IPTI Xtracts

Property Tax and Assessment News from Around the World

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Contents

Shop local - and set the tax rates there too?

- The election result has put the focus on the need to think more local in a response to the places that feel like they have been left behind.
- An opportunity has arisen with an amendment to the business rates bill, which would shift control of non-domestic rates from Holyrood to councils.
- While the SNP administration may struggle to overturn the move, business lobby groups are mobilised on the government's side.

People in the final throes of Christmas shopping are facing the familiar call to support their local high street.

As big national chains shrink their retail footprint, small independent firms are taking up the space, trying to provide something distinctive and to give town centres more of a sense of place.

Going local has become all the more topical after a general election in which England's towns asserted themselves.

It was the towns that were key to the Brexit majority, and towns that have sent Labour packing. The constituencies remaining Labour red are heavily skewed to cities.

The interpretation of this in some quarters is that towns and their high streets feel left behind. So is this time to reassert themselves?

It happens that they may be about to get an opportunity in Scotland, with a looming battle over control of nearly £3bn of tax revenue each year.

On manoeuvres

This is about Non-Domestic Rates, or business rates. Not, admittedly, the most scintillating subject, least of all for the festive season, but stick with this - it could blow up into something big next month and it has far-reaching implications.

A bill is before Holyrood, and has been for most of this year. At its second stage, in committee, Green MSP Andy Wightman, lodged several amendments, one of which passed.

To the alarm of the business lobbies, this change hands the power to set business rates from the Scottish government to local authorities.

Hence, we could get 32 different business rates, some inflated to plug budget gaps, others used to undercut neighbouring areas.

Mr Wightman's view is that local control existed until 1992, and it would be good for local accountability if it returned to that position.

He cites the example of Highland Regional Council, which used to use its flexibility on business rates to help the fabrication yards at Nigg and Ardersier through peaks and troughs of work.

It's no surprise to the St Andrew's House administration that Mr Wightman is on manoeuvres. He's a formidable operator, with a deep understanding of land law.

What seems to have surprised it was the support of Labour and Conservative committee members.

The Scottish government is very keen to overturn the amendment at the final stage of legislating next year.

A spokeswoman said: "The amendment creates huge uncertainties and unintended consequences for both ratepayers and Scottish councils. As it stands, it also abolishes vital business rates relief from tens of thousands of businesses."

But lacking a parliamentary majority, it is not clear the SNP can overturn the amendment.

Fears and complexity

Business lobby groups, meanwhile, are deeply perplexed. They have responded forcefully.

The recurring concern is that the Small Business Bonus Scheme, which exempts premises with low rates valuations, would come to an end.

According to the Scottish Fiscal Commission (SFC), which has run the numbers on this since the committee vote, that move alone would raise (thus costing business) another £355m.

That assumes that the poundage rate (the amount charged per pound of valuation) is not changed by councils.

The SFC also looks at the Large Business Supplement. If that is no longer a levy the Scottish government can apply, it reduces revenue by £128m, says the SFC.

Andy Wightman has an answer to the concern about national reliefs being removed, including the Small Business Bonus Scheme.

He tells me that the removal of the power for the Scottish government to offer such reliefs is a drafting error. He will propose the removal of that part of the amendment at stage three of the Bill.

Let's see if that reassurance calms the chorus of criticism, and helps Tory MSPs to support a revised Wightman amendment.

Welcome in some quarters

One lobby group that likes the look of the Wightman amendment is the council umbrella group Cosla, which said the move is "a welcome opportunity to progress towards greater fiscal empowerment".

However, the councils don't want this power without preparatory work, to look at any implications. It wants to see that done "at pace", while recognising it won't be ready before stage three.

Business rates also featured in the Queen's Speech at Westminster. This unloved system of taxation, failing to address the fundamental changes to the economy through digital commerce, is due for another review down south.

That need not affect Scotland, but it probably will. The Scottish Parliament has, since 1999, had powers to do whatever it wishes with business rates.

A change is going to come

Yet for all the talk about needing the levers of tax power to grow the economy faster, Labour, Lib Dem and SNP administrations have only tinkered at the margins, with reliefs for some and supplements for others. The poundage charged on each pounds-worth of rateable valuation has been pegged to whatever Westminster sets.

So if Westminster reforms the English system, Scotland may no longer have a lead it can follow - not unless Holyrood adapts its own reforms.

In general, business would very much like to see big changes to the system, going much further than the Scottish government current legislation. But preferably not Andy Wightman's grand plan.

Property Watch: Revaluation of business rates 'will bring greater fairness to the system'

The rates revaluation of business premises in Belfast aims to make the system fairer

By Sharon Magee MRICS, District Valuer and Project Manager for Reval2020 at Land & Property Services

As announced back in 2018, changes are coming to rates bills for business properties across Northern Ireland.

Land & Property Services has just completed a revaluation of all 74,000 business properties in NI, ensuring that the valuation of every business property - whether rented, owner occupied or vacant - will now be in line with April 2018 rental values.

The new values will be used to calculate rate bills for business from April 2020.

The last revaluation of business properties in Northern Ireland was in 2015, and was based on 2013 rental values. I think we can all agree, a lot has changed since then.

A revaluation is not about increasing the total amount of rates paid in Northern Ireland. It is about dividing that amount out again more fairly between business ratepayers, and using new rateable values that are based on April 2018 rental values.

Social, economic and environmental circumstances change over time and do not affect all property sectors or geographical areas in the same way.

That is why Northern Ireland is now in a five-year revaluation cycle. Going forward, in keeping with previous ministerial commitments, we will be carrying out revaluations even more frequently and regularly, like other parts of the UK.

The Royal Institution of Chartered Surveyors (RICS) in NI supports this; a revaluation is carried out by Land & Property Service Valuers who are all members of the Royal Institute of Chartered Surveyors.

This most recent revaluation will ensure the rating system remains up-to-date, by taking into account local economic changes (both positive and negative) and makes the system fairer by sharing the rate liability across all sectors in line with April 2018 rental values.

Business owners should keep in mind that Land & Property Services will release a draft schedule of valuations online at the start of January. This will allow ratepayers and their representatives to see their new valuations as early as possible and ensure they have sufficient time to talk with us at Land & Property Services about their valuation, if necessary, before it is used to calculate their rate bill from 1 April 2020.

As a result of revaluation some properties' Net Annual Value (known as NAV) will go down and some will go up.

Many will stay the same. At this stage it is not possible to say what the impact on individual rate bills will be.

It is also worth noting that if a ratepayer is currently eligible for industrial derating, sport and recreation relief, or charitable exemption from rates, eligibility for these particular reliefs are unaffected by the revaluation and will be applied to the bill by Land & Property Services before the bill is issued in April 2020.

Experts warn proposed business rate cuts under Conservatives will have no "meaningful impact"

Rate experts warn proposed business rate cuts under Conservatives will have no "meaningful impact"

Altus Group pointed out that for the three following years after 2021, the Conservatives said it will only reduce total tax receipts by £10 million each year.

- Conservative plans to reduce business rates by just £10 million each year after 2021
- Altus Group says the reductions do not go far enough to bring change for the high street
- Rates will "need to go much further and deeper to have a meaningful impact" according to experts

The reality of the Conservatives' proposed cuts to business rates have been revealed, with experts stating retailers will see a mere 0.03 per cent reduction in rates from 2021.

Under Conservative spending plans the aim to reduce business rates by £10 million a year from 2021 to 2023 do not go far enough to have a "meaningful impact".

The issues is one the government has been promising to tackle for a while after coming under pressure from retail lobbying from the British Retail Consortium.

Earlier this month data from the HMRC showed the number of businesses waiting for challenges over soaring business rates to be resolved has jumped by more than a third in just three months.

According to the HMRC the number of outstanding challenges has risen by 35 per cent, fuelling concerns from experts over the rates appeal system.

The increase in unresolved business rates challenges has been revealed as the BRC warned that retailers were being short-changed by more than a billion pounds due to failings in the rates appeal system.

BRC chief executive Helen Dickinson said businesses could be owed £1.4 billion over the five years to 2022 through the appeals system.

Speaking before the annual CBI conference last month, Prime Minister Boris Johnson promised to “reduce the overall burden” of business rates as well as launch a review into the rates system.

Retailers have criticised the current business rates system for exacerbating the decline on the high street by placing high cost pressures on shops, pubs and cinemas.

The Conservative manifesto outlines plans to reduce the rates burden by £320 million in the 2020-21 financial year, by extending a retail discount from 33 per cent to 50 per cent for businesses with a rateable value below £51,000.

However, Altus Group pointed out that for the three following years, it said it will only reduce total tax receipts by £10 million each year.

This compares to a business rates yield of more than £33 billion for each year from 2021-22, meaning the rates cut will only reduce the burden by 0.03 per cent.

“The commitment to lower the burden as part of a wider review is an acknowledgement that the standard rate of tax, at its highest level since 1990, at over 50 per cent, is a major issue for business across all sectors of the economy,” said Altus head of business rates Robert Hayton.

“However, the promised cut of around 0.03 per cent from April 2021 whilst a start, will need to go much further and deeper to have a meaningful impact,” added Hayton.

Altus Group added that the manifesto does not clarify how the £10 million reduction will be implemented or spread across rateable businesses.

Chuckling Goat an example of how business rates impact firms operating on the high streets

The woes of Britain’s high streets have continued throughout 2019 so far, with research by PwC and the Local Data Company revealing that a net 1,234 stores closed down in the top 500 high streets in the first half of the year.

Changing shopping habits toward online purchasing have been earmarked for blame, but the struggles of high street retailers have been exacerbated by business rates, culminating in the large scale closures all over the UK.

Boris Johnson pledged to review the business rates system during his election campaign in the run-up to Polling Day, Jeremy Corbyn promised that a Labour government would reform them, and Jo Swinson's Liberal Democrats wanted them scrapped completely.

But whatever the new government decides to do with business rates after today's election, the shortcomings of the existing system are highlighted not just by the rate of high street brands closing down, but also by the fact that successful businesses just are not willing to take the risk of going bricks and mortar and are choosing to operate online instead to keep costs low.

Chuckling Goat, first established in Brynhoffnant, Wales, back in 2014, is a business which manufactures a live culture drink known as kefir, and sells directly to the consumer. It also manufactures and sells its own kefir-based skincare products as part of the wider Chuckling Goat brand.

The business now turns over £4 million per year, a 7,900 per cent increase on when it was first established, and received the accolade of “Best New Dairy Drink” for 2018.

However, its directors, husband and wife couple Shann and Richard Jones, do have an anecdote to tell about a brief run in they had with business rates, which reassured them that running the Chuckling Goat brand 99 per cent online was the best route forward for the business.

Speaking to The Parliamentary Review, Shann Jones said: “We briefly experimented with opening a local shop, but we found the outlay prohibitive. The money that we might have spent on rent, insurance, electricity and business rates we have instead ploughed into creating a top-notch e-commerce website, hiring a talented website designer and keeping him on site with us four days per week, ready to respond to daily fluctuations and issues.”

Despite having to deal with physical accessibility to their brands being prohibitive, the Joneses decided to take advantage of shopping habits shifting toward online retail by providing free shipping of their product all over the UK.

Jones said: “Amazon has changed the world; customers are used to ordering whatever they like online, and having it arrive 24 hours later. Why would anyone travel to the high street, when the world is available at the click of a button?”

It is clear and obvious that manufacturing in-house and retailing online works as a model for Chuckling Goat and has contributed to their sharp but sustainable growth, with its kefir product now exported to 38 different countries, but the very fact that the business briefly tried to experiment with a bricks and mortar approach and were forced to sharply withdraw is reflective of the system's failings and the very struggles that high street retailers are facing.

Another cornerstone of the Chuckling Goat model is to grow sustainably and sell direct to the consumer and not bias third parties. This, as Shann Jones told the Review, has allowed the family business to avoid being ensnared in the so-called “Tesco trap” and instead retain full control of its product output and quality.

Jones said: “We do not sell through any third parties – we only sell direct to our customers. This stance has also enabled us to avoid the “Tesco trap” in which a small producer enters into a contract with a large supplier and scales up to meet the demand, after which the large supplier demands that the producer cuts corners and the quality drops, with the result that the producer goes out of business.

“The field is littered with the bodies of small companies who have turned over their souls to large corporations and lived to regret it. We prefer to retain control over our supply and quality.”

Business rate reform may well go some way toward helping aspiring bricks and mortar retailers establish themselves and stem the tide of high street closures, but for some it is not a risk worth taking operating in such a way. The Chuckling Goat story weighs up the shortcomings of bricks and mortar retailing against the appeal of operating online, which for them has been key to growing sustainably without added burden. For a manufacturer such as Chuckling Goat which already has production overheads associated with making its product anyway, burdening themselves with heavy business rates and other running costs was simply not viable.

Given that for all their success, the Jones family still opted against deviating from running the business online, it says a great deal about the failings of the business rates system. A rejuvenation of the high streets may come in future with necessary reforms, but businesses who have established a functional online model should not be expected to want to expand into high street premises any time soon. The future of bricks and mortar retailing will still, ultimately, remain uncertain.

Scottish private schools and rates relief

As of next year, Scottish private schools will have to pay business rates in full in spite of their charitable status

How come Scottish private schools will have to pay business rates?

The Barclay Report on Business Rates, published in 2017, called for private schools to cease to benefit from the “reduced or zero-rates bills” they receive as charities, estimating the move could save £5 million.

The review was set up by the Scottish government in 2016 to make recommendations to improve the current rates system, and was led by former RBS boss Ken Barclay.

Business rates – which are standardised across Scotland – are the charges paid by non-domestic properties, including shops and offices, for public services such as education, waste management and roads. They are collected by councils and handed back to the government, which redistributes them, but charities do not pay them in full.

What exactly did the report say?

The Barclay report argued that because state schools paid rates in full it was “unfair” that independent schools did not. The report called for this “inequality” to be ended “by removing eligibility for charity relief from all independent schools”. The schools would, however, continue to be classed as charities and other benefits would “continue to flow to them from that status”, it said.

Sounds fair – if state schools pay, why shouldn’t independent schools?

State schools do pay – a Tes Scotland investigation found that the rates bill for states schools was £163 million. However, independent schools argue that while they put new money into the system, the rates paid by state schools are simply “a circular paper process between them and authorities” that has no impact on school budgets.

It has been suggested, therefore, that another way to address the apparent disparity between the two sectors would be to waive the charges for state schools.

The Scottish Charity Regulator also disagrees with the move

In response to the Scottish government consultation that ran from June to September last year, the Scottish Charity Regulator (OSCR) said it had concerns about treating any group of charities “in a differentiated way for tax or other purposes”. It added that independent schools had been “subject to much more scrutiny than many other charities... and ultimately they all passed the charity test”.

Who supports the move?

In a climate where some would happily see private schools abolished, you don’t have to look far. One commentator writing for Tes Scotland said that private schools were “not really selling education, they’re selling segregation, status and, above all, access”. He added: “Private schools are not charities – they are fee-paying institutions attended overwhelmingly by the children of the social elite. Dishing out a few bursaries a year, or letting the poor kids use the playing fields once a week, doesn't change that. I don't say this all too often, but the Scottish government is absolutely right to press ahead with this change.”

So, as of next year, independent schools will be £5m worse off?

Well, that’s what the Barclay review estimated but more recent calculations have put the figure at closer to £7 million.

And what impact will this have on the sector?

The Scottish Council of Independent Schools (SCIS) says private schools will have to pass on the increase in costs to parents in the form of the fees they charge – and potentially reduce the amount of money they allocate to means-tested fee assistance. Writing in Tes Scotland, SCIS director John Edward said: “Every child removed from independent school if fees rise will be an additional cost and space for local authorities to deal with.”

A fundamental review of business taxes needs to be just that, not a fudge

There have been remarkable changes in the taxes paid by businesses over the past 15 years. Since 2005 the corporation tax paid by Britain’s largest businesses has fallen by 32 per cent, while other taxes borne, including national insurance contributions and business rates, have risen by 86 per cent, according to an analysis by PWC of the 100 Group — the body that represents FTSE 100 finance directors, some large private businesses and the UK operations of multinational companies. This has had various consequences, including the retail sector accounting for 13.4 per cent of the total tax contribution in 2019, its highest since 2011, despite it being widely considered to be in turmoil.

Other statistics released last week also highlight the UK’s reliance on taxing the physical presence of businesses and individuals. The proportion of tax that Britain raises from property, including business rates, council tax and stamp duty, stands at 12.3 per cent, twice the average in the Organisation for Economic Co-operation and Development and the highest in the European Union.

This is the backdrop to the frustration of small and large businesses about business rates and why so many are underwhelmed by what is being offered by the main parties before the election. Over the past 15 years, successive governments have overseen a tax system that increasingly targets the physical presence of a business — its staff and property — rather than its profits.

Given that, at the same time, we have seen the rapid growth of online giants such as Google, Facebook and Amazon, it is fair to question the logic of this shift.

The demise of high streets across the country has been driven by a collection of factors, including mismanaged businesses and irreversible changes in consumer habits, but there is no doubt that the tax system is working against them.

The Conservatives have pledged in their election manifesto to launch a "fundamental review of the system" for business rates and to cut the levy for high street retailers as a first step. Labour says that it will "review the option of a land value tax on commercial landlords as an alternative and develop a retail sector industrial strategy".

There is little reason to think that another review of the tax in isolation will lead to any significant changes. Business rates are forecast to bring in £31.1 billion for the Treasury in this financial year, making it the sixth largest source of income. As a tax, it has worked brilliantly — it's "stable, easy to collect and difficult to avoid", according to a 2016 review. Business rates are unusual as a tax in that they are designed to bring in the same amount of money for the Treasury every year in real terms, with any changes in the value of property changing who pays the tax, not how much. This means that in times of economic hardship, the tax is particularly a burden for businesses, but for the Treasury it is a cash cow that delivers even as other taxes tumble.

It is hopeless to call for changes to business rates in isolation. The tax needs to be changed as part of a wider change in how we tax businesses. This involves decisions on how to tax the online giants (a digital services tax or supporting the OECD-led work), where corporation tax should be set for a post-Brexit UK and on whether increasing VAT would ever be politically acceptable, given that it could be a fairer way of taking tax from high street and online retailers.

There are reasons to be optimistic from the election manifestos, therefore. But when Boris Johnson says there will be a "fundamental review", he really needs to mean it.

Graham Ruddick is Deputy Business Editor of The Times

Real estate taxation: Comparison of the manifestos

Here is a brief summary of the main taxation changes that will be relevant to the real estate sector from the main party manifestos and accompanying documents.

1. The Conservative announcements in relation to the taxation of real estate

- Corporation tax will remain at 19%. The planned 17% will not be implemented
- Income tax rates will not be increased
- 3% SDLT surcharge on the purchase price of residential property by non-UK tax residents. This is an increase from the 1% surcharge the government consulted on earlier in 2019 and would bring the top rate to 18%
- VAT: no change

2. The Labour manifesto proposals in relation to the taxation of real estate

- Capital gains
    - capital gains tax is to be at marginal income tax rates (ie potentially at rates of up to 50% where total income and gains from £125,000). This will presumably also apply to non-residents on indirect disposals as well as direct disposals, following the extended scope of the charge which came in earlier this year
    - the annual exempt allowance for CGT is to be abolished above a de minimis threshold of £1,000
    - the trading exemption from taxation of capital gains for non-UK residents holding UK property (NRCGT) will be removed and replaced with an exemption for small investors with a £1m investment limit. This could have major implications for certain infrastructure projects

- the exemption from NRCGT for non-UK residents holding 25% or less in UK property rich vehicles will be abolished and replaced with an exemption on investments up to £1m only (there is no de minimis already for investors in UK property rich collective investment vehicles)
- primary residences will continue to be exempt from CGT

- Corporation tax is to rise to 21%, then to 24% in 2021 and then again to 26% in 2022

- Income tax
  - additional rate (45%) to be payable from £80,000
  - "super-rich" rate of 50% to be charged from £125,000
  - dividends to be taxed at normal income tax rates and abolition of the lower rate of tax on dividends (subject to a de minimus)

- Consideration will be given to derecognition of the Channel Islands Stock Exchange (now The International Stock Exchange) as an HMRC recognised stock exchange. The loophole referred to in the Labour paper is the Quoted Eurobond Exemption from tax on bonds. However, such a move would also have implications for the many UK REITs and other "listed securities" listed there. Expect heavy lobbying to the effect any such move is targeted at specific loopholes and does not go much wider
- Offshore Property Company Levy of 20% on purchases of residential property by companies and trusts located in tax havens based on a blacklist to be developed by HMRC
- Annual levy on second homes used as holiday homes equivalent to 200% of the current council tax bill for the property e.g. if £1000 council tax bill, levy would appear to be an additional £2000
- A "use it or lose it" tax payable by developers on stalled housing developments
- Councils to be able to tax properties empty for over a year
- UK public register of beneficial ownership in companies to be extended to show all interests – not just those over 25%
- Public register of trusts
- Extending HMRC's preferential status on insolvency
- Scrapping non-dom status, which permits UK tax resident, but non-domiciled individuals to be taxed on a remittance and UK source (rather than worldwide) basis, and consulting on an exception for foreign residents in the UK for a short period of time
- The IHT position on main residence will revert to £325,000 per person, reversing the changes implemented by George Osborne
- VAT: no change

3. The Liberal Democrat manifesto proposals in relation to the taxation of real estate

- Corporation tax to rise to 20% and 1% on all income tax rates
- Abolition of annual allowance for CGT
- Replace Business Rates in England with a 'Commercial Landowner Levy' based on the land value of commercial sites rather than their entire capital value, moving the burden from tenants to landowners
- Graduating Stamp Duty Land Tax by the energy rating of the property
- Reducing VAT on home insulation
- Allow local authorities to increase council tax by up to 500% on second homes

- SDLT surcharge on overseas residents purchasing residential property
- VAT: no change

Business rates: improving an aged system

Business rates are a contentious tax that can have a profound effect on how companies operate within the UK. Companies of all sizes cite business rates as one of the costs that reduce competitiveness and force them to hold back expansion. In a challenging economy, this tax is one of the costs that can ultimately lead to business closure, resulting in a loss of jobs and local services.

The current system is complex and opaque, which creates additional costs and frustration for operators at all levels. The 'check, challenge, appeal' system introduced following the 2017 rating revaluation has been poorly implemented. It has proven problematic for ratepayers and their advisers to navigate and has actually created an impediment to understanding the evidence on which assessments are based.

In their manifesto, the Liberal Democrats pledge to scrap business rates entirely and replace it with:

'a Commercial Landowner Levy based solely on the land value of commercial sites rather than their entire capital value, thereby stimulating investment, and shifting the burden of taxation from tenants to landowners.'

Unveiling the policy at the recent Confederation of British Industry (CBI) conference, Jo Swinson said that abolishing business rates would cut taxes in 92 per cent of local authority areas and help rebalance the UK economy, while shifting the tax burden from tenant to landlord.

While we applaud the Liberal Democrats intention to tackle the business rates system, we would also advise a cautious approach. There is a significant risk that introducing an entirely new system could have unforeseen consequences.

Labour also pledges to introduce a significant shift to the tax system:

'Business rates are causing real issues for high-street retailers and others. A Labour government will review the option of a land value tax on commercial landlords as an alternative and develop a retail sector industrial strategy.'

Further evidence of the likely direction of a Labour government policy can be garnered from the September party conference, when shadow business secretary Rebecca Long-Bailey said Labour will introduce annual revaluations of business rates and exempt new plant and machinery from revaluations, along with a fair appeals system. She added that a review of the business rates system to bring it into the twenty-first century would be conducted.

And, at a recent speech to the CBI, Labour leader Jeremy Corbyn announced that when in power the party would reform business rates 'because we know the damage they're currently doing to our high streets and communities'.

These statements must be read alongside the Labour report Land for the Many, published earlier this year, which stated that 'Business rates should be replaced with a Land Value Tax, calculated on the basis of the rental value of local commercial land.'

It is important to pinpoint the emphasis on commercial land and landlords in these statements; when shadow chancellor John McDonnell previously floated the idea of a land value tax it was criticised as a 'garden tax' and quickly seen as a potential vote loser.

The ongoing uncertainty surrounding the Brexit negotiations is taking its toll on the UK Commercial Property market, causing some hesitancy among tenants, according to the Q3 2018 RICS UK Commercial Property Market survey.

The Conservative party manifesto, perhaps as expected, outlines the least radical position. The party position is to reduce business rates, which:

'will be done via a fundamental review of the system. As a first step, we will further reduce business rates for retail businesses, as well as extending the discount to grassroots music venues, small cinemas and pubs. That means protecting your high street and community from excessive tax hikes and keeping town centres vibrant.'

This follows last week's pledge from Boris Johnson to increase the employment allowance, which will provide a tax cut of up to £1000 to half a million businesses. The party has also recently announced its intention to increase the business rate discount for smaller firms from 33 percent to 50 per cent.

Business rates raised some £25bn in 2018-19 which is essential to fund a wide range of local authority services. Any future system must be essentially revenue neutral, so that there are no shocks that could create extra costs and potentially job losses. Any new system would need full consultation with all parties working with or affected by business rates, for instance rating surveyors, land owners, landlords, tenants and communities.

As the chief organisation for the valuation of land and other assets, RICS, especially with its Royal Charter, public interest remit and commitment to the highest standards, must be fully involved.

RICS calls on any future government to fully commit to fixing a system which has penalised a significant number of small and large firms for an extended period. We welcomed the October 2019 cross-party Treasury Select Committee's report Impact of business rates on business, which backed our historic calls for a root and branch reform of the business rates system in England and Wales. The next government must guarantee that the momentum behind updating our creaking business rates system will not be lost.

Geoff White RICS
Policy Manager (North & Midlands)

Scotland plans end to private schools' business rates relief from September

If the proposals pass through the Scottish parliament successfully, private schools will have to pay full business rates from 1 September next year

Charitable private schools in Scotland are set to lose their business rates relief from 1 September, the Scottish government has said, in a move that is will cost the sector an estimated £7m a year.

The government said in a statement that it would amend the Non-domestic Rates (Scotland) Bill to include the new date, which means that all of Scotland's charitable private schools would pay full business rates from the beginning of the next academic year, if the legislation passes through the Scottish parliament.

The reforms come after the publication in 2017 of the Barclay review of business rates, which recommended removing charitable business rates relief from independent schools.

The review, which was commissioned by the Scottish government, said the removal of rates from private education was proposed to bring the institutions in line with the tax treatment of state schools.

Under the existing arrangements, private schools that are charities are awarded an 80 per cent mandatory relief on business rates, with an optional 20 per cent at the discretion of the local authority.

In its 2017 budget, the Scottish government said it would press ahead with its plans to remove business rates relief for private education facilities.

The changes were originally scheduled for the beginning of the new tax year in April, but the Scottish government said the date would be moved back to 1 September to allow schools time to prepare for the additional costs.

In a statement, the Scottish Council of Independent Schools said the proposals would cost the Scottish independent schools sector £7m a year.

"The only way schools can realistically finance a spending hike of up to six figures a year is to increase their school fees or cut back on the participation provisions they have been increasing at the specific request of the Scottish parliament," said John Edwards, director of the SCIS.

"No other set of organisations in Scotland is seeing such a precipitous tax rise in such a short period."

Edwards said the Scottish government's reforms could mean that arrangements to share facilities with local communities and state schools are "frozen" because of the impact of paying full rates on independent schools' budgets.

SNP hits out at 'reckless' bid to scrap business rates relief

The Scottish Government has criticised a 'reckless' attempt by opposition parties to end the rates reliefs scheme, claiming it will 'devastate' businesses.

Scrapping the current scheme, which benefits 100,000 businesses throughout Scotland, will also put local services at risk, according to the SNP.

Conservative and Labour MSPs have voted for an Andy Wightman amendment to the Non-Domestic Rates Bill that would remove the ability of Scottish Ministers to set the business rates poundage.

Amendment 9, lodged by Mr Wightman, sets out to devolve powers to set business rates to councils. The effect is that rates would no longer be set nationally and business rates reliefs, like the Small Business Bonus and the Business Growth Accelerator, would automatically end.

Responding to the move, Finance Secretary Derek Mackay said: "Scottish businesses need an escape from Brexit – not yet more uncertainty and unnecessary cost. The Scottish Government offers the most generous package of business rates reliefs anywhere in the UK, worth nearly £750m to Scottish business.

"Astonishingly, Tory and Labour MSPs have voted to withdraw nearly £300m of relief in a move that would devastate Scottish business.

"More than 100,000 businesses benefit from the Scottish Government's Small Business Bonus and the Business Growth Accelerator ensures that businesses that build new premises or enhance existing ones pay no more for the first year. Both of these would disappear under the proposals being forced through by opposition parties.

"A majority of Scottish businesses benefit from the lowest poundage anywhere in the UK and incentives that only exist in Scotland. All that is under threat as ministers would not be able to set a consistent rate and provide national reliefs.

"These plans would deliver a body blow to Scottish business and would put at risk the delivery of local services. The Tories and Labour must backtrack on this disastrous move at the final stage of the bill.

"The opposition's economic credibility was already in tatters, but this is just reckless. This makes crystal clear that the SNP is the only party that will stand up for Scottish business."

Rates reliefs are worth hundreds of millions of pounds annually to Scottish business.

The Federation of Small Businesses, CBI Scotland and the Scottish Retail Consortium have all raised concerns over the impact of the proposed changes, warning it will create added costs and deter investment.

Stuart Mackinnon, FSB's external affairs manager for Scotland, said: "Across Scotland, small businesses will be alarmed to hear that nationwide rate relief for smaller operators is under threat."

Director of CBI Scotland, Tracy Black added: "Businesses have been clear that we wanted simplification – instead we could face more complexity and fragmentation. And complexity and fragmentation = bigger administrative burden and increased business costs."

David Lonsdale, Director of the Scottish Retail Consortium, commented: "Allowing each of Scotland's 32 councils to set the poundage rate in their area is an alarming and retrograde step, and flies in the face of the Bill's aims and the thrust of the rates reform agenda."

The SNP said that under current arrangements the Scottish Government guarantees council NDR income, protecting them from economic shocks, but that this would not be possible to continue if NDR is devolved to 32 local authorities.