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SCOTLAND: CBI Scotland director Tracy Black warns the SNP's rates reform will hit companies with a triple whammy of tax rises

CBI Scotland director Tracy Black has warned that Scottish government plans to make companies based in out-of-town locations pay additional business rates will leave employers facing a triple whammy of tax rises compared with their counterparts in England.

Holyrood plans to launch three pilot schemes that will allow councils to impose a business rate surcharge on "out-of-town ratepayers or predominantly online ratepayers" from 2020.

Much of the focus has been on the impact of the tax hike on out-of-town retail centres. But Black warned that the increases will also hit industrial and commercial organisations.

"These proposals will be a concern for many successful companies across Scotland," said Black. "Particularly as those most affected would be firms with a large economic footprint in local communities that could face the challenging prospect of a triple-tax burden when considered alongside the existing Scottish large business supplement and the apprenticeship levy."

She added: "Business may also question how these proposals fit with the Barclay review's stated goal to better support business growth and long-term investment."

Black's comments are the latest indication that CBI Scotland is taking a tougher stance with Holyrood on the increased tax burden that businesses in Scotland now face compared with their competitors in the rest of the UK.

Last month The Sunday Times reported that Scottish businesses will have paid an additional £200m in taxes at the end of the current financial year compared with their counterparts in England since the SNP doubled the large business rate supplement in 2016.

Businesses have also demanded clarity from the Scottish government on what constitutes an "online ratepayer". David Lonsdale, director of the Scottish Retail Consortium, said: "There is as yet zero clarity over what an online business is, and any type of company which operates predominantly online could be caught in the crosshairs of this new tax.

"We also have no idea whether this new local authority tax will be capped or even how councils will use the tax receipts."

The Scottish government has said proceeds from the surcharge will be used to support businesses in city and town centres but it has failed to provide any further details.

Stuart Mackinnon, from the Federation of Small Businesses in Scotland, said: “Some town-centre businesses feel they’re treated harshly by the rates system in comparison to out-of-town supermarkets, shopping malls and online businesses. A proposed localised levy could address this problem, but the rates system is already complicated and any new levy could introduce unwanted additional complexity.

“There’s also a risk that smaller operators will get caught by any tax change, not just the multinationals.”

A Scottish government spokesman said: “These pilot schemes would start no earlier than 2020 and the lessons learnt from them would then be considered very carefully prior to any wider rollout beyond the initial pilot.”

Scottish landowners lose the plot over compulsory purchase arrangement proposal

Scottish landowners could be forced to sell valuable plots to public bodies for a fraction of what they can achieve under a shake-up of planning laws intended to help important developments go ahead and save taxpayers money.

There is growing support in Holyrood for changing compulsory purchase arrangements so that land can change hands for its existing use value, rather than what it would normally be worth with planning permission for other purposes. Current arrangements mean public bodies, including local authorities, health boards and the Scottish government, can be required to pay millions of pounds more for land they want to use for roads, housing or hospitals.

Conservative MSP Graham Simpson has proposed the change as an amendment to a Scottish government planning bill, arguing that the current system is not fit for purpose. He argues that allowing councils to acquire land at a level closer to existing-use value, rather than the anticipated value from future development, could help deliver more homes and a greater variety of properties, with smaller builders and self-builders getting a slice of the pie.

Making it cheaper and easier for more housing to be built would, he believes, enable more young people to get on the property ladder.

“It is the method used to build new towns in the 1950s and 1960s, and we think there is space for these powers again,” Simpson said.

The Conservatives have also suggested using land value capture to fund infrastructure. Under this approach, public bodies could benefit financially from the rise in land value that occurs as a result of planning permission and infrastructure investment, such as roads, bridges, railways and public spaces.

Selling off some of the land that public bodies have acquired at the new reduced rate, but which subsequently rises in value as a result of their developments there, could help to pay for the infrastructure and any loans taken out to pay for the investment.

The Scottish Greens are among those who agree that councils should gain the power to buy land for housing at existing-use value. Green MSP Andy Wightman said it would enable more affordable homes to be built.

The Scottish government said its land commission quango would “submit a report with recommendations on the suitability of different mechanisms for land value capture by the end of this financial year”.

But Gavin Mowat, of Scottish Land & Estates, which acts for landowners, said legislative change was premature. “It would be too early to legislate without further robust research being conducted on how it would affect the planning process, as well as the rights of owners of land in Scotland,” he said.

Scrap council tax - wealthy homeowners must pay more

The time has come for a land value tax to redistribute wealth and help fix our broken housing market

The government is short of money. The Treasury is scrabbling around looking for ways to fund Theresa May's pledge to spend an extra £20bn a year on the NHS. Pressures on the public finances are bound to continue increasing because the population is ageing and older people need more health and social care. The way to square the circle is obvious. Philip Hammond should use his autumn budget to announce the abolition of council tax and its replacement with a fairer system of property taxation. That means a land value tax, an idea whose time has come.

Council tax is 25 years old this year, even though it was a quick-fix solution to the mess the Conservative party found itself in as a result of Margaret Thatcher's determination to replace domestic rates with the poll tax.

The story goes likes this. Thirty years ago this month, Britain's housing boom reached its peak. Tax changes in the March budget that restricted tax relief on mortgages were post-dated until August, resulting in a summer of orgiastic property speculation. It was during this period that Thatcher decided that the poll tax – first tried out in Scotland – should be extended to England and Wales. By the time the change happened in the spring of 1990 the housing bubble had burst, Britain was heading for recession and people were taking to the streets.

Could we build a better future on a land value tax?

It is often said that Thatcher's departure as prime minister later that year was due to Tory divisions over Europe. In truth, it was the poll tax riots that did for her. When John Major replaced her in December 1990, he knew that without a crash rethink, Thatcher's legacy would ensure Conservative defeat in the next election. The Treasury saved Major's bacon by coming up with the council tax, but the long-term consequence has been a system of property taxation that is not fit for purpose.

As the Resolution Foundation think-tank has noted , council tax is only weakly linked to the value of property and has failed to capture changes in house prices. The original council tax bands – using 1991 valuations – have never been changed.

There are two consequences of this. The first is that council tax is deeply regressive. Someone living in a home worth £100,000 in 2015-16 faces an effective tax rate five times as high as someone living in a million-pound property. Average income tax paid by the top 10% of earners is 45 times that of the bottom 10%, but average net council tax is only 2.7 times higher for the top 10% of properties than the bottom 10%. The Resolution Foundation says that only the TV licence can match the regressiveness of the council tax. "It appears that, despite replacing the unpopular 'poll tax' (community charge), council tax has come to look increasingly like it," the think-tank says.

The second big problem with the council tax is that it is supposed to be one of the UK's main methods for taxing wealth, but has proved spectacularly bad at doing so. Rising house prices are a prime reason why wealth has grown 2.5 times faster than the economy since 1980, but wealth-related taxes have remained flat. Those lucky enough to have been owner-occupiers during Britain's regular surges in house prices have kept their windfall gains but home ownership, especially for young people, has been falling fast.

John Muellbauer, professor of economics at Oxford University, says the aim of government policy should be to make the UK housing market look more like that of Germany, which builds more homes and where house prices, adjusted for inflation, are lower than they were in 1980. In a paper published this week by the National Institute of Economic and Social Research, Muellbauer says a crucial part of the reform package would be the scrapping of council tax and its replacement by a green land value tax designed both to be more progressive and to raise more revenue.

The new tax would consist of a standard per square metre charge on land, with regular revaluations. On top of that there would be a surcharge on any buildings sitting on the land that would vary according to energy usage. An energy-neutral home would pay no surcharge.

Muellbauer's idea is an elegant one. It takes account of the fact that taxes on something that is immovable are hard to avoid. It would provide incentives to use land and energy more efficiently, and would lead to better home insulation and higher environmental standards, helping the UK to meet its climate change targets. What's more, a green land value tax would fall more heavily on older people, who own more of Britain's wealth. If taxes have to rise to pay for the health and social care needs of an ageing population, it is right that the main beneficiaries of the extra spending should make a higher contribution. To protect cash-poor but land-rich households who would struggle to meet higher payments, there would be a right to defer the tax until the property was sold or transferred.

Labour's interest in a land value tax is welcome and long overdue. Every government since Major's has known full well about the inadequacies of council tax, and one of the great missed opportunities of the 1997-2005 period was Labour's failure to use its two thumping parliamentary majorities to bring about change.

Various excuses have been trotted out over the past 25 years for leaving council tax in place, none of them especially convincing. The real reason for inertia is political cowardice: a deep fear of a backlash from those doing well out of the status quo. And that's not a good enough. Britain's housing market is broken and it is time to start fixing it.

Crossrail 2 and the £15bn question

It has been more than a year since Chris Grayling gave his "public backing" to Crossrail 2.

Hailed by many at the time as a "green light", the truth is that Crossrail 2 has been stuck on amber ever since.

As part of the announcement, Mr Grayling stated London would have to fund 50 per cent of the project during construction.

Raising £15bn in just over a decade is no mean feat.

Today London business group London First published its Paying for Crossrail 2 report.

Dubbed as a plan to show how the capital could cover its funding requirement for the £30bn project, it largely served to reaffirm just how difficult funding Crossrail 2 will be.

There were nine suggestions for new funding and financing mechanisms that could help London cover its cash requirements to build the line.

Some of these, such as increases in rail fares or council tax contributions, are likely to be unpopular.

In a city that elected its current mayor on a pledge to freeze fares for three years, a hike in prices as soon as that freeze ends will likely irk the capital's commuters.

At the same time, persuading local authorities with already constrained budgets for much needed council tax contributions will also be a tough sell.

Even if these proposals are accepted, London First's other money-raising suggestions are largely untested.

Capturing the uplifts in property and land prices that result from new transport schemes is something that needs exploring, and will no doubt be a crucial way of funding projects in the future.

However, in terms of land value capture for the Crossrail 2 project, the jury is still out on the best way to achieve this is, with Transport for London currently looking at a number of methods.

When the best option is selected, it will then need to be written into legislation – something that is bound to take years.

Another way of capturing the value uplifts of Crossrail 2 would be through the government ring-fencing the resulting increases in stamp duty and business rate payments.

But getting the government – which has already been explicit on the limits for its funding package – to hand over this increased Treasury income will take some persuading.

The UK infrastructure market has historically been one that relies on government funding.

Looking at alternative ways to secure funding for major schemes through means is not something that comes naturally; doing it for a project the scale of Crossrail 2 is unprecedented.

Exploring alternative ways of funding major schemes has rarely met with success in recent years.

The £30bn project represents an opportunity to hone new innovative funding methods, which could be crucial to funding future schemes of similar scale.

However, significant deliberation and development is still needed over precisely what those methods should be.

With a hybrid bill expected to be tabled in 2021, the looming complexity of Crossrail 2's funding puts that date under increasing pressure.