IPTI Xtracts

Property Tax and Assessment News from Around the World

UNITED KINGDOM - March 2017

Council tax bills to rise in nine out of 10 English local authorities

Figures are in stark contrast to five years ago when 90% of local authorities froze or cut council tax

Households across the country are facing inflation-busting council tax hikes with nine out of 10 local authorities in England expected to increase rates from April.

Residents in some areas will see their bills go up by as much as 5%, with councils taking full advantage of new powers to top up their charges with fees ringfenced for social care.

Only 22 of England's 353 local authorities are to freeze council tax in the coming year and just one, East Hampshire, is to reduce the bill.

The figures mark a stark contrast to rate changes five years ago, when 90% of local authorities froze or cut council tax and just 35 raised it. In 2015-16, seven councils cut their council tax rates.

This is the first time that many councils have been able to add 3% to bills to help fund adult social care for their communities. The extra cash can only be spent on social care and cannot be used for other services. Last year the maximum councils could add was fixed at 2%.

The government has said that raising the social care precept to 3% has given councils the ability to raise an additional £208m in 2017-18, but critics have called the levy a "sticking plaster" that is unlikely to meet even the basic needs of communities.

Of the 152 local authorities able to raise bills by up to an extra 3% to fund social care, more than two-thirds are implementing the full amount. The Local Government Association said councils had found themselves "unable to turn down the chance to raise desperately needed money for local services" and warned that increases were unlikely to prevent further cutbacks.

However, the Department for Communities and Local Government said councils had almost £200bn available to them over four years and should be able to deliver "sensible savings to protect frontline services and keep bills down".

In East Hampshire, where the local authority is due to reduce its charge from April by 2.6%, the leader of the council said he hoped the decision would encourage others to "think completely outside the box".

Ferris Cowper said the local authority had taken "balanced risks" in bucking the national trend and proving "there is a completely different way of running the public sector".

He said East Hampshire had been able to make savings in part by making large investment in commercial property including the pursuit of a £35m investment programme.

Cowper said the council was also negotiating a further £200m loan with City brokers to increase its number of commercial properties.

He said: "I really hope that what we're doing here gives the government a head-scratching problem to solve. I want them to start noticing there is a completely different way of running the public sector."

Cowper said council tax could be scrapped altogether in East Hampshire by 2021 or at least reduced to a token amount to supplement wider public services such as social care.

Meanwhile Breckland council in Norfolk reported the highest percentage rise of council tax in England at 6.6%.

Among the 22 local authorities to freeze the rate of tax were South Oxfordshire, the London borough of Newham and Wyre Forest in Worcestershire, where the council leader, Marcus Hart, said putting up rates should be a "last resort".

He said the council was able to freeze the tax by increasing other fees and charges including car parking and bulky waste collections.

"Our narrative is, broadly, council tax payers – we won't just be using you by putting up council tax just to subsidise other services," explained Hart.

A lack of local provision to care for elderly residents is one of the causes of so-called "bed blocking" in NHS hospitals, which has been at record levels this winter.

Now the majority of councils are hoping to help alleviate such pressures by adding the 3% social care precept to their bills.

But Tim Roache, general secretary of the public sector GMB union, said the levy was "a sticking plaster on a gaping wound". He added: "That almost every local authority is being forced to raise council tax to meet even the basic needs of communities up and down the country shows just how far the government have gone in abdicating responsibility for public services."

Claire Kober, chair of the Local Government Association resources board, said many councils found themselves unable to turn down the chance to raise desperately needed money for local services.

She went on: "Council tax rises are unlikely to prevent the need for continued cutbacks to local services. Cost pressures associated with homelessness and temporary accommodation, and children's and adult social care, remain particularly acute."

The chancellor, Philip Hammond, used his budget speech in March to announce a further £2bn additional funding for social care for councils in England between 2017-18 and 2019-20.

The government has said it will also publish a green paper outlining proposals to “put the social care system on a more secure and sustainable long-term footing

Rating – the road to revaluation: Reliefs

Whilst the government argues that the 2017 revaluation ensures that all businesses are getting a fair deal, with the majority of businesses across the country being "unaffected or better off with the changes", it has been well publicised that many businesses are facing sharp rises in rateable value (RV) when the rating list goes live on 1 April 2017.

With such sharp rises expected, this instalment of Dentons' business rates series explores the main reliefs open to ratepayers.
Empty properties

As a general rule, you don’t pay business rates on properties that are empty for three months. Industrial properties, however, benefit from an additional three-month period and the following benefit from relief until they are occupied again:
listed buildings;
properties with an RV under £2,900;
properties owned by charities and used for charitable purposes; and
community amateur sports clubs, provided that the next use of the property will be that of a sports club.
To obtain the relief, the property must have previously been occupied for at least 42 days and rates must have been paid for that period.

Transitional relief

Transitional relief limits how much your rates bill can change each year as a result of revaluation. The relief phases the changes to your bill gradually, to soften the impact of revaluation. The limits apply where your rates increase or decrease by more than a certain amount linked to geographical location and sector.

Transitional relief is self-funded. The cost of any upward transition (i.e. for ratepayers whose bills increase) is funded by ratepayers whose bills decrease as a result of revaluation. The table below outlines the transitional caps from 1 April 2017[1].

		2017/18	2018/19	2019/20	2020/21	2021/22
	Small	5.0	7.5	10.0	15.0	15.0
Upwards Cap (excluding inflation)	Medium	12.5	17.5	20.0	25.0	25.0
	Large	42.0	32.0	49.0	16.0	6.0
	Small	20.0	30.0	35.0	55.0	55.0
Downwards Cap (excluding inflation)	Medium	10.0	15.0	20.0	25.0	25.0
	Large	4.1	4.6	5.9	5.8	4.8

So, whilst the government may have introduced a more generous upward relief scheme, small businesses with a reduced 2017 RV are being significantly penalised, having to subsidise these increases as a result of downward transition.

Tim Harrison, Partner at Cushman & Wakefield, comments: "What seems to have been missed by some commentators is the unfair system of downward transition that has also been put in place again. Many ratepayers were hoping to benefit from the revaluation as a result of their RVs going down but will instead be required to meet the cost of upward transition for those ratepayers whose RVs have gone up. For example, for a large business with an RV over £100,000 that is expecting a fall in liability, this will be restricted to a fall of only 4.1 per cent plus inflation in the first year. Smaller businesses with RVs below this £100,000 RV limit but above £20,000 outside London will see a greater fall in liability but again will be restricted to a maximum of 10 per cent plus inflation in the first year. The expected fall in liability from the revaluation will in fact be phased in over the life of the list to fund the increases. This is what makes the system really unfair as making these ratepayers fund transitional relief adds insult to historic injury especially as the revaluation was delayed for two years."

Relief for properties incapable of beneficial occupation

The recent Supreme Court case of *Newbigin*[2] has strengthened the position that if a property is incapable of beneficial occupation (in this case where a property had been stripped back to a shell during redevelopment works) it will qualify for 100 per cent relief. This is a huge win for property developers across the country, with the Supreme Court overruling the previous decision, providing much-needed clarity and common sense for developers. In summary, the guiding principle is that, if a property is in reality not capable of beneficial occupation, then it will qualify for the relief. There is no need for there to be an inquiry into whether the property should be in a hypothetical state of repair.

Other reliefs

Small business rate relief

Small business rate relief applies if your RV is less than £15,000 and your business only uses one property. From 1 April 2017, rates are not payable on a property with an RV of £12,000 or less. For properties with an RV of £12,001 to £15,000, the rate of relief is phased from 100 per cent to 0 per cent.

If your business uses more than one property, you continue to get the existing small business relief on your main property for 12 months, but not on any additional properties unless you meet certain criteria.

If your property has an RV below £51,000 your rates bill will be calculated using the small business multiplier of 46.6 pence compared to the standard 47.9 pence. So, whilst you may not qualify for relief, you will benefit from the smaller multiplier.

The Chancellor's Spring 2017 Budget provided that businesses losing small business rate relief from 1 April 2017 would not have an increased rates bill of more than £50 a month. The aim of this is to mitigate some of the criticism aimed at government arising from the harsh consequences of revaluation on some small businesses.

Rural relief

From 1 April 2017, you will receive 100 per cent relief if your business is in a rural area with a population below 3,000 and is:
the only village shop or post office with an RV of up to £8,500; or
the only public house or petrol station with an RV of up to £12,500.

Relief for part-occupied properties

Relief can also be obtained on properties that are partly occupied due to the ratepayer:
gradually moving in or out of the whole property over a period of time; or
temporarily occupying the property e.g. due to his/her usual property being rebuilt or refurbished.

Relief can only be obtained where the partial occupation is for a temporary period, e.g. no more than six months in any 12-month period.

Charitable rate relief

Relief is available to registered charities and community amateur sports clubs. Relief of up to 80 per cent can be applied for provided the property is used for charitable purposes.

Such relief may, in certain circumstances, be increased to 100 per cent at the discretion of the local billing authority. Discretionary relief may also be available to not-for-profit or voluntary organisations.

Enterprise Zones

If you are starting up or relocating to an Enterprise Zone, you can apply for relief of up to £55,000 over a period of five years. Each billing authority has a discretion as to how that relief may be applied.

Hardship relief

Billing authorities can also reduce your rates bill if you are in financial difficulty **and** such relief is in the interests of the local community. To aide this relief, the Chancellor announced in the Spring 2017 Budget that a £300 million fund was being put aside for billing authorities.

Spring Budget 2017

As well as the announcement concerning those losing small business rates relief in the 2017 revaluation, the Chancellor also announced that there would be a £300 million hardship fund available to local government in order to assist appropriate businesses struggling as a result of the revaluation. Finally, the Chancellor also announced a £1,000 business rates discount for public houses with an RV of up to £100,000 subject to state aid limits for businesses with multiple properties, for one year from 1 April 2017.

SNP conference backs call for land taxation to transform Scotland

SNP conference: Back radical land reform tax to bring ownership to the people

LAND TAXATION has been embraced as the policy of the Scottish National Party.

In a historic step forward for the land reform movement in Scotland, the party's spring conference unanimously backed calls for a tax on ownership to end the feudal ownership system that has endured in the country for centuries.

Graeme McCormick (Helensburgh SNP) brought the conference to its feet backing an amendment making support for land taxation explicit in the land reform motion today in Aberdeen [Saturday 18 March].

The amended motion said the government "must include exploring all fiscal options including ways of taxing the value of undeveloped land" in its gradual land reform programme.

The leap forward for tax and land reform campaigners comes just a fortnight till the Scottish Land Commission is formally established with a remit to push further research and action on the reform agenda.

The 2016 Land Reform Act, passed amid calls for more radical action, was described as a foundation for further actions on land reform - including on taxation.

Heather Anderson told the conference that land ownership "is no longer for the privileged few" and "now conditional" rather than absolute. She said that rich landowners must meet social responsibilities - "if you don't the people of Scotland can take it back", she warned.

Mary Mccaig added that a tax would bring down the extortionate cost of land purchases - swathes of which are deserted clearances country left derelict from forced depopulation and "stops land owners from hanging onto it for speculative purposes".

Proposing the motion was former MSP Rob Gibson, who chaired the committee that scrutinised the new land reform legislation. Cabinet Secretary for Land Reform Roseanna Cunningham spoke for the motion, and focused on calls for development of derelict land.

However, the enthusiasm for land taxation came from members Graeme McCormick and Mary Mccaig. McCormick called on cabinet secretary for finance Derek Mackay to start research on a land tax.

The support for further action was the first land reform debate at SNP conference since members rebelled against the party's leadership in October 2015 for not being bold enough in its land reform legislation. Tenant farming families continue to be evicted by landowners in Scotland, and various communities across the highlands and southern uplands continue to face challenges of dominant private estates.

Lesley Riddoch, who has campaigned with the Our Land group, welcomed the outcome: "Absolutely brilliant to see #SNP17 pass amendment requiring land taxation in land reform measures. SNP policy gets radical at last. Thanks delegates."

Campaigners will now have a close eye on the work of the new commission.

David v Goliath: The landlord who took on the council and won

The Appeal Court has ruled landlords are not responsible for paying council tax on properties when a tenant moves out before their tenancy agreement has expired, following a lengthy court battle between Leeds City Council and landlord Stephen Broadley.

Leeds City Council had demanded council tax for five properties owned by Mr Broadley, for periods when the homes were empty but the tenancies had not been formally ended by either party.

He successfully defended himself in court and against two subsequent appeals.

What is it about?

It is not uncommon for tenants in periodic tenancies to simply disappear part way through a month giving the landlord little or no notice.

Tenants are not in fact allowed to do this and legally-speaking they must give the landlord not less than four weeks' (for a weekly tenancy) or one month's (for a monthly tenancy) written notice which expires at the end of a rental period – the day before the rent is due.

Often tenants leave having failed to do this and sometimes leaving the landlord with arrears of rent too.

To add insult to injury many local authorities then also chase the landlord for the council tax that the tenant should have paid during the notice period.

In some cases the first time the landlord realises the tenant has actually left is when the local authority writes chasing the council tax.

Why does this happen?

Council tax is payable in normal circumstances by the person occupying a property.

However, it is not quite that simple and there is a hierarchy of those who have to pay, with the owner of the property sitting at the top.

A local authority works its way up the hierarchy until it finds someone who is liable to pay.

Lower down the chain are two key entries. The first is a tenant who has an interest in the property which exceeds six months.

Most tenants in a fixed term tenancy will fall into this bracket as they will have been granted a fixed term AST for six months or a year. This means that a tenant who leaves part-way through their fixed term will remain liable for the council tax even if they abandon the property unless the landlord takes back control of the premises. Lower down the hierarchy still can be found a tenant who is resident in the property who has an interest in the premises which is less than six months.

Because a tenant with an interest of less than six months is liable for council tax only while they are resident, if they leave the property for whatever reason then they will not be resident and will not be liable for council tax.

The local authority will then move up the hierarchy to find the next person who is liable for council tax, usually the landlord. It is this distinction between tenants who have an interest of more than six months and those who have an interest of less than six months which is at the heart of the Broadley case.

In a previous case it had been held that a tenant for six months whose tenancy had then continued as a statutory periodic tenancy did not have a sufficient interest during their periodic tenancy.

This meant that when this tenant left the property during the periodic tenancy the landlord was liable for council tax immediately.

The reason for this was that the court held that a statutory periodic tenancy was a new tenancy and so the tenant's interest in the property was only from month to month.

Mr Broadley had done something slightly different.

He had written his tenancy agreement so that at the end of the fixed term the tenancy would continue as a periodic tenancy.

This was as a matter of contract rather than as a statutory periodic tenancy.

Mr Broadley therefore was of the view that as his tenant had an ongoing relationship which had started as a six month tenancy and was continuing as a periodic tenancy rather than a new periodic tenancy commencing once the fixed term had ended.

Leeds City Council was seeking to argue that the continuation of the tenancy as a contractual periodic tenancy was not legally possible and that it should be treated as a periodic tenancy which had started afresh at the end of the fixed term tenancy.

The local authority was making the point that while this was not a huge amount of money for Mr Broadley it would end up being a lot of money for Leeds City Council as they would be unable to collect money unpaid for a large number of properties where tenants had left without paying final council tax instalments.

When Leeds appealed to the Court of Appeal they approached lawyers that the RLA had contact with to see if they would assist Mr Broadley.

The RLA took the view that this case was of interest to landlords as a whole because the sums of money involved, while small to each landlord, would be substantial when added across a large number of landlords.

We therefore decided to get involved in the case to argue the legal points alongside Mr Broadley. The Court of Appeal agreed with the RLA arguments and took the view that a periodic tenancy which continues on a contractual basis is different from a periodic tenancy which has arisen by way of statute.

Therefore landlords who are allowing tenancies to become periodic at the end of the fixed term may want to look at the way they do this and word them to ensure that the periodic tenancy arises by way of a contractual provision in the tenancy agreement.

The RLA will be looking at its own tenancy agreements to see how this can best be done.

The Landlord's Story

Stephen Broadley spent a 'horrendous' two-and-a-half years doing battle with Leeds City Council. Here he explains why it was important to prove his 'point of principle'.

It is the David v Goliath case that has given hope to all those landlords out there facing a closed door when disputing council tax issues with local authorities.

It was back in 2014 that Leeds landlord Stephen Broadley was charged £120 for a couple of weeks' council tax on an empty property.

He could have just written the cheque, marked it down to experience and moved on.

But the 63-year-old believed these charges were unfair and made the decision to challenge the council on it.

This decision had far reaching consequences; bailiffs at his door and a two-and-a-half year legal battle which saw him represent himself in some of the highest courts in the land.

In the end he was vindicated, with the Appeal Court in London upholding a High Court and Valuation Tribunal decision, that he was in the right all along.

Mr Broadley, a chartered surveyor, said the last two years have been 'horrendous' and estimates he has spent at least 300 hours fighting the case. Not to mention financial outgoings.

He said: "It has been horrendous. I got the council tax bill and disputed it as I didn't believe it was my liability.

"This was all going through the system when two bailiffs turned up at my home. At first the council told me it was a mistake, then I was called back and told it wasn't and I ended up having to pay them £520 just to go away."

After a Valuation Tribunal found in his favour, he was horrified to discover the council was appealing. He said: "In my view this should have been the end of the matter.

The whole point of the Valuation Tribunal is to resolve disputes regarding conditions of council tax."

When Leeds appealed the case at the High Court, appointing a QC and a barrister, Mr Broadley represented himself. When this failed the city council took the case to the Court of Appeal in London. This too failed.

Mr Broadley said: "The whole thing dragged on for more than two years and I am still out of pocket. I have yet to recover the money I paid to the bailiffs, which the council said I would have to pursue with the company they employed.

"This claim is still ongoing and will need to be dealt with in the County Court.

"For fear of ending up paying the city council's legal fees if I lost – which was always a possibility – I had to sign a paper saying I wouldn't claim my own costs if they found in my favour, meaning I have been unable to claim anything back for all the time lost fighting this or the expenses incurred.

"I feel Leeds Council was most aggressive and intimidating in the way it dealt with me from the start. However I am glad that I did this.

"Most landlords that I know reacted with complete disbelief when Leeds kept appealing. Some have asked whether it was worth it, but to me this was a matter of principle and I wasn't going to give in.

"I just hope that the result in this case gives hope to other landlords who may be fighting similar battles elsewhere."

Business rates: Government response on Check, Challenge, Appeal consultation and Budget measures

On 8 March, the government made two announcements which will affect the business rates regime going forward: DCLG published its response to the consultation on implementation of the Check, Challenge, Appeal procedure; and the Chancellor announced additional measures in his Budget.

Check, Challenge, Appeal – Government response to consultation on statutory implementation

The most significant change made is the removal of the controversial proposals to allow the Valuation Tribunal to decide whether a valuation was "outside the bounds of reasonable professional judgement". This will be replaced with a duty to consider whether the valuation is a reasonable valuation.

In addition, DCLG confirmed that each Appeal will be subject to a separate fee and that there is no intention, currently, to link the fee charged to the rateable value of properties. This is also reflected in the penalty regime for false information; there is no intention to link the penalty charge to the rateable value of properties at this time. Both policies, on fees and penalty charges, will be subject to review and there will be a general review of the implementation of Check, Challenge, Appeal by April 2018.

The government acknowledged two further concerns raised by businesses in response to the consultation: first, the challenges faced by businesses with multiple properties and multiple clients - the government has stressed that the VOA will engage with businesses to make complex processes for valuation as simple as possible; second, the potential disclosure of sensitive commercial information as a result of the public right to inspect proposals. Despite acknowledging both these concerns, the consultation proposed no further action on these matters at the present time.

Subject to Parliamentary approval, these amended regulations will be implemented as soon as possible before the revaluation on 1 April.

Budget measures

In the Budget yesterday, Philip Hammond asserted the government's commitment to the business rates revaluation in England. However, he has announced three measures designed to mitigate the impact of rate increases on businesses adversely affected by the revaluation.

First, he proposed that any business coming out of small business rate relief will benefit from an additional cap on their rates liability. Any business which is losing small business rate relief under the revaluation will see the increase in their bill capped at £50 per month for the next year. Any subsequent increases in their liability will be capped at either the transitional relief cap or £50 a month, whichever is higher. This cap will apply for five years.

Secondly, the Chancellor announced a £1,000 discount on business rates bills in 2017 for all pubs with a rateable value of less than £100,000. This discount applies to their revalued bill so some pubs will still see their business rates increase, but by £1,000 less than they would have done before the announcement in the Budget.

Finally, he announced that local authorities would be provided with a £300 million fund to deliver discretionary relief to those businesses particularly adversely, and unfairly, affected by the revaluation. The fund will be allocated to local authorities by a formula, details of which are due to be delivered at an unspecified later date.

The Chancellor once again stated that the revaluation was fiscally neutral. As a result, the £435 million cut in business rates announced today for those who would lose out under the revaluation will be paid for by those who were due to profit from it.

While these propositions may provide relief to some businesses, that relief is temporary. More fundamental structural reform to the business rates system has been delayed indefinitely, despite various ongoing industry campaigns for change. The Chancellor himself acknowledged the flaws in the current valuation system. 'Bricks-and-mortar' companies are heavily penalised by the business rates regime, particularly when compared with companies in the digital economy. Equally, there is scope to reform the revaluation process, making it more frequent to avoid the dramatic increases suffered by some companies under the current regime. However, these musings in the Budget will not affect the current revaluation with the 1 April date being imminent.

Budget 2017: Pubs giveaway not enough to ease the pain of business rates

The Chancellor announced 90pc of pubs in the UK would be granted a £1,000 reduction to their business rates bill

Industry leaders accused the Government of ignoring calls to reform the archaic business rates system and likened the outlined £435m cut to a "drop in the ocean" compared with the £25bn burden.

Philip Hammond swiftly dampened ambitious hopes that business rates could be scrapped by stressing the Government could not "abolish them". But he sought to address the vitriolic debate that has surrounded the property tax by announcing three measures to alleviate the pressure on businesses.

The Chancellor attempted to soothe fears of small firms, which are set to lose their rates relief next month and face a steep jump, by announcing increases on their monthly business rates bills would be capped at £50. He also announced that 90pc of pubs in the UK would be granted a £1,000 reduction to their business rates bill to recognise "the valuable role that local pubs play in our communities".

Surging business rates have contributed to one in five pub closures across England and Wales in the past five years, and pubs are due to face a crippling 17pc increase in their bills. However, critics swiftly highlighted that the rates decrease was for one year only and the temporary measure would only help to offset beer duty, which is on track to rise with inflation. "We have been very clear with government that pubs are paying 2.8pc of business rates, but only generate 0.5pc of turnover – an overpayment of £500m," said British Beer and Pub Association chief executive Brigid Simmonds.

The Chancellor also revealed plans for a £300m fund for local councils to give discretionary relief to "target individual hard cases in their local areas".

The package of measures results in a £435m cut in business rates, but industry experts argued that the move was "knee-jerk tinkering" compared with the rising property tax that is forecast to soar to £33.7bn by 2022. Jerry Schurder, head of business rates at property consultancy Gerald Eve, added: "The measures give the impression of a government that is listening to business, but are actually a pathetic attempt to kick the issue into the long grass."

"This is yet another sticking plaster on a chronically ill patient – an unsustainable property tax higher here than anywhere in the developed world," said Helen Dickinson, chief executive of the British Retail Consortium. "More short-term relief measures continue to add complexity to an already impenetrable system."

Industry leaders had hoped that swaths of negative publicity around the business rates would spark the Government into a more radical reform of the system, in particular making it fairer between traditional bricks-and-mortar retailers and online players.

Mr Hammond acknowledged that "in the medium term that we have to find a better way of taxing the digital part of the economy", but he stopped short of announcing any new measures which would address this.

The Chancellor also disappointed industry figures by announcing the Government would launch another review into business rates – the seventh in three years – to "make it smoother and more frequent, to avoid the dramatic increases that the present system can deliver". Mr Hammond said that the Government would only consult on new proposals "before the next revaluation is due", meaning reform could be delayed until 2022 and potentially disrupted by the UK extricating itself from the European Union.

"This has become a groundhog day event at every Budget for the last five years," said Keith Cooney, head of business rates at property firm Knight Frank, while Mr Schurder argued that Mr Hammond had "spurned a golden chance and those firms facing dizzying increases will not thank him for it".

Sainsbury's boss Mike Coupe argued that "business rates are an analogue tax, not fit for the digital age. We would ask the Government to carry out a root-and-branch review of business taxation to create a level playing field across all businesses, rather than penalise property-based companies."

Ewan Venters, boss of Fortnum & Mason, added: "The one area the new scheme does not address is a fairer rateable charge to online-only businesses, [which] are typically operating from remote warehouse locations where any increase in rates will be marginal if not actually in decline."

Mr Hammond also ignored pleas from business lobby groups to accelerate the switch of uprating business rates from the higher retail price index to the lower consumer prices index from the next decade. The British Retail Consortium had warned that delaying the switch to 2020 would mean retailers faced paying an extra £180m over the next two years.

However, the Department for Communities and Local Government appeared to back down on a controversial reform to the business rates appeal process. Business lobby groups had said a new "professional judgment test" would have forced companies to pay wrong bills if they were within a set margin of error.

Businesses accuse chancellor of ignoring rate concerns in budget

Philip Hammond criticised as he unveils measures including cap on increase in rates for companies losing small business relief

Business leaders have responded to the budget by accusing the chancellor of not listening to their concerns about business rates, despite Philip Hammond announcing a £435m relief package.

The government has been under mounting pressure to take action on business rates because a revaluation of property in Britain means some companies will see their tax bills more than double from April.
Hammond unveiled three measures designed to delay tax increases for businesses affected by the revaluation – including specific help for pubs – and said the government would unveil plans to change the rates system later this year.

However, critics described the announcements as "sticking plasters", pointing out that most businesses will still end up paying the new levels of tax set by the revaluation and criticising the lack of reform to the business rates system. Hammond indicated that more frequent revaluations – which would stop the wild fluctuations in the amount businesses have to pay – would not be introduced before the next revaluation in 2022. This is despite George Osborne pledging to make revaluations more frequent, to reduce the bill-shock linked to long gaps between revaluations, in his budget last March.

The budget document shows that despite the chancellor's measures to help businesses hit by big increases, the income the Treasury receives from business rates will rise from £28.8bn this year to £33.7bn in 2022.

The business rates measures announced by Hammond included:

- Any firm which has lost small business relief due to the revaluation will have the increase in their tax bill capped at £50 per month or £600 a year.
- A £1,000 business rates discount this year for pubs with a rateable value of less than £100,000, which the chancellor said would cover 90% of Britain's pubs.
- £300m over four years for local authorities to offer discretionary discounts to businesses in their area.

Following the budget, the government also announced it was softening controversial proposals that would have made it more difficult for businesses to appeal against their rates bill.

However, property consultants said businesses would still struggle to challenge their tax bill under the plans, and that it was another disappointing response to criticism of rates.

Jerry Schurder, head of business rates at property consultancy Gerald Eve, said: "This budget showed a spectacular lack of ambition from the chancellor, who has missed a gilt-edged opportunity to grasp the nettle of business rates reform.

"New reliefs will be welcomed by the lucky few, but in truth the £435m of new assistance was no more than kneejerk tinkering designed to take the edge off the worst rises and secure some positive headlines.
The measures give the impression of a government that is listening to business, but are actually a pathetic attempt to kick the issue into the long grass.

"Yet another consultation into more frequent revaluations is time-wasting of the highest order, condemning UK plc to an inflexible and punitive system for at least five years, during which time it will have to adjust to the fallout from Brexit. Firms have given their views on business rates at least five times since 2013 and it's time the government acted on this information."

The £435m relief package will be spread over five years and is a small proportion of the £28.8bn that business rates will generate this year. Approximately 25,000 small businesses will benefit from the £50-a-month cap, but this is worth just £25m a year. While the cap will delay the onset of the higher level of tax set by the revaluation, the firms will still end up paying it eventually. Furthermore, just £180m of the £300m discretionary fund will be available this year. Given there are 326 local authorities, this means councils will receive, on average, just £552,000 each.

The Treasury was also unable to confirm how many pubs would actually receive the £1,000 discount. Although 36,000 pubs have a rateable value of less than £100,000, pubs that are part of chains such as Wetherspoons will have their discount restricted due to EU state-aid laws.

Labour MP Toby Perkins, who has campaigned for the government to help pubs, said: "I welcome any action that will mitigate unfair business rates impact on pubs, but for many pubs, their rise got £1,000 smaller, [there was] not a cut."

Businesses in London, where there will be a £9bn increase in business rates over the next five years, were particularly critical of the government's proposals.

Sir Peter Rogers, the chairman of New West End Company, which represents businesses in the West End, said: "The short-term relief he announced will have no impact on the majority of the companies in London and the West End that will suffer massive tax increases on 1 April. This will mean closures and job losses."

During his budget speech Hammond hinted at a wide-ranging review of business rates in the future that would consider the taxation of digital businesses. The latest revaluation has led to Amazon warehouses having their rates bills cut, while high streets across the country see their taxes increase. "It is certainly true, in the medium term that we have to find a better way of taxing the digital part of the economy," he said.

The chancellor also confirmed he would announce plans later this year to hold revaluations of business rates at least every three years, instead of the seven years between the latest revaluation and the previous one in 2010. However, this will not come into force before the next scheduled revaluation in 2022.

Mike Coupe, the chief executive of Sainsbury's, led calls for an overhaul of the tax, describing it as archaic. "Business rates are an analogue tax, not fit for the digital age," he said. "The UK needs wholesale reform of business taxation. We would ask the government to carry out a root-and-branch review of business taxation to create a level playing field across all businesses, rather than penalise property-based companies."

The car industry said business rates could block new investment in the sector just at it tries to cope with the uncertainty caused by Brexit. Mike Haws, chief executive of the Society of Motor Manufacturers and Traders, said: "UK automotive plays a critical role in the country's economy but future success will depend upon maintaining competitiveness. It's disappointing, therefore, that the chancellor hasn't prioritised additional funding for supply chain development, nor addressed the flaw in business rates that disincentivises investment in plants and machinery."

Adam Marshall, director general of the British Chambers of Commerce, said: "However welcome, measures that mitigate the short-term impact of business rate rises are little more than a sticking plaster. The radical changes needed to improve the broken business rates system will have to wait for another day."

'Urgent' action needed to avert business rates threat

The chief executive of the British Hydropower Association has warned the business rates system in England and Wales is "fundamentally flawed" and "urgently needs attention".

Simon Hamlyn, said many hydro schemes are facing increases of several hundred per cent because of business rate evaluations in England and Wales, and called on the British Treasury to give members “some breathing space” by introducing a cap, similar to the one in place for smaller schemes in Scotland.

Hamlyn said one hydro scheme in England will see their business rates rise from £3,000 to £16,000 in April, while another in Wales is facing an increase from £400 to £3,5000.

“We are asking for a complete overhaul of the system, to make it more fair to the hydro industry, because the whole system is wrong,” he said.

He added hydro operators cannot increase the amount of money they make from their plants, because the Government has frozen electricity prices through the Feed in Tariff.

Hamlyn was speaking after his organisation appealed to the Scottish Government to rethink its temporary business rate review, which he said would hit schemes between 1 and 5 MW the hardest.

Last month, Holyrood announced a 12.5 per cent limit on business rates increases for schemes up to 1MW until the end of March, 2018. But the association chief executive said, so far, the Scottish Government is not looking to cap increases for small scale hydro schemes between 1 and 5 MW.

“A number of these schemes will see rates rises of more than 400 per cent – with, for one example, one operator seeing their rates bill soar from £49,000 to £200,000 per year, a leap of over £150,000,” said Hamlyn.

“We could see the scenario where some schemes will be operating solely to pay the rates bill, whilst other nearby schemes will be getting rates relief,” he added. “It does not make sense.”

Last month, Scottish Renewables claimed smaller hydro, solar and wind schemes faced business rates increases of up to 650 per cent as part of a wider revaluation of the property tax launched by the Holyrood government in December.

“We have concerns over the cap to relief for hydro projects at 1MW, given data from our members shows that some schemes slightly larger than this threshold could still be subject to unrealistic hikes in rates bills,” said the association's policy manager, Hannah Smith.

"We have been discussing the issue with Scottish Government officials and will continue to work to ensure rates bills for the renewables industry and fair and proportionate.”

Business Rates punishes shopkeepers who improve their premises

The rumblings of discontent in recent weeks over the revaluations of Business Rates are continuing. The main fears are that internet giants such as Boohoo, Amazon, Asos and other online retailers will see a cut in Business Rates; high street stores are being unfairly penalised by the revaluations; the Business Rates bill for offices in London’s Square Mile will rise by £1.4bn over the next five years (a 33 per cent increase which will ‘undermine the financial sector as it deals with Brexit’); and that the rate changes will have a negative impact on the NHS.

Essentially, the point of Business Rates is that occupiers of non-domestic properties contribute to the cost of local services, similar to the Council Tax paid by domestic properties. Business Rates are based on the rateable value of business premises (assessing the annual rent that the property would rent for, were it available to let on the open market on a fixed valuation date). Council Tax is also based on property values, but with a ‘personal element’. Properties are placed in one of eight Valuation Bands which determines the level of tax payable. Council Tax is not based on rateable value nor is it related to a property’s current market value.

With cuts to local government funding, income from Business Rates will continue to be vital to local authorities, not only for the provision of services, but also for investment in a local authority’s economic and social strategic plans.

Business rates can, in certain circumstances, have a negative effect on regeneration and improving public realm. Rother District Council (RDC) has recently engaged in a lengthy Member-led analysis of the district’s public realm, culminating in the development of a far reaching and ambitious strategy. Research has firmly established the importance of a high quality public realm to economic growth, regeneration, traffic management, and health and social well being. Tourism, retail trade, commerce, community life and day to day living depend on a quality urban and rural public realm.

Last year for example, I was contacted by owners of a local shop in Rye regarding a 103 per cent increase in their Business Rates. The business seemed to be doing reasonably well until the owners decided to improve the shop by putting in air conditioning and making other improvements. The owners did not realise that in making such improvements to the shop that it would attract a higher rateable value.

The issue is twofold: firstly, the revised rateable value means that the business no longer qualifies for the rate relief for small businesses. The owner is worried that he has no choice but to close. This would not only be devastating for the owners, but also for local economic development. Secondly, if shops and businesses make necessary improvements to their properties (which contribute to a quality public realm), but as a result of this they are "penalised" by attracting a higher rateable value for business rates, there is clearly no incentive to make such improvements.

While we are striving to improve and maintain our public realm, the current system of Business Rates pulls us back. As the British Retail Consortium has said "We need a business rate tax that 'flexes with overall economic performance, is shared equitably across different industries and comes with positive incentives for business."

Business Rates seem to be quite popular with economists, but not the majority of our MPs. The British Retail Consortium research published in 2014 showed that 80 per cent of MPs believe that Business Rates are "not fit for purpose". To quote Michael Gove "I think we have had enough of experts".

Our MPs should be given a chance to pragmatically rethink and reconsider Business Rates. Alternatives to Business Rates have been suggested. One option mooted is to replace them with a local sales tax, additional to VAT. Currently, any tax that is like VAT risks breaching EU law as Europe does not allow such differential tax rates within EU states.

With Brexit on the horizon, we now have an opportunity to react to changing circumstances affecting policy and consider all alternatives to Business Rates as we will not be hampered by EU legislation; we will have the freedom to find the best solutions for British businesses going forward.

Hammond seems to be expecting business rates storm to just blow over

Chancellor's talk of 'medium term' changes to property taxation suggests he has no immediate plan of action to tackle problem

How much does it cost to make the quarrel over business rates disappear? The answer, Philip Hammond hopes, is £435m. The figure is the extra relief the chancellor has provided to remove the sharpest edges from a property tax that should have been declared outdated and artless at least a decade ago.

Pubs with a rateable value of less than £100,000 will get a £1,000 discount on their bills. Small businesses that are set to lose their relief will see bills rise by no more than £50 a month. And local authorities can access a £300m fund to address "individual hard cases in their local areas".

This package may address many of the cases of looming hardship among small shops and restaurants, especially in the south-east, facing three or fourfold increases in their business rates. But it does little or nothing for those pubs, especially in London, where takings have not soared alongside property prices. Some complained about increases of £10,000 or more. For them, £1,000, even if they qualify for it, will be lost in the slops.

What's a poor chancellor supposed to do, Hammond seemed to complain. Business rates raise £25bn, with the entire sum going to local government by 2020, so he can hardly abolish them overnight, he argued. True, but he could have set out a few hard principles for reform and indicated urgency.

His two areas of focus were fine as far as they went, but that wasn't far. The revaluation process should be "smoother and more frequent", said Hammond, committing himself to no deadline for reducing the current five-year cycle. Secondly, he said, the government would try to "find a better way of taxing the digital part of the economy, the part that does not use bricks and mortar". But Hammond said the goal would be pursued for "the medium term", which suggests the government's thinking has barely begun.

Shifting more of the burden of business rates on to online companies would be entirely fair, of course. The retail game, in particular, has been transformed since the turn of the century. It is surely perverse for the taxation system to privilege Amazon's retail warehouses, built on cheap land with low rental values, over high street shops. The policy may create a few jobs in areas of underinvestment, but the effect is to damage further town centres that have been clobbered by the growth in charmless out-of-town sheds.

Simple alternatives are not easy, of course. We already have VAT and corporation tax applies to profit. But ideas for reform are not in short supply. Should business rates try to distinguish between different types of companies, as opposed to seeking to track rental values in mechanical fashion? And is it really right that central government should set a tax that is for the benefit of local authorities?
Hammond is a chancellor who tries not to overpromise, so it is still possible that root-and-branch reform, which most of the business world would support, will materialise from his review. But he sounded like a politician who has calculated that the twice-a-decade storm over business rates will blow over eventually and the "medium term" can mean whatever the government wants it to.

Households face council tax rises of up to £121 as councils battle to fund social care

Nearly every household in England and Wales will face council tax rises of up to £121 next month as local authorities raise bills to fund social care.

A survey by the Chartered Institute of Public Finance found that councils are planning to raise their bills by an average of 4 per cent.

The rise means that an average Band D property will see its council tax bill rise by £60 to nearly £1,600, while a larger Band H property will face a £121 rise to £3,181.

Calculations show average Band E homes going up by £74 to £1940, for Band F by £80 to £2,290 and by £101 to £2,656 for a Band G property.

The increase in the tax paid on a Band D property- by £60.94 to £1,590.53 - is the largest in a decade.

The survey found that nearly three quarters of local authorities are planning to increase the social care precept by the maximum amount of 3 per cent.

Authorities with responsibility for social care can raise bills by up to 4.99 per cent without triggering a referendum. Smaller councils without those duties can increase bills by up to 1.99 per cent.

Some 95 per cent will be setting the social care precept rate at least 2 per cent, while 70 per cent will be increasing tax by the maximum amount of 3 per cent - on top of the maximum 1.99 per cent rise allowed.

For English counties, unitaries, metropolitan districts and London boroughs, all of which are entitled to the additional social care precept, the increases are 4.3 per cent, 4.8 per cent, 4.9 per cent and 3.9 per cent respectively.

Sean Nolan, director for local government at Cipfa, said: "The fact that we are facing the single highest council tax increase in a decade is all the more remarkable because it comes after six years of very low increases, actively encouraged by Government who until last year had offered a council tax freeze grant if councils did not raise theirs at all.

"The subsequent removal of this freeze grant shows a clear shift in public policy in general, but also a reflection of the strains being caused by social care pressures. We can expect these levels of increase to continue at least for next year."

A Department for Communities and Local Government spokesman said: "Council tax is expected to be lower in real terms at the end of this parliament than it was in 2010, and we've protected residents by allowing them to veto excessive rises at a local referendum.

"Our historic four year funding settlement gives local authorities the certainty they need to plan ahead, with almost £200 billion available to provide the services that local people most value.

"We've also announced an additional £900 million for social care, meaning councils will have £7.6 billion of dedicated funding to spend over this period."

It comes after Mrs May was warned by Tory councils that "a day of reckoning is coming" after a town hall said it wanted to increase taxes by 15 per cent.

Conservative- led Surrey council threatened and then withdrew plans for a referendum to allow it to put up tax by almost £200 for a band D property.

It has led to fears that a series of Conservative councils in home counties may plan similar referendums.

Government swamped with business rates appeals backlog…but government says many are 'spurious'

The Valuation Office Agency (VOA) is swamped with a huge backlog of appeals against changes in business rates after the last revaluation, dating back to 2010.

That's according to the British Hospitality Association (BHA), which said that there were over 250,000 appeals against the current 2010 Rating List are still outstanding, mearning that even before the new Rateable Values come into effect on 1 April, the authorities face an uphill task to clear the backlog.

David Shuttleworth, vice-president of Altus UK, the business rate specialist surveyors which is advising the BHA on the matter, said: "Our latest figure is that businesses are awaiting resolution of over 250,000 appeals from up to seven years ago and they have to pay the higher rate until their case is concluded."

The backlog may well be swelled significantly due to the deadline for appeal against the 2010 rating assessments being 31 March this year, he added.

BHA chief exeuctive Ufi Ibrahim said the figures showed the situation was "already chaotic" and called on the government to reform the whole business rate process.

But the VOA said that the figures "clearly show how the appeals process is being clogged up by spurious claims".

A spokesman said that over 70% of appeals led to no change to a business's rateable value.

"VOA will continue to clear the appeals and at the same time introduce reforms to ensure businesses have the chance to check, challenge and appeal their bills quickly and easily," he added.

Shuttleworth said it would be even more difficult to appeal against the new 2017 Rateable Values – and more costly ¬- because the government is introducing a new multi-stage appeal process. "There are a lot of challenges and a considerable increase in the amount of bureaucracy," he said.

He confirmed that the average increase in Rateable Values on hotels for the 2017 revaluation is around 23% with some places a lot higher. Westminster, central London, has seen a rise of 39%. In Eastbourne, on the south coast, it is 47%.

Ibrahim said: "We have asked the Valuation Office, through Freedom of Information requests, for the exact number of hospitality and tourism businesses who have appealed and what remains outstanding.
Whatever that number an already chaotic situation is about to get a whole lot worse. It is clear, even now, that through no fault of its own the valuation office is underfunded and thus over run and that, as a result, many businesses are already being put under severe pressure."

She continued: "With next month's increases, and the lack of clarity concerning the new appeal process, thousands of small businesses are faced with huge increases and thus an uncertain future. In the first instance the chancellor should follow the lead of the Scottish government and limit any increase for hospitality businesses to 12.5% and in the second the UK government should look at their whole business rate plan again. Many of our members are small businesses already just about managing. They are the people that our prime minister says she supports. She should show that support now. And so should the chancellor in the Budget."