IPTI Xtracts

Property Tax and Assessment News from Around the World

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Retailers warned about business rates relief scam

Retailers are being targeted by ‘rip-off agencies’ looking to exploit a new retail rates relief scheme that begins this April.

Chartered surveyor Ian B Sloan warned RN that retailers he works with had been approached by agencies promising reductions in business rates.

Sloan said: “Retailers need to be suspicious of anybody promising to reduce their rates in any way other than an appeal of the premises’ rateable value. Retail relief should be applied automatically.”
Under the scam, retailers are asked to sign contracts or agree over the phone to terms that charge a percentage fee of any reductions in business rates, regardless of whether these reductions are automatically applied by a local authority.

In 2015, the department for business warned retailers about RVA Surveyors following comments made in a parliamentary debate.

One shop owner told RN they were forced to pay the firm £5,700 last year, despite evidence that RVA Surveyors were not responsible for any rates decrease.

A lawyer acting for the firm said this was “entirely refuted”. RVA’s agreements from 2015 demanded 45% of any reduction in rates for five years. The contract stated this was “payable whether or not RVA is shown to be the effective cause of any such reduction”.

With the upcoming relief changes, the cost for retailers is now far higher. From 1 April, retailers will receive 33% off their rates on properties with a rateable value of less than £51,000.

The relief is scheduled until April 2020, but Sloan suggested this would be extended: “There’s no way the government is going to up rates by a third eight weeks before the scheduled general elections.”

Based on RVA Surveyor’s terms, those caught out by a scam would have to pay up to £13,911.39 per property. RN has uncovered other ‘business rates agencies’ that also attempt to get retailers to sign similar contracts.

Online sales tax to help save high street falls foul of EU

An online sales tax to help high street shops has in effect been ruled out by the Treasury because it would fall foul of EU rules.

The Times has learnt that Mel Stride, financial secretary to the Treasury, has written to Nicky Morgan, chairwoman of the Treasury select committee, to say there was a “high risk” that any such tax would breach the bloc’s state aid rules.

The UK is due to leave the European Union on March 29 but under the draft withdrawal agreement Britain has accepted “dynamic alignment” with Brussels on state-aid rules.

Retailers including Dave Lewis, the chief executive of Tesco, and Mike Ashley, the owner of Sports Direct, have called for an online sales tax to help high street shops to compete on fairer terms. Mr Lewis suggested that the tax could be 2 per cent of sales and Mr Ashley said the levy should be applied to retailers that have more than 20 per cent of their turnover online.

Mr Ashley added that without action the high street would be dead by 2030.

Amazon pays only £63 million in business rates in Britain despite recording retail sales of more than £8 billion. Debenhams and Next each paid £80 million last year on revenues of £2.3 billion and £4.1 billion respectively.

Campaigners have accused Amazon of using complex international tax structures to avoid paying its fair share in Britain. Last year the retailer paid less than £5 million in corporation tax.

More than 20,000 high street shops closed last year and 23,000 are predicted to close this year, at the cost of 175,000 jobs.

Last summer Philip Hammond, the chancellor, said: “We want to ensure that taxation is fair between businesses doing business the traditional way and those doing business online.”

Last month Sir John Timpson, the veteran retailer and the government’s high streets adviser, told parliament that “it is quite clearly the right thing for government to do, to level the playing field between bricks-and-mortar retailers and internet retailers”.

Mr Stride’s letter appears to rule out the option of a sales tax. It says: “Tax proposals have been judged to constitute state aid in the past . . . This [online sales tax] could distort competition.” He added: “The government considers there a high risk that such a tax would be found to be state aid.”

Treasury sources insist that they have not ruled anything out but analysts believe that Mr Stride’s comments signal the death of the idea.

Robert Hayton, of Altus Group, the retail consultancy, said that “time is of the essence” to help to save the high street. “Traditional bricks-and-mortar retailing is obviously property intensive,” he said. “The reliance on property leads to a larger tax-to-turnover ratio that, if left unchecked, will contribute to the further deterioration of our high streets. If an online sales tax for large online retailers would be deemed unlawful, the government urgently needs to develop a coherent strategy to address the imbalance."

The Treasury said: "We recognise this is a difficult time for high streets, with many retailers struggling with high rents and changing shopping habits. That's why at last year's budget we outlined a £1.6 billion plan to help the high street, including £900 million of targeted business rates relief and a £675 million future high streets fund to help town centres evolve."

Council sells off art to raise hundreds of thousands of pounds

A council about to auction off more than 400 paintings by famous British artists for hundreds of thousands of pounds has prompted calls for other authorities to follow suit.

Hertfordshire County Council is to give up 90 per cent of its £26.2 million art collection amid fears the cost of maintaining them in storage cannot be justified.

Works by renowned post-war artists including the Yorkshire sculptor, Barbara Hepworth, the English surrealist John Tunnard, the vorticist, Edward Wadsworth, and a pastel by the Scottish artist, Joan Eardley, will go under the hammer in March.

However, the move has been condemned by art lovers who claim the sale is a short-term money making venture that will see a "valuable and major collection" vanish into private hands.

Freedom of Information requests show in the four years to 2017, county councils in Leicestershire and Cambridgeshire sold £197,143 and £146,750 of their art respectively.

Auctions have been lucrative, with the Cambridge authority later selling for £60,000 Evelyn Dunbar's Joseph's Dream, initially valued at just £5,000.

Nottingham City Council, however, has insisted its £41 million collection would never be sold as a "quick win".

Hertfordshire first will auction 160 works, with a further 268 pieces, each under £100, being sold later. The entire sale is expected to raise £300,000.

John O'Connell, of the Taxpayers' Alliance, claimed people would be "bewildered" that a council had such a large collection.

"The council should be doing everything they can to bring down costs for families, so should consider selling off the entire art collection," he said.

"Any council hoarding valuable art collections should immediately look to auction them off, as it's simply not fair to be increasing council tax when there are other financial means available."

Armaiti Bedford, a Hertfordshire businesswoman whose petition to keep the art attracted 2,000 signatures, said: "This significant collection may legally belong to the council, but is really owned by us all.

"It is selling off the best works - our cultural heritage - for a miniscule amount compared to its £817 million annual budget. The collection should remain in the public realm and be donated to museums so we can all share it."

Helen Little, a former curator at Tate Britain who signed the petition, said: "It's alarming to see the UK losing another of its local authority collections developed with the spirit that good art and architecture should be for everyone."

So far, 112 works have been donated to Hertfordshire organisations, with a further 1,074 due to be given to other local groups at a later date. Experts at Cheffins Fine Art Auctioneers, which will hold the auction in Cambridge, said war painters have "achieved stellar prices" recently.

The council started its collection in 1949 as part of a national scheme to encourage children to appreciate art. The project was axed in 2017.

Councillor Terry Douris, cabinet member for education, said the sale was not intended to plug a funding shortage, but was “the sensible thing to do” as 60 per cent of the collection was languishing in storage.

The council retains, among other works, four statues, insured for £21.85 million, including a Henry Moore and two works by Hepworth.

100% business rate relief to continue to flow for community hydro projects

The Minister for Environment, Energy and Rural Affairs, Lesley Griffiths has today (23rd January) announced the continuation of 100% business rate support for community hydro projects with a rateable value of up to £50,000 for 2019-20.

The continuation of the grant scheme will enable eligible projects to retain the maximum possible benefit for their local area enabling them to re-invest into their local community.

The scheme was originally launched in February 2018 to mitigate the impact of new valuations for non-domestic rates which came into force on 1 April 2017. The new valuations will apply until 2021.

Almost 50 hydropower projects were supported last year, including seven community owned projects. Up to £308,000 is available towards the continuation of the grant scheme in 2019-20 which also includes support to cap the increase in business rates for non-community owned hydropower projects (to 10% or £1,000 where there was no previous liability).

The scheme is application based and hydro projects will be able to apply for a grant towards their 2019-20 rates liability. Community energy groups can also access a range of support and funding through the Welsh Government Energy Service.

The Minister for Environment, Energy and Rural Affairs, Lesley Griffiths said:

“I am very pleased to announce the continuation of this grant scheme of support for hydropower projects. The grant scheme provided valuable support for almost 50 hydro projects last year.

“Renewable energy is a key part of our vision for a more sustainable future for Wales. Community owned energy projects provide significant local benefit to the communities they are located in and have been identified in the National Strategy, Prosperity for All, as a sector which should be supported.”

One of the community projects supported through the scheme last year was the Ynni Ogwen Community Hydropower Project based in Bethesda in Gwynedd. It is a social venture under the ownership of three Community Councils - Bethesda, Llandygai and Llanllechid. The turbines used in the project capture the power from the flow of the Ogwen River and the energy generated goes directly into the National Grid.

Dr Paul Rowlinson- Founder Director of the Ynni Ogwen project said:

“The Welsh Government’s support for community hydro schemes towards the cost of business rates has been a great help to us, saving us £14,000 over our first two years and ensuring that the hard work of our volunteers in setting up the scheme has borne fruit. I am very pleased that this support will continue after 1st April. This will give us great confidence as we consider whether we can proceed with our second scheme next year.”

Gideon Carpenter, Senior Hydropower Adviser at Natural Resources Wales, said:

“We’ve been responding to a large increase in applications for small hydropower schemes in recent years.

“In 2010 there were 57 licences for existing schemes in Wales but since then we have issued another 301 licences – many for community schemes – and are in the process of reviewing another 20.

“Well designed and operated schemes are a great example of how we can harness the natural resources available to us for the benefit of local communities while making sure we protect the river environment.”

"We are committed to working with the hydropower sector to help the right development in the right place, contributing to meeting Wales' targets for renewable energy while protecting the river environment."

Lesley Griffiths added:

"Last year we set ambitious targets for energy generation in Wales, including targets around community and local ownership, to ensure we capture the benefits for Wales from the transition to a low carbon energy system.

"I also set an expectation for all new renewable energy projects to include at least an element of local ownership from 2020. This will help retain wealth and provide real benefit to communities."
Applications will be accepted from early April. Further details will be made available on the WG website in due course.

U.K. Retail Property Values May Be Slashed

RICS tells valuers to account for sweeping shopping changes
Retail landlords could see bigger asset value declines

Values of U.K. shopping centers and high street stores could be reduced significantly after property agents were told to reflect the seismic changes sweeping the retail industry, the Sunday Times reported.

The Royal Institution of Chartered Surveyors told valuers to be "aware of the potential for significant changes in value" in retail properties, the newspaper reported, without saying where it got the information. RICS also instructed agents to use the widest amount of information to factor in huge changes in shopping patterns, and valuers should take analysis and commentary into account as well as deal prices, the paper said.

Last month's instruction from RICS could lead to bigger asset value declines for retail landlords such as Hammerson Plc, Intu Properties Plc, British Land Co. and Land Securities Group Plc, the Sunday Times said.

U.K. retailers posted the worst Christmas since 2008 amid the rise of online shopping and increasing concerns about Brexit. More than 20 retail chains instructed accountancy firm Deloitte LLP in the past two months to assess whether they're able to restructure their debt, the Sunday Times reported last week. Billionaire Philip Green has started a "radical review" of Arcadia and may close scores of shops, according to the Telegraph.

No Festive Cheer

U.K. retailers experienced the worst Christmas season in a decade

HMV Group Plc has become one of the latest chains to file for insolvency, House of Fraser Ltd. was rescued by Mike Ashley and New Look Retail Group Ltd. recently joined a long list of retailers seeking debt relief. One option for those considering a restructuring is to use company voluntary arrangements, which allow businesses to get more favorable property rental agreements and shut certain stores before their leases expire. Chains such as Marks & Spencer Group Plc are shuttering stores.

Hammerson shares fell 40 percent last year and Intu dropped 55 percent, and Hammerson in April withdrew its offer to buy Intu. The U.K. is heading for a property crash with average shopping mall values set to drop by 30 percent as yields rise and income falls, Jefferies forecast earlier this month.

Bloodbath on the high street: More than 175,000 jobs will be cut this year and 23,395 shops will shut as internet sales batter retailers

- A slump in the value of retail property is expected to see 23,395 shops shut
- Around 20,000 stores closed last year and 150,000 jobs were lost in retail
- It comes as notorious Sports Direct boss Mike Ashley mulls a takeover of HMV

A total of 175,000 jobs are set to disappear from the High Street this year as the onslaught from online rivals continues.

A slump in the value of retail property is expected to see 23,395 shops shut as customers shun town centres in favour of internet shopping, according to property experts.

It marks a significant increase on last year when a string of retailers including Toys R Us, Poundworld and Maplin went bust, leading to the closure of 20,000 stores and the loss of 150,000 jobs.

The Mail has been campaigning to save Britain's High Streets and is calling for a major overhaul of business rates, for large overseas companies to pay their fair share of tax and cuts to car parking charges in town centres across the country.

The latest warning comes as Sports Direct owner Mike Ashley eyes a takeover of entertainment retailer HMV, which fell into administration just days after Christmas, threatening 2,200 jobs.

He is one of a number of potential buyers looking at making a swoop for the company, according to Sky News.

A purchase of HMV would add to the so-called tracksuit tycoon's growing portfolio of retailers after Mr Ashley bought both House of Fraser and Evans Cycles out of administration last year in cut-price deals.

HMV blamed a 'tsunami' of challenges when the retailer called in administrators last month, including its £15 million business rates bill.

A string of bosses from some of the UK's biggest High Street companies have called for ministers to create a level playing field in how traditional retailers and online-only firms such as Amazon are taxed.

According to a survey of major property owners in the UK by real estate experts Altus Group, almost two-thirds think Amazon and other online firms have disrupted the retail market.

Marks & Spencer, Debenhams and House of Fraser are also among giants preparing to close stores in a drastic attempt to slash costs and revive their businesses.

Guillaume Fiastre, managing director of Altus Group, said retailers needed to invest in new technology and customer service to survive. 'Retail of the future will use bricks-and-mortar spaces in a very different way mixed in with leisure and lifestyle residential spaces, for example,' he said.

'The most successful retailers – the survivors – are learning to draw in their customers with the promise of a personalised experience.

'Technology makes that all possible, but it still needs a strong human element.'

Counties welcome fair funding council tax proposal

The government is "minded" to return to a notional, rather than actual, assessment of council tax levels when determining a council's funding under the new formula.

Since 2016-17, the actual amount of council tax raised by an authority has been used when calculating how much revenue support grant a council receives. This led to county councils in particular receiving much less central government funding than they had anticipated, which they argued was unfair on their residents who were usually paying higher council tax than residents in more urban areas.

Use of a notional council tax level would mean that two local authorities with similar tax bases and a similar assessment of relative needs would receive broadly similar baseline funding levels, irrespective of their actual council tax levels.

Few would argue against the rationale for a notional measurement, as the use of actual levels would create a perverse incentive for councils to set lower rates locally.

However, it might create problems for those authorities, for example inner London boroughs such as Wandsworth LBC, which have lower council taxes, but do not now have the flexibility to “catch up” given the referendum and capping limits in play.

Ultimately, the importance of the issue will depend on the weight placed on it within the new mechanism, which is not yet clear.

County Councils Network director Simon Edwards said it was “crucial” that a notional level was used in the methodology as “counties’ higher tax base, a product of historical underfunding of rural areas, would mask their true spending need should actual levels of tax be used”.

UK's High Street tzar: Government's rescue plan won't cure all ills but 'a good start'

The UK government’s £675m ($865m) fund to revive Britain’s ailing high streets will not solve everything, but it’s a major step in the right direction.

That’s according to the politician charged with overseeing the government’s rescue plan, Jake Berry, who intends to allocate money to revamp struggling city centers. The goal is to create thriving local hubs that can take on the demands of increased digitalisation.

“I don’t claim that this fund is going to be the panacea that is going to fix every single high street up and down the country. But from my point of view, it’s a good start,” said Berry, a Conservative member of parliament and the country’s official high streets minister, in an exclusive interview with Yahoo Finance UK.

The challenges seem daunting: Britain’s struggling retailers have axed nearly 150,000 jobs this year as almost 20,000 shops and restaurants closed their doors. The latest annual data from the Office for National Statistics shows in-store retail sales grew by a modest 2%, while online sales grew 16%.

Berry described how the newly launched Future High Streets fund and other associated initiatives presented the country with a “once-in-two-generations” opportunity to restructure and redevelop local high streets.

In less than three weeks, the fund’s application form has been downloaded 1,000 times and Berry said he’d be willing to start funnelling money towards strong “shovel-ready” projects this year.

“There are lots of great ideas out there about how areas want to improve their high streets… But they don’t have the cash,” he said. “We don’t want to sit on this cash. We want to get it out the door.”

A single high street can get up to £25m from the fund, and there’s an expectation that local authorities would match the funding, Berry said.

Berry’s team consulted with retailers and experts, including the businessman and Timpson chain owner Sir John Timpson, to ensure the fund’s money would be directed towards high street makeovers that attract a younger generation of citizens.

He said shifting the high street focus from pure retail towards more social and experiential options is a priority. That could include more space for theatres, gyms, restaurants, community centres, child care centres and GP surgeries, he said.

Even as online sales and online competition grow, “80% of retail sales still take place face-to-face” and people still crave the community aspect of high streets, said Berry.

“We as human beings, as creatures, still love that social interaction,” he said. “Although high streets are changing, I’m quite confident that we’re not.”

His comments come in the same week that the British Retail Consortium (BRC) said its members reported zero year-on-year sales growth in December, the worst performance for the month since 2008. The flat figure compared with 1.4% growth in December 2017.

From bust to boom: Altrincham

Berry said he drew inspiration from the success story of Altrincham, just south-west of Manchester.

After being dubbed a “ghost town” in 2010 with shop vacancy exceeding 30%, Altrincham locals mobilised and ushered in a new focus on food and culture, along with updated trading hours and marketing. The area hosts community activities throughout the year, including a Christmas Lantern Parade and a two-week literary festival. Last year, Altrincham won the 2018 Great British High Street Awards.

Enthusiasm tempered by realism

Enthusiasm for this project is tempered by realism among retail experts and concerns about business taxes.

“Confidence among small retailers is at an all-time low, with pressure from employment costs, high rents and online competition ramping up,” noted Mike Cherry, national chairman at the Federation of Small Businesses (FSB). “The biggest challenge for them is the outdated business rates system, which is a huge burden on the high street and is disproportionately hurting small firms.”

Business rates are taxes on non-residential properties, including shops, which ramp up based on the rental value of a location. Cherry notes that business rates this year will raise more than £30bn for the government.

The director of the Centre for Retail Research, Joshua Bamfield, said: “We welcome this initiative which seems well-funded and wish it every success … [But] the continued high business rates levied on our high streets are making it impossible for high streets to compete.”

Berry responded to concerns about business rates by noting that the government recently announced new business rates relief for small retailers, after providing over £10bn in business rates support since 2016.

He said retailers he has consulted have told him: “Our biggest problem isn’t business rates. Our biggest problem is, no one is coming into the shops. We wouldn’t care about the business rates if we were really busy.”

The challenge of digital competition

The challenge presented by large online retail competitors, which have a reputation for moving around profits to avoid domestic tax, is also an area that requires government intervention to ensure retailers have a more level playing field.

“The lack of an online turnover tax means that online retailers can name their own tax rate and are advantaged because we have an over-liberal tax regime,” said Bamfield.

Berry acknowledged the challenge and said he was glad the latest UK budget included plans for a new 2% tax on the revenue of large digital firms, which would target companies like Amazon (AMZN) and eBay (EBAY).

“We need to … ensure that these [large online] platforms pay their fair share of tax,” he said. “I think we’re starting to get that balance right.”

The Treasury’s new digital sales tax is expected to be introduced in April 2020.

Retailers demand major overhaul of business rates after Next Christmas sales slump 9.2% and High Street crisis claims luxury fashion brand Charlotte Olympia as its latest victim

- *Next said sales in its 500-plus stores fell 9.2 per cent over the festive period*
- *The company said their online sales had soared 15.2 per cent in the same period*
- *Next chief executive Lord Wolfson said business rates needed transforming to reflect changing shopping habits*

Leading retailers called for a major overhaul of business rates yesterday after Next suffered a sharp slump in store sales in the run up to Christmas.

With pressure mounting on ministers to reform the outdated tax, fashion chain Next said sales in its 500-plus stores fell 9.2 per cent over the crucial festive period.

In a clear sign of how shopping habits have shifted, the company said online sales soared 15.2 per cent in the same period, meaning overall revenues were up.

The update from Next came as the crisis crippling the High Street claimed its latest victim, with part of the Charlotte Olympia luxury fashion empire plunging into administration.

Next chief executive Lord Wolfson said business rates needed transforming to reflect changing shopping habits as more consumers go online to make purchases.

'People have to wake up to the new reality that the days of high streets being filled with clothes stores are over,' he said.

The crisis has been highlighted by the Mail's Save Our High Streets campaign as a swathe of job cuts and store closures have hit Britain's towns and cities.

Lord Wolfson's comments were echoed by former Sainsbury's boss Justin King, who is now on the board of Marks & Spencer.

He said business rates were disadvantaging bricks and mortar retailers which are struggling to compete with online rivals such as Amazon and Asos.

He added the Government has failed to fully address the issue because it was 'distracted' by Brexit.

The crisis at Charlotte Olympia comes after HMV filed for administration.

The entertainment retailer said its £15 million business rates bill was partly to blame for its struggles. Next paid around £80 million in business rates last year.

SCOTLAND

Debate over land value tax is set to rumble on

Many landowners have been upset by the Scottish Land Commission's (SLC) appointment of the University of Reading to conduct research to assess, with reference to international experience, the potential of land value taxation (LVT) to contribute a more productive, accountable and diverse pattern of land ownership and use in Scotland and to identify a set of potential policy options that merit further consideration by the SLC.

This is quite different from simply raising tax revenues which could be achieved by rigorously ensuring multi-nationals pay the full amount due on their profits, or by clamping down on the use of offshore tax havens.

The fundamental problem with Scottish agriculture is the incredibly benign tax system for land that has led to increasing land values consistently outperforming the stock market, with all that capital growth going untaxed. No wonder land values have soared making it difficult for new entrants to get a first rung on the farming ladder.

LVT is a recurrent tax on landowners based on unimproved land value, usually levied as a percentage of the unimproved capital value of the site. Normally there is an assumption that the unimproved land has the right to be developed in accordance with its "highest and best use". LVT is implemented in many countries, though several have moved away from it in part or in whole (for example South Africa and New Zealand).

According to economic theory, land value is the price of monopoly - the scarcer and less substitutable a parcel of land is, and the more attractive the location in relation to the market (consumers) and factors of production (labour, raw materials), the more valuable the land. The report argues that because land is a "gift of nature" and does not cost anything to produce, this value net of the value of any improvements may be taxed without harm to economic efficiency and production. Further, it is argued that where land values rise, such as on the grant of planning consent, this is due to the actions of the community, not the landowner or occupier.

In addition to the obvious purpose of raising revenue for government, economic theory suggests that LVT has a range of benefits that include encouraging highest and best use of land and capturing the uplift in private wealth that arises due to public investment. It may also encourage denser development and therefore limit urban sprawl, and it may stabilise the price of real estate by reducing and stabilising underlying land prices.

According to the report there is little firm evidence that these theoretical benefits have been achieved in the countries that have implemented LVT. It goes on to argue that politically, LVT can be challenging to implement. Political arguments against LVT centre on the windfall loss incurred by landowners, the difficulty in dismantling centuries of landownership rights, the impact on other taxes and the potential that a LVT would tax individuals with property wealth but who are cash poor and may not have the ability to pay.

The report goes on to outline a number of other technical issues that make LVT difficult to implement.

Not surprisingly, Scottish Land & Estates (SL&E), the organisation representing Scottish landowning interests agrees.

Sarah-Jane Laing, executive director of SL&E said: "We'll need to reflect further on the details before commenting further, but we can say that taxation must be considered in the round, rather than looking at just one idea in isolation, and all the unintended consequences well thought through.

"Land value tax has been debated for many years but has not been taken forward by any administration because of the potential impact it may have on not just rural Scotland, but the whole of the country."

I am inclined to agree and would much prefer a return to the old system of taxing land on the death of the owner. That would put downward pressure on land values by making more available to purchase, and could yield substantial sums to government at a time when ordinary, working folk are being squeezed by taxes.

Of course, such a policy would have to be carefully introduced to avoid breaking up viable family farms into uneconomic units. To that end, the death duties would have to kick in above a set value and on an incremental scale. More importantly, avoidance schemes, such as trusts that never die, would need to be outlawed.