IPTI Xtracts

Property Tax and Assessment News from Around the World

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Online shopping makes many high street jobs unviable, says Next boss

Simon Wolfson warns lockdown has put thousands of traditional retail roles at risk

The chief executive of Next, one of the UK's most successful retailers, has said the shift to online shopping triggered by the lockdown means there is no future for thousands of traditional retail jobs.

The high street has been one of the worst-hit sectors of the economy with nearly 125,000 jobs lost in the UK in the first eight months of this year as retailers closed stores and in some cases went into administration.

Simon Wolfson said what looked to be a permanent shift to online spending was creating work for warehouse staff and couriers but that in the long run fewer people were going to be needed in shops, and their jobs would be "unviable".

"I wouldn't want to underestimate the difficulty that is going to cause a lot of people who work in retail," he said. " I think it's going to be very uncomfortable."

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Marks & Spencer, Debenhams and John Lewis are among the household names to have announced major job cuts as a result of the pandemic.

His comments came as the British Independent Retailers Association (Bira) warned of mass store closures after the chancellor scrapped the autumn budget when they had hoped he would extend the business rates holiday, which is currently slated to end on 31 March.

Andrew Goodacre, the Bira chief executive, said many jobs in retail were not sustainable due to low footfall and low shop sales. “More needs to be done to protect the high street from mass closures and we hope that cancelling the budget does not delay decisions on business rates.”

Wolfson said the current rates system was “unfair” and bills for the warehouses used by online retailers needed to rise to reflect the new high street reality.

“Over the last six or seven years the price of warehousing has gone up dramatically, and the price of shops have come down dramatically, but both of their rates have remained exactly the same,” Wolfson said.

“You could raise rates on warehousing between 30% and 50% and that would make up for some of the loss, and that would be fair.”

The pandemic has accelerated changes in shopping behaviour as the lockdown forced Britons online, in many cases for the first time. The transfer of sales from physical stores to websites has put shop floor roles in jeopardy but created thousands of new online roles.

The delivery firm Yodel said on Friday that it would recruit nearly 3,000 people, including couriers and parcel sorters, before Christmas.

However, only 450 of Yodel’s new hires will be employees. The other 2,500 will be a self-employed and so not guaranteed the legal minimum wage, full sick pay or holiday benefits. The picture is similar to Hermes which in July said it was creating more than 10,000 jobs, the lion’s share of whom would be self-employed.

Next has emerged from the crisis as one of the high street’s most resilient brands. Last week it raised its profit guidance for a second time as the company’s sales recovered from the shock of the lockdown when its stores were closed for several months.

The chancellor’s winter jobs plan, announced on Thursday, was “very sensible”, Wolfson told the BBC. The Tory peer suggested it was “important that employers begin to pay a little bit more for the schemes and that employees get a little bit less …Otherwise I think there’s a risk that our economy will just become hooked on it.”

Sunak’s lifeline for small businesses is welcome but insufficient

Chancellor’s latest measures exclude many firms and workers desperate for help

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The writer is national chairman of the Federation of Small Businesses

The worst UK recession since records began. Up to 1m job losses forecast by the end of the year. Speculation about negative interest rates.

The macro analysis of the UK's economic predicament is stark and deserving of attention. There is always a danger, however, that an excessive focus on the big picture causes us to lose sight of human realities.

At the Federation of Small Businesses, we hear personal accounts every day of what coronavirus means on the ground. There about 5.8m small businesses in the UK, representing 99.3 per cent of the country's private sector firms.

Consider an events specialist who recently came to us for help. An expert in tech conference facilitation, who often travelled to Las Vegas, he took the brave step of striking out on his own a few years back after decades of working in larger companies. Until this year, things were going well.

Now he's trying to keep his head above water. Amid talk of a world-beating test and trace system and vaccine development, he took on a sizeable emergency loan over the summer, hoping it would see him through to the new year. By then, he and his clients hoped, a limited number of events would be back on, with distancing, masks and sanitisers par for the course.

Prime Minister Boris Johnson's talk this week of significant restrictions for another six months will have put paid to a lot of that optimism. Thankfully, only 48 hours on from Mr Johnson's address, chancellor Rishi Sunak stepped in, rightly abandoning plans for a longer-term budget in favour of more immediate action.

Firms have now been given more time and space to get back on their feet. Tax payment deferrals can be spread out for longer. A new "pay as you grow" approach to emergency loans will mean a more lenient approach to repayments. Successors to the job retention and self-employment income support schemes will be launched from November.

Will it be enough for our conference consultant? Certainly, he'll be feeling better about his ability to service his bounceback loan. But his case exposes a gaping hole in the government's approach. Where a firm is involved in an industry where enforced closures are still the norm, the support available is very limited.

We have swaths of event organisers, venues and night-time economy bulwarks left in the lurch. Even funding at the council level for those caught by local lockdowns is off-limits. The new Job Support Scheme is only for those where staff are still able to work.

Equally, freelancers who have set themselves up as company directors are entitled to no meaningful income support at all. Many earn modest sums and have paid corporation and dividend taxes for years. The newly self-employed, who don't have rafts of tax returns at their disposal, have also been left out in the cold.

Mr Sunak's intervention was vital and urgently needed. But we'll need to see much more — further evolution of support mechanisms, guided by macro information and experiences on the ground.

That said, it's clear that lessons are being learnt. Consider also the lighting specialists who run a small shop outside Birmingham. Their store is both a successful enterprise and a community hub, providing respite and a place to catch up for local retirees.

The introduction of the ability to furlough on a flexible basis was a game-changer for the owners. They care deeply for their staff and want to keep all of them on their books.

Many of their regulars were, naturally, cautious about returning after the store was reopened in the summer. That's starting to change, but reduced opening hours and numbers of staff on the shop floor have been imposed. The only way to maintain headcount is flexible furlough.

The new Job Support Scheme incorporates this need for flexibility. Fortunately, we have a guarantee that small firms won't have to wade through reams of paperwork in order to use it.

The fates of small high-street outlets like this one will be defined by the strength of trade in the run-up to Christmas. That will, of course, depend in large part on our increased capacity to fight this terrible virus and install the test and trace system we were promised months ago. Businesses understand that safety has to come first.

But their futures will also hinge on greater business support development. An outdated business rates system, high employment costs and the exclusion of too many from flagship measures continue to weigh massively on the small business community.

Creating the right mechanisms to bring an economy through a recession is no mean challenge. But by drawing on quantitative, real-time data and qualitative, human realities, it can be done. With winter approaching, it needs to be.

Rishi warned we can't bring back business rates - 'politically impossible'

CHANCELLOR Rishi Sunak has been warned by ministers that it will be "politically impossible" to reimpose business rates after the coronavirus crisis.

Shops, pubs, restaurants and many leisure and entertainment businesses have been given a business rates holiday until April next year as part of the £300 billion coronavirus relief package. But now ministers are warning the Chancellor that he cannot simply reimpose the tax which even before the crisis was putting thousands of retail businesses on the edge. It is understood that there is a push to permanently scrap business rates coming from both Anok Sharma business department and Robert Jenrick's communities department because of a concern for the long term future of the high streets.

A number of Tory MPs led by former cabinet minister Esther McVey and her Blue Collar Conservativism Movement which helped sweep the red wall seats also want business rates scrapped and replaced with a fairer tax.

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One minister told the Sunday Express: “We cannot reintroduce business rates. The trouble is once you take them away people get used to operating without them and then if you reintroduce them it feels like a massive tax rise.

“It will be deeply unpopular and could put many people out of business so it will be politically impossible.”

There have been concerns that business rates are “outdated” and “unfairly punish” the high streets while online companies like Amazon do not have to pay the rates.

The demand to abolish business rates also came up in a snap survey of rural pub landlords by the Countryside Alliance.

The survey suggested that one in 10 may have to close if there is another national lockdown while 75 per cent believe it would significantly hurt their business.

More than a third also said the decision to force them to shut at 10pm instead of 11 was detrimental to their business.

But asked what they need going forward to survive they asked for financial support, the ability to furlough staff and an end to business rates.

A landlord in Dorset said: “VAT rate extension, business rates extension, if a second lockdown then furlough extension."

Meanwhile, Kate Nicholls, chief executive of UK Hospitality, warned that the new restrictions were “another hammer blow to a sector that had already suffered more than most”.

She was scathing of the 10pm close time which means restaurants lose their second sittings and halve their takings.

She said: “The additional restrictions do not seem to be justified and it is doubtful they will have a positive impact in combating the virus. Statistics from Public Health England show that just 5% of COVID cases can be linked to hospitality.

“Businesses have spent a huge amount of time and money training their staff and making their premises safe. Venues have diligently ensured that social distancing is carried out and have overwhelmingly complied with test and trace protocols.

“Hospitality is a safe and supervised place for socialising and there is little compelling evidence that an arbitrary curfew will have a dramatic effect on combating COVID.

"Despite lockdowns in Leicester, Manchester and other parts of the country, cases continued to rise or stubbornly refused to fall, even thought there was necessarily a huge drop in hospitality footfall. This suggests that hospitality isn’t the cause.”

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Julian Jessop from the Institute of Economic Affairs also warned that restrictions are “hurting families and businesses” and could be doing more harm than good.

Writing for the Express, he said: “We should not be afraid to keep asking whether this pain is worth it.

“The number of lives that would be blighted by a tidal wave of business closures and job losses could far exceed the number of premature deaths that might be due to Covid itself.

“A strong economy is also not just about pounds and pence. The recent collapse in gross domestic product, or GDP (which is how we usually measure economic activity), has included big falls in the outputs of both the education and health sectors.

"These figures only begin to reflect the harsh reality of children missing school and vulnerable patients going untreated.”

He also warned against a so-called two week circuit break as a short national lockdown.

He said: “What confidence would anyone have that this would be the end of it? The worst outcome could be a zig-zag of stop, start and then stop again, creating even more economic uncertainty and undermining confidence further.

“The damage both to the labour market and the public finances could then be much greater. The economic recovery had been on course to win the race against the winding down of the original furlough scheme.”

'It’s a nightmare': the business owners left behind by Sunak's winter plan

Ineligible for support or unable to trade, small business owners and freelancers voice their concerns

Rishi Sunak’s winter economic plan has drawn cautious praise from business lobby groups but thousands of small businesses and freelancers say they will see no benefit from measures designed to avoid a tsunami of job losses.

The arts, hospitality and live events sectors have been particularly hard hit, because many are simply unable to trade under the conditions imposed to prevent the spread of coronavirus. Others haven’t been eligible for support, or not enough to keep them going.

Businesses such as theatres, music venues and event caterers now fear they will be left behind, struggling to make ends meet, with the winter fast approaching.

The chancellor said his measures would protect “viable” jobs, but the centrepiece job support scheme is expected to put pressure on some businesses by requiring them to cover 55% of the wages of workers placed on the programme - whereas on the furlough scheme the most they have to cover is 20%. We spoke to some of the people who feel their business or their job is at risk of being deemed unviable, through no fault of their own.

The LGBTQ cabaret venue

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The Royal Vauxhall Tavern, or the RVT to aficionados, is one of Britain's oldest and most esteemed LGBTQ venues, famed for its regular drag and cabaret acts.

The big problem for managing director James Lindsay is the new 10pm curfew, which leaves very little time to ready the stage for the RVT's characteristically glitzy productions.

"Cabaret takes a long time for people to get set up and do soundchecks, so we can't have people in before 6pm," says Lindsay. "We're reduced to a four-hour window but our overheads are astronomical." The venue's downstairs capacity has fallen from 140 to 75, and income is down by 65%.

Given such constraints, the chancellor's measures won't be much use, says Lindsay. "I was hoping we'd get a bit of a lifeline, in terms of extension of the business rates relief, but nothing came out of it.

"We've now got the extra wages to pay [as furlough is replaced by the job support scheme] and we've had people cancel tables last night just before cabaret opened.

"They're getting freaked out by mixed messages coming out from government. We'll do our best to keep going as long as we can."

The wedding supplier

"My business was viable," says Marc Gough, who had to take out a CBIL loan and make three of his staff redundant to keep his 10-year-old firm afloat. "The government has made me unviable by not allowing us to work. We want to work."

Gough's company, which turns over about £750,000 a year supplying crockery, glassware and cutlery to weddings and events, is struggling to trade under restrictions limiting attendance at weddings. Sales are down 98% – which won't even cover the monthly bills.

The decision to limit weddings to 15 people – and the absence of a roadmap for the sector – had hit consumer confidence, he says, leaving him unable to afford monthly operating costs, 55% of salaries and customer refunds.

"There were little green shoots when they were allowing 30, with those bookings I probably could have survived without the furlough scheme," he says. "But that's now been pulled from us and brides are cancelling altogether. The confidence is gone."

The wedding sector has lost a whole year's income, leaving him with stark decisions about how the business will survive the next six months. "Do I retain my staff or do I pay back people whose weddings can't go ahead? I can't do both without any income – it's a horrendous nightmare," he says.

"We've been forgotten as a sector. I've generated £3.2m worth of sales from the day I opened – is that not anything to give back? It's heartbreaking."

The events and gig venue

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The SEC in Glasgow includes five exhibition venues as well as the 14,300-seater SSE Hydro gig venue. With live music shut down and business events largely on hold, its cavernous halls stand empty.

"At the moment, with government's announcement that we'll be in this for the next six months and certainly through the winter, it looks extremely unlikely that we'll be staging any events for the foreseeable future," says Debbie McWilliams, SEC's live entertainment director. "The event industry has reached crisis point."

While larger companies such as SEC may be able to ride out the crisis, she fears for the smaller firms and freelance specialists that make the industry tick.

"A disproportionately high number of those companies are small, particularly the technical supply chain, such as lighting and sound. The loss of them would be devastating."

She believes events companies have shown that they can host visitors safely, partly through pilot events. But even those have now been stopped. "We fully understand the risk to staging events but there's also a risk to the impact to jobs, mental health and wellbeing," she says. "We need guidance on what measures they want to see in place."

The rehearsal studio

Scottie Sanderson, studio manager at Fly By Nite rehearsal studios in Worcester, does not believe Sunak's plans go nearly far enough.

"The initial financial support missed the events and entertainment industry and this latest offering has fallen even further short," he says.

"People are desperate. Whenever MPs are challenged they say the government has given £1.6bn to the arts, but it's not being distributed to many of the people who need it. People have fallen by the wayside and just have nothing.

"They are doing whatever they can to pay their mortgage and put food on the table because universal credit doesn't cover it."

Sanderson mourns the "catastrophic" effect the coronavirus lockdown has had on the events industry. "Bands, caterers, lighting engineers, security guards, cleaners, ticket vendors, and many others, have seen their world fall apart," he adds.

"Even when we get a semblance of normality again people will have moved on. All these companies will have folded. Even if there is a vaccine, there won't be anyone to put the gigs on."

The holiday lettings business

Winchcombe Farm Holidays in Upper Tysoe, Warwickshire, has refunded more than £16,000 worth of bookings since the announcement of the so-called "rule of six" limiting the size of gatherings in England.

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Its most recent site, Ben’s Burrow, was built during lockdown by Steve Taylor, who runs the business with partner Jo Carroll. Three of its lodges sleep more than six people. “It [the rule of six] is just the latest blow for many large self-catering providers, after a terrible year, where we’ve already lost half of the main summer season,” Carroll says.

“We worked tirelessly during lockdown to build Ben’s Burrow, hoping it would give us the boost we needed when we were allowed to reopen and so try to pull back a terrible year but this ruling will greatly compromise the commercial viability of the property.”

The self-employed musician

Yshani Perinpanayagam, a composer and pianist from London, says the gaps in the support scheme for self-employed people have only grown larger, and that those from more marginalised backgrounds with less savings and family support were hardest hit.

“We’re still in the position of ‘Shall we find other work or not?’,” she says. “So organisations are just pulling things to be on the safe side.

“Institutions, venues and people need support to be able to wait it out or operate at a loss because we’re just going to lose all the colour, literally and metaphorically, from our sector, and the arts should not just be for the few people who happen to have the most money.”

She adds that the arts is a way for people “to speak and express themselves”, and that the lack of support was indicative of the government’s priorities. “Surely we want to hear the stories of the people having the most difficult times through this,” says Perinpanayagam, who has been teaching remotely.

“Where is the joy in being allowed outside again if outside has been doomed to be forever monochrome and silent?”

14,000 shops have shut down so far in 2020, a 25% increase on 2019

13,867 shops have pulled their shutters for the final time so far this year, according to Centre For Retail Research

This is a 24.8% on the same period last year

Non-food retailers have also lost more than £9bn in sales this year so far

Non-food retailers have lost £9 billion in sales so far this year, which could lead to one in 10 stores never being used to sell goods again, a new report has found.

The Centre For Retail Research also found nearly 14,000 shops have permanently closed this year – up almost 25 per cent on the same period a year ago.

The research centre also predicts as many as one in 10 store sites may never sell goods again.

The findings come as a poll of 400 property executives found more than a third are already changing how their retail stores are used and a further 57 per cent are considering changes.

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Property specialists Altus Group's Global Property Development Trends Report also found that at least £155 million has been earmarked for repurposing assets.

Retailers had already agreed before lockdown that the high street had too many stores, with the shift to online remaining strong.

Those with strong online stores and businesses have managed to maintain sales, although those without have suffered.

Retail floor space, both occupied, vacant and to let, in England and Wales currently stands at 1.35 billion sq ft, according to Altus Group.

The Centre For Retail Research said that, although some of the lost retail sales over the lockdown period were now being regained, 13,867 shops had pulled their shutters for the final time so far this year – up 24.8 per cent on the same period last year.

It also found that non-food retailers have lost more than £9 billion in sales this year so far.

Centre For Retail Research director Professor Joshua Bamfield said the longer the work-from-home instruction is required, the bleaker the prospects.

"There is no alternative to repurposing… as much as 10 per cent of retail floor space might need to be repurposed in the short to medium-term but could be much higher in major cities eventually," he said.

Business rates, which cover all commercial properties, have not needed to be paid this financial year by retailers, pubs, bars and leisure services.

However, the announcement last week from Chancellor Rishi Sunak on extending the help for struggling businesses did not include an update on the business rate pause.

Instead, he opted to encourage businesses to focus only on "viable" jobs, with a new scheme to top-up workers unable to carry out their jobs due to the new lockdown restrictions.

In the retail sector alone, it is thought at least 125,000 jobs have been lost so far this year.

"Long-standing pressures faced by property owners and developers through declining retail rents and failures have now been exacerbated by the pandemic and its evolving impacts," Altus Group executive director Scott Morey said.

He added: "However, the property industry is recognising opportunities that exist and will seek to repurpose assets during this period of uncertainty and well into the recovery stage."

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Urban authorities call for end to rates retention

Business rates retention and other council funding mechanisms aimed at incentivising growth should be scrapped to focus on post-Covid recovery, according to the interest group representing urban authorities.

In its submission to the Treasury on the forthcoming Comprehensive Spending Review, the Special Interest Group of Municipal Authorities said its members are amongst the worst hit by Covid-19 in health terms and economically.

The pandemic has compounded financial difficulties caused by a shift away from a needs-based formula to distribute resources, it said.

The submission said: "We call on government to abandon or suspend business rate retention, new homes bonus and the related section 31 grants and concentrate funding in to one, readily identifiable funding stream based on needs."

Business rates retention scheme was introduced in 2013-14, allowing council to keep 50% of their business rates income. Since April 2017, the government has been piloting 100% retention in a number of areas.

However, SIGOMA said: "Over the last decade, incentivising authority growth has resulted in moving ever-larger amounts of funding away from councils who have the highest need to those who can grow the most resource locally.

"It is not difficult to appreciate that the change of emphasis in how funding has been allocated has benefited authorities with a large and growing council tax base and a thriving business estate by comparison to authorities with a low council tax and business rate base."

The business rates retention scheme includes a mechanism to level up national inequality by periodic resetting of the system, but the government missed its target of resetting during 2019/2020.

SIGOMA's response said: "Based on 2018-19 retained growth, we estimate that by comparison to a needs-based allocation our councils lost £147m of funding. Each year that re-set is delayed, poorer councils lose more."

The group also called on the government to shift away from its current approach of asking councils to bid for funds from a number of pots for specific grant schemes.

It said: "Treasury and cabinet needs to review the large number of small grants for pet-projects.

"Funding would be more effective in a single place-based budget as recommended by the Local Government Association."

SIGOMA members face a shortfall of £500m - or £14m per council – due to the pandemic, even after government support, the submission said.

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It claimed the way in which the government is framing Covid-19 return questionnaires sent to councils that central government "has an eye on the reserves that councils hold in addressing the pressures caused by the current crisis.

It said: "Councils who have reserves should not be expected to fund the current crisis from those, they are part of the prudent planning process of councils."

In his foreword to the report, Sir Stephen Houghton, chair of the Special Interest Group of Municipal Authorities (SIGOMA) said: "The pandemic has reinforced the fact that the current system of funding our public services is not sustainable.

"Government needs to decouple business rates from the funding of public services to ensure we can bring around reforms to benefit businesses during the recovery, without risking key frontline services in the fight against the virus."

SIGOMA also said that the government must put substance behind its pledge to "level up" the country, saying it "remains just an idea at the moment, a strapline in the manifesto of the governing party".

Absurdities of council tax laid bare in new league table

The irrationality of Britain's council tax system has been laid bare in a new league table drawn up by estate agency Coulters Property.

The agency's research looks at Band D tax payments in different areas; the gap between top and bottom is as much as £1,300 and it is by no means the case that so-called better off areas have the highest tax bills.

Rutland, the UK's smallest county and home to just 40,000 people, pays the highest overall, at £2,125 for a band D property, which is £307 or 17 per cent more than the national average of £1,818.

The cheapest area is prime central London's Westminster district.

Quirks in the council tax system and calculations based on the value of homes dating back to April 1 1991 - that's almost 30 years ago - make the tax bills differ wildly.

The locations with the highest Band D payment are:

1 Rutland (East Midlands) £2,125;
2 Dorset (South West) £2,119;
3 Nottingham (East Midlands) £2,119;
4 Lewes (South East) £2,111;
5 Newark & Sherwood (East Midlands) £2,100;

6 Hartlepool (North East) £2,092;
7 Wealden (South East) £2,091;
8 Durham (North East) £2,071;
9 West Devon (South West) £2,067;
10 Oxford (South East) £2,064.

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And the locations with the cheapest Band D charges are:

1 Westminster (London) £782;
2 Wandsworth (London) £800;
3 City of London (London) £1,007;
4 Hammersmith & Fulham (London) £1,124;
5 Na h-Eileanan Siar (Scotland) £1,193;
6 South Lanarkshire (Scotland) £1,203;
7 Shetland Islands (Scotland) £1,206;
8 Angus (Scotland) £1,207;
9 Orkney Islands (Scotland) £1,208;
10 North Lanarkshire (Scotland) £1,221.

Dealers call on government to cut UK business rates

A quarter (25%) of car dealers want to see a reduction in business rates as the UK recovers from the impact of Covid-19

And one in five (19%) want to see current support measures phased out, rather than a hard stop

These are the conclusions of new research by Close Brothers Motor Finance. The study, conducted in June as lockdown measures saw showrooms reopening, found that well over half (55%) of dealers felt 'completely confident' about the survival of their business.

But three in ten (29%) dealers admit they are worried about an economic downturn, made more pertinent by the UK going into recession. And 13% are worried about a second wave of Coronavirus.

To combat some of the challenges that lie on the road to recovery, the motor industry is looking to the Government for additional support. A quarter of dealers (25%) are calling for a reduction in business rates, and a fifth (19%) would like to see the current measures phased out rather than brought to a hard stop.

Despite almost a quarter of dealers (23%) being worried about stock availability, only 4% are calling on the government for increased support for car manufacturers. And beyond COVID-19, more than one in ten (12%) would like to see changes to the timeline on the diesel petrol ban, brought forward from 2040 to 2030 earlier this year.

Seán Kemple, managing director at Close Brothers Motor Finance, said: "No person, company, or sector has gone unaffected by the Covid-19 pandemic. For the motor industry, the lockdown came just as optimism was improving following a challenging few years. Dealers have been hit hard, but they're resilient; if anything, now is the chance to build back better and improve the sector for years to come.

"To do this, Government support is vital. Emergency measures such as cuts to business rates, the furlough scheme, and frozen fuel duties, have been invaluable. As the lockdown continues to lift, all attention is on how to keep the UK recession as short as possible, working towards a V-shaped recovery. Measures which help the motor industry will have a knock-on effect to manufacturing, retail, and unemployment, so it's crucial that the Government, dealers, manufacturers, and finance providers work together to find a solution as quickly as possible."

Key findings

Dealer demands on government:

- A reduction in business rates: 25%
- Current government support measures to be phased out rather than a hard stop: 19%
- Prolonged support with grants and loans: 17%
- Changes to the timeline on the diesel/petrol ban: 12%
- Further support with employee salaries: 6%
- Support for car manufactures: 4%
- A reduction on import tariffs: 3%
- Extended commercial mortgage payment holidays

This practical fix shows why the chancellor should introduce a land value tax

Advocates have started from the wrong premise. Ahead of the Budget, it's time to recast the proposition

Ever since the 19th century, economists and social philosophers have advocated for a land value tax (LVT) as the fairest and most progressive form of taxation possible. With land in fixed supply, monopolist owner-occupiers pay no tax on the imputed economic rents they enjoy, but benefit from the asset price growth brought about through improvements to local infrastructure and amenities, which are paid for by others.

Residential land accounts for over 75 per cent of the UK's total land value and represents over 40 per cent of the UK's total net worth. Volatility in the economy, as well as many of the problems within the housing sector, are partially attributable to unsustainable rises in land values. An LVT could remedy these problems, as well as lead to a more equitable society overall.

Yet repeated attempts to introduce LVT in the UK have failed, originally due to a combination of landowner resistance and insufficient data, and more recently because of the impossibility in practice of replacing Council Tax with the much fairer system that LVT represents.

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Now, with the Budget approaching, economic effects of Covid-19 forcing the government to look for ways of increasing tax revenues, and calls from across society for the introduction of some form of wealth tax, this is an ideal time to look again at LVT.

So how could it be introduced in practice?

All recent proponents of a residential LVT have started from the premise that it would replace Council Tax. After all, we would surely just be replacing one form of property tax with another. This will never work, for the simple reason that the Council Tax Bands and rates are so out of date at the higher end of property values, they bear no relationship to the market value of today's homes. How can a Council Tax of £2,474 per annum on a £30m house in Kensington, compared to £2,398 per annum on, say, a £500,000 house in Solihull, be considered as a proportionate property tax? Council Tax has become a (very flawed) system of charging home occupiers for Local Authority services.

But to replace the overall £33bn of Council Tax due for England in 2020-21 would require an LVT rate of around 0.9 per cent. While land values vary widely as a percentage of property market values across the country, 66 per cent is a reasonable guide. At 0.9 per cent this would imply LVT on the Kensington house of around £180,000 a year (and approximately £3,000 a year on the house in Solihull). And at Local Authority level, Kensington and Chelsea could expect their annual receipts to rise from £106m to £787m, whereas Birmingham's would fall from £362m to £115m. Such dramatic shifts are clearly unacceptable.

A further problem is that Council Tax is payable by the occupiers of a property (who may be tenants), whereas LVT is charged only to the owners.

So, an obvious solution is not to replace Council Tax, leave it as it is, and introduce LVT as a new tax, starting at a very low rate. If LVT was introduced at, say, 0.05 per cent per annum, rising at this rate over four years to 0.2 per cent, the initial additional burden on the Kensington house would be £10,000 pa, rising to £40,000 pa; and for the Solihull house, initially £165 pa rising to £660 pa after four years.

These low rates would apply to owner-occupiers and "small scale" landlords. Other categories of owner such as: non-resident, corporate, large-scale landlords, owners of long-term empty dwellings, and holiday homes in certain designated areas, could expect to pay significantly higher rates of LVT, starting at say 0.5 per cent pa and rising to perhaps as much as 3-4 per cent in some cases.

Two accompanying tax reforms would make sense: reduce Stamp Duty Land Tax on purchases of principal primary residences (PPRs) to a flat 1 per cent, which studies have shown would significantly free up the housing market, at a cost to the Exchequer of around £320m pa. By comparison, LVT at a uniform rate of 0.05 per cent across England would raise approximately £1.6bn pa, and with the higher rates advocated above, total LVT receipts would be much greater. Secondly, introduce Capital Gains Tax at around 10 per cent on all PPR disposals.

This package of reforms would achieve multiple economic and social objectives: a gradual redistribution of locked in "land wealth" to the wider population; near eradication of the housing market as a form of speculation; and strong incentives to maximise efficient use of all the country's housing stock.

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All the necessary land and property ownership data exists today within one or another government agency. Market prices are readily available to complete the picture. Several (developed) economies have successfully operated LVT for a number of years.

There are of course various complications and issues that would need to be resolved (these are discussed in a fuller online version of this article), but the chancellor could do a lot worse than put LVT back onto the agenda in his autumn Budget.

ACS responds to post-Covid tax inquiry

The Association of Convenience Stores (ACS) has responded to the House of Commons Treasury Select Committee on the implications of Covid-19 on tax policy.

The House of Commons Treasury Select Committee launched an inquiry calling for views on whether the government's economic response to the pandemic should be reflected in changes to taxation.

In the submission, ACS reiterated calls for the business rates system to incentivise investment by introducing a Growth Accelerator Relief scheme delaying increases in rates bills for property improvements.

In addition, ACS highlighted the need for the 2020/21 business rates holiday to be removed through a tapered approach until the next revaluation to prevent hitting retailers with spikes in business costs.

ACS chief executive, James Lowman, said: "Local shops have been working tirelessly to ensure that they can continue to feed their communities safely and effectively throughout the pandemic, with many shops acting as a lifeline for their communities, particularly those who are more vulnerable or isolated.

"Convenience stores pay and collect a total of £8.9bn a year in taxes, and it is vital that the tax system is fair to these businesses. This inquiry is also an opportunity to think about how tax policy can incentivise investment and sustainable growth, specifically through changes to the business rates system."

MPs campaign to flush away business rates for public loos

A CONSERVATIVE MP is campaigning to get business rates for public toilets scrapped as legislation edges closer to becoming law.

Richard Holden, Member of Parliament for North West Durham, has spoken in the House of Commons to get business rates scrapped for all public toilets.

As co-chair of the Across-Party Parliamentary Group on Local Democracy, Mr Holden has been working to free up funds for local councils by ensuring they do not have to pay business rates to open and maintain public toilets.

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Speaking in the Remaining Stages of the Non-Domestic Rating (Public Lavatories) Bill in the Chamber, Mr Holden said that he ‘recognised the great work that parish councils are doing’ in places like Rookhope and Wolsingham.

He also stated that the work parish councils do for the communities is one of the reasons he has been such an ‘active campaigner’ in Westminster on their behalf.

Commenting, Richard Holden, MP for North West Durham, said:

“I am delighted that we have seen the remaining stages of this Bill in the House of Commons and I am looking forward to it being debated in the House of Lords in the coming weeks.

“It’s such an important piece of legislation – my parish councils face spending two per cent of their annual budgets on business rates and this relief will make a huge difference to their finances.

“Not only will this legislation enable councils to spend money on what the community needs, but it will support our local areas by ensuring that people have access to public loos which, for some people, can be the deciding factor in whether or not they are able to go out.”

Coronavirus: UK house prices at record high after biggest monthly leap in 16 years

UK house prices hit a new all-time high in August after the biggest monthly rise since 2004, according to new figures from Nationwide.

The average home sold for £224,123 ($299,828) in August, up 2% from £220,935 in July.

It provides the latest sign of the mini-boom in Britain’s property market in recent months, with pent-up demand after lockdown and a temporary stamp duty holiday fuelling growth in sales and prices.

The data from the building society, one of Britain’s biggest mortgage lenders, showed a 3.7% increase year-on-year. Analysts had expected just a 0.5% rise on July, and a 2% annual increase.

The market has now erased all the losses seen in May and June. Robert Gardner, Nationwide's chief economist, said it reflected the "unexpectedly rapid" recovery in activity since lockdown curbs eased.

Gardner highlighted not only pent-up demand, but also people reasesssing their "housing needs and preferences" as a result of life under lockdown. "Social distancing does not appear to be having as much of a chilling effect as we might have feared, at least at this point," he added.

The news sent housebuilding stocks soaring, with four building firms among the top 10 biggest daily risers in morning trading on London’s FTSE 100 (^FTSE).

Barratt Developments (BDEV.L) leapt 7.7%, Taylor Wimpey y (TW.L) rose 5.9%, Persimmon (PSN.L) rose 4.8% and Berkeley (BKG.L) rose 4.3%.

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It comes a day after official figures showed lending for new mortgages soared by 66.2% between June and July. Lenders approved 66,300 mortgages for residential property purchases in July, according to a comprehensive survey by the Bank of England (BoE) published on Tuesday.

Approvals were only 10% below February levels, and more than seven times higher than the 9,300 mortgages signed off in May in the wake of national lockdown and lenders prioritising efforts to help existing mortgage customers.

UK chancellor Rishi Sunak announced a temporary stamp duty holiday on purchases under £500,000 ($671,000) in England and Northern Ireland in early July. The threshold had previously been £125,000, albeit with higher thresholds for first-time buyers.

The finance minister said at the time the measures would “catalyse the housing market and boost confidence,” as the government battles to drag the country out of a deep recession.

Hugh Wade-Jones, managing director of brokers Enness Global Mortgages, said this week the tax cuts had “turbo-charged” the market.

Lettings have lagged behind the sales boom, but separate figures from property firm Knight Frank on Tuesday also showed viewings for lettings had hit a ten-year high in London and the Home Counties at the end of August.

The company said students had driven the surge in demand, as uncertainty over starting university mid-pandemic and the recent controversial release of exam results delayed accommodation decisions.

The rebound in the residential property sector comes in spite of the dire state of the wider UK economy and a wave of job losses. Government and central bank crisis measures including low interest rates, mortgage re-payment holidays, and the furlough scheme are seen to have buttressed the market.

Gardner said the stamp duty cuts would boost "near-term" demand for purchases by bringing some transactions forward, but suggested the rebound may eventually fade.

"Most forecasters expect labour market conditions to weaken significantly in the quarters ahead as a result of the aftereffects of the pandemic and as government support schemes wind down. If this comes to pass, it would likely dampen housing activity once again in the quarters ahead.”

SCOTLAND

Massive tax appeals backlog leaves thousands of Scottish firms 'in limbo'

THOUSANDS of Scottish firms have been “left in limbo” because of a backlog in business rates appeals, sparking fears that failure to fast-track the system could tip many over the edge.

The dramatic change in trading circumstances sparked by the pandemic has led to more than 50,000 material change in circumstances (MCC) appeals being lodged with assessors.

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However, it is understood all of those appeals remain outstanding, and have been heaped on to a backlog that was already facing assessors before the crisis took hold.

The Scottish Government this week pushed back the next revaluation of business rates by one year to April 2023, but experts at property firm Colliers International fear this will be too late.

Louise Daly, associate director at Colliers, who leads the Colliers rating team, urged for action now to deal with the backlog. Ms Daly told The Herald that businesses need assessors to "proactively" alter property valuations to reflect the huge change in circumstances the Covid crisis has brought, "rather than going through the appeals" process.

Ms Daly said: "They tinkered around with the revaluation, but that will not help businesses now. Businesses will not survive [if they have to wait to 2023]."

Ms Daly said none of the MCC appeals have been dealt with, noting that assessors have until March next year to respond to them.

Alongside action by assessors, Ms Daly suggests the Scottish Government should make an early decision on whether the current one-year holiday from business rates, given to retail, hospitality and leisure businesses as part of emergency support measures, should be extended.

That relief is due to expire on April 1, 2021,but Ms Daly said businesses need to know now to provide visibility on fixed costs, particularly with the furlough scheme coming to an end.

Ms Daly said: "Thousands of Scottish businesses are being left in limbo, urgently looking for clarity. Ratepayers cannot wait for another revaluation to happen in 2023. There is a need to reflect the material change in circumstances as soon as possible.

"Businesses need to know what their liability will be, or they could be forced into making ruthless decisions, such as branch closures and job cuts, in preparation for the increased costs they will face."

She added: "The Scottish Government has a key role to play by making an early commitment to extend reliefs to allow businesses to budget accurately. With business rates relief in the worst-affected sectors, such as retail and hospitality & leisure, currently set to be removed in seven months' time, liability will increase from 0 per cent to 100 per cent overnight.

"Assessors must take action now to deal with the biggest, most significant MCC likely to occur in our lifetime."

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