. A report published by the Confederation of British Industry last week suggested that the retail sector faces increases of up to 25 per cent over the next two years.

In an interview with The Sunday Times, Hunt said: "I can't tell you what I'm going to do on business rates, but what I can say is that I think businesses want certainty about what the government's going to do so they understand where they stand. When there's so much other instability around, the more certainty I can create the better."

IF WE MUST HAVE A NEW TAX, IT SHOULD BE THIS ONE

Give councils a stake in housebuilding to tackle our chronic shortage of homes

"There's a tough road ahead," said Jeremy Hunt on Friday. The Chancellor was responding to official data showing the economy shrank 0.2pc between July and September.

Since then, surveys suggest GDP has dropped even more. The UK is most likely entering recession – two successive quarters of economic contraction. And 2022 was meant to be the year of the post-Covid bounce-back.

This Thursday's Autumn Statement looks set to impose a slew of tax increases going way beyond the well-flagged corporation tax rise from 19pc to 25pc. "To achieve long-term sustainable growth, we need to grip inflation, balance the books and get debt falling – there is no other way," said Hunt last week.

But with the economy entering a nose-dive amid a cost of living squeeze, is this the time to be putting taxes up sharply? Interest rates are rising and manufacturing output fell an eye-watering 2.3pc over the last quarter.
Hunt's measures will be largely disguised, using frozen thresholds and slashed allowances to avoid higher headline tax rates. But the impact on millions of struggling firms and households means this Autumn Statement could trigger a nasty voter backlash.

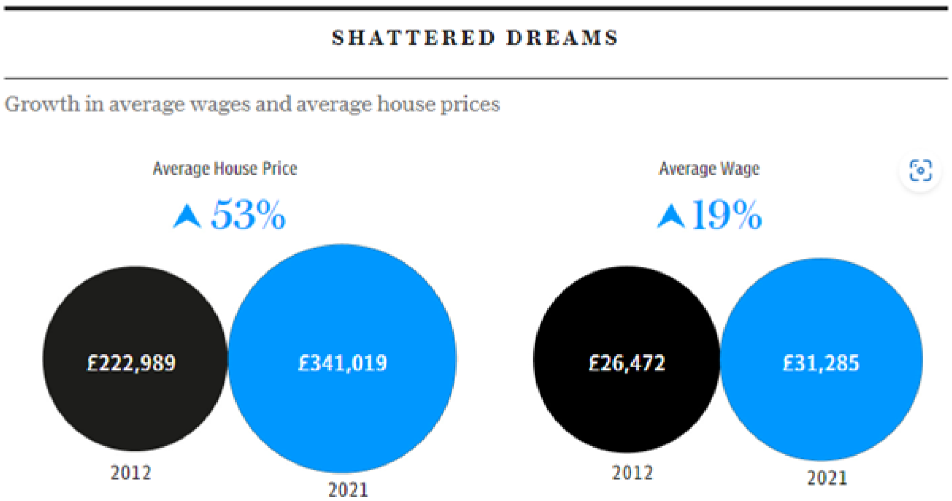
Sharp tax rises risk compounding the existing slowdown, sapping already fragile consumer and business confidence and provoking a longer and deeper recession. Dogmatic and ill-timed fiscal tightening, by repressing growth further, could further damage the state's balance sheet – sparking the very rise in government borrowing costs such consolidation is meant to avoid.

There are anyway other credible ways to raise revenue that don't involve increasing the load on hard-pressed firms and families – and which would encourage growth. One method, used in many countries but not the UK, relates to the housing market and land value capture.

Already, the inheritance tax threshold has been stuck on £325,000 since 2009, a freeze about to be extended until 2028. That drags ever more owners of modest homes into the IHT bracket – homes typically bought via years of mortgage payments made from post-tax income.

House sales have lately slowed, with new buyer inquires falling for a sixth consecutive month in October, according to the Royal Institution of Chartered Surveyors. There is much talk the market is "on the turn".

Yet prices remain sky-high, having risen 53pc on average, to £340,000, during the decade to 2021. Average wages, over the same period, were just 19pc up. The causes of rampant house price growth and related unaffordability are complex and multi-faceted. But the main reason is our chronic shortage of homes.

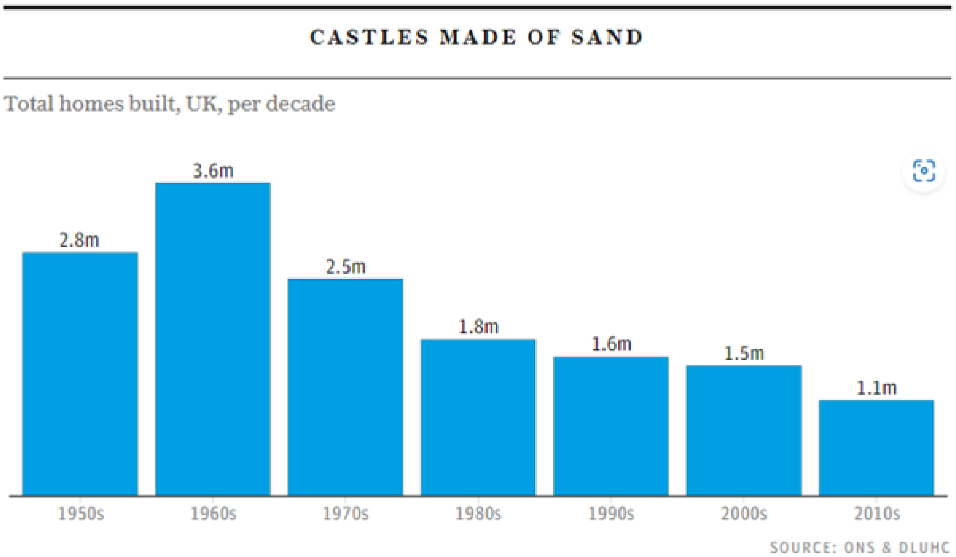


The UK needs around 250,000 new homes each year to meet population growth and trend immigration – some 2.5m new builds per decade. Housebuilding hasn't reached such levels since the late 1970s. Over the last 20 years, in fact, it's been under half the required rate.

That's why the share of 25-34-year-old owner-occupiers has plunged from 67pc to 38pc since the 1990s, with well over half a generation now locked out of property ownership at this crucial family-forming age.

Overall owner-occupancy has fallen from 73pc to barely 60pc – below the EU average. And lower down the income scale, an endemic shortage of social housing is driving a shocking rise in overcrowding and homelessness.

Since 2013, the absurd help-to-buy loan scheme has stoked demand in the face of inadequate supply, driving up prices further. That's handed even bigger profits to large developers while channelling desperate homebuyers into often substandard new-builds – and pushing housing costs higher for the vast majority who can't access the scheme.



What's needed is radical supply-side reform, shaking up our over-mighty housebuilders. As local councils have granted more and more planning permissions over recent years, big developers have staged a deliberate go-slow, making higher profits by producing fewer homes to keep prices rising.

That's why we need to inject competition into this once vibrant sector, helping small developers – which build out permissions quickly to aid cash flow. Developers producing under one hundred homes a year now build barely a tenth of all new homes, down from almost a third before the 2008 global financial crisis, which blew so many of them away. The UK's top ten housebuilders meanwhile build almost two-thirds of new supply. That's why a House of Lords Inquiry concluded the industry "has all the characteristics of an oligopoly". A full Competition and Markets Authority inquiry is long overdue.

Yet the nub of the problem is our opaque, dysfunctional land market. When residential permissions are granted, land values can rocket many-hundred-fold – with this vast "planning gain" going almost entirely to landowners, developers and intermediate "land agents".

It should instead – and here's the tax proposal – be significantly shared with local authorities. That would dampen price speculation, resulting in cheaper land and, therefore, more affordable homes. Such land value capture would also generate funds to build schools, hospitals and other infrastructure, making new homes more popular with existing locals, transforming the fraught local politics of planning.

Existing "Section 106" deals are meant to help the state "claw back" some planning gain – but just reinforce the status quo. Powerful developers often negotiate away their obligations to build communal assets and affordable housing – threatening councils, under pressure from Whitehall to deliver homes, with further delays. Small builders lack such power, so are forced to fulfil their community obligations, often up front, making small developments unviable.

Only bold action can break this deadlock. So I propose a transparent system splitting planning gain 50-50 between developers and local authorities. Planning gain is shared in this way, raising huge sums then channelled into infrastructure and other public services, across much of the world. The UK is an outlier.

Yes, this would be a new tax, but a tax which could be at the heart of a set of policies to get the houses built this country so desperately needs. It would also unleash the kind of building boom which has rescued Britain from so many recessions in the past.

HOLIDAY LET BUSINESSES HIT WITH THOUSANDS IN TAX

Self-catering businesses are calling for government action after being hit with council tax bills for thousands of pounds.

Holiday let owners said the bills, dating back to the pandemic, were "unfair" as they could not rent out their properties.

They would normally qualify for non-domestic rates, but failed to meet the threshold because of Covid lockdowns.

The Welsh government said anyone affected could contact their council.

A self-catering property has to be available for 140 days a year, with 70 days of bookings, to qualify for business rates.

Some businesses failed to let out their properties for the required nights during 2020-21, largely because of lockdown restrictions, and are liable for hefty council tax bills as a result.

The Valuation Office Agency (VOA) specify whether properties pay domestic or non-domestic rates, according to rules drawn up by the Welsh government.

It said "any change of the criteria would be a matter for the Welsh government as policy owners".

About 10,500 self-catering properties qualify for non-domestic rates in Wales, but the VOA will not disclose how many will now have to pay retrospective council tax.

Janet Tarrant, who owns a holiday let in Penrhos, received a council tax demand from Gwynedd Council for £2,300, which also includes a second homes premium.

The property she owns can only be used as a holiday let.

"I couldn't believe they have taken no account of the exceptional year in 2020," she said.

"It's obvious to everyone I could have not have made that number of bookings because of cancellations and Covid restrictions. It's just not fair."

Mrs Tarrant said she had 58 cancellations in the period, but the council said the "cost of granting tax relief of this kind would fall on the taxpayers of Gwynedd in a period that is already extremely challenging for residents".

Gerard Murphy, from Llandeilo, Carmarthenshire, converted his garage to a holiday let five years ago.

He has now been hit with a bill for £1,618, down from an initial £5,000.

"My wife was working in the local hospital and during the pandemic she was working one-to-one with patients on ventilators, with Covid. We cancelled a considerable number of bookings."

He is particularly angry about getting a bill two years after the pandemic.

"How can anybody factor that in to their profit and loss account? To pick a figure out of the air, and say you've got to pay it, I think is unfair."

The Welsh government said it recognised it was a "difficult time" for businesses during the pandemic and that it had provided more than £2.6bn in funding.

"The letting criteria are an essential part of developing a fairer housing market and ensuring that second home owners and self-catering businesses are making a fair contribution to their local communities," it said.

"Despite the situation at the time, the majority of businesses were let for at least 70 days.

"Businesses were also able to operate when restrictions allowed and demand was known to be high."

It also said that, while properties were classified by the Valuation Office Agency, it was "continuing to work with the agency to monitor the ongoing impact of the pandemic on the classification of second homes and holiday lets".

"While we are unable to intervene in individual cases, local authorities have discretionary powers to reduce council tax bills and affected businesses may wish to get in touch with their council to ask whether support is available."

'Unbelievable'

Sam Rowlands, Conservative Member of the Senedd for North Wales, said "huge numbers" of businesses have contacted him.

He said: "It simply isn't fair and isn't right."

The Professional Association of Self Caterers (PASC) said Wales spent eight months of the 2020-21 year under national lockdown, in addition to local lockdowns, shielding, travel bans, advice to avoid public transport and limits on households mixing, which all deterred the public from going on holiday.

Alistair Handyside from PASC UK has called for council tax charges to be dropped, saying some businesses "hardly had 70 days they were allowed to open".

He added: "The decision to effectively fine self-catering business is unbelievable."

In a letter to the Welsh government, the Wales Tourism Alliance (WTA), Hospitality UK and PASC stated that properties were only available to let for a maximum period of between 83 and 90 days between April 2020 and April 2021.
A survey of PASC members revealed the average self-catering property was let for as few as 61 nights, with the Wales-wide average being 73.

The WTA has appealed to the Welsh government to intervene, but Minister for Finance and Local Government, Rebecca Evans, has told businesses to go to their local authority.

She said councils could use "discretionary powers to reduce a council tax liability by any amount".

Chairwoman of the WTA, Suzy Davies, said the extra cost would cripple many small businesses.

She said: "We have businesses questioning their own viability. What we'd like is Welsh government to give us a modest amount of money to give to local authorities, to then zero people's council tax bills, bearing in mind this is for one year."

The letting period for business rates will increase from 70 to 182 days from 1 April 2023 as part of the co-operation agreement between the Labour government and Plaid Cymru to tackle the problem of second homes.

SOFTENING BUSINESS RATES BLOW COULD SAVE STRUGGLING HIGH STREET FIRMS

Jeremy Hunt has chance to make a big difference for small businesses in his autumn statement

The buildup to Jeremy Hunt's autumn statement on Thursday has inevitably been dominated by the big stuff: tax rises for individuals and companies; departmental spending cuts; and what, if anything, will constitute a plan for growth now that Liz Truss's brief flirtation with deregulation and investment zones has been abandoned. But there is a smaller measure that should be getting more attention: business rates.

The CBI, the business lobby group, called action on that front its "main and modest fiscal ask" and was right to do so, because next spring's "cliff edge", in the usual lingo, will look daunting from the point of view of many small businesses on high streets.

As things stand, business rates are scheduled to rise in April by inflation – call it 10% – while the first revaluation of properties since 2017 will produce bigger increases for some. And, critically, the impact will be felt just as higher energy bills arrive, assuming government support on that front is either scrapped or turned down substantially.

Options for softening the business rates blow include increasing by less than the full 10%, or delaying implementation altogether. Alternatively, Hunt could offer targeted support to sectors – retail and hospitality would probably be at the front of that queue – or those firms facing above-inflation increases could be offered a slower transition.

Whatever the mechanism, the principle of smoothing is sound. Look forward to next autumn and one can sketch a plausible scenario in which inflation is substantially lower, energy prices have passed their peak and the cost of borrowing is falling. The UK may still be in recession, but the outlook would feel less threatening than today. The difficulty is getting there. For the most exposed high street firms, next April is the crunch point.

Hunt, notwithstanding his hair-shirt messaging, should think hard on business rates. Yes, a property-based tax is a target for lobbyists at every budget or autumn statement. On this occasion, though, the case for the relief is the strongest possible: the timing could make a genuine difference on struggling high streets. Help, if it's coming, has to be offered on Thursday.

COUNCIL TAX TO SOAR TO HELP FUND SOCIAL CARE

Rishi Sunak and Jeremy Hunt prepare to let local authorities increase levy by 5pc without offering residents a referendum

Council tax will surge past £2,000 for the average household under plans drawn up by Rishi Sunak.

The Prime Minister and Jeremy Hunt, the Chancellor, are preparing to allow town halls to put up the levy by five per cent without a local referendum.

The move would mean millions of households in Band D face paying up to £100 extra, which would take their annual bills above £2,000 for the first time.

Homeowners in the most expensive Band H could end up paying as much as £200 extra, with their bills exceeding £4,000.

Under present rules, councils responsible for social care are allowed to increase their bills by 2.99 per cent, including a one per cent levy for social care.

If they want to raise bills any further, they must hold a local referendum.

But under new plans expected to be unveiled in Thursday's Autumn Statement, the maximum amount councils can increase bills without holding a referendum is expected to rise to 4.99 per cent, to help pay for social care.

Most councils are expected to take advantage of the freedom to charge residents more.
The Conservative Party manifesto in 2019 pledged to keep a veto on large council tax rises, insisting local people would "continue to have the final say".

But a Treasury source said councils need "more flexibility" to raise money and pointed out that the increases would remain below inflation.

The plan to increase council tax was initially rejected over concerns that it would hit the poorest hardest when people are struggling to cope with the cost of living.

However, No 10 and No 11 agreed to allow councils to raise more money after deciding to raise benefits and pensions in line with inflation.

On Monday, Mr Sunak dropped his strongest hint yet that the pensions triple lock would be kept as government policy, which would mean millions of pensioners would avoid a real-terms cut.

The Prime Minister said: “I am someone who understands the particular challenge of pensioners. They will always be at the forefront of my mind.”

However, he refused to commit to a target set by his predecessor, Liz Truss, to spend three per cent of GDP on defence.

Speaking to reporters on the plane to the G20 summit in Bali, the Prime Minister instead pointed back to the UK’s success in hitting the current Nato two per cent target.

Meanwhile, it emerged that a stealth raid by Mr Hunt in the Autumn Statement will mean 700,000 families lose child benefit by 2028.

The Chancellor is also set to freeze the personal tax threshold and the rates at which people start to pay the various rates of income tax and National Insurance until 2028.

The stealth raid means hundreds of thousands of people will pay tax for the first time, or will be dragged into higher rates.

A range of other thresholds are also expected to be frozen - from the amount at which businesses must register to pay VAT, to inheritance tax, capital gains tax and the pension lifetime allowance.

In addition, the threshold for the top rate of income tax is set to be lowered from £150,000 to £125,000.

Council tax bills also include precepts from other authorities such as fire brigades, police forces and parish councils, which increase the bill yet further.
Only one referendum has been held on increasing council tax above the current 2.99 per cent threshold, when the Bedfordshire police and crime commissioner suggested a 16 per cent increase in his part of the council tax bill. The proposal was rejected by voters.

The likelihood of rejection at the ballot box means that the cap is in effect a maximum-allowed increase.

Mr Hunt wants to increase the cap to 3.99 per cent or 4.99 per cent before councils have to hold a referendum.

It came as a survey found that more than nine in 10 social care directors do not believe their local area has enough staff or funding to get through the winter.

Social care bosses called for more resources to avoid people dying early over the coming months because their care needs are not being met.

The survey by the Association of Directors of Adult Social Services found that 94 per cent of members disagreed that they had sufficient funding to meet the costs of care over the winter.

The same proportion disagree that the social care workforce in their area will be sufficient to manage.

A spokesman for the Local Government Association said an increase of one or two percentage points in the amount town halls can increase council tax will not be enough to fill a large financial black hole.

The spokesman said: “While council tax is an important funding stream, it has never been the solution to the long-term pressures facing councils, raising different amounts in different parts of the country - unrelated to need - and adding to the financial pressures facing households.”

The tax plan emerged as two of England's largest Tory-run councils wrote to Mr Sunak warning they may have to declare bankruptcy in the next few months.

Kent and Hampshire county councils said that they were facing budget deficits "of a scale that has never been seen before".

In a joint letter to the prime minister, Kent leader, Roger Gough, and Hampshire leader, Rob Humby, said “we cannot sit by and let two great counties sleepwalk into a financial disaster”.

The letter asked for urgent help as inflationary pressures and the increased burden in social care left them at "the cliff edge".

COLLIERS CALLS THE GOVERNMENT TO ADDRESS BUSINESS RATES IN BUDGET 2022

With Draft List for 2023 Revaluation Due out next week , Ratings experts at Colliers say this issue can no longer be brushed under the carpet.

“If the Government is serious about kickstarting the economy, it can no longer afford to brush business rates under the carpet.” says John Webber, Head of Business Rates at Colliers.

“And the new Chancellor must address this question in the Budget on Thursday- particularly with the new 2023 Revaluation list being announced next week.” (It is understood the new list will be announced on Monday / Tuesday 21st /22nd November 2022.)

The current system which provides £26 billion (net) for local authority funding is not fit for purpose and with a new Revaluation in April 2023 fast approaching, decisions need to be taken now if businesses are to be encouraged to expand and invest rather than close or downsize their bricks and mortar estate.

Colliers believes the Chancellor should address the following points on business rates in his forthcoming Budget:

Limit any business rate increases in the next revaluation – Given the pressure on business from spiralling costs, wage growth, energy costs and inflation, no business should have to pay more than a 15% rise including inflation.

For smaller and medium sized businesses, these increases should be limited to no more than 5/10% including inflation.

Immediately remove downward phasing of business rates payments in the 2023 Revaluation enabling rate payers to pay their true rates liability immediately and not wait three years to do so.

Given current levels of inflation, Colliers estimate that the implementation of downwards transition would mean retail businesses will pay £2.68 billion more in business rates than they should do in the three years of the new list.

This could be disastrous for the high street and would impact on decisions to either close or keep open stores in several regional high streets.
Address the Multiplier (the UBR used to calculate rate bills) and rebase to a sensible level that businesses can afford.

At current levels at over £0.51, it is just too high.

If it could be reduced to say 34 p in the £1, as it was in 1990, many of the extremely high rating bills would be diminished into something businesses could meet.

At the very least the multiplier must not increase in the 2023 Revaluation, however high the inflation figure is.

Look at the whole systems of reliefs – Re-basing the multiplier to something affordable will mean that the whole question of the myriad of reliefs can become simplified and resolved.

The current relief system has become incredibly complex and has created business rate deserts in some parts of the country.

Colliers believe reliefs should be reviewed at every revaluation cycle – at least every 3 years

Extend Empty Property Rates Relief – Instead of only the warehouse and industrial sector receiving the 6 months empty rates holiday this should be extended to the retail and office sector.

Introduce Annual Revaluations – the ideal would-be annual revaluations – so that assessments reflect values at the antecedent valuation date more accurately during the life of a list, reducing the likely significant shift in liability following a revaluation.

This provides greater certainty for businesses. Once a short period is established between revaluation cycles, any transitional scheme is unnecessary

Reform the Appeals System, providing more support to the VOA – Recent tinkering with CCA and removing the Check part of the system has only added to the confusion of this ill-equipped system and placed more of an administrative burden on rate payers, particularly with the request for the annual provision of information.

The system should be transparent, easy to access and allow appeals to be resolved in 12 months.

Currently only those companies that can afford professional advisors get to the right answer.

Review Plant and Machinery – There should be a wholesale and then regular review of what is or is not rateable in relation to plant and machinery.
All plant that is an integral part of the trade process should be exempted from business rates as should be investment in new technology that make businesses more green/ sustainable.

This would allow the rating system to complement government policy and targets.

Consider introducing an on-line sales tax/delivery tax – to reduce the discrepancies between what on-line retailers pay in business rates tax and the physical high street retailer.

An online sales tax should be an amelioration not as a total replacement of the current system.

89% of Colliers' snapshot survey of retail clients and contacts (taken in April this year) said yes to a new tax- provided it took the pressure off business rates in the High Street.

Take a proper look at Local Authority financing – The Government must investigate new funding sources for councils as confidence in the current system dwindles.

In addition to an Online sales tax the government should look at Council Tax funding too.

Register of rating advisors – similar to the FCA to make sure the cowboy and criminal element that prey on businesses who do not understand the complicated process of dealing with appeals and reliefs get the best advice from professionals.

John Webber added:

"Jeremy Hunt has long admitted that the business rates system is in need of reform and now is his chance to do something about it.

The current system is over-complicated, opaque and basically too high.

We need a well-managed and transparent business rates system, and we need it now.

The government obviously has a multi-billion pound deficit to fill in its Budget- but continuing to strangle businesses and destroy the high street certainly won't be the solution to the problem."

FAILURE TO FREEZE RATES WILL LEAVE FIRMS ON THE BRINK, WARN BUSINESS LEADERS

Business leaders have issued a last ditch appeal to Chancellor Jeremy Hunt to freeze business rates in this week's Autumn Statement, saying a 10 per cent hike next year could leave many firms on the brink of collapse.

As Mr Hunt weighs a slew of tax rises and spending cuts on Thursday to plug a £55 billion black hole in the public finances, business groups fear the Chancellor will raise rates in line with inflation to provide a £3bn boost to tax revenues.

The benchmark CPI measure of inflation hit 10.1 per cent in September and could rise further when latest figures are released on Wednesday.

For many businesses, raising rates by that amount would contribute to a perfect storm, with energy bills support set to end at the same time along with a 50 per cent rates relief holiday for the retail, hospitality and leisure sectors.

Tina McKenzie, from the Federation of Small Businesses, said firms were facing a "cost of doing business crisis" as rents and energy costs soar.

"If rates soar too, all three combined will likely prove unmanageable for many firms, making them unviable," she warned.

"Small businesses certainly aren't able to increase their budgets with inflation – in fact, over two-thirds told us their revenues were stagnant or even decreased in the last quarter."

Kate Nicholls, Chief Executive of UK Hospitality, said: "London hospitality businesses have been worst affected by Covid – hit first, hit hardest and hit longest – with the capital yet to fully recover.

"On top of that, they now face the highest business rates bills in the country kicking back in full from April. We have already seen 20 per cent of businesses in Central London close and without an extension of rate relief holidays we fear this will only accelerate, damaging London's reputation as a world class destination."

And Richard Burge, Chief Executive of the London Chamber of Commerce and Industry, said: "We urge the government to work on a long-term, strategic plan for taxation and business rates in order to alleviate the cost of doing business crisis."

Rishi Sunak – then Chancellor – announced a freeze on business rates in last year's Autumn Statement at a cost of £4.6bn over the five years to 2026. The 50 per cent rates relief for the leisure, hospitality and retail industry cost £1.7bn.

The Treasury said it wouldn't comment on speculation ahead of Thursday's fiscal event but said all taxes were being kept under review.

A spokesperson added: "The UK is not immune to the global economic challenges, but our priority is bearing down on inflation and maintaining economic stability.

"The Prime Minister and Chancellor have been clear that this will require some difficult decisions but protecting public services and the most vulnerable will be prioritised."

At the weekend the Chancellor refused to confirm what he would do on business rates, telling The Sunday Times: "I can't tell you what I'm going to do on business rates, but what I can say is that I think businesses want certainty about what the government's going to do so they understand where they stand."

Labour's Shadow Business Secretary Jonathan Reynolds said: "Far too many businesses have not broken even since Rishi Sunak became Chancellor. Now as PM he wants to hike business rates at the worst possible time.

"Labour has a plan to back British business. Labour will cut business rates for small firms and replace business rates with a fairer system to ensure business can invest for the future."

A revaluation of business rates is also due to kick in next year which could leave firms in parts of the country where property values have risen more than others facing another costly increase.

AUTUMN STATEMENT: BUSINESS RATES ANNOUNCEMENT GIVES MAJOR BOOST TO THE HIGH STREET, SAYS COLLIERS

Business Rates Experts at Colliers Applaud that the Government has finally listened over Business Rates- by Freezing the Multiplier and No Downwards Transition for the 2023 List

The Government seems finally to have listened to our concerns over business rates in its Autumn Statement today" says John Webber Head of Business Rates at Colliers. "And at last provided a major shot in the arm for the high street."

"The removal of the downward phasing of rates bills in particular will mean they will more accurately reflect the values of these properties."

In today's Budget the Chancellor announced that the government has recognised that businesses are facing significant inflationary pressures and set out a package of targeted support to help with business rates costs worth £13.6 billion over the next 5 years.

In particular:

- The business rates multipliers will be frozen in 2023-24, at 49.9 pence (for small businesses) and 51.2 pence, preventing these from increasing in line with inflation? According to the government this is a tax cut worth £9.3 billion over the next five years and will support all ratepayers, large and small, and will mean bills are 6% lower than without the freeze, before any reliefs are applied.
- Upward transitional relief caps will provide support to ratepayers facing large bill increases following the Revaluation, which is due to be announced on Monday. This £1.6 billion of support will be funded by the Exchequer rather than by limiting bill decreases, as at previous revaluations. The 'upward caps' will be 5%, 15% and 30%, respectively, for small, medium, and large properties in 2023-24, and will be applied before any other reliefs or supplements.
- No downward transition for those businesses whose rateable value have decreased following the Revaluation . Instead, ratepayers will see reductions to their rate bills immediately. According to Colliers who have long been campaigning against downwards transition, this is a major boost for the retail sector. Colliers had estimated if implemented, downward transition would have cost the sector an extra £2.7 billion more in their rates bills during the three years of the list than they should have paid.
- The current relief for retail, hospitality and leisure sectors will be extended and increased- from 50% to 75% business rates relief up to £110,000 per business in 2023-

24. The government has said around 230,000 RHL properties will be eligible to receive this increased support worth £2.1 billion.

- There will be additional support provided for small businesses with bill increases for the smallest businesses losing eligibility or seeing reductions in SBRR or Rural Rate Relief (RRR) capped at £600 per year from 1 April 2023. The government says this support is worth over £500 million over the next 3 years and will protect over 80,000 small businesses who are losing some or all eligibility for relief. This means no small business losing eligibility for SBRR or RRR will see a bill increase of more than £50 per month in 2023-24.

In addition, the government has announced:

- No Online Sales Tax (OST) – Following consultation, the government has decided not to introduce an OST reflecting concerns raised about an OST's complexity and the risk of creating unintended distortion or unfair outcomes between different business models.
- Business Rates – Improvement Relief – At Autumn Budget 2021 the government announced a new improvement relief to ensure ratepayers do not see an increase in their rates for 12 months as a result of making qualifying improvements to a property they occupy. This will now be introduced from April 2024 and will be available until 2028, at which point the government will review the measure.
- English Local Authorities will be fully compensated for the loss of income as a result of these business rates measures and will receive new burdens funding for administrative and IT costs.
- John Webber, Head of Business Rates at Colliers said, " It is with massive relief that the government has finally listened to us and other industry bodies about out-of-control business rates rises following the next Revaluation.

"By removing any downward transition, the government has finally recognised that the business rates system cannot be revenue neutral without causing significant hardship.

"Rates bills for those in the troubled retail and hospitality sectors should now reflect the economic situation and drop in rents that we have seen in the market. Freezing the multiplier is a big positive, as is capping rates rises. Businesses now will be able to sensibly plan ahead for 2023. "

The Government still needs to stick to its manifesto commitment of reducing the overall burden of business rates- but this is a step in the right direction and is hopefully a new chapter in the relationship with Government and Business going forward."

"All we can hope for now is the Valuation Office Agency (VOA) has correctly assessed the values– we will know next week !!"

"I take my hat off to the Government. This is a major boost to the high street and to businesses in general and a fair appreciation of the economic situation. It shows that our campaign on behalf of business has been worth it."

UK TO UNDO ANOTHER TRUSS POLICY BY REVERSING PROPERTY TAX CUTS

Hunt told lawmakers that he will 'sunset' the stamp duty measure once it ends

The tax cut on home purchases were part of a package of tax cuts announced by the government of Prime Minister Rishi Sunak's predecessor, Liz Truss, and her chancellor, Kwasi Kwarteng. The cuts, which were one of only a few fiscal policies that remained in place after Hunt's appointment, will now end on March 31, 2025.

Hunt told lawmakers in Thursday's budget statement that he will "sunset" the stamp duty measure once it ends, "creating an incentive to support the housing market and all the jobs associated with it by boosting transactions during the period the economy most needs it," he said.

When the removal of stamp duty on property transactions was announced in September, no plan for a complete removal of the tax cut was included. Rocketing prices have put home ownership out of reach for millions of Britons, as pandemic era stimulus accelerated demand and caused values to jump. The changes were meant to help first-time buyers.

Under the current plan, homebuyers don't pay stamp duty on the first 250,000 pounds ($295,360) of the property sale price, double the earlier threshold. The threshold is 425,000 pounds for first-time buyers, an increase from 300,000 pounds, and that relief can be claimed for properties costing up to 625,000 pounds.

"The reversal will make it increasingly difficult for prospective first-time buyers to get on the housing ladder in the coming years, particularly in London and the South East which accounts for the majority of tax duty receipts," said Richard Donnell, executive director at property portal Zoopla.

Hunt also said the tax exempt allowance for capital gains tax will be more than halved to 6,000 pounds next year and cut again to 3,000 pounds from April 2024. That's a blow for buy-to-let landlords, who have to pay capital gains on properties that sell for more than the amount they paid for them.

For renters in social housing, Hunt offered some respite. He committed to capping the increase in social rents at a maximum of 7 per cent in 2023-2024. That's a saving of 200 pounds next year for the four million families living in the social sector who are most exposed to high inflation, he said.

ONLINE SALES TAX SHELVED – WITH BUSINESS RATES ON LARGE ECOMMERCE DISTRIBUTION WAREHOUSES SET TO RISE 27% INSTEAD

The government today says it will not introduce a long-pondered online sales tax – with business rates on the large distribution warehouses operated by ecommerce retailers set to rise by more than a quarter. Where high street retailers see the business valuation rate of their shops fall, they will benefit from that fall as soon as the new rates come into force in April – although transitional protection will be in place for those whose bills rise.

Online retailers selling through large distribution warehouses are set to see their business rates bills rise by 27% – and some high street retailers could see their bills fall if the valuation of their property drops in the ongoing review of the business rates system, according to today's autumn statement announcement. The business rates for some 700,000 business properties are set to rise in April 2023, while the rates for 300,000 properties are set to fall. Transitional relief will be put in place in order to protect the retail sector from the full force of any valuation rise for the next one to three years – the government says only 9% of properties in England will see a bill increase of more than 15% in 2023/4.

Today's announcement means that an online sales tax, previously consulted on, will not now be introduced. "The idea of an online sales tax (OST)," says the government in a briefing on today's autumn statement, "was put forward by certain stakeholders to 'rebalance' the business rates bills paid by in-store retailers in comparison to their online counterparts. The government's decision reflects concerns raised about an OST's complexity and the risk of creating unintended distortion or unfair outcomes between different business models. Stakeholders also expect that it would lead to higher prices for consumers."

It adds: "Physical shops on the high street who are seeing a fall in bills, will… get the full reduction, as a result of transition relief reforms, whilst online marketplace warehouses will pay higher bills, as a result of the revaluation."

The new proposals come as Chancellor Jeremy Hunt today set out to rebalance the way that online and high street businesses are taxed through business rates, while promising to protect them from rising inflation. But some have said the promised support does not go far enough.

The government's ongoing review of business rates means that from April 1 2023, businesses are set to get new business rates bills that reflect the 2021 valuations of their properties. Businesses can see an estimate of their future business rates bill here.

Transitional relief

Today the government announced it would invest a headline £13.6bn in freezing the business rates multiplier for a further year – rather than rising by inflation – to protect retailers and other high street against rising costs. That will keep the standard multiplier at 51.2p and the small business multiplier at 49.9p. It puts the value of not increasing the multiplier this year at £9.3bn over five years.

Almost £2.1bn will be put into business rates relief for retail, hospitality and leisure businesses. Downward transitional relief caps will be abolished, meaning that businesses that see lower bills as a result of the government's review of business rates will get that decrease straight away.

Support is promised for small businesses that lose eligibility for either small business or rural rates relief due to new property valuations through a £500m supporting small business scheme. Bills for small retail, hospitality and leisure businesses will see any increase in their bills limited to £12.50 a month in 2023.

As a result, says the government, the total increase in business rates bills will be less than 1%, where they would have grown by more than 20% without intervention.

Shops on high streets and other relatively prime locations currently tend to pay more in business rates than online-only retailers that operate from warehouses that currently have lower business rates valuations. Today's announcement, says the government, means that while total business rates paid by the retail sector will fall by an estimated 20% in the business rates review, large distribution warehouses will pay an average 27% more than they did, reflecting ecommerce growth in recent years.

A £1.6bn three-year transitional relief scheme is intended to keep bills manageable for around 700,000 business properties, where valuations rise.

The wider autumn statement

The government confirmed today that the UK is now in recession and unemployment is expected to rise from 3.6m to 4.9m by 2024. The OBR now expects the economy to be 3.7% smaller in five years time than it had previously expected, with household incomes 7% lower in coming years, once price rises are taken into account.

The main corporation tax rate is to rise to 25% from April 2023, according to today's autumn statement. The government also committed to the Northern Powerhouse Rail core network and East West Rail, along with gigabit broadband rollout. An international agreement on OECD reforms to ensure multinational corporations pay a fair share of tax is to be implemented. The National Living Wage will rise by 9.7% to £10.42 an hour,

Changes that will be significant for retail in today's statement also include the decision to boost state pensions and benefits by 10.1%, since it may mean those receiving it are less likely to cut back on retail spending. Tax thresholds have been frozen, except for the £150,000 rate, now lowered to £125,140. The Energy Price Guarantee, which caps the typical energy bill at £2,500, will rise to £3,000 from April. However, there was no mention of an energy guarantee for businesses.

Industry reaction

Helen Dickinson, chief executive of the British Retail Consortium, says: “The announcements today show the government has heard the concerns of the retail industry. Retailers are working incredibly hard to support customers – expanding value ranges, fixing the prices of essential items, and offering discounts to vulnerable households. This Autumn Statement supports that commitment by reducing upwards pressure on prices in the short term, and helping retailers protect jobs, keep shops open, and protect the vibrancy of local communities.

“The Government has taken an essential step towards longer term reform of the broken business rates system by announcing the scrapping of downwards phasing of transitional relief. This decision means that April’s bills reflect market conditions and retailers will pay only what they owe, rather than being forced to overpay their rates bill when the value of their property has already fallen. This represents the first step towards a more fundamental reform of the broken business rates system.”

Dickinson adds: “High inflation remains a major threat to the UK economy and we support the government’s objective of bringing this down. Inflation is making people poorer, damaging consumer confidence and holding back demand. It pushes up the costs to businesses which further increases prices for consumers. As the retail industry enters the crucial Christmas period, it is vital that inflation is brought to heel.”

Jon Goodwin, finance director at Weird Fish, says: “The £14bn support package for business rates is appreciated. There has been a significant need for business rates to be overhauled to make it fairer particularly for the retail, hospitality, and leisure sector where costs are substantial. These sectors are still recovering from the Covid period which was quickly followed by the global uncertainty and the cost of living crisis.

“Yet this package is said to help around 700,000 businesses across the UK. According to government figures, there are estimated to be 5.5m UK private sector businesses in the UK. Therefore, only around 12% of businesses in the UK will benefit, so it doesn’t go far enough. The decision to increase the energy windfall tax from 25% to 35% is welcomed, but the existing system needs to be carefully reviewed. It appears that while the input cost of energy hasn’t increased dramatically over the past months, energy firm charges have gone up. Businesses are still struggling enormously with energy bills so clearly more needs to be done to ensure this tax is actually having the desired effect.”

Paul Martin, UK head of retail at KPMG, says: “The Autumn Statement contained a number of announcements to support the retail industry, from the £13.6 billion transitional relief scheme, through to freezing of business rate multipliers and the long awaited business rate re-evaluation from April 2023, under which we should see a lower rates burden for many retailers.

“Whilst the prospect of support for retail businesses coming next year will be welcomed, the UK is in recession now and many retailers will be focussed on surviving the next few months as consumer confidence and spending declines, and costs continue to rise. The question remains, will the support offered from April next year be too little too late for some struggling retailers?”

Tarun Gidoomal, UK general manager at curated marketplace Ankorstore , says: “Britain’s small businesses and retailers are straining under the numerous changes and challenges they’ve faced over the past year including Covid, inflation, rising energy prices and now fiscal drag. A staggering 97% of independent British retailers believe the government has not provided enough support amidst the ongoing ‘permacrisis’ of 2022, and that figure has likely risen even further after today’s statement.

“Hunt saying he will ‘soften the blow’ on businesses is not enough, and independent retailers up and down the country need more in order to survive the ongoing ‘permacrisis’ of 2022. If the government fails to extend the Energy Relief Scheme, as was missed out of today’s budget entirely, the majority of independent retailers (89%) believe they will suffer as a result, with almost half of all independent retailers (42%) saying that this would cause them to close or consider closing.

“The closure of so many great independent retailers would have huge and far reaching consequences for the communities who depend on these shops – and the social infrastructure they provide, as well as Britain’s economic recovery out of what is being predicted to be our longest ever recession. We’re calling on the government to revisit today’s budget to offer more for small businesses to create greater stability and to promote growth amongst British high streets. Doing nothing is not an option.”

Chris Griffin, CEO of Secret Sales, says: “Despite the budget announcement today, the cost-of-living crisis remains a reality for many and consumer confidence is hanging on by a thread. Like never before political uncertainty is impacting consumer shopping habits, as we saw a drop in conversion rates off the back of Hunt’s previous budget plans and then a subsequent uptick in sales conversions following Truss’ resignation.

“As we digest Hunt’s Autumn budget today, with news such as the threshold for income tax personal allowance being frozen, for the retail industry its important consumers feel supported in the lead up to Christmas and beyond. Shoppers are hitting fight or flight mode and as a result over half (58%) are planning to shop more at discount homeware and fashion brands this year. A trend that we've seen at Secret Sales, with a 70% increase in sales like-for-like compared to last year, and one that we expect to continue."

BRITAIN SOFTENS BUSINESS RATES BLOW WITH £13.6 BILLION STG SUPPORT PACKAGE

Britain will provide 13.6 billion pounds ($16.1 billion) of support to retail, hospitality and leisure companies facing higher business rate bills next year, to help them through the recession and a fall in consumer spending.

British companies have for years complained that business rates - a property tax charged on most commercial properties to fund local services - is archaic and hands an unfair cost advantage to online retailers such as Amazon.

Delivering his budget to parliament, Hunt said he would proceed with a planned revaluation of business properties from April 2023 that could lead to higher business rates for some. But he said he would provide temporary support to limit the impact of surging inflation.

"I will soften the blow on businesses with a nearly 14 billion pound tax cut over the next five years. Nearly two thirds of properties will not pay a penny more next year and thousands of pubs, restaurants and small high street shops will benefit," he said.

The package means that the total increase in business rates bills will be less than 1%, compared with more than 20% without intervention, the finance ministry said.

The British Retail Consortium, UKHospitality and the British Beer and Pub Association (BBPA) welcomed the relief but said more radical changes were still needed.

"It remains the case that the current system is outdated and not fit-for-purpose. The government made a manifesto commitment of root and branch review and it's essential that this (is) delivered as soon as possible," UKHospitality CEO Kate Nicholls said.

The trade body warned last month that over a third of the sector was at risk of going bust early next year due to soaring energy costs and rises in the cost of goods.

Britons are also facing a bleak economic outlook. With inflation at a 41-year high of 11.1% and consumer confidence close to the gloomiest on record, they are cutting back.

Britain's budget watchdog said rising prices would further erode people's wages and reduce living standards by 7% by April 2024.

The government also said it had decided not to introduce an online sales tax, which some businesses have called for in combination with business rates reform.

That decision, which it said reflected concerns raised about the proposed tax's complexity and the risk of unfair outcomes between different business models, was criticised by the beer industry's BBPA.

"It seems the government doesn't recognise the completely archaic nature of the current system," CEO Emma McClarkin said.

UK WAREHOUSE OPERATORS CRITICISE BUSINESS RATES TAX RISE

Chancellor says he is tackling 'bricks v clicks' imbalance with bigger increase for online operators

The UK's warehouse sector has criticised a business rates tax rise targeted at online retailers such as Amazon as the chancellor used the levy to "soften the blow" for high street shops.

The government said the measure in Jeremy Hunt's autumn statement on Thursday was tackling the "bricks v clicks tax imbalance" by raising big warehouse operators' rates bill by 27%, and rates for retailers by 20%.

Hunt also ditched plans for an online sales tax on e-commerce giants because of "complexity", instead opting to raise rates on warehouses operated by companies such as Amazon, DHL and John Lewis's online store. He excluded them from reliefs while handing out billions to limit the pain for high street retailers, pubs and restaurants.

Clare Bottle, chief executive of the United Kingdom Warehousing Association (UKWA), whose members include Amazon, Coca-Cola, Clipper Logistics and DHL, said the tax increase was "unfair", "painful" and "disproportionate".

According to the real estate adviser Altus Group, the valuation on which Amazon has to pay rates on its warehouse in Tilbury, Essex, will increase from £7.1m to £12.3m, a 74% rise. Supermarkets with food delivery businesses, such as Tesco and Sainsbury's, are also likely to be hit.

"Warehouses are big buildings and they are already paying their fair share," Bottle said, accusing the government of "muddled thinking" and ignoring the low margins earned by many warehousing companies.

The grab from warehouses gave the government leeway to limit business rates rises for many high street retailers, restaurants and pubs. Hunt announced a £1.6bn transitional relief scheme and £2.1bn in reliefs for hospitality businesses, extending emergency Covid-19 support.

Rates bills will fall immediately for companies whose property values have dropped, rather than the previous gradual reduction, a move welcomed by sectors worrying about how they will survive the UK's expected recession.

Kate Nicholls, chief executive of UKHospitality, a lobby group representing hotels, pubs and restaurants, said she was pleased that companies whose property valuations fall "will see the benefit in their bills immediately, at the same time as increases are capped".

MOST AREAS IN ENGLAND TO SEE 5% COUNCIL TAX RISE

Most English councils are expected to raise council tax by 5%, according to the Treasury.

Chancellor Jeremy Hunt on Thursday announced English local authorities will be able to increase council tax by 5% annually without a referendum.

Councils warned an increase would be "extremely difficult" for people given the cost-of-living crisis, but 95% are expected to opt for the full rise.

Mr Hunt insisted his plan would get the UK through an economic "storm".

Treasury analysis predicted almost all councils would increase payments by the full 5% permitted, a spokesperson said. Although the spokesperson did not explain what the assumption was based on, the Local Government Authority (LGA), the membership body for councils, said 150 out of 152 used the precept last year.
It means in some areas the average Band D council tax bill could go over £2,000 for the first time, although other areas already pay more than that.

Council tax pays for local budgets and can be spent as the local authority sees fit, according to the House of Commons library.

"It is not possible to say that council tax pays for particular local services: it is pooled with revenue from business rates, government grants and other sources of income," the library says.

Currently a referendum is triggered if councils want to raise council tax by more than 2%, although they can also raise it by a further 1% specifically for social care.

Following the Autumn Statement, local authorities will be allowed to raise council tax by 3% and those which also have social care responsibilities can also increase it by a further two percent (a total increase of 5%) without a local vote.

The Local Government Association (LGA), which represents 331 of the 333 councils in England, said although the financial outlook looks better, council tax would not plug their shortfalls.

LGA chairman councillor James Jamieson said: "We have been clear that council tax has never been the solution to meeting the long-term pressures facing services - particularly high-demand services like adult social care, child protection and homelessness prevention.

"It also raises different amounts of money in different parts of the country unrelated to need and adding to the financial burden facing households."

Mortgage fears

Councillor Shaun Davies, council leader for Telford and Wrekin Council and leader of LGA Labour, said he was not willing to increase council tax because his residents can not afford it, but assumes government will order local authorities to increase council tax by at least 2% for the social care levy.

Speaking to the BBC Radio Shropshire, he described residents telling him about the price of food rapidly increasing and homeowners contacting the council for housing advice because they could not afford their mortgage.

He said: "In all consciousness I can't increase council tax at a time when families are struggling.

"That will mean tough decisions for us as a council, as a result of that underfunding from government and the low council tax that we receive already.

"But I'm not prepared to put onto families and households more tax as a result of this budget."

He added the Autumn Statement meant there would be further cuts to public services at time when it requires "urgent resuscitation" and the demand is "going through the roof".

The County Councils Network, which represents 36 mainly Conservative authorities, said despite Mr Hunt's plan they still face "very difficult decisions" alongside high inflation and rising social care costs.

Chairman Tim Oliver said "some county leaders may be reluctant" to impose 5% hikes "during a cost-of-living crisis considering ratepayers in county areas currently pay the highest bills on average".

Surrey County Council, which Mr Oliver leads, said it hoped it would not have to increase council tax by 5% but was waiting to see how much funding it would receive for 2023-2024 from the government, when figures are released next month.

This was echoed by the Labour leader of Manchester City Council, Bev Craig. However, she said even if Manchester did raise council tax they would still have to cut services. The authority's website states it forecasts a funding gap of £28m in 2023-2024 rising to £96m by 2025-2026.

If Manchester City Council did raise council tax by 1% this would only raise £2m she said, and a 5% increase would generate £10m.

Ms Craig also hit out at the council tax system, saying it enabled more prosperous counties to raise more money. If Surrey County Council increased council tax by 1% it would raise £8.2m in comparison to Manchester's £2m. This she said is "unfair and unsustainable".

"It hits people's pockets unfairly and doesn't create a sustainable funding model across the country," she said.

"Manchester has high levels of poverty and people struggling. It's not fair or equal or equitable way to pay for services after 12 years of cuts."

The Conservative leader of Devon County Council, John Hart, also said the authority would consider whether to raise council tax or not when it finds out its next budget from the government just before Christmas.

The options facing Devon are "increasing council tax by more than we would like or potentially making deep cuts in services that are valued by people across the county.

"Unfortunately, we may well have to do both next year. It will be a very difficult balancing act."

He added he recognised that people across Devon are facing real issues with the cost of living and Devon County Council does not want to increase their burden any more than necessary. But it raising council tax "is an option that needs to be considered in our budget preparation", he said.

Councillor Georgia Gould, chair of London Councils, said that borough finances remained in a "critical condition". She maintained that council tax was "not the answer" and said the rise made the cost of living crisis "extremely difficult for struggling households" and "it could never plug that £700m funding gap".

Labour's shadow chancellor Rachel Reeves told BBC News: "If you look at what's happening in March next year, I am very worried about a whole range of things that are set to happen at the moment.

"Big increases in gas and electricity bills, the increases in council tax, the increases in income and the increases in fuel duty."

The independent Office for Budget Responsibility said the government's plan will raise £3.3bn in 2026/27, rising to £4.8bn in 2027/28.

In a statement, the Ministry for Housing, Communities and Local Government said: "We understand the pressures facing councils and we are working with them to ensure vital services are protected.

"Councils will have the flexibility to raise money through council tax, but we expect them to exercise restraint. Protecting the most vulnerable households remains our priority and those on the lowest incomes are able to apply for council tax reductions."

HARRODS TO BENEFIT IN BUSINESS RATES REJIG

Luxury department stores will see their bills plummet

Harrods and Selfridges are among the biggest winners in the government's corporate tariff shake-up.

Chancellor Jeremy Hunt confirmed this week that the April revaluation would go ahead, with bills changing in line with changes in the rental market.

For the first time since 2015, real estate will receive new 'calculable values', based on how much they are worth. And the luxury department stores will see hefty cuts in bills.

The retail value of the Selfridges store on Oxford Street in central London will be nearly halved in April, bringing business rates to £8.6m, a saving of £7.6m.

Harrods' Knightsbridge store will also see its taxable value nearly halved, bringing the bill down £8m to £9.2m.

In general, department stores and other large stores such as Primark, Ikea and House of Fraser will see the biggest declines as demand for large retail space in the city center declines.

The average taxable value of this category has fallen by more than a third, according to research by real estate company Altus Group.

But the value of the largest category of properties, with 423,690 standard High Street stores, fell by just 8.4 per cent.

Robert Hayton, president of Altus UK, said: "These modest discounts on most retail properties are very difficult to reconcile with the collapse in demand for new leases around the valuation date during the latter stages and immediately after the Covid restrictions."

PUBLIC BUILDINGS IN ENGLAND AND WALES LIKELY TO GET 15%-20% TAX RISES NEXT YEAR

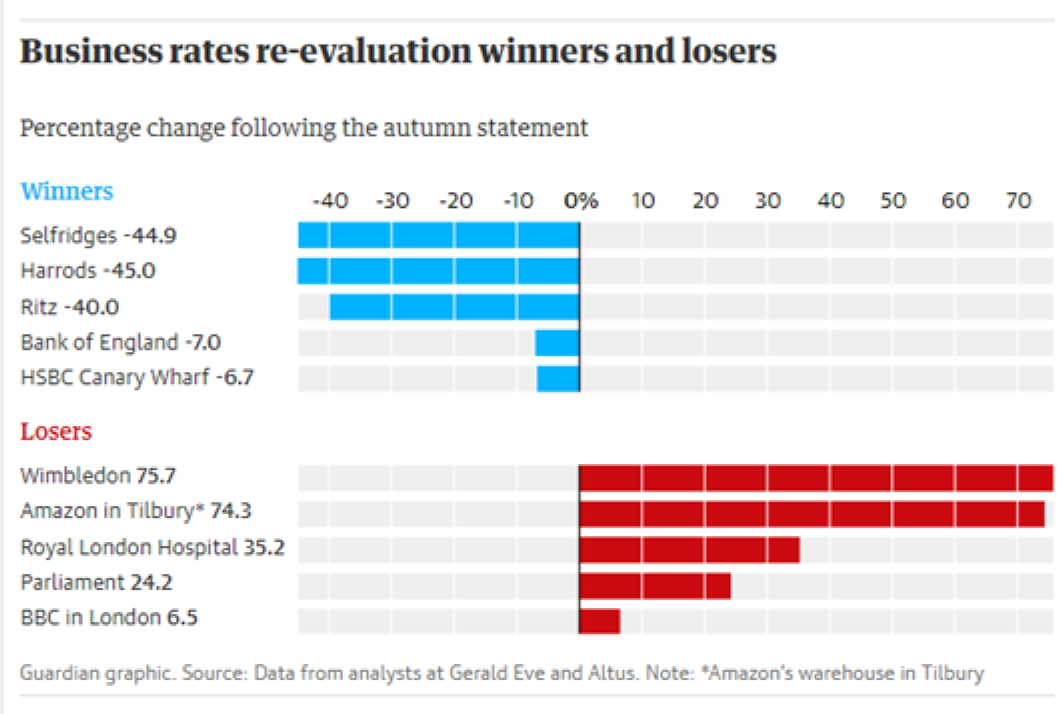
Business rates revaluation likely to hit hospitals and colleges, while big banks and department stores such as Harrods benefit

Hospitals, colleges and fire stations are likely to face 15%-20% rises in property tax next year while bills will fall at big banks, including the Bank of England, and department stores such as Harrods.

The government on Thursday released details of a revaluation of properties across England and Wales for the calculation of business rates, with many public buildings expected to be among the losers and those in big offices, the largest retail properties and historic hotels among the winners.

Across 1,590 NHS hospitals in both nations the rateable value used to calculate bills will jump by 17.4% to £893.35m, according to analysts at Altus Group, Britain's largest ratings advisory firm, indicating a potential extra £68m on bills. The valuation will jump by 35%, according to advisory firm Gerald Eve. That indicates nearly an additional £1.6m on its bill alone according to Altus.

Jerry Schurder at Gerald Eve said hospitals, educational establishments and fire stations were likely to face an increase in business rates, as the amount public buildings pay is linked to the current cost of construction, which rose during the pandemic amid materials and labour shortages.



He said education establishments were likely to face an almost 15% rise in rates bill and fire stations and health facilities 16%. School bills are covered by central government.

They are among the losers alongside those operating large distribution sheds, such as Amazon, whose bill is expected to rise by 75% at one warehouse in Tilbury, Essex, according to Altus. Supermarkets with food delivery businesses, such as Tesco and Sainsbury's, are also likely to be hit.

Convenience stores will see their rateable values increase overall by 12.7% while hairdressing and beauty salons are facing a 6.3% rise, Altus calculates.

However, many independent convenience store owners will be protected by measures to protect small businesses, including a special discount for retail and hospitality outlets and for those whose rateable value is less than £15,000, according to Schurder.

He said that many high streets and shopping centres would be "big winners" as business rates valuations are based on rents paid and these had dived during the pandemic when many stores were forced to close for several months.

Upmarket department stores Harrods and Selfridges will see their tax bills slump by about £8m each from April next year after the revaluation, which is based on rents paid in 2021 at the time of the pandemic when many central London businesses were struggling with pandemic lockdowns.

The largest shops, those over 1,850 metres squared in size, are the biggest retail winners, with their rateable values tumbling by 34.7% on average, according to Altus.

The John Lewis department store chain, for example, will save £5m in business rates on London's Oxford Street store alone, although its costs elsewhere are on the rise as a result of increases in the legal minimum wage next year and higher national insurance payments.

The drop in market rents in the City, means the Bank of England's rate bill will fall by 7%, according to Schurder. Banks based in London's Canary Wharf will also enjoy a cut in their property taxes after the shift to working from home during the pandemic pushed office rents in the area down by an average 1.7%, with some falling far more. The bill at international bank HSBC's building in Canary Wharf, for example, is calculated to have fallen by almost 7%.

New measures announced by Jeremy Hunt on Thursday mean the drop in the bill will apply in full from next year – whereas previously it would have been phased in jumps of 4% to 5%, meaning that some businesses never saw the full benefit of a cut to their bill.

UK HIGH STREET RETAILERS ARE BIG WINNERS UNDER NEW RATES REVALUATION

Operators of large warehouse and logistics facilities will see their bills jump

Bricks-and-mortar retailers such as Selfridges' flagship store in London will pay significantly lower business rates, while operators of large warehouse and logistics facilities will see their bills jump, following a revaluation of commercial properties announced alongside the chancellor Jeremy Hunt's Autumn Statement on Thursday.

Shops will also benefit more quickly from any rate reductions after Hunt scrapped so-called 'downwards transitional relief' in England, under which lower bills were previously phased in over three years — a change expected to cost the government £1.6bn.

Retailers have long complained that they shoulder a disproportionate share of the burden of business rates, a tax on commercial property based on rental value that penalised store-based operators and advantaged ecommerce companies like Amazon as shoppers switched to buying online in recent years.

Large department stores and hypermarkets were the biggest winners in the reassessment of the "rateable values" of commercial property in England and Wales by the Valuation Office Agency.

The rateable value of Selfridges' store in Oxford Street, London, will almost halve from £30.5mn to £16.8mn, while the world's largest Primark in Birmingham will see its rates bill drop from £1.1mn to around £680,000, according to research by Altus, a property consultancy.

The VOA said rateable values across more than half a million shops in England and Wales will fall by 10 per cent overall, from £16.2bn to £14.6bn.

But industry experts said the reductions were in aggregate smaller than expected, given the drop in shop rents in the wake of the pandemic, and could lead to an increase in challenges and appeals.

Robert Hayton, UK president of Altus, said the overall level of reductions was "very hard to square with the collapse in demand for new leases in the period around the valuation date, during the final stages and immediate aftermath of Covid restrictions".

He added that MSCI UK data suggested that retail rents in England fell almost 20 per cent between the previous revaluation in 2017 and the latest one.

Retailers with significant high street estates, such as Next, WHSmith and Boots, have reported securing rent reductions of 30-50 per cent when taking out new leases or renewing existing ones.

"Standard high street shops are showing only a modest decrease [in rates] overall," said Jerry Schurder, business rates policy lead at Gerald Eve, a commercial real estate consultancy. "It is a surprise."

Schurder said the discrepancy between the decline in rates and the larger drop in rents may reflect limited activity in the retail property market at the time rents were assessed. "The only transactions taking place were 'regears' of leases and company voluntary arrangements," he said, referring to an insolvency process often used to reduce rents or terminate leases.

The VOA said rateable values were determined by "a range of rents for similar properties, as well as other evidence including a property's location and its physical attributes".

It added that although rents in some high streets and shopping centres had seen substantial falls since the 2017 revaluation, they had risen in many market towns, holiday hotspots and neighbourhood shopping parades.

Other changes introduced in the Autumn Statement will also benefit shops. A business rates discount for smaller retailers was increased from 50 per cent to 75 per cent and extended for a year, while the multiplier — which converts rateable value into an annual payable amount — was frozen at 51.2p in the pound for a third year. It would otherwise have risen to a new high of 52.9p.

Those whose bills have risen will continue see the increases phased in over three years. That will spread out the increases for big logistics facilities, whose capital values and rents soared during the pandemic as many more people shopped online.

Altus estimates that their rates will rise by an average of 35 per cent, but some will see a far higher jump. The rateable value of Amazon's huge automated warehouse at Tilbury, Essex, has risen by 74 per cent to £12.3mn.

MAJOR DEPARTMENT STORES AMONG THE BIGGEST BENEFICIARIES OF NEW BUSINESS RATES REGIME

Iconic British department stores like Harrods and Selfridges will see their business rates bills slashed by up to half as a result of the Treasury's new package of support revealed in yesterday's Autumn Statement.

As part of the new budget, the Treasury announced a shake-up to business rates which will provide tax boosts for many high street businesses, with large warehouses for online rivals taking on more of the cost.

This could amount to combined savings of around £15 million for Harrods and Selfridges, according to analysis from real estate adviser Altus Group.

It comes as the Government said there would be a revaluation of more than half a million retail properties across England and Wales, meaning the rate of business tax they pay could change.

Furthermore, the Chancellor Jeremy Hunt pledged to remove the downwards cap – meaning businesses who see falling business rates bills as a result of revaluation will benefit from the decrease straight away.

Jerry Schurder, the business rates policy lead at Gerald Eve, told the PA news agency that it is an influential and highly anticipated change for businesses up and down the country.

He said: "In the past, companies whose bills should be going down were not allowed to see those reductions immediately, which businesses have said is very unfair.

"Retail, leisure and hospitality businesses have really struggled since Covid and the transition to online shopping, and they said they should be able to see their bills go down immediately."

Historic shopping areas are expected to benefit from lower bills.

John Lewis could save almost £5 million and M&S will see around £2.75 million wiped off their bills next year for their Oxford Street stores, Gerald Eve found.

However, some businesses are likely to be disappointed with the new rates they are given, Schurder said, either because their bills have gone up or because they think they haven't fallen by as much as they should.

"Some businesses will face a major challenge because there is no transparency from the Valuation Office Agency – which is in charge of valuing properties.

"They don't give you any evidence and the onus is entirely on the business, the rate payer, to prove the agency wrong.

"This is where I think it is unfair, particularly for small businesses where there is not adequate support," Schurder said.

He added that many businesses will want to appeal the valuation decisions that have been made.

Convenience stores are an exception of the retail sector, as they could face bills increasing by 12.5% next year.

"That must be a reflection of the pandemic," Schurder said. "Convenience was one of the sectors which boomed during the pandemic; they were essential retail and stayed open, which means their values are going up."

The same goes for some pharmacies which could see business rates bills surge by about 14%. Meanwhile, large distribution warehouses could face bills rocketing by more than a third, with the likes of Amazon and DHL facing heftier charges.

This is because the Government said it was addressing the "bricks v clicks" tax imbalance, designed to support bricks and mortar retailers.

HUNT LAUNCHES STEALTH TAX RAID ON RENEWABLES AS BUSINESS RATES SOAR

Windfall tax will cost solar and wind farms £60m in three years

Jeremy Hunt is to hammer wind and solar farms with a stealth business rates tax raid, dealing a "double whammy" to the green energy sector already facing a new windfall tax.

The Chancellor's revaluation of business rates will add tens of millions of pounds to the bills of the renewable power generators, according to expert analysis, in a move that will boost Treasury coffers but potentially harm investment.

It comes as green energy producers are already bracing for a £14bn windfall tax that will take effect from 2023 and last for five years.

Separately, Ofgem was revealed to have handed tens of millions of pounds to consultants for advice on emergency schemes during the energy crisis.

Energy giants including Scottish Power and SSE have warned Mr Hunt's raid risks deterring investment, with renewable power groups adding that the rise in business rates will only make the situation worse.

In a meeting with energy company bosses on Friday, it is understood Treasury officials faced questions and complaints about the exclusion of gas-fired power plants from the windfall tax.

And under the revaluation announced in Mr Hunt's Autumn Statement, gas plants will also see their business rates bills fall over the next three years.

In stark contrast, wind farms will see their rateable values rise by an average of 45pc, while solar farms will see theirs rise by 37pc, according to analysis by property consultant Gerald Eve.

The changes reflect the growing value of the land, as a surge in electricity prices since Russia's invasion of Ukraine and the rising value of green power facilities boosts renewable energy producers.
However, smaller wind and solar farm owners will be hit the hardest, with some seeing their bills double in just three years. For example, a typical 7 megawatt wind farm with fewer than 10 turbines stands to see its annual bill rise from £40,000 to £80,000 by 2025/26, Gerald Eves said.

Dan McGrail, chief executive of RenewableUK, warned that the rise in business rates on top of a windfall tax would deal a major blow to green power investment "when we should be going all out for renewables".

He said: "To solve the energy crisis and bring down consumer bills, we need to invest tens of billions of pounds in new wind and solar capacity.

"The kind of eye-watering increase in business rates suggested risks slowing progress on the shift to cheap, home-grown energy."

Chris Hewitt, chief executive of Solar Energy UK, called on ministers to take into account the windfall tax's financial impact when setting business rates for the next three years.

He added: "We feel the current economic circumstances need to be taken into account when we are looking at any tax changes."

Solar Energy UK on Friday branded the Government's windfall tax "perverse".

According to Gerald Eve, the rise in business rates will also cost wind and solar farms in England at least £60m more over the course of three years.

Simon Green, head of business rates at the consultancy, said the higher rates reflected soaring electricity prices as well as the subsidies generators receive. The revaluation will be based on 2021 rateable values and is the first carried out since 2017.

Mr Green said at present this meant the rateable values would not take the impact of the windfall tax into account.

"It could result in a double whammy for renewable generators," he added.

In his Autumn Statement, Mr Hunt said he would cushion the blow for businesses with £13.6bn worth of "transitional relief".

Separate analysis by The Telegraph reveals that consultancy firms PwC, KPMG, BDO and Oliver Wyman have cashed in on the energy crisis as officials at regulator Ofgem scrambled to implement urgent measures to shore up the country's ailing energy sector.

The watchdog agreed to pay around £30m for advice on specific projects, as well as for ongoing services that it can use when required. Schemes it asked for help on included the Government's energy bill support scheme and winter stress tests.

Ofgem insisted the consultants allowed it to bring in vital skills "quickly and for a limited period" during the crisis without needing to hire new permanent staff.

HARRODS SEES £15M DROP IN BUSINESS RATES ASSESSMENT AS RETAIL UNDERGOES DRAMATIC REVALUATION

The Valuation Office Agency, an executive agency of His Majesty's Revenue & Customs, say 508,300 shops will see their rateable values fall by 10 per cent overall from £16.3bn to £14.6bn from April next year.

Despite rateable values falling across all regions for the embattled retail sector, experts say the reductions don't go far enough. The revaluation of all 2.1 million non-domestic properties has been based upon an estimate of open market rents as of 1st April 2021.

THE LAST REVALUATION CAME INTO EFFECT IN ENGLAND AND WALES ON 1ST APRIL 2017 AND WAS BASED UPON AN ESTIMATE OF RENTS BEING PAID ON 1ST APRIL 2015. THE 2023 REVALUATION WILL REFLECT THE CHANGES IN RENTS BEING PAID DURING THE INTERVENING 6-YEAR PERIOD.

Analysis by the real estate adviser Altus Group, Britain's largest ratings advisory, shows that the largest shops, those over 1850m2 in size, are the biggest retail winners seeing their rateable values tumble by 34.7 per cent.

Harrods

Iconic London department stores Harrods will see its rateable value plummet 45 per cent from £32.73 million to £18 million next April whilst Selfridges will benefit from similar reductions with its rateable value being slashed from £30.5 million to £16.82 million.

Large shops, those between 750m2 to 1850m2 in size, will see an overall fall of 19.3 per cent.

Hypermarkets and superstores, generally those operated by the Big 4 supermarkets, will see their rateable values fall by 14.9 per cent.

The biggest fall in rateable values for the retail sector was 14.6 per cent in Yorkshire & Humber and 13.9 per cent in the North East.

But convenience stores will see their rateable values increase overall by 12.7 per cent, large food stores the smaller format supermarkets will see their valuations increase by 8. 4% with hairdressing and beauty salons facing a 6.3% increase Altus Group added.

More than 400,000 small shops, the vast majority of all retail sector properties, will see their rateable values fall by 8.4 per cent with rateable values across the entire retail sector falling by 10 per cent overall as a result of the revaluation which comes into effect next April.

Declining rents

But analysis of rental changes by MSCI UK between the first quarters of 2015 and 2021, which tracks the performance of property investments with a total capital value of over £149bn, shows the retail sector saw rents decline by 19.8 per cent in England with even steeper declines of 26.4 per cent in Wales.

Robert Hayton, UK President at Altus Group, explained to *City A.M.* this morning that whilst the retail sector was "undoubtedly a big winner from both the Autumn Statement and the 2023 revaluation."

"These modest reductions on most retail properties are very hard to square with the collapse in demand for new leases in the period around the valuation date during the final stages and immediate aftermath of Covid restrictions," he added.

At the Autumn Statement 2022, the Government announced that businesses seeing a declining rateable value at the 2023 revaluation will benefit from the full decrease straightaway by permanently removing caps on tax reductions known as downward transition.

Special Category (SCat) description	Property Numbers	2017 Rateable Value (£)	2023 Rateable Value (£)	Change (£)	Percentage Change
Large Shops (Over 1850 m2)	2,180	1,247,433	814,368	-433,065	-34.7
Large Shops (750-1850 m2)	470	78,112	63,010	-15,102	-19.3
Hypermarkets/Superstores (Over 2500 m2)	2,200	2,858,811	2,431,783	-427,028	-14.9
Factory Shops	1,960	176,920	157,314	-19,606	-11.1
Retail Warehouses And Foodstores	9,800	2,008,811	1,821,973	-186,838	-9.3
Shops	423,690	8,060,613	7,387,370	-673,243	-8.4
Amusement Arcades	750	26,150	24,233	-1,916	-7.3
Salons/Clinics Within/Part Of Specialist Property	100	865	812	-52	-6.0
Shops Within/Part Of Specialist Property	1,980	32,716	31,320	-1,396	-4.3
Sales Kiosks	5,450	68,256	67,190	-1,066	-1.6
Betting Offices	4,120	71,247	72,181	934	1.3
Markets (Other Than Livestock)	710	23,474	23,824	350	1.5
Airport Let Outs	340	136,439	139,519	3,080	2.3
Pharmacies	1,480	23,078	23,633	555	2.4
Post Offices	2,160	32,087	33,406	1,319	4.1

Hairdressing/Beauty Salons	23,350	153,449	163,068	9,619	6.3
Showrooms	8,230	227,765	242,740	14,975	6.6
Kiosks Within/Part Of Specialist Property	690	8,610	9,235	625	7.3
Takeaway Food Outlet (Predominantly Off Premises)	5,000	41,940	45,103	3,163	7.5
Large Food Stores (750-2500 m2)	2,950	651,013	705,502	54,489	8.4
Farm Shops	1,600	14,945	16,605	1,660	11.1
Convenience Store	7,250	257,547	290,306	32,759	12.7
Pharmacies Within/Adjacent To Surgery/Health Centre	1,850	50,642	57,688	7,046	13.9

Business rates are calculated by multiplying the rateable value of the business premises by the multiplier which the government say will be frozen keeping the small business multiplier and standard multiplier at 49.9p and 51.2p respectively before applying any eligible reliefs.

COUNCIL TAX INCREASE: MILLIONS SET FOR RISE OF UP TO 5% AS HUNT LIFTS CAP ON INCREASES THAT NEED REFERENDUM

The amount that can be raised under the levy is being increase to help plug an estimated £55bn hole in the Government's budget as the Chancellor attempts to claw back revenue in his Autumn Statement

Council tax can be increased by five per cent, Chancellor Jeremy Hunt has confirmed, with millions of households having to brace for a rise in their monthly bills.

The amount that can be raised under the levy by local authorities is being increased to help plug an estimated £55bn hole in the Government's budget as the Chancellor attempts to claw back revenue in his Autumn Statement.

Mr Hunt's move will allow local authorities to increase households' council tax bills without the permission of residents, in a bid to ease pressure on social care and other stretched local services.

Average Band D council tax bills are already £1,966, and are set to rise above £2,000 for the first time in April after Thursday's announced increase.

Local authorities in England will be able to raise the referendum limit for increases in council tax to 3 per cent per year from April, 2023.

In addition, local authorities with social care responsibilities will be able to increase the adult social care precept by up to two per cent per year.

Before Thursday's Autumn Statement, councils needed to hold a referendum if they wanted to increase the tax beyond 3 per cent, including 2 per cent for general spending and one per cent on social care.

Mr Sunak did not spell out how much council tax would increase by as he addressed MPs, referring only to "council tax flexibilities".

On social care, Mr Hunt said the increasing number of over-80s is putting "massive pressure" on services and he announced a delay to the implementation of the Dilnot reforms of two years, with the funding allocated to allow local authorities to provide more care packages.

Mr Hunt said: "I also want the social care system to help free up some of the 13,500 hospital beds that are occupied by those who should be at home. I have therefore decided to allocate for adult social care additional grant funding of £1bn next year and £1.7bn the year after.

"Combined with the savings from the delayed Dilnot reforms and more council tax flexibilities, this means an increase in funding available for the social care sector of up to £2.8bn next year and £4.7bn the year after."

Until now, councils had been forced to limit any increase to three per cent and required a referendum to hike it further, but the Chancellor has now raised the cap.
Council tax makes up around a third of local authorities' revenue, with around 40 of the largest authorities facing an £820m deficit, according to the County Councils' Network.

Analysis by i has revealed how any rise in council tax would hit people in poorer areas hardest, particularly those in the north of England.

Council tax bands in England are based on property values that were last assessed in 1991, since when the value of the most expensive properties has increased dramatically.

The Chancellor's decision to increase council tax by 5 per cent will hit poorer homes disproportionately, increasing pressure on household budgets.

The value of the most expensive homes increasing dramatically in the last 30 years, meaning many richer households are in a lower band than they would be if the tax was calculated according to the value of their home today.

It comes as inflation soared to 11.1 per cent, the highest in more than 40 years, as the cost of living crisis continues to cause financial pain for families across the country.

Consumer Prices Index (CPI) rose by 11.1 per cent in the 12 months to October 2022, up from 10.1 per cent in September 2022, the highest since October 1981.

BUSINESS RATES REVALUATION 2023

You can now see the future rateable value for your business property.

The Valuation Office Agency (VOA) has updated the rateable values of all business, and other non-domestic, property in England and Wales.

These future rateable values will take effect from 1 April 2023.

What does this mean?

The information released today gives the future rateable values for non-domestic properties in England and Wales.

You can check the factual information used for your valuation and tell the VOA if anything is wrong.

The rateable value for your property is not what you pay in business rates or rent. Your local council uses the rateable value to calculate your business rates bill.

How your business rates bill is calculated

A rise in your rateable value does not necessarily mean your business rates bill will go up by a similar amount.

Your local council will calculate your bill by multiplying your rateable value by the multiplier set by the government. It will then apply any rate reliefs you are eligible for. Small business rates relief means that some businesses will not pay any business rates at all.

Charitable relief means that registered charities will only pay 20% of their business rates bill. Many charities will not pay any business rates at all.

The government has announced a package of rates relief for businesses as part of the Autumn Statement 2022.

The government also confirmed its commitment to reform of the business rates system by delivering more frequent business rate revaluations.

If your property is in England

Get an estimate of what your business rates bill may be from 1 April 2023 through our Find a Business Rates Valuation Service on GOV.UK.

You can also:

- check the factual details we hold for your property
- compare your property's rateable value with similar properties in the area
- check how your valuation was calculated.

You will need to sign into, or set up, a Business Rates Valuation Account to tell the VOA about changes to your property details. These changes can include things like floor area sizes and parking.

From 1 April 2023, you will be able to use your account to let us know if you think your new rateable value is too high.

If your property is in Wales

You can now see the future rateable value for your property and get an estimate of what your business rates bill may be from 1 April 2023 through our Find a Business Rates Valuation Service on GOV.UK.

This estimate is based on Wales' 2022-23 multiplier and small business rates relief. The multiplier will be updated for 2023-24 before business rates bills are sent out by your local council and may result in a change to the estimate shown.

The future rateable value will be used to calculate your business rates bill from 1 April 2023.

Why we do revaluations

A revaluation makes sure rateable values reflect changes in the property market. This revaluation will reflect the changes in value that have occurred since the last revaluation six years ago. This includes the impact of the COVID-19 pandemic.

Revaluations maintain fairness in the system. They help to redistribute the total amount payable in business rates. They are not carried out to generate extra revenue.

Find out more about Revaluation 2023

The official statistics for Revaluation 2023 are also available.

LOCAL GOVERNMENT WARNS COUNCIL TAX RISE WILL FAIL TO PLUG FINANCIAL HOLE

Labour accuses Downing Street of 'clever trick' to shift blame from Downing Street

Millions of people face a bigger jump in council tax bills next year as a result of an announcement in the Autumn Statement — but local authorities warned this would not plug a looming hole in local government finances.

Labour accused Jeremy Hunt of seeking to make councils "take the blame" for a new round of austerity after the chancellor gave authorities permission to lift council tax faster.

Until now councils were prevented from raising annual council tax by more than 2.99 per cent without a local referendum.

However, Hunt has given the green light to local authorities to automatically raise the levy — which is paid according to the size of a home — by up to 4.99 per cent.

Rachel Reeves, shadow chancellor, said the government was "forcing" councils to raise council tax, with the typical band D family home now paying more than £2,000 a year for the first time.

"Local people . . . will be forced to pay more because of the destruction that the Tories have wreaked on our economy at a time when councils are already in dire straits because of a lack of support from central government," she said.

"Now, they probably sat around their table in Downing Street, thinking this was some clever trick: make the councils take the blame."

James Jamieson, chair of the Local Government Association, said the policy would not on its own solve "the long-term pressures facing services — particularly high-demand services like adult social care, child protection and homelessness prevention. It also raises different amounts of money in different parts of the country unrelated to need and adding to the financial burden facing households."

In Salford, the 16th most deprived authority in the country, an increase of 5 per cent — rather than 3 per cent — would raise £2mn, said the city's mayor Paul Dennett. This compared with £14mn in wealthier Surrey.

Patrick Melia, finance lead at the Society of Local Authority Chief Executives, warned the mechanism was "a hugely imprecise" way of increasing revenue "that will raise wildly varying amounts across the country". "There are very few savings options left," he added. "You can't cut services twice."

Tim Oliver, chair of the County Councils Network, added that a reduction in planned funding growth from 2025 could be "extremely difficult" for local services, which were already under immense pressure.

"Unless government addresses inflation next year, and the economy picks up before 2025, councils' funding shortfall will grow year-on-year and become unsustainable."

Rebecca McDonald, chief economist for the Joseph Rowntree Foundation, said families faced a "frightening obstacle course just to afford the essentials" this winter. "Rises in council tax, food and rents are all looking insurmountable for large swaths of the population," she said.

Jonathan Carr-West, chief executive of the Local Government Information Unit, said the Autumn Statement offered "limited respite" for councils. "Well-run councils will fail unless something changes," he said.

Allowing authorities to lift council tax was a "regressive tax which will hit the poorest the hardest and shift political liability from central to local government", he added.

UK WAREHOUSE OPERATORS CRITICISE BUSINESS RATES TAX RISE

Chancellor says he is tackling 'bricks v clicks' imbalance with bigger increase for online operators

The UK's warehouse sector has criticised a business rates tax rise targeted at online retailers such as Amazon as the chancellor used the levy to "soften the blow" for high street shops.

The government said the measure in Jeremy Hunt's autumn statement on Thursday was tackling the "bricks v clicks tax imbalance" by raising big warehouse operators' rates bill by 27%, and rates for retailers by 20%.

Hunt also ditched plans for an online sales tax on e-commerce giants because of "complexity", instead opting to raise rates on warehouses operated by companies such as

Amazon, DHL and John Lewis's online store. He excluded them from reliefs while handing out billions to limit the pain for high street retailers, pubs and restaurants.

Clare Bottle, chief executive of the United Kingdom Warehousing Association (UKWA), whose members include Amazon, Coca-Cola, Clipper Logistics and DHL, said the tax increase was "unfair", "painful" and "disproportionate".

According to the real estate adviser Altus Group, the valuation on which Amazon has to pay rates on its warehouse in Tilbury, Essex, will increase from £7.1m to £12.3m, a 74% rise. Supermarkets with food delivery businesses, such as Tesco and Sainsbury's, are also likely to be hit.

"Warehouses are big buildings and they are already paying their fair share," Bottle said, accusing the government of "muddled thinking" and ignoring the low margins earned by many warehousing companies.

The grab from warehouses gave the government leeway to limit business rates rises for many high street retailers, restaurants and pubs. Hunt announced a £1.6bn transitional relief scheme and £2.1bn in reliefs for hospitality businesses, extending emergency Covid-19 support.

Rates bills will fall immediately for companies whose property values have dropped, rather than the previous gradual reduction, a move welcomed by sectors worrying about how they will survive the UK's expected recession.

Kate Nicholls, chief executive of UKHospitality, a lobby group representing hotels, pubs and restaurants, said she was pleased that companies whose property valuations fall "will see the benefit in their bills immediately, at the same time as increases are capped".

Hunt also announced changes to business taxes for banks and insurers. Sweeping reforms to UK insurance rules – known as Solvency II – will reduce the amount of capital they need to set aside as safety buffers, and allow them to invest money from life insurance and pension policies in a broader, and potentially riskier, range of assets.

The Association of British Insurers claimed that the changes would free up about £100bn over 10 years, money that the government is hoping will be funnelled towards UK investments like infrastructure projects that aid their levelling-up agenda. However, the reforms do not stipulate that the money must be used to invest in UK projects. Critics, including the Liberal Democrats, are concerned that funds will simply be invested overseas. That might drive higher returns for insurers, but ultimately fail to contribute to Britain's economic growth plans.

"If money promised for crumbling British hospitals and decaying rail lines ends up flowing abroad, taxpayers will rightly be furious," said the Liberal Democrats' Treasury spokesperson, Sarah Olney.

Mick McAteer, a former board member at the Financial Conduct Authority, said the changes would put policyholders at risk, since insurers can invest in higher-risk assets and bring forward expected returns on their accounts, which could make them look more profitable than they currently are.

"This benefits shareholders at the expense of policyholders, who are exposed to the risk that these higher returns do not materialise over time," McAteer said.

The Treasury also bowed to City pressure to cut a surcharge on banks next year from 8% to 3%. Some lenders had worried about a perceived windfall tax by stealth, as they reaped the benefits of higher interest rates.

Richard Milnes, UK banking tax partner at the accountant EY, said banks would be "particularly relieved" that they will not face more tax rises. The banking lobby group UK Finance had warned the chancellor that the industry would otherwise face "excessive" tax compared with financial hubs such as New York and Dublin.

GOVE: GOVERNMENT 'CONSIDERING COUNCIL TAX REFORM'

Levelling up secretary Michael Gove has confirmed that the government is considering reform of council tax and that junior minister Lee Rowley has been tasked with reviewing the options.

Giving evidence to the Levelling Up, Housing and Communities Committee, Gove described council tax reform as a "challenge", and "one that we want to look at".

He added: "I know that both the chancellor and Lee Rowley want to look at this as well. And both of them are much more 'on it' than me. Lee … has been looking at this at the chancellor's and my own requests."

Gove, who earlier in the session had described council tax as the "second most unpopular tax in the country" said he would be able to give the committee more information in the New Year.

Council tax is regressive in nature and is currently based on property values from more than 30 years ago. Reform has been needed for many years, but governments have been reluctant to face the inevitable political opposition to any change coupled with the cost of a revaluation.

There is much more that we can do in order to reform local government finance to make it simpler and clearer, to have fewer streams, a greater degree of local discretion and fewer pots for which people bid.

Council tax and care costs

At the evidence session, the secretary of state was asked about plans in the Autumn Statement to delay the Dilnot reforms to social care and to partly cover care costs by allowing local authorities greater “flexibilities” in raising council tax. Labour MP Mohammad Yasin questioned Gove on whether, given the cost-of-living crisis, the plan was fair.

“I think yes,” replied Gove. “Giving local authorities a greater degree of flexibility is part of a package along with delaying reforms, providing the cash that is then released and adding grant funding to that. So it’s a mix, it’s a balance.”

Committee chair Clive Betts pressed Gove on the need to reform social care funding as part of a wider reform of local government funding. “Keeping going back to council tax or other short-term fixes isn’t really a solution from a local government point of view,” he suggested.

“I think that is fair,” said Gove. “There is much more that we can do in order to reform local government finance to make it simpler and clearer, to have fewer streams, a greater degree of local discretion and fewer pots for which people bid.

“That is one thing, and that will improve the situation. But I do agree that until you’ve got a sustainable approach toward social care, then you don’t resolve the problems overall.”

A BETTER WAY TO TAX PROPERTY

The last time we had high rates of inflation, half a century ago, property prices took off. Buying your home became a no-brainer: mortgages gradually reduced as inflation boosted incomes. By the 1980s, there seemed to be a housing shortage, but when interest rates once more rocketed up in the 1990s, homes were left empty. It could happen again. Last time, assured short-term tenancies were introduced and the slack was taken up by buy-to-lets, but they went on to squeeze out first-time buyers. This imbalance persists. It could have been tackled in the recent Budget, but not for the first time, the opportunity was missed.

The core problem is that the existing housing stock is underused. Supporting the upgrade of the homes that we have, rather than a scattergun incentive to build for the sake of it, would increase energy efficiency and probably increase economic activity as well. VAT is currently topsy-turvy. Instead of charging it on materials for property maintenance and improvements, such as better insulation, it should be extended to complete new-builds.

Windfall taxes are popular, but not the most obvious one: to introduce a uniform capital gains tax on all homes, whether primary or secondary residences, and whether owned by individuals or companies. Your main home is currently exempt, yet the luck of the market decides by how much it will go up in value. That's a windfall, and it can now be checked on Land Registry records in a way that was never possible years ago. How would levelling the playing field like this work in practice? The reform would require all companies that own residential property to register their major shareholders on the land register, and for all transfers of ownership to be registered (so that homes could no longer legally change hands simply by signing a deed). Owners might initially be reluctant to sell, but a phased-in change could bring homes more quickly to market as owners look for early sales to beat the promised tax rate rises.

The rate could be set high enough to abolish stamp duty land tax, for it makes more sense to tax the gains on sales rather than heap more costs on what is already a hefty purchase. This would also frustrate tax avoidance schemes – a designated company owning a single home can currently avoid stamp duty by selling the company rather than the property.

Council tax is supposed to contribute towards council services, such as waste collection, but there are too many exemptions. The highest rate band is only double the lowest band, so if several flats are made into a single home, the total council tax goes down. The answer? Scrap it. Replacing it with an annual tax linked to property values could bring more homes onto the market. The old rate system used to be based on rental values, but they ended in 1990 when property values were overdue for updating, but again modern technology now makes automatic annual valuations feasible. Discrepancies could be trued up by tax deducted or refunded when the property is eventually sold. Who should pay? The registered owner, for landlords can always pass on the tax through rents. To discourage holiday homes from remaining empty for most of the year, rates could be set higher according to how many properties individuals have registered in their names. The asset-rich/cash-poor might say that they can't afford the new annual tax, but they have the option of equity release, and maybe councils could come up with schemes of their own.

More fundamentally, why has central government the right to restrict how local governments generate income? The chancellor recently promised to give more freedom on council tax, but he could have gone much further. Why not allow councils to license, regulate and tax holiday lets, for example, instead of enduring the current anarchy that allows any home to be let without safeguards, with no control over the loss to the housing stock? Planning could be a profit centre, but instead councils are blocked by Westminster from charging realistic fees. Yet strengthened planning departments would benefit everybody – even builders complain about the understaffing. It delays planning approvals. Adequate resources could ensure that new-builds are restricted to homes that genuinely meet local needs and don't detract from the environment. That alone would do more for the housing shortage than blindly adding to the housing stock just to satisfy quotas.

As long as housing is regarded as a road to riches, demand will stay high. In the past, when prices started falling, speculative demand flew away, prices fell further and an apparent housing shortage turned into a housing surplus. If taxes were to nudge mindsets away from acquiring property into investing in our common economical future through share ownership, surely it would be in the national interest. But whether that would be politically acceptable is of course another matter.

BUSINESS RATES REVALUATION: RETAILERS 'THE BIGGEST WINNERS'

In some places rateable values have fallen by 47% in the draft list

Retailers will see a reduction in their business rates bills from April as the rateable value of shops falls an average 10%, according to property consultancy Colliers.

It makes retailers the biggest winners in a new published draft ratings list for 2023. It comes after the multiplier was frozen at 51.2 p for large businesses and 49.9p for smaller businesses in the autumn budget. So-called downwards phasing, under which lowered bills were previously phased in over three years, was also scrapped, meaning retailers will pay less immediately as the new list takes effect.

In some areas, including Oxford Street in London, shops' rateable values have fallen by as much as 30%, said Colliers head of business rates John Webber.

Selfridges has seen its rateable value drop even more sharply, by 45% from £30.5m to £16.8m.

Harrods in Knightsbridge has seen its rateable value drop from £32.7m to 16.8m, and the store's rates bill will drop by a corresponding 45%, according to Colliers.

In some towns and cities in the north of England, rateable values have fallen by 47% in the draft list.

In contrast, the logistics sector sees rateable values rise an average 27.1%, the largest increase of any sector.

However, Webber said there were discrepancies in the list and advised companies to consider approaching the Valuation Office Agency before April.

"We are expecting to see substantial business rates bills reductions across England and Wales, not just on high street locations but in retail parks and shopping centres and other out of town locations," said Webber.

"Rates bills are not the only economic pressure on retailers, particularly with the energy crisis, rising service charges and staffing costs but by freezing the multiplier and removing downwards transition allowing rates bills to fairly reflect rents, if a retail business fails in 2023 or beyond, it is unlikely to be because of business rates."

WINNERS AND LOSERS FROM THE GOVERNMENT'S RATES BILLS REVALUATION

The Government's draft rating list for the 2023 revaluation, published following the Autumn Statement, reveals that UK retailers are the biggest winners from the new list.

However, operators of large warehouses and logistic/distribution space will see the biggest jump in their rates bills when the new revaluation comes into force next April.

The retail sector, on average, has seen a 10% decrease in rateable value (RV) in the next list- the only sector to show a decrease. Together with the decision to freeze the multiplier at 51.2 p for large businesses and 49.9p for smaller businesses, this is good news for retailers who will be seeing a reduction in their rates bills in April.

This news has been enhanced by the removal of downwards transition, as announced in the Autumn Statement, since it means retail occupiers will pay the true lower rates payable for their stores immediately the new list starts.

According to John Webber, head of business rates at Colliers, said: "We are expecting to see substantial business rates bills reductions across England and Wales, not just on high street locations but in retail parks and shopping centres and other out of town locations."

The 10% decrease in RVs is an average – in some locations, RV reductions of 30 or 40% are expected.

Large department stores and hypermarkets are among the biggest winners of the revaluation, for example in Oxford Street in London, RVs have fallen by approximately 30%, but some stores, such as Selfridges has seen its RV drop 45% from £30.5m to £16.8m with the new list.

In Manchester, the Manchester Arndale shopping centre, will see a 34% decrease in its business rates next April

Webber said: "Rates bills are not the only economic pressure on retailers, particularly with the energy crisis, rising service charges and staffing costs, but by freezing the multiplier and removing downwards transition allowing rates bills to fairly reflect rents, if a retail business fails in 2023 or beyond, it is unlikely to be because of business rates."

The industrial and logistic sector has certainly been hit the hardest in this new revaluation, says Colliers, reflecting the higher rents at the time of the antecedent valuation date in April 2021, as industrial take up figures rose across large areas across the country.

As a result of this, there has been an increase in the rateable values for many industrial properties, with the VOA confirming the industrial sector showed an average 27.1% increase in rateable value, the largest increase out of all of the sectors.

Earlier in the year, Colliers predicted a rise across the full sector averaging between 20% and 30% and the most prime stock even higher, rising to 50%. It looks as though the predictions have come true.

The rateable value of Amazon's warehouse at Tilbury in Essex, for example, has risen by 74% to £12.3m. Trafford Park, in Manchester, has experienced a 30% increase.

However, it's not all doom and gloom for the logistics sector. In the Autumn Statement the Chancellor announced upward transitional relief caps to support ratepayers facing large bill increases following the revaluation, with £1.6bn of support funded by the Exchequer. This will spread out the increases for the big logistics facilities.

The introduction of upward caps of five per cent,15% and 30% for small, medium and large properties in 2023-24, will also reduce the pain and will be applied before any other reliefs or supplement.

Occupiers of industrial and logistics properties will, therefore, receive some sort of cushion. As Webber says: "Many occupiers of these properties were aware they had been paying too little for too long in terms of business rates, particularly given the extension of the list to six years and have been preparing to see substantial rises. Now businesses in the sector have certainty to plan for the year ahead."

In the office sector, in general, rateable values have risen but not to the same extent as the industrial sector.

RVs adopted on city centre offices have, in the main, increased across the country, with the levels of increase varying depending on the location – with prime offices showing the greatest rises. For some more secondary, Grade B offices, RVs will have remained the same. For example, Manchester's St Peter's Square will see a five per cent increase.

Looking forward, headline figures revealed are obviously averages and there still is a lot of discrepancy in the list. Fortnum and Masons in Piccadilly, for example, has only seen a five per cent reduction in its RV, which seems suspiciously low.

John Webber added: "What is becoming obvious is that those occupiers and owners of properties that either themselves or via agents made representation to the VOA during the assessment process appear to have been more successful in negotiating their bills down. Given the VOA was assessing properties in the midst of COVID when many properties were temporarily closed, or deals were being struck with landlords, a proper assessment was something of a minefield.

"We, therefore, urge anyone who is unhappy about their RVs to consider making representation to the VOA now if the figures look significantly wrong and consider the appeal process when the list becomes live next April. We believe this will lead to even further reductions in RVs, particularly in the retail sector and could provide some respite in offices, too."

IT'S TIME TO BAN BOX SHIFTING!

Business Rates Avoidance costs local councils 1% of their revenue every year = £250 million p.a. (Local Government Association Survey 2019). With new #AntiAvoidance Legislation in #Scotland, changes in Welsh #emptyratesmitigation criteria and more legislation expected in England, unethical empty rates mitigation schemes' days are finally numbered. About time too, say High Street regeneration experts, #RainbowRising, who believe ethical rates relief solutions offer far greater benefits for both #landlords and local communities. #www.rainbowrising.org.uk

Following the withdrawal of many business rate exemptions for empty commercial properties in 2008, landlords and agents have looked to avoid paying business rates on their empty commercial premises by using temporary occupation schemes. However, too many of these, although legal, are no more than box shifting and give nothing back to the local community. Worryingly, they now account for over 50% of all business rates avoidance = £396,000 p.a. per council. Such schemes are increasingly considered to be not just 'dodgy' but unequivocally unethical.

Add to this two significant council wins before the #SupremeCourt in May 2021 (Rossendale Borough Council and Wigan Council) and increased Parliamentary scrutiny through planned new legislation and you have to question are these unethical schemes really worth it anymore? Rainbow Rising founder, #ShayleshPatel – arguably one of the most experienced ethical empty rates mitigation experts believes landlords' concerns about these unethical 'Box shifting" schemes are well-founded and can actually cost more than they save. He argues landlords can save far more by employing ethical empty rates mitigation schemes that help charitable organisations, support local businesses and local communities.

Benefits include:

1. Ethical schemes can operate open-ended without interruption, saving landlords more money
2. Reduced maintenance, security and insurance costs, minimise dilapidation, avoid squatters, infestation and vandalism
3. Free caretaking to identify / report major problems, avoid damage to the property
4. Reduced management cost and management distraction
5. Enhanced reputation among peers in big business, councils, MPs across the political spectrum, local businesses and local communities
6. Effortless #CorporateSocialResponsibility credentials with tangible examples of practical support for local communities
7. Maintaining a vibrant "going concern" increases the property's appeal and the likelihood of re-letting
8. Numerous PR opportunities at both national and local level
9. Attract the very best staff and increase retention
10. Avoids expensive legal and litigation costs

Landlords that persist in box shifting schemes may soon find this practice catches up with them, as we move on from Trussonomics to the era of Rishi Sunak, the emphasis is now back on everyone paying their fair taxes. An excellent example of this spirit can be seen in Woking's Victoria Place Shopping Centre where the landlord would have incurred zero costs by leaving the ex-Debenhams store empty but has chosen instead to make the space available to numerous charities, delivering their services to the local community. This landlord deciding, as many of us would, that the social benefits far outweigh the increased costs of opening this space – making the comparison between this landlord and those only interested in box shifting even more stark. Landlords concerned about their local community realise that the cost-of-living crisis has a triple impact on charities:

A) greater demand for their services

B) greater costs incurred to run charity services and

C) a drop in donation income as everyone tightens their purse strings

Space is the second biggest problem for charities after funding so Woking's help with rent-free space is of double value to the sector.

Charity, Temporary Use Aid agrees and points out that Scotland has already introduced new General Anti Avoidance Legislation to address what it sees as uncontrolled abuse by unethical "box shifting" schemes of the updated 2008 legislation covering empty rates mitigation. Wales too have acted to curb such activities by increasing the period of occupation required to reset the statutory void period from six weeks to six months from 1 April 2022. It's only a matter of time before similar legislation is introduced in England.

Shaylesh Patel of ASTOP Limited said:

‘Unethical “Box shifting” empty rates mitigation schemes are no longer fit for purpose. They’re too expensive, too time-consuming and give nothing back to society. It’s time to ban box shifting!"

Shaylesh and his Rainbow Rising team believe the only way to successfully re-purpose Britain’s high streets is through ethically based partnerships that serve both business and local community needs. They are not alone. A significant and growing cohort of landlords, their agents, #councillors and #MPs agree. Such is the strength of their conviction; Rainbow Rising has launched a petition to ban unethical “box shifting” empty rates mitigation schemes once and for all.

WHY BUSINESS RATES WILL BE BIG CONCERN IN 2023

A pending rates revaluation, anticipated recession and regulatory changes could all have an impact on your clients’ rates liability

In the wake of the Covid-19 pandemic, UK businesses and government have alike been operating in unprecedented times, with owners and occupiers of commercial property continuing to deal with a unique set of challenges.

In addition to contending with lengthy lockdowns and macro-economic volatility, retail occupiers still face the seemingly inexorable rise of internet shopping and the relentless fall of high-street sales, which saw net closures running at 3% in the first half of 2021 and 1.4% in the corresponding six months of 2022.

At the same time, office-based businesses have been wrestling with expensive questions about how to use their existing assets to meet the changing demands of an increasingly hybrid workforce.

Against this backdrop, the government has been consulting on the future of business rates. In October 2021, it published a final report stating that while several measures are in place to help businesses, there is no intention of abolishing these rates entirely.

But only a year later, legislative developments and a host of unforeseen macro-economic factors look set to make business rates liability one of the key commercial property concerns in early 2023. Therefore, surveyors must be aware of the critical issues and potential impacts on their clients.

Revaluation, recession and regulation

For commercial property occupiers, one of the government's most significant decisions has been to confirm that there would be a full revaluation of business rates on 1 April 2023 – the first revaluation since 2017. This will be based on property values as of 1 April 2021 – a year into the Covid-19 pandemic.

The decision to revalue on 1 April 2023 was announced on 21 July 2020 as part of the foreword to the Call for Evidence as part of a consultation into the future of business rates. The decision to defer the revaluation was due to the ongoing impact of the pandemic and the likely impact on rental valuations.

This was supported by stakeholders who wanted rateable values to reflect the impact of the pandemic, with a revaluation of the tax base distributive, so that if business rates raised £25bn before the revaluation, the idea is that they raise £25bn after the revaluation. What changes is that those sectors and properties that have fared better than average pay more, and those that have fared worse pay less than they did before.

However, it is conceivable that this revaluation will lead to unexpected outcomes for ratepayers, with some facing significant increases in their liability. For many businesses, this will represent another hit to profitability. For those who have struggled through the past few years, it may be the final straw. It would therefore be prudent for surveyors to give their occupier clients a warning well before next April, so they have sufficient time to take steps to factor a potential rate rise into their future financial modelling.

Meanwhile, the Bank of England forecast in its Monetary Policy Report, published on 4 August 2022, that the UK was projected to enter recession from the final quarter of 2022. It then went on to vote on 22 September to raise the base rate to 2.25% and announce that it believed the UK economy was already in recession with a forecast contraction of 0.1% in the third quarter of 2022.

This presents a bleak outlook for commercial landlords and tenants alike. The most vulnerable tenants will inevitably fold, leaving landlords without a rental income stream.

In a better trading environment, landlords faced with such a situation would forfeit the defaulting tenant's lease and grant a new one to a new tenant. However, in recession landlords often face difficulties in reletting properties. If a landlord forfeits a lease but cannot find a replacement tenant for the property then it will become liable for business rates, as well as losing its rental income stream.

In previous recessions, landlords often left leases in place long after tenants had stopped paying rent or even after they had gone bust to avoid business rates liability. However, as we enter a recession, landlords' advisers need to be aware of the risks of forfeiture in a poor trading environment.

Another factor that will affect commercial property landlords are the Minimum Energy Efficiency Standards (MEES), introduced in 2015 to tackle the poor energy performance of the UK's building stock. These currently prevent the grant of new leases on commercial spaces where the energy performance certificate (EPC) rating is F or G.

From April 2023, these regulations will become even stricter, with landlords being required to cease letting properties with grade F and G ratings unless they can claim (and register) an exemption under the regulations. Those who breach the MEES regulations will face financial penalties equivalent to 10% of the property's rateable value – from a minimum of £5,000 up to a maximum of £50,000 – for less than three months in breach. This rises to 20% of the property's rateable value – from a minimum of £10,000 up to a maximum of £150,000 – after three months in breach.

Consequently, MEES will have a stark impact for owners of properties with a poor EPC rating. To avoid a fine, they can either incur the potentially significant cost of improving a building's energy performance or be left with an unlettable property (if they are unable to grant new tenancies at the property due to the EPC rating). Where a property is unlet, landlords become liable for business rates on it, as noted above.

Those advising landlords on strategies to address the impact of the MEES regulations must make them aware that any liability for business rates on empty units will sit with them, so they need to factor this into their decision-making.

Reliefs and mitigation available

While this all paints a rather worrying picture for ratepayers, they are not without recourse.

When a commercial property becomes vacant, for instance, the owner can apply to the local authority for empty rates relief, which gives them 100% business rates relief for the first three months that the building is empty, or six months in the case of warehouses or industrial premises.

Where a property is being substantially redeveloped or refurbished, it could also be classified as incapable of beneficial occupation and therefore not subject to rates liability. This could conceivably include work undertaken to comply with the MEES regulations.

However, advisers should note that properties have to be genuinely incapable of occupation; the courts have made clear that properties being repaired rather than undergoing redevelopment will not qualify for relief, because they are still available for beneficial occupation.

Furthermore, despite the tightening of MEES regulations, the prohibition on new or continued lettings from 2023 will not apply to leases of less than six months, unless at the time of letting the tenant has already been in occupation for more than 12 months.

Accordingly, owners of properties with a low EPC rating can avoid upgrading costs and rates liability while maintaining an income stream by repeatedly letting non-compliant premises for leases of less than six months.

Meanwhile, there are schemes that can mitigate a property owner's rates liability – even if the courts in recent years have outlawed several of these so that only two remain current and viable in England (with the rules being different in Wales).

- Makro schemes: after an initial 100% empty rates relief expires, owners can let the property on a short term of six weeks or more, meeting the requirements for rateable occupation that, on expiry, entitles them to a further three-month period of 100% relief. There is no statutory limit on the number of times the makro scheme can be used, so in principle a property owner could repeat the process indefinitely. This approach would also avoid being subject to the MEES regulations.
- Bluetooth schemes: where a landlord lets a property to a tenant that installs the bare minimum of apparatus – typically, wi-fi equipment – in an otherwise unoccupied building, this counts as beneficial occupation for business rates purposes. As a result, when the tenant vacates the property the owner is entitled to empty rates relief. The fact that such occupation is so minimal and the use is in reality different from that described in the rating list is irrelevant. However, this has been heavily scrutinised by the courts, so there is a risk that there could be a successful legal challenge to such schemes in future.

Act now to prepare for change

As we enter a time of increasing financial difficulties, it is unsurprising that local authorities and landlords are at loggerheads over attempts to limit liability for business rates. With the impending revaluation and regulatory changes added to the mix, those traditional tensions will remain.

Therefore, surveyors should be speaking to their clients now so they can take steps to mitigate their position, ahead of the changes coming in 2023.

UPCOMING RETAIL BUSINESS RATES REDUCTIONS TO CREATE WINDOW OF OPPORTUNITY FOR SCAMMERS

Many stores will see their business rates drop in April, but scammers could gain too.

Business rate scammers are likely to up their efforts to catch out small shops due to the changes in the latest revaluation list according to experts.

Chartered surveyor Ian B Sloan told RN the newly released property values, which will form the basis for any business rates payable from April 2023, represented good news for many stores.

Most retail premises values have fallen, especially those in town centre locations. This means many stores currently paying rates will see a reduction, even before the improved rates relief announced in the Autumn statement is factored in.

An end to staggered transitions means the full rates reductions will also be applied in the first year, rather than over several.

However, the potential for large reductions in rates payable brings the potential for scammers to exploit the change. Often fraudulent rates firms persuade retailers to sign contracts that give the firm a percentage of any reduction in rates that occurs over the multi-year evaluation period, regardless of why the reduction happens.

Sloan said the severe rates reductions coming into effect in April give scammers ‘a window between now and then to sign businesses up before they are aware of the likely automatic reductions.”

For example, a retailer with rates of £18,000 this year might see their bill fall to £0 next year due to falling valuations meaning it now sits below a threshold and will automatically receive total rates exemption. However, if they sign a contract with rates fraudsters before this point, they are likely to have to pay the firm 25-30% of any saving over the upcoming three year valuation period. This means the retailer would be forced to pay the firm between £13,500 and £16,200.

Sloan advised: “Retailers should seek advice from known local professionals who have local knowledge or approach their own trade associations. Never sign up to any long-term contract and seek a second opinion. Some retailers are still paying annual fees having signed contracts from before 2017.”

'DEVASTATED' HOLIDAY COTTAGE OWNERS END UP IN COURT AFTER £7.9K BILL FOR 'FOLLOWING COVID RULES'

The Denbighshire couple are among scores of holiday let owners facing large bills for observing lockdown rules

Holiday cottage owners have accused a council of strong-arm tactics after they were saddled with a £7,900 bill for following Covid rules. Ieuan and Rhian Williams say they were made to feel like criminals when they were frisked and searched after being summonsed to court this week.

The Denbighshire couple fell foul of letting taxation rules after observing lockdown regulations in 2020. After more than half their booking were cancelled, they became liable for costly council tax rather than business rates.

They are having to pay an additional premium because their let is classed as a second home – even though it's a converted horse stables on their own property. As their annual profits amount to just £4,000, the massive bill has left them besides themselves with worry.

The Professional Association of Self Caterers (PASC UK) said scores of similar cases are arising across Wales and are causing "mental health issues" for affected owners. Its chairman accused the Welsh Government of "morally reprehensive behaviour" by effectively "fining people" for following Covid rules in 2020.

Ieuan, 66, is worried he and Rhian may have to run their holiday let for two years without profit just to pay their unexpected bill. "The way the council is acting is disgusting," he said. "They're using questionable tactics to extract money that is not due to them because we are awaiting the result of an appeal."

Rhian, 64, invested her pension pot into the holiday let when she retired as a psychiatric nurse 10 years ago. The couple converted an old horse stable into a two-bedroom cottage just yards from their home in Marian Cwm, Dyserth. Its planning conditions included a 28-day limit on continuous residency.

At the time, Ieuan said the council could not be helpful. "They even gave us a grant because they were keen to encourage tourism in the county," he said.

In an average year, the business turns over £12,000-a-year and the couple commits two days a week for changeovers, including cleaning and maintenance. In 2020 they secured 113 nights in bookings, well above the 70-day threshold they needed to meet to pay business rates rather than council tax.

But 58 nights were cancelled when travel restrictions were imposed during national and local lockdowns in Wales. Although the couple feel they are being penalised for matters outside their control, they are willing to abide by the adjudication of the Valuations Office Agency, to whom they have appealed.

Initially, they were handed a bill for £5,500, later upped to £7,900. According to Ieuan, this represents three years' worth of council tax payments: he's been led to believe this is the penalty for failing to meet the 70-day threshold in 2020.

Holiday lets in popular areas were able to claw back lost bookings but elsewhere owners struggled. It is right they should pay the penalty? Have your say in the comments below.

However, as they exceeded the bookings threshold in subsequent years – 159 nights in 2021 and 190 nights in 2022 – they should not be paying council tax for these years, said PASC UK chair Alistair Handyside. "Councils can't penalise you for not hitting 70 days and then penalise you when you do exceed 70 days," he said. "The legislation is absolutely clear on this.

"Nothing has ever upset the tourism sector as much as this attempt to fine people for complying with the law. It's morally reprehensible.

"This is an ugly situation that's only to get uglier. I'm seeing tourism business owners going back to Covid levels of mental health issues because of the way they are being treated."

A 50% council tax premium is being levied on the couple's Hafan Haydn holiday cottage as it has been classed as a second home – even though planning conditions include a 28-day limit on continuous residency. "I was told it counts as a second home because it is furnished," said Ieuan.

"So I told them I'd empty it. But they said it would still be classed as a second home. So I said I'd demolish it. They said I couldn't until they sent a buildings inspector here!"

The couple were summonsed to Llandudno magistrates because a final payment warning arrived when they were on holiday. After meeting a council officer, they were advised to meet the authority's council tax officials to discuss payment plans – but the couple want to wait for the outcome of their VOA appeal. They are prepared to go to court again.

In a letter to PASC, Wales' finance minister to Rebecca Evans acknowledged that, at times in 2020, accommodation providers were unable to let their properties. But she said demand was high when lockdown curbs were eased and many holiday lets were able to hit the 70-day threshold.

This has been confirmed by the VOA – and PASC's own data showed Welsh properties were let for an average 73 nights in 2020-21. However, some areas were hit harder than others.

At one end of the scale, cottages on Anglesey were let for an average 90 days in 2020, according to PASC. The average for Gwynedd just fell below the threshold (69 days), while cottages in Conwy were let for an average of 65 nights. No figures were available for Denbighshire.

As well as being let for 70 days, accommodation providers must advertise their lets for at least 140 days each year. In some cases, businesses found this impossible without breaking Covid rules – yet are still being penalised, said Aberconwy Janet Finch-Saunders.

Earlier this month, she wrote to Rebecca Evans asking her to give the VOA more flexibility. She wants to see clemency for holiday lets who can prove they couldn't meet the lettings threshold.

The minister has said that local authorities can use discretionary powers to "reduce a council tax liability by any amount, or disapply a premium". However the Welsh Government cannot intervene in individual cases, she said.

Ms Finch-Saunders said not all councils will take this approach. "It has been made clear to me that at least one local authority in Wales is refusing to use its discretion," she said. "When you have the VOA also stating its no discretion in applying the Welsh Government's criteria, it is clear that the discretion needs to come from the Minister for Finance."

AMAZON'S UK TAX BILL COULD RISE BY £29M AMID BUSINESS RATES OVERHAUL

Hikes set to hit warehouses and online retailers hardest in 2023 as UK government addresses 'brick v clicks' tax gap

Amazon's UK tax bill jump could jump by £29m next year as a result of changes to business rates that are scheduled to hit warehouses and online retailers the hardest.

The online retailer is likely to be among firms facing big tax rises following the chancellor's autumn statement, according to analysis from the real estate adviser Altus Group.

Meanwhile, flagship department stores and hotels could shave millions off their tax bills, with bricks-and-mortar retailers receiving greater support as the government shakes up the business rates system and revalues more than 500,000 retail properties across England and Wales.

New rateable values, which are used to calculate the business rates tax, will be based on property values as of 1 April 2021. It means the pandemic "winners", such as online retailers, will have a tax rise while taxes could fall for the pandemic "losers", such as physical stores.

One of Amazon's delivery stations in Longtown, Cumbria, will face a surge in its rateable value by 145%, Altus said. Amazon's overall business rates could rise by about £28.75m next year and cost the business about £100m in extra tax over three years, taking into account inflation and before any tax relief is claimed.

However, Altus warned that smaller occupiers of industrial buildings and warehouses were at risk of financial collapse with tax rises piled on top of soaring costs.

Its UK president, Robert Hayton, said: "Most industrial buildings aren't big sheds occupied by online retailers but house economy incubators, startups, and employment-supporting manufacturers.

"It feels like the valuers of the new draft lists have deployed a one-size-fits-all approach, and this could be hugely damaging."

He added that the "market distortion" following the Covid period was likely to lead to hardship for many already-struggling businesses.

In a letter to the chancellor, Jeremy Hunt, the UK Warehousing Association said: "The antecedent valuation date of April 2021 is unfair: warehousing was supporting the economy during lockdown and consequently values were disproportionately high compared to other sectors."

On the other hand, department stores Harrods and Selfridges, where values have plummeted since the pandemic, could have combined savings of about £15m.

The government said it was addressing the "bricks v clicks" tax imbalance, designed to support the high street and ensure retailers are not overpaying tax when the value of their property has slumped.

A spokesperson at Amazon said: "We made a total tax contribution of £2.77bn during 2021 – £648m in direct taxes and £2.13bn in indirect taxes.

"Based on analysis from PwC, Amazon ranks in the top 15 largest private sector taxpayers in the UK for taxes borne and collected, as well as for overall total tax contribution."

BUSINESS RATES HIKE COULD MEAN FINANCIAL COLLAPSE FOR MANY, WAREHOUSING SECTOR WARNS

The industrial sector will be hit with an average 27.1% increase in rateable value next year, on which business rates are based – the largest increase of all sectors

The warehousing and logistics sector is warning "eye-watering increases" in business rates due to come into force next April will lead to increased food prices and supply chain disruption.

The government this month published its draft rating list for next year's revaluation of business rates. According to the Valuation Office Agency (VOA), the industrial sector will be hit with an average 27.1% increase in rateable value, on which business rates are based – the largest increase of all sectors. By comparison, the retail sector on average will see a 10% decrease in these values, with some locations dropping by more than 40%.

The logistics sector is hardest hit – dubbed the "losers" of the change by Colliers – because of the point in time property values have been taken: April 2021.

This antecedent valuation date is hugely "unfair", said UK Warehousing Association CEO Clare Bottle.

"Warehousing was propping up the economy during lockdown and consequently property values were disproportionately high compared to other sectors, such as high street retail and offices, where rental prices were correspondingly depressed by the economic impact of the pandemic," she explained. "Basing business rates on these property values puts warehousing at a significant disadvantage."

This date – when city centre retailers saw diminished footfall as a result of the Covid pandemic – means in locations such as Oxford Street in London, rateable values have fallen by around 30%, according to Colliers analysis. Some stores, such as Selfridges, have seen its rateable value drop 45% from £30.5m to £16.8m with the new list.

"The rapid rise of e-commerce during the pandemic, and the race for space to satisfy demand during Covid restrictions, hugely and temporarily distorted the property market, now putting occupiers of industrial buildings at risk of financial collapse with huge hikes in tax next year amid soaring costs," said Robert Hayton, UK president of Altus Group.

This "market distortion" applied across the whole sector will "likely lead to hardship for many struggling businesses" he added.

The British Frozen Food Federation (BFFF) CEO Rupert Ashby said the frozen food industry was "already under immense financial pressure due to the increase in energy and fuel prices".

"If the rateable value of industrial properties increases at the expected rate, the price of frozen food will inevitably have to increase and many families across the country will have to choose between heating and eating," Ashby said.

Alex Knowles, MD of Knowles Transport, a warehousing and distribution provider for food and drink manufacturers, said increased storage costs for third-party logistics providers would “inevitably” be passed on to customers.

“This, compounded by low warehouse availability and sky-high construction costs, means third-party logistics providers are under a lot of pressure in terms of providing cost-effective storage solutions to customers,” he added.

The more than 550,000 industrial buildings across England and Wales will see overall rateable value rise £3.9bn, from £14.6bn to £18.5bn, under next year’s revaluation.

Analysis by Altus Group shows Amazon’s fulfilment centres, data centres, corporate offices, tech hubs, delivery stations and headquarters in England and Wales will see total rateable value rocket by £56.2m, up 35% from £160.6m to £216.8m, next April. The group calculates the online giant will spend £100m in extra tax over the three years of the new cycle.

While bigger players will see bigger rates bills, the hike could be devastating for smaller businesses in the sector, Hayton added.

“Most industrial buildings aren’t big sheds occupied by online retailers but house economy incubators, startups, and employment supporting manufacturers. It feels like the valuers of the new draft lists have deployed a one-size-fits-all approach, and this could be hugely damaging,” he said.

Some cushion to the blow of increased rates has been put forward by the government. In the autumn statement, the chancellor announced upward transitional relief caps to support ratepayers facing large bill increases following the revaluation, with £1.6bn of support funded by the Exchequer, which will spread out the increases for large logistics facilities.

The introduction of upward caps of 5%, 15% and 30% for small, medium and large properties in 2023-24 will also reduce the pain and will be applied before any other reliefs. Occupiers of industrial and logistics properties will therefore receive some sort of support.

“Many occupiers of these properties were aware they had been paying too little for too long in terms of business rates, particularly given the extension of the list to six years, and have been preparing to see substantial rises,” said John Webber, head of business rates at Colliers. “Now businesses in the sector have certainty to plan for the year ahead.”

However, Bottle argued that in previous years upward caps of 10% plus inflation were applied, “so the 30% cap for large buildings is much less helpful than we hoped for, and the assumption that companies with larger buildings need less support indicates contempt for our sector”.

"Third-party warehousing service providers with typically low profit margins are facing untenable increases in rents, labour costs and energy costs already. Adding such eye-watering increases in business rates with so little transitional relief will force some out of business, leading to supply chain disruption, which has the potential to damage the economy," Bottle added.

SADIQ KHAN WARNS THAT THOUSANDS OF BUSINESSES ARE FACING A 'TICKING TIMEBOMB' OF INCREASED BUSINESS RATES

The Mayor of London, Sadiq Khan has warned that thousands of businesses face a 'ticking timebomb' of increased Business Rates unless the Government provides additional support.

With businesses across the capital facing a triple whammy of rising inflation, increased taxes and soaring energy costs, the Mayor is concerned that some companies – particularly small businesses and those in outer London and deprived parts of inner London – may even be forced to close without assistance.

Sadiq has revealed today that Business Rates bills are likely to rise overall in 28 out of 32 London boroughs in April 2023, including every outer London borough, when the government's business rates revaluation comes into effect.

The Mayor is hugely concerned as outer London businesses and those in the more deprived parts of inner London in particular may be less likely to be able to absorb large increases in bills compared to large central London retail businesses – some of which will be paying lower Business Rates next year.

Business rates are calculated according to a property's rateable value. This is based on an estimation by the Valuation Office Agency of the property's open market rental value. The rateable value of a property is then used to calculate the Business Rates bills of premises.

The Mayor has today revealed that:

- Nearly two thirds of outer London boroughs will see Business Rates increases above the national average.
- Barking and Dagenham ratepayers are facing an average 24 per cent rise in rateable values in April. Ratepayers in Ealing, Hackney, Bexley, Brent, Sutton and Merton will see rateable values increase by more than double the national average. This will mean significant higher bills across these boroughs.
- More than 200 schools across London will see their Business rates valuations increase by more than 50 per and at least 30 schools will see their underlying bills more than double.

- Many key sporting venues face huge rises in rates bills over the next year. The All England Lawn Tennis Club in Wimbledon will see its bill increase by 75 per cent over the next three years. Crystal Palace Football Club will see the bill on its Selhurst Park stadium increase by nearly 60 per cent over two years.
- Ratepayers of industrial premises which include warehouses, food and drink manufacturers, fashion and textile firms, breweries and laboratories are likely to face disproportionately large increases to their bills in 2023. Valuations for this sector – which are key to the supply chain for London retailers and households – will rise by more than a third across London on average and by more than 50 per cent in Newham and Southwark.
- The Mayor is also concerned that refuges, including those used for women fleeing domestic violence may now be classed as businesses and liable to pay Business Rates.

Over 50,000 small businesses in London have already closed this year and the hospitality and cultural sectors are particularly at risk as households cut discretionary spending to cope with the cost-of-living crisis.

Sadiq recognises that there was some Business Rates support in the Government's recent Autumn Statement. However, he is today calling on Government to increase the rateable value threshold below which small businesses receive 100 per cent rates relief from £12,000 to at least £28,000 in London and £25,000 in the rest of England. This could potentially save up to £6,500 a year for thousands of firms and help many businesses, including those in the night time economy which has been severely hit by restrictions imposed during the pandemic and the current cost of living crisis.

Sadiq is also reiterating his call today for the fundamental reform of the Business Rates system, including full devolution of business rates tax policy to the capital and to other cities and regions of England in line with the existing devolved arrangements in Scotland, Wales and Northern Ireland so that he is able to ensure a system that is fair to London's businesses.

Full devolution would allow the Mayor and London boroughs to invest directly in the things that matter most to Londoners, including policing, affordable housing, support for children and young Londoners, infrastructure investment, social care and support for businesses and allow him to re design the tax in a way which takes into account London's unique economy and higher relative rental values.

By raising the small business rates relief threshold and truly devolving control of business rates – alongside the full suite of property taxes – and dislocating London from the national system, the increases some London businesses are seeing could be limited or even eliminated entirely.

The Mayor of London, Sadiq Khan, said: "Businesses across the capital, which have had to weather the perfect storm of Covid-19 and Brexit, withstand a hammering by soaring inflation and falling consumer spending, now face a ticking timebomb of increased Business Rates bills at the worst possible time.

"Many businesses will struggle to pay their new bills from April 2023. While I appreciate support that some central London businesses have received from Government, I am worried that outer London as well as many parts of inner London are being forgotten.

"We need an urgent package of measures from Government to support small businesses and those in the outer London boroughs who are fighting to survive in this tough economic climate.

"In the long term, the Government must fully devolve the full suite of property taxes, including Business Rates to the capital, so we can direct investment to where it is most needed."

Rowena Howie, FSB London Policy Chair, said: "FSB have long argued for wholesale reform of the broken business rates system which remains an archaic form of taxation. FSB have been consistently pushing for a wider review on rates which are a major cost for London's small businesses community. The Small Business Rate Relief threshold should be increased to £25k. This would cost around £1 billion and would greatly support 200,000 businesses removing them from the rates system."

The Mayor's London Business Hub includes practical guides on how businesses can manage cash flow and rising costs during the cost of living crisis. As part of the Hub, the Mayor's Property Advice Service supports small businesses to understand the costs associated with renting a property. The programme provides webinars and 1-2-1 advice, including on handling talks with Local Authorities on business rates and other issues like moving forward a change in planning use class.

SURPRISE CHANGE TO BUSINESS RATES COULD LEAVE SERVICED OFFICE OPERATORS ON HOOK FOR MASSIVE BILL

Small Businesses in Serviced Offices Would No Longer Be Viewed as the Occupier

The Valuation Office Agency is meeting rating agents from the country's biggest property consultancies on Wednesday (30 November) to discuss a recent change in business rates that could have massive financial ramifications for serviced office operators, CoStar News can reveal.

Under the change, serviced office operators such as WeWork and Regus owner IWG, could be landed with business rate bills instead of their tenants, said five sources familiar with the situation. A small business in a serviced office will no longer be viewed as the occupier of the building and the operator of the serviced office space would have to pick up the business rates bill. The change, driven by local councils seeking extra sources of income, will only affect operators in Central London at first, but the expectation is that the new rule will be applied to operators across the country eventually. The new rule could also be backdated to 2017 as part of the plans, which would see operators being charged for six years of historic business rates.

The change has been likened to the VOA's controversial decision to backdate business rates bills for occupiers at UK ports in 2008, which the government blocked in 2010 by introducing an immediate halt to the "ports tax".

Robert Hayton, UK president at the real estate adviser Altus Group, which is not attending the meeting, said: "There are four key ingredients to rateable occupation for these types of properties with the law being established as long ago as 1936 through the Southern Railway [Westminster City Council v Southern Railway] case. To reverse and/or backdate current policy on these types of properties is clearly outside the spirit of fairness. Ultimately, any additional costs are likely to be borne by small business. Let's hope this is not a similar policy shift like with the ports over a decade ago." Hayton added: "That ended with government stepping in and refunding backdated bills that couldn't have been reasonably foreseen or planned for."

Operators of flexible office space typically sign long leases with the landlord for the whole property. They then charge occupiers of the space on a per workstation basis for a shorter term typically with options to buy packages of services.

A small business may have been eligible for the business rate relief offered by government, but not the serviced office operator if the overall business is profitable.

The change has taken the industry by surprise. It was not mentioned during the Autumn Statement on 17 November, when the Chancellor of the Exchequer, Jeremy Hunt, unveiled a package worth £13.6 billion to help business rates payers, as reported.

The VOA did not respond to a request for comment.

BUSINESS RATES: GOVERNMENT'S GOLDEN GOOSE

- Business rates rake in nearly £3bn a year in Scotland, but they're widely seen as unfair - and most unfair on those that want to invest.

- Calls for reform come frequently, particularly from retailers who compete with online sellers which face much lower tax costs.
- But it's become a regular feature of the dialogue between business and government that such pleas are met mainly with polite silence.

Not many people like paying taxes, but most recognise it's their duty to do so, and there is a case for levying them the way they are.

To put a progressive tax on your income and on the stuff you buy is seen as, more or less, fair. To put higher rates of duty on things in which you would be better not to over-indulge - the so-called sin taxes on alcohol, tobacco and gambling - is conceded, sometimes grudgingly.

That consensus is much less strong on council tax - long overdue for a reform, or at least revaluation. The last one was also the first, preserving the tax system in the aspic of 1991. But the idea of reform gathers dust in the "too difficult" filing cabinet for most politicians.

And then there are business rates, or Non-Domestic Rates (NDR). These are the subject of regular loud appeals from those who have to pay them to governments at Westminster and Holyrood, urging fundamental reform.

What kind of pro-growth strategy is it when investment in your office, shop, factory or warehouse - perhaps to improve its energy efficiency or expanding to allow for more recruits - is greeted with a higher tax bill?

And if people want to see their city and town centres flourish, why are we taxing the bricks and mortar retailers when their markets are being rapidly eroded by online sales, "fulfilled" from large warehouses with lower overheads (relative to turnover) and lower business rates bills.

The case for at least a freeze on business rates in the Holyrood budget, to be set out in draft on 15 December, has been made by an unusually wide range of business interests. No fewer than 19 trade bodies, ranging from the CBI and Institute of Directors to the builders, printers, bakers, engineers and cinema operators.

'Inequitable and unfair'

The case for reform has been raised this week again by the Economic and Fair Work Committee at Holyrood, making a strong, if sometimes familiar, case for helping Scotland's town centres.

"It was clear from the business community's evidence and the Scottish Government's own Town Centre Action Plan Review Group that the non-domestic rates system is perceived as inequitable and unfair," the MSPs reported.

"The current NDR system acts as a disincentive when trying to attract businesses back to our town centres. For businesses already located in town centres, the current NDR system acts as a disincentive to invest in already occupied property, as any investment leads to an increase in NDR.

"The committee consistently heard that the current system works against investment and growth in town centre retail and that the NDR system should be rebalanced to support town centre development."

These appeals are generally met with deflection onto minor reforms and, beyond that, by a polite silence from government. Business rates, which also cover lots of non-businesses, are too valuable not to collect. In Scotland, they are forecast to bring in nearly £2.8bn this financial year, rising to £3.3bn next year when a revaluation kicks in.

While other income goes up and down with cycles in the economy or the property market, business rates just keep on giving. They are not related to the financial health of the property's occupants, so they are levied on those making a loss in a downturn just as rateable values are ratcheted up by rising property and rental valuations in the upswings.

There is tinkering with them, around the appeals system and the regularity of revaluations. Those investments to improve buildings do not now lead to an immediate increase in the tax bill. There are reliefs if you install solar panels or run a childcare centre.

The Barclay Review recommended several of these five years ago. But because its remit from Holyrood ministers stated that any reforms had to retain the same level of revenue, the review team ducked the issue of the digital economy's growth.

Dearth of data

There is a substantial rates relief scheme known in Scotland as the Small Business Bonus Scheme. It applies in full to small premises valued at rental of less than £15,000 a year and with reduced level of relief for those up to £18,000. After 14 years, there is an expectation baked in by small firms who benefit by an average of more than £7,000 a year, and by SNP ministers, that it will remain in place.

Does it act as an incentive for small businesses to invest or to expand employment? For a long time, no-one knew. It was regularly pointed out by trade unions, and by the Barclay Review of business rates in 2017, that it might be an idea to find out. After all, the value of that tax relief has risen rapidly, and between 2008 and 2020, it totalled £2.8bn (at 2020 prices).

So the Scottish government commissioned the economists at the Fraser of Allander Institute to find out the effect of the Small Business Bonus Scheme.

The answer came back: we found no evidence to show this scheme works, but nor could we find any evidence that it doesn't, because the available data tell us very little.

As you might expect from economists, who like to count things, the Strathclyde University researchers recommended that the Scottish government introduce a register of businesses, attached to the premises they use, and including figures for investment, employment and turnover.

That could be of added significance if there is to be a reliable measure of turnover as a basis for a different tax regime.

That is seen as a fairer way of taxing business - as with corporation tax, it depends on a firm's financial success and it would follow the peaks and troughs of their trading cycle.

Yet moving away from a fixed source of tax revenue would be hard. This is a time when it is becoming harder to nail down other sources of tax as firms and people with good accountants take their opportunities to avoid paying tax on income and more moveable assets.

Digital commerce is difficult to tax, even though some think the introduction of an online sales tax is overdue. (It's probably become easier since Brexit.)

So a fixed asset, such as a building or land, looks all the more appealing to tax authorities.

For smaller retailers who are at the wrong end of a tax system that benefits the low-overhead online shopping giants, they may do well to note another of that Holyrood committee's report: that they invest their time, effort and money into e-commerce themselves. If you can't beat 'em...