You can’t be exempt from council tax if your home is used as a place of worship

Claim

Muslims who use living areas within their homes as a place of worship are exempt from paying council tax. This doesn’t apply to other religions.

Conclusion

This is not correct, they wouldn’t be exempt from council tax. Places of worship for all religions can be exempt from business rates, but only if they’re officially recognised as such. The principal use of the site has to be worship.

International Property Tax Institute

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.
A Facebook post has claimed that Muslims who use living areas “within their homes” as a place of worship are exempt from paying council tax. The post shows a picture of a 2013 petition saying this exemption “does not apply to other religions”.

This is not correct.

The House of Commons Library said in 2018 that this claim and others like it have “no basis in council tax law”. It added: “It is not possible for owners of domestic property to avoid council tax by claiming that their property, or part of it, is used for religious purposes”.

The briefing did note it would be “theoretically possible” for part of a home (not all of it) being used for public religious purposes to be to be “separately valued for business rates, and to be removed from the council tax valuation list”. But it also said that in such a case, the Valuation Office Agency (the government body that supplies property valuations for tax purposes) “would have to be satisfied that this reflected the real use of the property”. And it points out that this “would be unlikely to make more than a minimal difference to the council tax bill on the remainder of the property.”

Council tax is charged on homes, and the only exemption or discount relating to religion is for members of “religious communities”, for example nuns living in a convent. There is no exemption that applies only to Muslims.

Buildings registered for public religious worship are exempt from business rates
Buildings of public worship belonging to the Church of England (or Wales) and their church or chapel halls are automatically official places of worship.

In England and Wales, a place of worship for any other religion or denomination has to apply to the General Register Office to be classed as an official place of religious worship, and so be exempt from business rates.

The application needs to include things like a weekly timetable of activities and a floorplan of the site. To be granted this status “the Registrar General must be satisfied that [the place’s] principal use is for worship”.

In Scotland and Northern Ireland, places of worship can apply for business rate relief as part of the exemption for charities.

**One in 10 high street shops lie empty as retailers face spring reckoning**

The extent of the crisis facing UK retailers was laid bare this morning after new figures revealed one in 10 high street shops lie empty, while a string of upcoming cost increases could deal a death blow to struggling stores in the spring.

Rising taxes and a shift to online shopping have ravaged British high streets, with the town centre vacancy rate rising to 9.9 per cent in January, according to the latest figures from the British Retail Consortium (BRC) and Springboard.

The decline of bricks-and-mortar stores has taken its toll on workers in the sector. More than 14,000 retail jobs have been cut since Christmas Day, with a further 4,000 still at risk, new research from real estate adviser Altus Group has revealed.

Hopes of a retail bounceback this spring have been dashed by upcoming rent payments and business rate increases.

Quarterly rent bills are due at the end of March. Furthermore, the business rates “multiplier”, on which the divisive property tax is based, will rise in England to over 50p in the pound on 1 April.

The hike will add an extra £128m in rates to the retail sector, according to Altus Group.

In addition, the National Living Wage, which sets the minimum pay for workers aged over 25, will increase by 4.9 per cent to £8.21 per hour at the start of the new financial year, while rates for younger workers will increase above inflation.

“Next month’s Spring statement shouldn’t just be an update on the UK’s economic outlook but a meaningful opportunity to deliver a stimulus to all sectors by freezing the planned rate rises,” said Robert Hayton, head of UK business rates at Altus Group.
Helen Dickinson, BRC chief executive, added: “The data reflects the underlying pressures which continue to challenge shops up and down the country. Retail is undergoing a seismic shift, with technology changing the way we shop.

“This requires a reinvention of retail, with outlets investing in their physical space to encourage a more experience-led approach to shopping – something which is being held back by sky high business rates.”

RETAIL: THE RENTS AND RATES SCANDAL

Business Leader investigates if rents and rates are the real issues for the high street.

The outlook for the British high street seems bleak, with numerous retailers, including Marks & Spencer, House of Fraser and Waitrose, announcing store closures and others going into administration.

In fact, this year has seen the greatest number of store closures since Woolworths collapsed a decade ago, with 1,500 retail units left empty.

While much has been made about online shopping causing the death of the high street, the impact of business rates and high rents for high street properties should not go unnoticed.

HIGH RENTS

In a recent media interview, Debenhams chairman Sir Ian Cheshire urged landlords to wake up to the changes in shopping habits and, where appropriate, renegotiate leases which he compared to a ‘straitjacket killing more and more retailers’.

He comments: “Landlords haven’t changed their model, they are still stuck in a 19th century leasehold model, with business rates (a property tax) on top that are actually Elizabethan in how old they are, our tax system doesn’t reflect modern business models,” he said.

He also talked about how retail is evolving, by saying: “I think it is the reality. What you’re seeing is retail facing more change in the past three years than in the previous twenty…it’s a big structural shift, which is basically saying old models have to be reinvented. If you’re starting out now you’d have much less space, much more online and much more flexibility. No one will now be signing 20-year leases”

BUSINESS RATES

Calculated according to the market value of property businesses own, business rates are the popular villain of the UK high street. This property-based tax raises £29bn a year for the Treasury, of which retailers cough up £8bn.

While business rates are not the only culprit, complaints from bricks-and-mortar shopkeepers is correct that these were introduced in a pre-internet age and seem somewhat archaic now.

As they are currently structured business rates add to an increasingly prominent problem for physical retail stores.

Business rates across the UK have increased by 3%, in line with inflation. However, research by independent retail advisors Altus Group found the average rates bill for department stores in England and Wales was up 26.6% in 2018/19, compared with 2016/17 and large high street shops saw average rises of 10.8%.

THE ONLINE RETAILER CONUNDRUM

Online retailers have been accused of bending the system to allow themselves a loop hole against business rates.

Take Amazon, for example. The company operates warehouses from out-of-town locations in areas with lower property prices; whilst high street retail outlets occupying a piece of prime Central London real estate will pay higher rates.

Furthermore, Altus assessed rates paid on the 11 distribution centres owned by Amazon. It found that rates for the centres rose by just 0.7% in 2018/19 compared with 2016/17.

International Property Tax Institute

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Amazon dismissed the findings and said the figures did not take into account rates paid on other premises, such as software development offices.

New West End Company, an alliance of central London retailers, revealed the most startling research.

It calculated that Marks & Spencer, a company with a turnover of £9.6bn last year, paid £184m in business rates, whereas Amazon, with a slightly smaller revenues in the UK of £7.3bn, paid substantially less in rates – just £14m.

New West End calculated that a 1% sales tax on online businesses could raise more than £5bn, which could go some way to levelling the retail playing field.

Business rates is something that Dave Lewis, Tesco chief executive, says needs a revamp, claiming that the charges that firms must pay on their buildings played a ‘large part’ in sending some retailers to the wall.

In a recent interview with the BBC, Dave said: “Are we allowing it to stay competitive or are we, by stealth, lowering corporation tax and increasing business rates to a place which is creating an uneven playing field and forcing people to think about how to avoid that cost and find other routes to the market?”

The Tesco boss said business rates was the biggest tax his company paid, adding up to more than £700m a year.

“You need a level playing field ... between an online digital world and a traditional retail store base model like the one we have.”

DIGITAL TAX

To try to make this more equal the chancellor Philip Hammond has launched a £675m ‘Future High Street Fund’, alongside significant business rates relief for small retailers from April 2019.

In a Budget which Hammond said signalled the ‘start of the end of austerity’, he announced the treasury would provide £675m of ‘co-funding’ over the next four years “to support councils to draw up formal plans for the transformation of their high streets”.

Hammond also stated that the UK Government would bring in a digital services tax, which he expects will raise around £400m per year. Digital tech giants will be taxed 2% on the money they make from UK users.

Stephen Martin, director general at the Institute of Directors, said: “New taxes warrant a clear justification and careful implementation.

“The new proposed digital services tax may make political sense, but it has been announced with scant detail on how it will work apart from the revenue threshold, which is lower than even the EU has suggested. The Chancellor must proceed with extreme caution here.”

COMPANY VOLUNTARY ARRANGEMENTS CVAS

Another issue impacting the retail sector are CVAs. Designed as a way to help save businesses in peril, CVAs are increasingly being seen as a way of bashing property landlords and protecting other creditors from losses.

The latest figures from the Insolvency Service show there were 94 company voluntary arrangements (CVAs) in the second quarter of this year, a 10.6% rise on the same period in 2017.

Entering into a CVA means retailers are able to close some stores and reduce the rents on others they wish to keep.

Certainly, measures to preserve jobs and keep businesses afloat are to be welcomed, but the fact should not be ignored that landlords often end up as victims of this process.

Russ Mould AJ Bell warns that entering into a CVA should not be taken lightly.
He added: “We have to be careful here, because CVAs are not free, or necessarily even cheap. Advisers and lawyers can receive several hundred thousand pounds in fees for their work, so CVAs are not necessarily the ‘get-out-of-jail-free’ card that they are always seen to be.”

CVAs have become a growing trend in the retail sector with Homebase, Mothercare, Carpetright, The Original Factory Shop and New Look – just some recent examples of store chains which have sought to ensure their survival by this method.

Steven Wiseglass, an experienced insolvency practitioner, director and co-founder of Inquesta, said: “A CVA proposal may involve negotiating a new lease on a retail unit with a rent reduction of, say, 30%.

“If it is passed, there is a real risk that highly-geared landlords will be unable to pay their mortgages.

“Yet if the landlord opposes the CVA proposal, there is a risk that the retailer will simply go bust and close.

“Yes, a landlord can at a later stage give the tenant notice to quit and seek an alternative occupant, but in today’s climate that is no easy task and a vacant shop will inevitably prove costly.

“Put simply, landlords are increasingly having to choose between the devil and the deep blue sea.”

West End retailers face £45m business rates hike

- Business rates for West End expected to surge by £45m this year
- Business rates help announce in budget last year only for retailers with rateable value of less than £51,000
- Most West End retailers are not eligible as a result

Almost 8000 commercial properties across London’s West End precinct, of which retailers make up a significant proportion, are set to take another business rates battering in April with a tax hike of £45 million.

The business rates help, announced at the Autumn Budget last year with the aim of slashing bills by a third for high street business in April, would only apply to retailers that have a rateable value of less than £51,000.

According to a report by real estate advisor Altus Group, 7995 commercial premises in the West End would not be eligible for any help and will all see rises in tax demands as new bills are set to hit doormats in the coming weeks.

Altus said the effects of September’s inflation of 2.4 per cent, coupled with the third year of “caps” of up to 49 per cent which continue to phase in big increases in business rates liabilities for large properties, created a “double whammy” of tax rises.

Altus added that that the affected West End premises paid between them £1 billion in business rates during 2016/17, the final year before the controversial revaluation came into effect.

The real estate advisory firm said that from the start of the new tax year this April, the third year under the revaluation, it forecast the amount payable would rise to £1.36 billion.

This represented a third year cumulative tax rise of £359.92 million since the revaluation came into effect and £45.36 million higher than the current financial year for 2018/19.

Out of all the West End retailers, Selfridges would be worst affected thanks to a business rates bill increase to £17.41 million in April – up £6.48 million compared to the final year before the revaluation.

Meanwhile, luxury retailers like Luis Vuitton, Chanel, Burberry and Christian Dior will all seen their tax demands double since the 2017 revaluation came into force.

Altus head of business rates Robert Hayton said the West End was a “unique proposition” for retail.

International Property Tax Institute

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“Rents paid determine rates and, at the assessment date for the 2017 revaluation, demand for space was strong and record rents were being set resulting in very large increases in rates compared with the previous assessment date seven years earlier,” he said.

“A premium is often by a small number of luxury retailers in order to have a presence, even when loss making of itself, in the West End.

“There are independents forced to pay equally high rents to get into an effective retail clique- many of which find they cannot then support the burden of high rates those rents lead to.”

**Most English local authorities 'plan to raise council tax'**

*Almost all councils in England plan to increase council tax and many will be cutting services, research suggests.*

Three-quarters of local authorities are set to increase tax by more than 2.5% from April, the Local Government Information Unit (LGiU) said.

It comes as almost a third of councils surveyed said they were planning to cut spending on adult social care, and a quarter may reduce children’s care.

The Local Government Association (LGA) said councils had "little choice".

The survey, by the LGiU think tank and the Municipal Journal, found eight in 10 councils believe the current funding system is "unsustainable".

The figures are based on the responses from 158 senior council figures, including leaders, chief executives and finance directors, representing 123 of the 353 English local authorities.

Some 97% of local authorities surveyed were planning to raise council tax in 2019-20, but more than half (53%) still expect to have to dip into their reserves to cover costs.

The average council tax for a Band D home in England was £1,671 in 2018-19.

A local referendum is needed to increase council tax by 3% or more in most areas.

Authorities responsible for social care are allowed to increase council tax by a further 2%.

Despite this, 29% of those who answered the survey said intended to "reduce activity" in adult social care in 2019-20.
Local authorities have a legal obligation to set a balanced budget, where they do not plan to spend more than they have coming in, for the forthcoming year, beginning 1 April.

The LGIU and Municipal Journal do not name the councils that are planning to raise taxes, however some councils have already held votes or confirmed their intentions publicly.

They include:

- Northamptonshire County Council, which is in financial difficulty, has been given permission by the government to put its tax up by 5%
- Gloucestershire County Council will raise council tax by 4.99%, equivalent to £5.13 a month more for a Band D household
- Oldham Council is increasing bills 3.99%, adding £62 to the yearly Band D bill
- Cornwall Council's cabinet has recommended an increase of 3.99% in April, according to the Local Democracy Reporting Service
- Oxford City Council is increasing council tax by 2.99%, about £8.94 on a Band D bill, which on top of Oxfordshire County Council's bill makes a total of £1,776.63
Some councils are also looking to increase the amount of council tax they can raise by charging more for empty homes.

Owners of long-term empty homes in Manchester will be charged a higher premium on their council tax under a series of measures that could raise £1m.

Long-term empty homeowners already pay an extra 50% on their council tax but under proposals approved by the city council's executive, any homes empty for two years or more will be charged double council tax from April.

Stockport Council has also proposed scrapping discounts on empty homes and properties under renovation.

**Average Band D council tax in England**

*Figures adjusted for inflation*

![Graph showing average Band D council tax in England adjusted for inflation from 2010-11 to 2018-19.](image)

Source: MHCLG

LGiu chief executive Jonathan Carr-West said councils had no option but to adopt "drastic measures" if they were to make ends meet.

"We know that council funding is broken. Councils are making do by increasing council tax as much as they can, increasing charging and dipping in to their reserves," he said.

Richard Watts, the chairman of the LGA's resources board, said: "Many councils feel they have little choice but to ask residents to pay more council tax again this year to help them try and protect their local services."

**International Property Tax Institute**

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The local referendum rule only applies in England. The National Assembly for Wales and the Scottish Parliament have the power to cap local authorities' council tax rises. Northern Ireland has a rates system instead of council tax. In Conwy in Wales, council leaders have set an increase of 9.6%, while taxpayers in Scotland, will see bills rise up to 4.79%.

£123 billion of property is barely used in Britain as experts call for Empty Home Tax

Building new homes is not the answer, says UCL

Housing worth £123 billion is barely used in Britain, researchers have calculated, and have called for a one per cent tax on second homes to dissuade people from keeping hold of mothballed property.

A new study by University College London (UCL) concluded that building new homes is not the answer to Britain’s housing crisis as they are likely to be bought up as second homes or investments in the most popular areas.

Researchers collected information from around one third of local authorities in Britain covering 40 per cent of the population and found nearly 340,000 homes that were rarely used.

The majority were in London and the South West and Kensington was found to be the worst, with £21 billion of underused property in the borough.

Around four in 10 people currently live in an area where the average value of barely-used homes is higher than those that are permanently occupied, suggesting that the most desirable properties are being bought for purposes other than use as a home, for example as investment opportunities or holiday homes.

Researcher Jonathan Bourne at University College London, said: “Some of the most surprising findings were the sheer value and quantity of low-use properties in some areas.

“The data shows that low-use properties are very concentrated in small numbers of desirable areas. In such cases simply building more homes is not going to solve the problem, as the issue is intense competition for property, not a lack of places to live.

“An empty homes tax may be more effective, with the potential to generate a not inconsiderable income for local authorities, whilst taxing people who are typically not eligible to vote in local elections, or encouraging them to rent out their properties.”

Buyers are being increasingly priced out of the property market and the average home and average, full-time workers can expect to pay around 7.8 times their annual salary to purchase a home compared to 3.6 times twenty years ago.

According to recent figures from the Office for National Statistics (ONS) housing affordability has worsened in 69 local authorities in England and Wales over the last five years, with over three-quarters of these being in London, the South East and the East.

Kensington and Chelsea was the least affordable local authority in 2017, with median house prices being 40.7 times average workplace earnings.

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As well as a slowdown in wages, experts believe that the widening gap is fuelled by foreign buyers buying property for investment as second home ownership by British citizens in rural areas and tourist hotspots.

The data showed that the average low-use home was worth £363,000, some 18.5 per cent more expensive than the average home, at £306,000. But the researchers concluded that simply building more homes in the hope it would bring down house prices would not work in the most popular areas.

Instead they suggest an empty homes tax of one per cent would raise an additional £1.2 billion in taxes.

Last year the city of Vancouver in Canada imposed a one per cent empty homes tax which has seen the number of vacant properties fall yb 15 per cent and 53 per cent of those go back on the rental market.

Mr Bourne added: “In a market where the demand for housing is partly fuelled by the demand for (second or investment homes) building new property as a way of decreasing prices is not necessarily a practical measure.

“Alternative methods such as the empty homes tax implemented by the city of Vancouver may be more effective. Also such a method has the potential to generate a not inconsiderable income for local authorities. Whilst taxing people who are typically not eligible to vote in local elections.”

The research was published in the journal Palgrave Communications.

**Time to rethink outdated retail rates in Northern Ireland**

This week the Belfast Telegraph revealed every one of Northern Ireland’s councils was raising its business rates, from the smallest rise in Antrim and Newtownabbey Borough Council, at 0.99%, to the inflation-busting hike of 3.46% from Derry & Strabane District Council.

But there is more to come as we have not seen the headline tax rate for the Northern Ireland-wide regional rate, which is set by government at Stormont. While firms in other parts of the UK have known their headline poundage rates since before Christmas, businesses here cannot plan and cannot have that certainty.

There is the very real possibility that they will only find out what the regional rate — and their total rates liability — will be the week before those business rates bills hit their doormats. This would rarely be an acceptable practice in business, and it should not be from our public sector either.

That is not to say that we do not have confidence in the Permanent Secretary of the Department of Finance, Sue Gray. We do. In fact, we have been hugely impressed with the enthusiasm and no-nonsense approach she has brought to such an important role. However, her hands are tied by the fact that we have no minister to make decisions and no Assembly to push for change.

That is what we need — change. Retail has the untenable situation that it makes up 12% of the economy but pays almost a quarter of all business rates. The current system does not reflect the huge structural change in the retail industry, which has been led by consumer behaviour and entry into the digital age.

We need a fresh look at how our rates system delivers for business. We need to make sure that every penny in business rates owed is paid. We need to have a full audit of all of the exemptions and reliefs (some of which are a legacy from the 1930s) to see if they are fit for purpose, and we need to widen the tax base to make it fairer for all. There should be no sacred cows when it comes to taxation.

We have already seen the number of stores in Great Britain contract, and that will start happening here, so retail will no longer be able to hold up this archaic system.

Quite simply, this outdated taxation system is making Northern Ireland a less competitive place to do business. And let’s be clear about this, should it be retail, manufacturing or banking, it is often not where in the UK will businesses invest, but where in the world. We must be competitive on the global stage, and fundamental business rates reform will be one key factor that needs to happen.
Aodhan Connolly is director of the NI Retail Consortium.

**Revealed: Rate rises for every Northern Ireland council**

All 11 local councils have announced they will increase their rates this year.

Derry and Strabane District Council will have the biggest hike - 3.46%.

Antrim and Newtownabbey Borough Council had the smallest rise at 0.99%.

It means average households will be paying an extra 60p per month.

Rates bills are a combination of district rates, set by councils, and the regional rate normally set by Stormont.

All but three councils are now raising charges by more than the current rate of inflation (1.8%).

Last night the final rate rise was announced - 1.98% at Mid and East Antrim Borough Council. It said it represented an increase of 17p per week for the average household and an average increase of £2.18 per week for businesses.

Deputy mayor Cheryl Johnston said: "Mid and East Antrim Borough Council’s approach is always to strike a fair balance between keeping rates as low as possible, with securing existing and attracting new jobs, boosting inward investment and promoting tourism and other key priorities across the borough.

"This is in addition to money council has also already secured for the next 10 years, at no additional unplanned cost to the ratepayer.

"This includes work on St Patrick’s Barracks development, The Gobbins phase two, Carrickfergus town centre regeneration, and rollout of broadband services in Carrickfergus and Ballymena."

Derek McCallan, chief executive of the Northern Ireland Local Government Association, said the overall picture from the council rates was one of "growth and prudence".

"Growth, in that councils are investing in high quality services from leisure provision to sustainable job creation, plus all of their regulatory and statutory services like environmental health and planning," he added.

But he warned the Stormont regional rate could be twice as much as the council average. Mr McCallan said the relatively modest increase was in spite of tens of millions being added to employment costs over the next year.

International Property Tax Institute

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He said this was due to national pay agreements on the National Living Wage and new costs associated with increased powers transferred to councils from government departments.

"It is good that councils are combining growth and efficiency, keeping high-quality services, ambition and affordable costs in equal measure," he said.

He added that the "wider decision-taking vacuum" caused by the Stormont impasse made it difficult for councils to plan properly for the future.

"Councils and taxpayers don't yet know what the Stormont regional rate will be, although it is estimated to be over 4% - double the average council rate and over twice the rate of inflation," he added.

"Frankly, unless the councils are given more resources to deal with an increasing set of expectations, they will be forced to make even more service cuts rather than expect local ratepayers to pay for services which should be supported by the rest of government."

Belfast City Council, the largest, increased rates by 1.98%.

This means domestic ratepayers are paying an average extra 62p per month, with offices and retail paying an extra £11.51 per month. Ulster Unionist councillor Peter Johnston, who chairs the strategic policy and resources committee at City Hall, said the increase had been kept to a minimum and would be accompanied by the £850m City Deal for the region.

Alliance had favoured a 1.67% rise, claiming that £500,000 for bonfire diversionary schemes - funding which has been criticised for a lack of transparency - was hiking rates higher than necessary.

The biggest increase of 3.46%, set by Derry and Strabane District Council, will see bills rise by around £1.20 per month for householders.

The council said the increase represents investment in new services, initiatives and strategic projects linked to a prospective City Deal.

Earlier this month the council's lead finance officer Alfie Dallas said there had also been a "significant challenge" with statutory pressures, such as nationally agreed pay awards, pay alignment and pension increases. The "most challenging and disappointing" aspect, he said, had been central Government grant cuts.

"The council has lost out on £421,000 of rates support grant since cuts commenced in 2016/17, income which could have delivered a further minimum £6m of capital investment or investment in other strategic priorities identified in our strategic inclusive growth plan," he said.

**US billionaire’s London property splurge spurs calls to keep tax local**

*Ken Griffin spent almost £200m on two houses, but will pay only £3,000 in council tax*

The body representing regional government in England and Wales has called for more taxation to be retained by local councils in the wake of two huge London property purchases by a US hedge fund billionaire.

Three of the most expensive homes in the world have been sold recently to one man, American financier Ken Griffin, who has become known for spending his fortune on lavish properties in some of the world’s most glamorous cities. All of the latest properties have been eulogised as stunning.

Two of the houses are in central London, and will attract taxes that will be banked by central rather than local government. One, a penthouse currently under construction, will overlook Buckingham Palace at Hyde Park Corner as part of the Peninsula London development and will cost £100m. Another is a townhouse across the park at Carlton Gardens, costing £95m. The third is a penthouse atop a “pencil tower” at New York’s 220 Central Park South, costing $238m (£200m).
In the US federal system, New York City levies the taxes due on property purchases and will receive $217,000 a year from Griffin’s New York purchase, according to calculations by property tax consultants MGNY Consulting.

However, in the UK, most of the taxes due on Griffin’s two latest purchases will end up going to central government, aside from the £2,842 per year in council taxes due to Westminster council and the Greater London Authority for both properties. Griffin appears to be facing a UK bill in the region of £30m in stamp duty for the privilege of being a double neighbour to the Queen, but this one-off sum is paid to central government via HM Revenue & Customs. Griffin, 50, is reportedly worth $8.8bn thanks to the success of his Citadel hedge fund.

Depending on how he structures the purchases of his two new UK homes, he may also face other charges. If the properties are acquired via a company, there will be an annual tax on enveloped dwelling (ATED) of £232,000 a year per property, which is also paid to central government.

However, housing experts say very few residential properties are now acquired through companies, since the introduction of this charge. ATED applies to high-value UK residential property owned indirectly on, or acquired after, 1 April 2013, by “non-natural persons” (NNPs).

A spokesman for the Local Government Association, which represents 370 English and Welsh councils, said: “Local government in England faces an overall funding gap of £8bn by 2025. The UK is one of the most centralised economies in the western world.

“If local areas are given freedom and control over their own finances, and the responsibility for growing their local economies, they will be able to take on increasing and enhanced leadership roles for their place.”

He added that local authorities should be allowed to retain a proportion of nationally collected taxes paid by their residents “such as income tax or stamp duty, along with appropriate redistribution arrangements and control over discounts and reductions where appropriate”.

In the US federal system of government, property taxes can be levied locally. New York City says that property taxes represented 44% of all “city tax dollars” collected in the year to 30 June 2018.

Of the total city tax take, New York spends 30% on “uniform agencies” including the police, fire and prisons; 30% on education; 19% on health and welfare; and 21% on “other agencies”, which includes housing and transport.

In the UK, the financial position of local councils has long been a topic of concern, particularly since austerity budgets were imposed after the global financial crisis.

This has resulted in scores of councils complaining that services are having to be cut, and finding themselves struggling to balance the books.

In November, the government in effect bailed out Tory-run Northamptonshire county council after giving it unprecedented permission to spend up to £60m of cash received from the sale of its HQ on funding day-to-day services.

Northamptonshire declared itself effectively bankrupt in February 2018 after it realised it could not balance its books. It declared insolvency again in July after a review revealed it had understated the extent of its financial problems. It must make good a £70m deficit by the end of March to avoid insolvency for a third time.

The recent purchases are only the latest in Griffin’s global shopping spree for glamorous homes. During recent years, he has reportedly spent more than $750m on homes in Chicago, New York, Florida and now London. Griffin earned around $1.4bn in 2017, according to financial publisher Institutional Investor.

He has now set six housing price records, according to US broadcaster CNBC. Last year, he paid the highest price ever for a home in Chicago, buying the top four floors of a Gold Coast condo tower for $58.5m.

The “taxable value” for Griffin’s new Manhattan property comes in at around $1.7m, which is then taxed at a rate of 12.6%. The resulting annual tax bill is slightly lower than the $280,000 projected by developers back in 2015, but it should still be a notable tax boost to local New York City services.

Neither the UK’s Ministry of Housing, Communities and Local Government, nor Griffin’s fund Citadel commented.
Treasury committee to consider reforming business rates

The Treasury select committee has launched a new inquiry to look at the impact of business rates on economic activity and to consider alternative forms of taxation.

The chair of the Treasury committee Nicky Morgan MP said: “Many high street businesses are struggling to remain competitive. “It has been estimated that 10,000 shops will close this year.

“Unless action is taken, closures could continue and job losses may soar.

“Business rates can represent a substantial financial burden on the high street.

“The Treasury Committee is therefore launching an inquiry today into the effectiveness and impact of these rates on business.”

The inquiry will examine how changes in business rates since 2017 have affected businesses, including looking at changes to reliefs and allowances, and examining the ability of businesses to pay the tax.

It will look at the fairness of the current system and how far it encourages competition.

The remit also covers looking at the arguments for and against a property-based business tax, the impact of proposed and actual changes to business rates on local authorities and the high street, and alternative forms of taxation, such as the proposed digital services tax.

The inquiry comes against the backdrop of long-term decline in high streets, but the pain of non-domestic rates was made particularly vivid in 2017 when a delayed and substantial revaluation left many businesses facing large increases.

In his 2018 Budget the chancellor Philip Hammond, provided some temporary relief by cutting rates by one third for small businesses until the next revaluation.

Speaking to Room 151’s FDs’ Summit in October 2018, David Magor of the Institute of Revenues Rating and Valuation said of the non-domestic rates system: “Is it fair?

“Is it a fair burden on the rate payer?

“Is the assessment methodology appropriate to the 21st century?

“Sadly, the responses to all theses questions are negative.”

At the conference, Magor also pointed to the growing problem of business rates payers finding loopholes: “Slowly but surely avoidance is creating major problems.”

However, reform will not be easy.

Business rates are efficient, i.e. cheap to collect, relatively stable, and have a demonstrable relationship with local authority spending.

Christian Wall director at PFM told Room 151: “My main concern is that those involved in trying to reform business rates focus on one element, with too many people looking at their own particular concern, rather than considering it as a tax for the funding of local authorities.

“I would be worried we could end up with piecemeal reform, or reform that pays insufficient attention to the linkages with councils.

“Redistribution of business rates is a critical element of the funding system.”

Wall points to the huge barriers to reforming local government tax, citing the example of council tax which is based on property valuations now 25 years out of date snd is widely regarded as unfair.

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The same would apply to business rates, where changes would similarly produce winners and losers.

“It is inevitable the losers will scream very loudly”, Wall said.

If the tax reflected land values, as proposed by the Liberal Democrats, then retailers on high streets (with higher values) would be disadvantaged against those in out-of-town areas.

London retailers would be taxed more highly than those outside.

The tax would not be related to the ability of businesses to pay, which is a product of turnover and margins.

Wall further points out that apart from assuming that landlords have the ability to pay, the proponents of property-based taxation also assume that the tax will not simply be passed on to their tenants.

“Anything to do with a property-based tax will become toxic very quickly”, he said.

A tax on profit or turnover would in theory address this problem, but could be difficult to impose, especially on large online retailers who so far have been good at avoiding paying them, and who can ultimately simply threaten to move sticks to another tax jurisdiction.

**PAC: Ministers in denial over finances and must 'get real'**

Ministers are in denial over the state of local government finances and have failed to plan for councils’ long-term future, according to the Public Accounts Committee.

The cross-party committee has today published a damning report which finds that councils’ financial position “is continuing to deteriorate as demand for vital services increases”.

Government funding for local authorities in England has been cut in half over the last eight years while demand for council services has continued to rise, the report said.

The committee found overall spending by local authorities on services fell by 19.2% in real terms between 2010-11 and 2016-17.

Committee chair Meg Hillier (Lab) said: “The government is in denial about the perilous state of local finances. It insists the sector is sustainable yet is unwilling or unable to back up this claim.

“Flimsy assertions have no place in financial planning. The fact government has bailed out councils with short-term fixes should be evidence enough that all is far from well.

“Government needs to get real, listen fully to the concerns of local government and take a hard look at the real impact funding reductions have on local services. And then it needs to plan properly for the long-term.”

Some councils were found to be in an “extremely worrying” position, overspending on budgets for social care, cutting back key services, relying on financial reserves and taking risks to generate other sources of income.

The committee accused the Ministry of Housing, Communities and Local Government of relying on a “short-term approach to a long-term problem”, with “no sign” of a “clear plan to secure the financial sustainability of local authorities in the long-term”.

Speaking during a Commons debate on the local government financial settlement yesterday, housing and communities secretary James Brokenshire defended the government’s approach.

He said: “It’s clear we need to take a longer term view on how we fund councils. A new approach to distributing funding between local authorities and the upcoming spending review will be pivotal to this. For years councils have asked for more control of the money they raise and we’re giving it to them.”
Shadow housing and communities secretary Andrew Gwynne responded by insisting the government had “no new ideas” and “no recognition of the dire situation facing councils”.

He said: “We frankly expect better from this secretary of state and want to see better from this government. Over the last nine years [councils have] been hung out to dry. This was an Alice Through the Looking Glass settlement. Ministers presented a cut as an increase because in the real world there is no new money.”

Evidence provided to the PAC inquiry by the LGA estimated that local authorities will face a funding gap of £3.2bn by 2019-20. The committee called on MHCLG to show how its own assessment of council finances compared with the LGA’s figure.

A series of other recommendations included calls for MHCLG to set out its assessment model for council finances and setting out the steps it intends to take to move the local government sector to a stronger financial position.

The committee noted that MHCLG has rejected a series of its earlier recommendations. “We are deeply frustrated to have to repeat the same concerns about the sustainability of the sector and the ability of local authorities to provide the vital services that taxpayers need,” it said.

In response to the report, Mr Brokenshire said: “This year’s settlement paves the way for a fairer, more self-sufficient and resilient future for local government. That is why local authorities will have more control over the money they raise and a real terms increase in their core spending power.

“The settlement also recognises the pressures councils face in meeting growing demand for services and rewards their impressive efforts to drive efficiencies and rebuild our economy.”

**Hike in council tax 'NOT ENOUGH' say MPs as they demand further measures to help councils**

SENIOR MPs last night accused the Government of being “in denial” over local authority funding after the Commons approved a new package expected to send council tax soaring.

In a scathing report, the Commons Public Accounts Committee said town halls in England were under “enormous pressure” just to maintain services following the squeeze on funds from Whitehall over the last eight years. Ministers had responded with a series of “short-term fixes” to shore up local authority finances while failing to come up with a plan for sustainable financing, said the report. The committee’s report was published after MPs backed a new Whitehall funding package designed to increase the “core spending power” of local authorities across England by 2.8 percent to £46.4 billion in the financial year from April.

The figure was £1.3bn more than planned and including £650 million for social care and £420 million for roads.

Local authorities with responsibility for social care will be able to hike council tax by up to 5 percent without seeking approval in a local referendum under the package. District councils will be allowed council tax rises of up to 3 percent without a poll.

Public Accounts Committee chairman Meg Hillier, a Labour MP, said: “The Government is in denial about the perilous state of local finances. It insists the sector is sustainable yet is unwilling or unable to back up this claim. Flimsy assertions have no place in financial planning.

"Government needs to get real, listen fully to the concerns of local government and take a hard look at the real impact funding reductions have on local services. And then it needs to plan properly for the long-term."

Her committee’s report Whitehall funding to local authorities in England had almost halved over the last eight years while demand for services had soared.

Between 2010-11 and 2016-17, council spending on services fell by 19.2 percent in real terms while the Local Government Association estimated authorities face a £3.2 billion shortfall by 2019-20.

The Government responded by announcing a £1.4 billion cash injection in the Budget in October.

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But with half the money due to be spent before the end of the current financial year, the Public Accounts Committee said the Ministry of Housing, Communities and Local Government had been unable provide assurances it would be used effectively.

"Some councils are now in an extremely worrying position: overspending their budgets for social care, reducing key services, falling back on financial reserves and increasingly relying on generating other sources of income, which comes with greater risks," the committee’s report said.

"The Government has had to inject large amounts of additional funding to ensure that the local authority sector can keep going in the short-term: £1.4 billion in the 2018 budget.

"Yet disturbingly, there is still no sign that the department has a clear plan to secure the financial sustainability of local authorities in the long-term."

The committee said the ministry had shown "an unacceptable lack of ambition" for the sector with no aspiration for local government finances beyond "merely coping".

MPs on the committee were "deeply dismayed" the ministry seemed to view the issue in terms of a small set of statutory services authorities are required to provide by law - predominantly social care - rather than the full range of services residents expect from their council.

"There are a range of other services, such as libraries and youth services, which local people can reasonably expect their council to provide, but which the department does not consider rigorously when determining whether local authorities are financially sustainable," said the report.

"We are concerned that the department's narrow view of service provision risks giving a misleading picture of the sustainability of services as a whole."

Responding to the report, Communities Secretary James Brokenshire said the financial package for local councils approved by the Commons yesterday would pave the way for "a fairer, more self-sufficient and resilient future" for local government.

"That is why local authorities will have more control over the money they raise and a real terms increase in their core spending power," he said.

"The settlement also recognises the pressures councils face in meeting growing demand for services and rewards their impressive efforts to drive efficiencies and rebuild our economy."

Richard Watts, chairman of the Local Government Association's Resources Board, said: "With councils in England facing an overall funding gap of £8 billion by 2025, we are pleased the Committee has reinforced our warning that funding cuts and demand pressures are pushing local services to the brink.

"The Spending Review will therefore be make or break for vital local services and securing the financial sustainability of councils must be the top priority. If we truly value our local services then we have to be prepared to pay for them.

"We agree with the Committee that the financial sustainability of local government cannot be defined by the ability of councils to just provide statutory duties.

"Pressures continue to grow in children’s services, adult social care, and efforts to tackle homelessness and this is leaving increasingly less money for councils to fund other discretionary services, such as the maintenance of parks, certain bus services, cultural activities and council tax support for those in financial difficulty - to plug growing funding gaps.

"Fully funding councils is the only way to ensure councils can continue to provide all of the valued local services which make such a positive difference to communities and people’s lives."

**Business rates system “does not reflect retail market” says ex-John Lewis boss**

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Major retail figures including former John Lewis boss Andy Street and Bill Grimsey have piled fresh pressure on the government to reform business rates.

The Key Cities Group, comprised of 24 UK cities each with a gross added value (GVA) of over £110 billion, unveiled the findings of its The Future of our Town and City Centres report at a conference on the future of the UK’s high streets yesterday in London.

In a year that is due to see a record number of high street stores and jobs come under threat, the report has called for a “complete review” of the current business rates system, stating that it no longer represents the modern British commercial landscape.

Addressing the Key Cities Group conference, Street – who is now the Conservative mayor of the West Midlands – said that the current system “does not reflect the retail market and indeed how other companies make profit”.

“There does need to be a much more complete review of how profit is achieved in the business sector,” he added.

“Business rates fall disproportionately on the high street. Ever since I was managing director of John Lewis, we have been lobbying for some further changes to business rates than have currently occurred.”

Speaking alongside him, Grimsey – who authored a review into the future of the UK high street last year – highlighted the need to address the rise of online giants like Amazon, proposing a sales tax.

He also warned that struggling retailers like Debenhams would disappear, and that grocery stores would need half the space they currently occupy by 2030, arguing that customers would not shop in stores where they would not need to touch items to buy them.

**SNP wins budget backing with council tax pledge**

*Greens demanded reforms and more money for local government as price of support*

The Scottish National party government has revived the prospect of scrapping council tax and pledged more funds for local authorities as part of a deal with the Greens to win parliamentary backing for its budget.

The deal secured approval for the SNP’s 2019-20 spending plans, which include a lower threshold for higher rate income tax than in the rest of the UK and will refocus attention on the highly contentious issue of local government finance reform.

With Green support, the budget was approved at its first stage on Thursday by 67 votes to 58.

The SNP promised to replace council tax with a local income tax before winning power in 2007 and was part of a cross-party commission that in 2015 recommended its replacement with a system based both on property values and on income.

However, Nicola Sturgeon, first minister, backed away from major reform, tweaking council tax to make it more progressive but retaining the quarter century-old home valuations on which it is based.

In a statement, the Scottish government said it had agreed to convene cross-party talks on replacing council tax and would publish legislation before the end of the current parliament in 2021 if agreement could be reached.

The deal amounted to a pledge of “substantial devolution of power to local government”, said Derek Mackay, finance secretary.

Mr Mackay in December set out plans for the 2019-20 budget that will freeze the threshold for higher rate income tax in Scotland. The move widens divergence from rates elsewhere in the UK after Philip Hammond’s decision to raise the higher rate threshold from £43,430 to £50,000.

But the Scottish Greens had demanded more money for local councils and pledges of reform as the price of their support.
Mr Mackay said the revised budget would provide an additional £90m in core resource funding on top of the planned £11.1bn local government settlement. Councils would be given more flexibility over elements of care spending, and granted new powers over some business rates reliefs and the power to introduce a workplace parking levy.

Mr Mackay also agreed to “consult on the principles” of a local tourist tax. Local authorities, including SNP-run Edinburgh council, have said that a small nightly levy on visitors would spread the benefits of the fast-growing tourism sector and help fund investment in local infrastructure.

Patrick Harvie, Scottish Greens co-convener, said the deal would help councils protect services and jobs.

“It’s welcome that after consistent Green pressure the SNP government have seen sense and committed to immediate action and longer-term reform,” Mr Harvie said.

The SNP has relied on Green support to win passage of its budgets since losing its majority in the Scottish parliament in 2016.

The Scottish Conservatives and Liberal Democrats had this year said the SNP must put aside its demand for Scottish independence as a condition of co-operation, while Labour had demanded substantially greater spending and more progressive taxation.

The Greens have repeatedly accused the SNP of restricting local councils’ freedom of action. The Scottish parliament’s information service said the original budget would increase revenue funding from the government to local councils by 2 per cent in real terms, but when ringfenced funding was excluded it would mean a 3.4 per cent reduction.

**Land Value Tax - Scottish Land Commission Research Report**

Following a request from the Scottish Government, the Scottish Land Commission recently published their report on research into potential options for the introduction of a land value tax (LVT).

LVT (not to be confused with Land Value Capture Tax, a mechanism designed to tax the increase in value of land at the point of development approval) is most usually seen as an alternative (or addition to) the current system of Council Tax. It is of interest to the Scottish Government and Land Commission given its dual potential of reforming property taxation and securing land reform through more diversified land use and ownership. The underlying thinking is that LVT may tax land not otherwise taxed, and thereby encourage sale or development by the landowner.

**Challenges**

LVT is a recurrent tax charged on landowners based on unimproved land value and usually calculated as a percentage of that value. The report identifies various challenges, including how to collect tax from a land owner who is asset rich but cash poor; how to determine the unimproved value of land which is presently in an improved state, and issues over the requirement to revalue land over time. Such issues affect all jurisdictions which look to implement LVTs.

Some specific issues from a Scottish perspective include how to identify accurately who owns the land, in the absence of comprehensive registration of title in the plan-based Land Register; and problems around valuation of land arising from the Scottish plan-based planning system. The report notes that successful LVTs tend to be in places where a zoning system (allocating permitted use by area and conveying automatic development rights to landowners) is used by planners, as such a system allows easier assessment of value of land in the relevant zone, as compared to valuing land where approvals are discretionary, such as in Scotland at present.

**Exemptions**

The report noted that in the various examples of LVT considered, there were widespread exemptions, and there is therefore wide scope for jurisdictions to tailor an LVT to their specific circumstances. The report notes that it is not a foregone conclusion that agricultural land would be exempt from an LVT and that will bring with it concern to farmers anxious to ensure that their farms are not broken up. One would hope that avoiding such a scenario would be a significant policy consideration for the future.
Conclusions

At this stage, the report was commissioned as a backdrop to future policy decisions. The report sets out various potential options for introducing an LVT, including as a replacement for Council Tax/Rates or in addition to those. It also notes that simple reform or extension of existing land taxes could lead to a more progressive and equitable tax system.

With the recently passed 2019 Scottish Budget now committing the Scottish Government to cross-party talks on replacing the current Council Tax, we may have an LVT on the table for discussion earlier than expected and we will keep developments on this front under review.

The idea that fiscal conservatism and social liberalism go together is a deception

The desire to have your cake and eat it makes a person sound greedy, but it is more than anything a failure of intellect.

From the football manager who wants more consistent refereeing but objects when this leads to a penalty award against his team, to a president who disputes the basis of his predecessor’s employment figures but boasts of his own results using the same measures, it is hard to trust those who try to stake out a position and claim all the benefits but none of the costs.

I found myself thinking about this listening to some of the criticism levelled at finance secretary Derek Mackay’s budget this week. It was cast as a “tax triple whammy” by the Conservatives and sections of the press.

A relatively modest council tax rise, powers to impose tourist taxes and workplace car parking charges, added to the refusal to pass on tax cuts delivered in England amount to a ‘savage cash grab’, according to one report.

Here’s the thing. You can’t have socially progressive policies and a tax-cutting agenda. Some would contend you can.

Politicians, taxi drivers, bar-room philosophers – listen to them for long enough and you’ll eventually hear the hoary lie: “I’m socially liberal, but fiscally conservative”. And at that point it’s time to leave the bar, the car, or turn off Twitter.

As society becomes more progressive and permissive and voters become more concerned about issues like homelessness, more open-minded about drug reform, those on the right have had to move to appear more caring. But it is a nonsense, founded on a lie.

On of those lies is implied. That is the suggestion that liberal values are somehow profligate or wasteful. So cuts can be made with a clean conscience – it’s just belt tightening, after all.

These claims don’t add up. That’s why brutal austerity cuts are often paired with the demand for imaginary ‘efficiencies’, why councils are asked to make savings, charities providing public services are told to make do with less, and care homes are given smaller sums per head for their elderly residents.

As if that doesn’t mean larger case loads for social workers, putting every child protection case on their list at greater risk. As if that doesn’t mean fewer resources for a hospice to help people, or their relatives, at the end of life. As if it doesn’t mean Aunt Maureen in Cherry Acres is less likely to get out for a walk because there’s nobody free to keep an eye on her.

The truth is, fiscal conservatism perpetuates inequality. Poverty is entrenched by a philosophy which says, in essence: I’m really concerned about people who don’t have enough to get by, and by the problems faced by those left on the margins by society. I just don’t want to have to do anything about it, or pay anything to fix it.

That’s why the liberalism of those who espouse such views is often passive. In favour of gay marriage. Happy with freedom of choice when it comes to abortion. Pretty concerned about plastic pollution. Just so long as it doesn’t involve doing very much, or any significant government spending.

Making a real difference to the rights of low paid workers, by restoring legal aid for discrimination cases? Investing in public transport? Requiring companies to put genuine measures in place to support disabled people in the workplace? Putting real funding behind efforts to limit carbon emissions? Well, that’s a different matter.
The perspective is a superficially attractive one. Who could be against being frugal? Especially if it’s moderated with a dose of compassion? But the reality of such thinking is that Glasgow City Council is currently considering closing Whitehill baths, home to one of only two disabled swimming clubs in the city. Edinburgh’s Integration Joint Board is about to close Pilton Community Health Project, a remarkable multi-faceted resource which has provided a range of mental health and other care and support services to some of the poorest areas of that city for more than three decades.

The reality is a benefit cap for people with more than two children so cruel that it will require some women to testify that a child was the result of a ‘non-consensual conception’ if they are not to be denied tax credits.

There is a huge self-delusion involved in the idea that perpetually cutting back on public spending is compatible with creating a fairer, kinder or more tolerant society.

So it is no surprise, I suppose, that it often comes paired with another pernicious delusion: that “the market” will somehow intervene. Fiscal conservatives have a touching faith in the powers of this magical entity.

But corporations can’t be trusted to do the right thing. Tobacco company Philip Morris is currently positioning itself as “committed to creating a smoke-free future”, in Britain, at least, where it is illegal to advertise cigarettes. Of course in other parts of the world, where it is legal, the company continues to push Marlboro for all it is worth.

And the rush of companies removing plastic straws from their products may be sincere in their response to genuine public concerns, but relying on businesses answerable primarily to their shareholders to do anything more meaningful about plastic packaging or rein in the insane market for bottled water, or discouraging overconsumption is frankly naive.

Fiscal conservatism paired with social liberalism means pushing the idea that getting into work is a straightforward answer to poverty and injustice, while turning a blind eye to the fact that starving people off benefits for the most part merely, forces them into low paid, insecure employment, perpetuating inequality.

The real answer is progressive taxation, funding efforts to tackle the attainment gap in education, address inequalities in health care, re-establish a social security safety net which treats people fairly, decently and with respect.

Two thirds of the Scottish Parliament were elected on this sort of platform, and the Scottish Government has passed a budget, with the support of the Greens, which hopes to deliver on it. So talk of ‘tax bombshells’ is misguided and regressive, especially when paired with claims to be socially liberal.

**Retail NI meets minister over rates reform**

A Retail NI delegation met with finance secretary Sue Gray this morning (6 February) to discuss business rates reform, the Future High Streets Fund and the Northern Ireland Executive departmental budget.

Glyn Roberts, Retail NI chief executive, said: “We left the permanent secretary and her officials in no doubt as to how bad the situation is in regard to our broken and antiquated system of business rates in Northern Ireland.

“Independent retailers and hospitality businesses in Northern Ireland are paying the highest business rates in the UK and have little in the way of rate relief schemes which our mainland counterparts enjoy.”

Roberts added: “We also urged for the £20m Future High Streets Fund, which was announced by the chancellor to regenerate our high streets, to be included in any local budget for Northern Ireland. It is also vital the wider business community is fully consulted on the Northern Ireland departmental budget.

“Northern Ireland cannot be the only part of the UK which does not benefit from the Future High Streets Fund, particularly given we have the highest levels of shop vacancies and dereliction.”
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