IPTI Xtracts

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Northern Ireland launches public consultation on business rates

Northern Ireland's Department of Finance has launched a public consultation in an attempt to make the country's business rates system "effective and fair".

The 2019 Review of Business Rates is due to last eight weeks, with the report set to be published in spring 2020.

Business rates contribute over £655m to the overall rates income in Northern Ireland.

Permanent secretary Sue Gray said: "My department has been working with a wide range of stakeholders including experts in urban regeneration, taxation and the high street to help inform the scope of this review and the consultation document which we are launching today.

"This review is about looking at the current position and making recommendations to ensure that our business rates system is effective and fair while raising the funds needed to support Northern Ireland's key services.

"The business rates system, together with its suite of support measures, needs to be positioned to respond to changing marketplaces and local economic conditions. What we need now is for business ratepayers, business and trade organisations, local government and all interested parties to engage with us and put forward their perspectives, ideas and opinions."

The Business Rates Review team will be attending a series of events organised by councils, chambers of commerce and other organisations across the region as part of the public consultation process which ends on 11 November.

Taxing wealth at lower rate than income is wrong, says thinktank

People who get income from assets or property pay less tax than those who rely on work

The government could gain £90bn in extra revenue over five years if it taxed income from wealth in the same way it taxes income from work, according to a leading thinktank.

The Institute for Public Policy Research said the reduced tax rate on gains from owning shares, property, fine art and wine was “unfair and outdated” and needs radical reform following years of worsening inequality.

Two people who earn the same can end up paying vastly different amounts of tax depending on the source of their earnings, said the IPPR.

The wealthiest people are more likely to get income from wealth and can end up paying less tax than they would if their income was from work, the thinktank said.

People in the higher income tax bands are also more able to avoid their tax obligations by shifting their income source from wages so they are paid in the form of capital gains and dividends, which are taxed more lightly, it was said.

“This dynamic means the rich can continually get richer, whilst everyone else struggles to catch up,” said the report.

The highest capital gains tax rate was 40% between 1988 and 2008 but it is just 20% today on most assets, and 28% on property. Higher rate taxpayers pay 40% on their income and 45% on income above £150,000.

Analysis of land ownership in Britain has shown that half of England is owned by less than 1% of the population, with 25,000 landowners accounting for almost all the 50% share.

Tom Kibasi, the director of the IPPR, said raising taxes on income from wealth to the same level as those on income from work was a necessary step to break this cycle and restore a sense of justice to the UK’s economic system.

“This is a matter of basic fairness. It is fundamentally wrong that people who get their income from betting on stocks and shares or playing the property market pay less tax than those who go out to work each day to provide for their families.

“The current tax system works for the rich, designed to help them avoid paying their fair share. Taxing all income in the same way would be a crucial step forward.”

The report said that a modern and fairer tax system could raise £120bn, but would also change the behaviour of many richer taxpayers, reducing the potential gain to nearer £90bn.

Alongside reform of income taxes from wealth, the IPPR said anomalies created over decades in taxes on income from work should be overhauled, including merging national insurance and income tax to create a simple progressive system.

The plans were welcomed by anti-poverty campaigners and by the Labour party, which said it would examine any proposals to make the tax system fairer.

Rebecca Gowland of Oxfam said: “The government should seriously consider IPPR’s proposal to tax wealth more fairly.

“This would help to tackle corrosive inequality that is preventing the poorest from having a fair chance in life.”

The shadow chancellor, John McDonnell, said: “Labour pledged at the last election to reverse Conservative cuts to capital gains tax rates.

“We will look carefully at any proposals which seek to address the unfairness of those who work for their money paying higher taxes than those whose money does their work for them.”

Plea for action to save high street as sales stagnate

The British Retail Consortium has called on the government to step in and help the retail sector through an “unprecedented period” of technological transformation as like-for-like sales in August fell by 0.5 per cent compared with a year earlier.

Helen Dickinson, BRC chief executive, said that consumer demand had fallen amid uncertainty, with online shopping taking a bigger share.

Total reported sales, rather than like-for-like, were flat at 0 per cent.

“While the summer weather gave a small boost to food sales, this was cancelled out by a drop in non-food sales,” she said. “Summer discounting and poor footfall have hit in-store sales particularly hard. If the government wants to avoid seeing further store closures and job losses on the UK high street, they must take action.”

A jump in food sales as the country basked in sunshine failed to offset weakening demand for other items, according to the latest survey by the BRC and KPMG, the accountancy firm.

In the three months to August, food sales rose by 0.5 per cent as shoppers scoured the supermarket shelves during intermittent bursts of hot weather. Total sales of non-food items came under pressure, however, falling by 1.2 per cent over the same period. They dropped by 3 per cent in store but increased by 2.2 per cent online.

Sales of jewellery, household appliances and clothing rose but sales of stationery, toys and furniture fell.

The overall flat performance for the month put total sales ahead of the average quarterly rate of minus 0.4 per cent, but it lagged behind the annual average of 0.4 per cent growth.

Dozens of retailers including Marks and Spencer, WH Smith and Debenhams wrote to Sajid Javid, the chancellor, last month to warn that business rates are damaging high streets and harming communities. They branded the system “outdated” as growing numbers of consumers turn to online shopping and argued that it is curbing investment, hitting productivity and “detrimentally impacting communities up and down the country.”

Paul Martin, head of UK retail at KPMG, said: “It’s clear that for much of the retail market, efforts are being focused on preservation, not growth, in this adverse and uncertain climate.”

Promotions before the start of a new school year did provide some relief, he noted, with higher sales of children’s fashion and footwear.

“With a budgetary spending review, the Brexit crunch point looming and potentially a general election on the cards, it’s clear that the only thing that is certain in the coming months is further uncertainty,” Mr Martin added. “It’s vital that retailers insulate themselves for every eventuality and have rigorous contingency plans in place.”

Higher food and grocery sales last month were driven more by the weather than persisting political unease, Susan Barratt, chief executive of the retail analyst IGD, said. “As August progressed, the October Brexit deadline received increasing attention but only 3 per cent of shoppers say they’ve begun to build stocks for this purpose — not enough to show through in the total sector sales.”

• Consumer spending rose by only 1.3 per cent in the year to August, according to Barclaycard. Excursions to pubs and restaurants helped boost non-essential expenditure by 1.4 per cent. Falling petrol sales and modest growth at supermarket checkouts led to essential spending growth of only 0.6 per cent.

‘Labouring’ to the wrong conclusions about UK retail

High street retailers need urgent action on business rates - not leaving it to political point-scoring.

Empty shops should be given to startups, co-operative businesses and community projects to help Britain’s struggling town centers, according to the UK Labour Party.

Labour leader Jeremy Corbyn has described boarded up shops as “a symptom of economic decay under the Conservatives and a sorry symbol of the malign neglect so many communities have suffered.”

He is calling for local authorities to be given the power to reopen abandoned shops that have been left vacant for a year or more. This has not been well received by key retail sector players.

Neil Saunders, Managing Director of GlobalData Retail, tweeted: “A symptom of changing shopping habits and a punitive tax system. Playing party political games isn’t helpful. Not addressing the real issue— business rates— isn’t helpful. A state takeover of empty spaces isn’t helpful.”

Retail consultant Oliver Banks argued: “I can’t help but feel this proposal does nothing to address the actual challenges of the retail market. Sounds like a recipe for lots of future disaster as new businesses form without a feasible business model. Am I missing something?”

Simon Lyons, Managing Director at Central Retail Property Consultants, stated: “A deluded and completely inaccurate understanding of the problems facing the UK high street.

“Business rates, cheaper public transport, more residents/public facilities and car parking are the real issues, filling voids with any old tat is not the solution.”

Business rates are definitely a major issue here. Over 50 UK retailers, including Asda, Marks and Spencer, Sainsbury’s, Iceland and River Island, recently called on the government to do something about this.

A letter to the new Chancellor, Sajid Javid, coordinated by the British Retail Consortium, pointed out that UK retail remains the country’s largest private-sector employer, employing approximately three million people.

The industry accounts for 5 percent of the UK economy, yet is burdened with 10 percent of all business taxes, and 25 percent of business rates.

It asked for four fixes: A freeze in the business rates multiplier; fixing transitional relief, which currently forces many in UK retail to pay more than they should; Introducing an ‘Improvement Relief’ for ratepayers; ensuring that the Valuation Office Agency is fully resourced to do its job.

The letter claimed that implementation of these four recommendations “could be undertaken quickly, would reduce regional disparities, remove barriers to the proper working of market forces, incentivize economic investment, and cut away at least some of the bureaucracy of the current system.”

Richard Walker, Joint Managing Director, Iceland Foods, said: “Business rates are an outdated Victorian taxation system that has little relevance to our modern multi-channel retail economy.

“Fundamental reform of the system is the only way we will stem the decline of high street communities up and down the country.”

Not all doom and gloom

Amazon, which has been dabbling in pop-ups and opening Amazon Go stores, clearly believes that there is still a lot of money in brick-and-mortar retail. Indeed, talk of the high street’s demise is overstated.

Nonetheless, a significant number of UK retail members are not actively preparing for the future, with 35 percent admitting to having no business transformation strategy in place for the rise of digital technology and changing consumer habits, according to research by PushON.

Its survey of 100 retailers found that 20 percent has not invested anything in developing the digital side of their business in the past year. Of those that do have a strategy in place, only 27 percent said that they are currently progressing well with their transformation.

The research also found that just 26 percent of retailers believe digital transformation is crucial for them to survive in an increasingly competitive market.

For too long, physical retailers have been relying on traditional approaches to solve very modern problems.

Ultimately, if they spend time creating products people want, invest in stores and technology, focus on excellent customer service and also provide good value for money, they and the UK's high streets will continue to remain relevant in these fast-changing times.