IPTI Xtracts

Property Tax and Assessment News from Around the World

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Separate rateability of ATMs – ratepayers emerge victorious as the dispute draws to a close

After six years and four court hearings, the Supreme Court has decided in favour of the ratepayers in the landmark decision of Cardtronics UK Limited and others v. Sykes and others (Valuation Officers) [2020] UKSC 21.
Paramount and subordinate occupation

The case of *John Laing & Son Ltd v. Assessment Committee for Kingswood Assessment Area* [1949] 1 KB 344 sets out the four conditions required for a site to be in rateable occupation:
there must be actual occupation;
that occupation must be exclusive to the occupier;
the occupation must be of some benefit to the occupier; and
the occupation must have sufficient permanence (i.e. not be a transient interest or mobile).
This case primarily concerned the second of these (exclusive occupation). If a party has what is defined as "paramount" occupation of a site, that will be deemed exclusive even if another party (in this case, the storeowner) may be able to interfere with that occupation to some degree.
The best illustration of this rule is the case of *Westminster Council v. Southern Railway Co* [1936] AC 511, in which the House of Lords held that certain retail units at Victoria Station (i.e. bookstalls, kiosks and showcases), occupied by independent retailers under agreements with the railway company, should be treated as separate, rateable hereditaments. This was because the House of Lords found that the purpose of the retailers' occupation of those sites (i.e. to sell newspapers and books) was distinct from that of the railway company (operating the railways).
Background
The case concerned the treatment, for rating purposes, of automated teller machines (ATMs) situated in supermarkets and other shops. This included both machines located inside the store (whether built-in or free-standing), as well as the typical "hole in the wall" ATMs where the user accesses the machine from outside the store (albeit it is serviced from inside the store). While this case concerned a number of specific ATM sites, it was commonly accepted that the case would have a wider impact on the thousands of appeals outstanding at the time of the case.
In each case, the ATMs were installed pursuant to a contract between the owner of the supermarket/shop and the party operating the ATM. The terms of the contract varied but, in essence, confirmed that the parties agreed that the ATM provider had no proprietary interest in the premises and that the store owner could interfere with the use of the ATM in specific circumstances.
The appellants' case was that the occupation of the ATM sites was distinct from that of the respondents, and therefore amounted to exclusive (and separately rateable) occupation. The respondents' case was that the store owner retained sufficient control over the ATM site to be in paramount control, and that the presence of the ATMs furthered the store owners' general business.
The issues throughout this case were distilled into two questions:
Were the ATMs capable of being identified as separate hereditaments from the stores or shops in which they were located?
If so, who was in rateable occupation of the ATM sites?
At first instance, the Valuation Tribunal for England (VTE) held that in each case the sites of the ATMs were in separate, rateable occupation from the store or shop in or outside of which they were located. The Upper Tribunal (UT) upheld the VTE's decision in respect of the external ATMs, but held the internal ATMs were not in separate, rateable occupation.

The Court of Appeal (COA) disagreed with the UT's decision, finding that neither internal nor external ATMs were separately rateable as the store owners had maintained sufficient control of the sites in contractual, physical and functional terms. It did, however, hold that the ATM sites were, on the face of it, capable of being separate hereditaments in the right circumstances.
Decision
Unanimously dismissing the Valuation Office Agency's appeal, the Supreme Court upheld the decision of the COA. Lord Carnwath gave the leading judgment, with which the rest of the panel agreed.
On the first issue, the Supreme Court agreed with the COA that ATMs were capable of being a separately rateable hereditament. The presence of an item of non-rateable machinery, such as an ATM, should not be ignored when determining if a separate hereditament exists – indeed, it may in fact be an indicator supporting that conclusion. Further, the fact that the ATM was unusable without extensive use of the adjoining parts of the host store was no different to a unit in a shopping centre which would undoubtedly qualify as a separate hereditament.

However, on the second issue, the Supreme Court held the store owners remained in rateable occupation. The key discussion was whether the landlord-lodger principle addressed in *Halkyn*[1] was anomalous to that relationship or if it could apply in other circumstances. The court held that the principle was not anomalous as, if it were, the court in *Halkyn* would have confirmed this. Therefore, it was open for the COA to find the principle would apply to the ATM sites as both the host store and the ATM provider directly benefited from the use of the ATM site and shared the economic fruits of the use of the site as an ATM.

Commentary

The decision represents a significant victory for both ratepayers, who faced a significant rates burden, and the public at large who will continue to be able to access funds through ATMs in their local shops. If the decision had gone the other way, the stark reality would be that many communities may have witnessed their local ATMs disappear from their stores. This could have been very significant for those communities where an ATM in a shop was the primary source of accessing funds.

In the short term, this decision will have wide ramifications for the tens of thousands of appeals which, for several years, have been left in a state of paralysis. As to the long term, it remains to be seen whether the decision will prevent further scrutiny of similar arrangements in supermarkets and stores (i.e. coin machines and photo booths). It is also highly likely that this decision will impact on future assessments, outside the retail world, of other potential hereditaments across England and Wales.

Holywell Union Assessment Committee v. Halkyn District Mines Drainage Co [1895] AC 117. The principle acknowledges that a landlord who has lodgers in their property remains the sole party in rateable occupation, despite giving up physical occupation of rooms (as they use the house for the business of keeping lodgers).

UK airports face multimillion-pound business rates bills

Heathrow and Gatwick to seek relief after income and passenger numbers plummet

Heathrow and Gatwick airports are facing multimillion-pound business rates bills, despite the coronavirus pandemic having grounded aircraft and sent their incomes plummeting.

The airports are among thousands of UK companies set to appeal their rates bills on the basis that the pandemic has materially changed their circumstances.

Heathrow airport owes £113.2m for the current tax year, the highest of any site in England and Wales, according to an annual review of business ratepayers by Altus Group, a real estate adviser.

Gatwick, whose major customer Virgin Atlantic is to close its operations at the airport, faces the next biggest bill at £29.2m.

Business rates, which are paid to local councils, are calculated on the basis of rateable values — effectively an estimate of a property’s rental value at a given date. Rateable values are set according to rents on April 1 2015.

But the economic downturn caused by coronavirus has made those values redundant, argue property owners. The £113.2m rates bill is based on “a world in which people flew”, Heathrow said.

“Covid-19 has decimated our industry — our passenger numbers are already down 97 per cent and quarantine will come into effect in June. If the UK government wants aviation to be able to help play a role in rebuilding our economy, it must now act and give our sector a fair deal just as it’s done for others,” the airport added.

Stewart Wingate, chief executive of Gatwick Airport, said: “We are asking for a national system of business rate relief for English airports, administered by the government, so that we receive the same exemptions as other businesses to help us in our hour of need to protect jobs and to help us restart vital connections for business, trade and tourism."

He added: "We find ourselves in the situation where governments in devolved nations in Scotland and Northern Ireland have provided airports in their jurisdiction with rate relief, giving them an unfair advantage over airports in England."

Although the UK government has extended rates holidays to retail, hospitality and leisure businesses, some sectors have missed out.

"They haven't got infinite money and can't protect everybody. You have to decide who wins and who loses," said Robert Hayton, head of UK business rates at Altus.

High-end department stores Selfridges and Harrods, typically two of London's biggest ratepayers, are eligible for the rates holiday, saving them £17.7m and £17.1m respectively. Goldman Sachs, meanwhile, faces a £14.4m bill for its new £1bn headquarters in the City of London.

The payment holidays will reduce rates receipts in England and Wales by almost 40 per cent, from £26bn in the 2019-20 financial year to £16bn in 2020-21, according to Altus. That shortfall in council income will be made up by central government.

Thousands more businesses are pushing for a reduction in their bills on the basis of exceptional circumstances — a loss of income that would be borne by councils.

Altus has launched appeals on behalf of more than 25,000 companies requesting cuts in their rateable values. Those reductions could last for years, said Mr Hayton.

Income from business rates accounts for about a quarter of council spending power, said Richard Watts, who chairs the Resources Board for the Local Government Association, a cross-party grouping representing 335 councils.

Any hit to business rates receipts "means vital resources being diverted away from stretched local services, such as caring for the elderly, supporting businesses and boosting local growth", he added.

Covid-19: Prospectus IT Recruitment chief raises concerns for 'forgotten businesses'

Elkie Holland is the managing director of Surrey based recruitment firm Prospectus IT Recruitment. Once recognised among the Who's Who of Britain's Business Elite in the years 2008, 2010, 2011 and 2012, Holland now lifts the lid on a key issue for business that has become apparent since the Covid-19 pandemic took told: the fact that some businesses are being overlooked when seeking to access the government's various support initiatives.

For Holland, a major issue has centred around the fact that businesses have been able to access support even if they have not been adversely affected by coronavirus, including business rates holidays.

Outlining her perspective, Holland said: "Many businesses automatically qualified for government support grants, simply because they paid rates. Not only did these businesses then get their rates paid for them, but they also automatically qualify for a hardship payment, even if there was no obvious hardship brought about by Covid-19."

Elaborating on this, Holland added: “We can look, for example, at take-away outlets which have high-street premises. Automatically, these businesses were no longer required to pay rates for a year and were in receipt of a non-repayable support grant. These were distributed regardless of whether their business was adversely affected or not. Funeral directors and fast food businesses which stayed open and have, in fact, flourished during the period, had access to this hardship support.”

Yet, in contrast, businesses based in serviced offices, of which Holland herself owns four, have not been subject to the same treatment.

Holland explained: “Businesses whose premises consist of serviced offices received no grant, even though an element of their rental payments obviously includes business rates.”

Further to this, landlords themselves have been able to access government support, something which Holland perceives as unjust.

She said: “Meanwhile, landlords got the grant and the rates rebate, and thus far local authorities and the government in Westminster have seemingly overlooked the multitude of businesses based within these types of offices”.

Examples of affected firms include recruitment firms which do not have a shop front nor high-street premises, physiotherapists, counsellors, financial advisers, estate agents which do not have a shop front, property management firms, training organisations, and software companies.

These businesses, in Holland’s view, have been forgotten by the government during the crisis.

“Good and proper companies have been forgotten, and many of them are left feeling as though they are invisible.

“The galling thing is that it all stems from the fact that business rates are rolled up in their rental payments, which often come to more in costs per square foot then high-street lease buildings. These companies have been left struggling, yet, when it comes to taxation, it is easy to imagine the government will suddenly remember their contribution.”

ATM ruling returns $526M to UK retailers

The U.K.'s Supreme Court unanimously ruled this week that external ATMs will not be subject to a separate business tax following the dismissal of a Valuation Office Agency appeal. With the loss of the appeal, retailers will receive £430m ($526 million) in rebates.

The VOA, which assesses property for taxation in England and Wales, challenged a 2018 Court of Appeal ruling that said internal or external ATMs at existing retail properties such as supermarkets or convenience stores should not be subject to separate taxation or rates bills, according to an article in the Retail Gazette.

The VOA fought the ruling and continued to send out rate bills for over 15,000 ATMs in England and Wales from April 2010 until March 2019. Those funds will now be rebated to retailers, including any rates charged from March 2019 until present due to the ongoing litigation. In 2019, retailers withdrew 559 ATMs from their retail stores in an attempt to reduce their tax liability.

Bryan Johnston, UK head of real estate litigation at Dentons, the firm that acted for Sainsbury's, Sainsbury's Bank and The Co-op in the court case, said the court's ruling wasn't a victory just for retailers.

"It is also a significant victory for the public and their ability to access their own money through the ATM network," said Johnston. "If the court had allowed the appeal, many retailers would have had little choice but to reconsider the viability of offering free ATM services for the benefit of their customers. This could have had a negative impact on communities where an ATM in a shop is the primary method of accessing funds."

£50 million boost to support the recovery of our high streets

The Reopening High Streets Safely Fund will help councils in England introduce a range of safety measures in a move to get people back to work and customers back to the shops.

This new money will support practical measures so businesses can re-open quickly when they are allowed to, staff get back to work and customers return to shops confident it is safe.

- New £50 million fund for councils across England to prepare for the safe reopening of high streets and other retail spaces
- This new money will support practical measures so businesses can re-open quickly when they are allowed to, staff get back to work and customers return to shops confident it is safe.

A new £50 million fund for councils to support their local high streets get safely back to business announced today by High Streets Minister Simon Clarke (24 May 2020).

To prepare for the reopening of non-essential retail when the scientific advice allows, the Reopening High Streets Safely Fund will help councils in England introduce a range of safety measures in a move to kick-start local economies, get people back to work and customers back to the shops.

It will also support a range of practical safety measures including new signs, street markings and temporary barriers. This will help get businesses get ready for when they can begin trading safely, not only in high streets and town and city centres, but also in other public spaces like beachfronts and promenades.

Councils will also be able to use this money to develop local marketing campaigns to explain the changes to the public and reassure them that their high streets and other commercial areas are safe.

It is the government's ambition to reopen non-essential retail in a phased way from 1 June, subject to the scientific advice. The government will set out further detail on how and when these can reopen safely shortly.

High streets are critical to the economic recovery of our towns and cities and this new fund builds on longer-term funds already in place to support their revival and boost their economic fortunes including the Future High Streets and Towns Funds.

High Streets Minister Simon Clarke MP said:

As we begin to slowly return to normality, the re-opening our high streets will be key to kick-starting our economic recovery.

Levelling up the regions and supporting our high streets has always been central to the mission of this government.

Many businesses have already introduced creative ways of trading such as contactless collection or taking orders by instant messaging and shows that they are ready for the challenges ahead.

That's why we are providing an extra £50 million for councils to support a range of safety measures that will help get these businesses back on track and ensure that people can enjoy their time visiting their local high street safely again.

Today's £50 million funding comes from the European Regional Development Fund (ERDF) that the government is making available to councils to support businesses to re-open safely following guidance published on 13 May to help adapt urban centres and green spaces for social distancing during the pandemic. The money will be allocated to councils on a per capita basis and will be ready to spend from 1 June 2020. Further information can be found in the Reopening High Streets Safely Fund guidance

The Fund is in addition to the £3.2 billion package of support announced for councils to help them deal with the immediate pressures they have said they are facing.

The government has already introduced a comprehensive package of support for business and workers during the economic emergency including:

- The Coronavirus Job Retention Scheme where small and large employers are eligible to apply for a government grant of 80% of workers' salaries up to £2,500 a month, backdated to March 1. The scheme will continue until end of October 2020.
- £330 billion worth of government backed and guaranteed loans to support businesses including a new Bounce Back Loans scheme, which will provide loans of up to £50,000 available to the smallest businesses affected by the coronavirus pandemic.
- Businesses in the retail, hospitality and leisure sectors in England will not have to pay business rates for the 2020 to 2021 tax year.
- A deferral of the next quarter of VAT payments for firms, until the end of June 2020 - representing a £30 billion injection into the economy.
- A £12.3 billion package for local authorities to deliver grants of up to £25,000 to eligible businesses in the retail, hospitality and leisure sectors; and
- New temporary measures to safeguard the UK high street against aggressive debt recovery actions during the coronavirus pandemic.

The High Street Task Force, backed by government and run by the Institute for Place Management has already started delivering support for the coronavirus recovery effort and is aligning its work to provide expert advice, training and long-term planning and guidance to councils, business and community leaders. More about the work the Task Force are doing to help plan for recovery from the pandemic can be found on the High Streets Task Force website.

The government has published COVID-secure guidelines for people work in or run shops, branches, and stores. This guidance supports shops that are currently open, such as supermarkets and pharmacies, but will also be useful for those in non-essential retail to consider now for when they are allowed to open.

SCOTLAND

Rates win in England

RETAILERS south of the border had cause for celebration when the UK Supreme Court upheld a ruling against separate rates for ATMs.

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As a result, convenience store operators in England could be in line for compensation on the business rates they have already paid for ATMs.

While the ruling does not apply to Scottish stores, as business rates are devolved, the Scottish Grocers Federation has previously advised that the UK Supreme Court decision can be highlighted as part of a business rates appeal.

James Lowman, chief executive of the Association of Convenience Stores (ACS) welcomed Supreme Court's decision.

"This is a landmark ruling from the Supreme Court which will have a huge impact on our sector and will help maintain widespread access to cash.

"Local shops provide the communities that they serve with vital services, including access to cash, but it had become increasingly difficult for retailers to host ATMs with the high cost of business rates and cuts to interchange fees.

"The Government now needs to implement the Supreme Court ruling by setting up a simple refund process which ensures full compensation is paid to all retailers who have been subject to wrongful business rates bills for ATMs."

Industry demands rates relief for news titles across UK

The News Media Association has called for business rates relief for news titles across the United Kingdom after the plan was backed in Scotland.

An amendment to the Coronavirus (Scotland) Bill passed yesterday after 41 MSPs voted to extend business rate relief, which currently applies to retail, hospitality and leisure sectors, to news publishers.

The NMA, the trade body for the regional and national press, first called for a business rates holiday for news publishers in a letter to Chancellor Rishi Sunak, pictured, in March.

It has now stepped up its calls in light of the measure being introduced in Scotland.

In a statement, the NMA said: "The government has implemented some very helpful initiatives as the news media industry grapples with the challenges of the pandemic, such as fast-tracking VAT zero rating on e-publications, a public health ad campaign in news media, and early recognition of the industry's key status.

"These measures are making a difference and we welcome them.

"However, the industry, principally the local news media sector, requires further significant intervention if it is to survive this crisis and continue to deliver the trusted journalism which the public are demanding in ever greater numbers.

"We urge the government to urgently look at other initiatives such as business rates relief, support for public interest reporting, advertising tax reliefs for news media, and quickly progressing work to level the playing field with the tech platforms."

A rate cut scheme for local newspapers was introduced by George Osborne for an initial two-year period and took effect from April 2017.

His successor Philip Hammond then announced an extension of the scheme, which offers a discount of £1,500 per office in England, in 2018.

The Scottish government scheme has provided 100pc rates relief for businesses, while offering a £25,000 grant for businesses whose premises have a rateable value between £18,000 and £51,000.

UK local councils face financial collapse due to pandemic

The financial impact of the COVID-19 pandemic could see councils across England making budget cuts of up to 20 percent, eviscerating many essential services.

A report by the Labour Party estimates that local authorities could face increased costs of up to £10 billion and a massive loss of income.

Chair of the Local Government Association and Conservative Leader of Central Bedfordshire council, James Jamieson, estimates that councils will face vast costs of up to £13 billion this year due to measures required in tackling the pandemic.

Social care spending could face a shortfall of £3.5 billion, placing up to 225,000 adult social care places at risk in the coming year. Social care accounts for a significant proportion of spending for local councils across England and massive funding shortfalls will inevitably lead to cuts.

Richard Watts, leader of Labour-run Islington council in north London said, “Social care accounts for just over half of what councils spend so it’s inescapable that if you take that much out of the budget you’ll have to look at social care.”

These cuts come on top of over a decade in which local authority budgets have been slashed, devastating social care provisions and other important frontline services.

Between 2015/16 and 2017/18, councils lost 77 percent of their funding from central government, used to provide essential services.

The impact of the pandemic has led to many sources of revenue, such as the collection of parking fees, drying up. It is estimated that councils could lose up to £1.4 billion from these funding streams, leading to many councils potentially facing a financial black hole in the coming period.

Other losses include £400 million in business rates, fees and charges of £341 million and council tax revenue of £288 million as many people have lost their jobs and others are utilising payment holidays, as families struggle to meet their living costs.

Labour’s analysis shows that if local authorities did not touch their social care budgets, they would have to shut down all children’s centres, libraries, cut all spending on parks and leisure centres, carry out no winter gritting, turn off all street lighting and end all planning and building control work.

As a typical example, the 10 local councils across Greater Manchester are predicting increased costs associated with the pandemic will lead to more than £500 million having to be spent this financial year.

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Labour-run Manchester City Council expects to suffer £126 million in lost income and faces a potential shortfall in overall funding of £152 million. Manchester has been hit hard due to the collapse of commercial income from business rates and the loss of the popular Parklife music festival, which was cancelled.

One of Greater Manchester's councils, Trafford, was forced to resort to borrowing from a commercial bank to cover its day-to-day costs after it ran out of cash. Trafford is expected to lose another £37 million due to the pandemic.

Other Greater Manchester councils set to suffer are Salford (expected to lose £33 million), Oldham (£46 million) and Stockport (£40 million). Funding provided by the government will cover only a third of what is needed.

In a letter written to Chancellor Rishi Sunak, Manchester City Council leader Sir Richard Leese pointed out that 150,000 residents are at significant risk of being adversely affected by the current situation medically, socially and economically.

The Greater Manchester councils have already lost over £1.7 billion in funding since 2010 and any loss to existing income streams leaves virtually no room for manoeuvre. As a result of savage funding cuts between 2009/10 and 2017/18, each resident lost the equivalent of £324.

Local Authorities providing payment holidays for council tax will not continue this indefinitely. As millions of workers are forced to go back to work under unsafe conditions—if they have a job to go back to as unemployment rockets—they will face having to repay hundreds of pounds in council.

Research by the Citizens Advice charity shows that 7.2 million people have already missed a council tax payment and a further 13 million have not been able to pay at least one bill because of the coronavirus outbreak. An estimated 11 million of these will be left facing severe financial consequences, including bailiff enforcement or eviction.

Last week, the government announced a further £600 million funding, on top of the £3.2 billion it has already allocated to councils in the last two months. But this falls far short of what is required, with many local authorities still reeling from year-on-year cuts to budgets. According to Richard Watts, chair of the Local Government Association's Resources Board, councils "will need up to four times the funding they have been allocated by government so far."

Earlier this year, local authorities across the UK had to activate emergency plans to deal with seasonal flooding that left many households and businesses devastated.

Children's services have faced huge funding cuts in the last decade. A recently published report by five leading children's charities concluded that local authority children's services do not have the resources to deal with the pandemic.

Javed Khan, chief executive of Bernardo's, said, "We have long warned about the 'perfect storm' facing children's social care, and the gap between demand and resource will widen further as a result of coronavirus."

A letter to Prime Minister Boris Johnson by Sir Richard Leese, published in the Manchester Evening News, noted the losses incurred due to the pandemic followed "Ten years of austerity" that had "already seen the council's budget cut by £380 million and reduced staff numbers by 40 percent. … There are no easy cuts left to make."

The cuts required might not be "easy" to make, but Leese and his ilk will still make them. What he omitted to mention was that the Tories' austerity agenda he outlines was only carried through because it was imposed by Labour councils nationwide, including his own. Vital public services were slashed by the Labour authorities in collaboration with the trade unions. Over the past five years, the cuts were enthusiastically imposed by Labour councils under the instruction of Jeremy Corbyn and Shadow Chancellor John McDonnell, who insisted they set "legal" balanced budgets.

Supermarkets in line for £500m after beating HMRC in rates battle

A potential windfall following the legal win is unlikely to make much difference to retailers' fortunes

Supermarkets could be in line for a £500m boost after winning an appeal over whether their cash machines should be charged separate business rates.

The victory over HMRC paves the way for firms to claim back huge sums already paid and brings and end to years of legal squabbling.

Grocers including Tesco and Sainsbury's first won a ruling saying they were not liable for separate rates on cash machines at their supermarkets in 2018, but this decision was challenged by valuations officers working for the taxman.

The appeal was dismissed by the Supreme Court in a new ruling on Wednesday and paves the way for an estimated £500m to be returned to retailers.

Judges have ordered the Government to refund the money and confirm that it will not pursue similar charges in future. The move will boost the retail industry, which is already exempt from paying business rates this year due to coronavirus.

Richard Hosmer, at law firm Charles Russell Speechlys, said: "Retailers and landlords will be relieved that this issue has finally been put to bed. When retailers do start paying rates next year, they will receive a discount for what many see as a vital service for their customers. Any long-term cost savings for the ailing UK high street is cause for celebration.

"On the flip side, this deprives the local authority of revenue of around £500m, which will no doubt have to be refunded to the cash machine owners in due course and, from their point of view, could not come at a worse time."

A move in 2013 to charge separate business rates on "hole-in-the-wall" cash machines led to a spike in retailers' rates bill, with demands backdated to 2010. Many started removing devices from stores to cut their bills.

Robert Hayton, at property consultant Altus Group, said that during 2019 retailers removed 559 cash machines as they sought to cut tax bills while the legal dispute continued.

The ruling was welcomed by the British Retail Consortium. Its property policy advisor Dominic Curran said the extra cash will allow brands to provide an essential financial service for local communities.

He added: "The case highlights just how broken the business rates system is. We need urgent reform of a tax that disincentives investment, hampers growth, and harms our economy."

Chancellor Rishi Sunak has promised an overhaul of rates after the outbreak following repeated criticism that it has badly damaged the high street as shops fight off competition from huge online rivals such as Amazon.

John Webber, head of business rates at real estate firm Colliers International, said: “This is a massive relief, not only for the supermarkets involved, but also for the consumers who need access to these machines.

“Many would have suffered if the judgment went the other way and retailers ripped the ATMs out of their stores, to save extra rates bills, denying many in the local community free access to cash.”

Lord Carnwath, giving the lead ruling of the court, said: “The difference is no greater in principle than that between internal and external ATMs in a bank building.

“No-one, I think, would suggest that in that case the external ATM should be treated as a separate hereditament. On this issue also I consider that the retailers' analysis is correct in law and should be supported.”

Although welcome, the reimbursement is unlikely to make a significant long-term difference to grocers' fortunes. Tesco's rates bill for its supermarkets is close to £650m every year, while Morrisons' is about £290m.

Capture land value uplift to fund transport infrastructure’

Landowners are making huge profits from selling land for development, while the public sector is left with the cost of providing too much of the associated infrastructure such as new roads, says a new report.

Poets (Planning Oxfordshire’s Environment and Transport Sustainably) – a group of Oxfordshire-based academics and retired local government officers – wants the Government to change the rules so that more of the land value uplift arising from development is captured for infrastructure funding.

“Landowners are benefitting inordinately from selling their land for development, keeping about 50 per cent of the increase in land value arising from the granting of planning permission,” says the report by Katie Barrett, Riki Therivel, and Ian Walker.

“In April 2017 average values of farmland in Oxfordshire were £25,000 a hectare, compared to estimated residential land values of between £4.03m in the Vale of White Horse [district of Oxfordshire] and £6.2m a hectare in Oxford.”

The report points out that councils have to bid to Government funding pots such as the Housing Infrastructure Fund to secure funding for crucial pieces of infrastructure to support development.

“Previous attempts to secure more of the uplift in land value by introducing some form of development taxation have, in the main, been unsuccessful because landowners held onto land in the hope that a change of government would lead to the repeal of the legislation: in the event this is what happened,” say the report authors.

“The main exception was the first generation of new towns in the 1940s, which owed much of their success to the ability of development corporations to acquire land at, or near to, existing use value.

“They were able to capture uplifts in land value from the infrastructure they developed and subsequent economic activity, to reinvest in the local community.”

A key legislative barrier to change is the Land Compensation Act 1961 that “enshrined the right of landowners to achieve ‘hope value’ for their land when it is compulsorily purchased by a public authority, based on the amount they can expect with any justifiable prospect of planning permission”.

Today, the main mechanisms by which councils secure infrastructure funding are the Section 106 agreements and the Community Infrastructure Levy (CIL).

“Neither are specifically designed to capture uplift in land value,” says the report, noting that in 2016/17, local authorities and developers agreed S106 and CIL contributions of £6bn to the cost of infrastructure and affordable housing in England. This did “not get close to providing all the infrastructure or social and environmental benefits needed”.

The authors acknowledge that development also brings additional tax revenues to the Government through corporation tax, capital gains tax, stamp duty and business rates.

They conclude: “The Government needs to take action to secure more funding from the uplift in land value. Whilst the effectiveness of S106 and the CIL process must be kept under review, changes are needed that go beyond simply improving existing mechanisms.”

The report’s recommendations include changing the Land Compensation Act 1961 to remove compensation to landowners based on “hope value” and giving clear guidance on how “a fair price” for land should be calculated.

This could be “existing use value plus a premium, or a price that reflects the cost of providing infrastructure, services and affordable housing as well as capturing a proportion of the remaining profit to be used for other local priorities”.

The authors suggest the Government also considers the range of options suggested by the commons select committee report on land value capture in autumn 2018.

For Oxfordshire, Poets suggests “exploring a strategic infrastructure tariff or countywide CIL” and setting up development corporations.

“If any significant development is to be pursued in the Oxford Cambridge Arc, it is important that the relationship between a possible regional CIL in the Arc [as recommended by the National Infrastructure Commission] and a strategic infrastructure tariff in Oxfordshire is clarified before further major development is confirmed.”

Government has ‘no choice’ but to postpone business rate revaluation, says Sidmouth chamber

The Government was left with ‘no choice’ but to postpone the revaluation of business rates, according to Sidmouth Chamber of Commerce.

The Government announced that the anticipated revision of the rates, which was set to take place in 2021, will now not happen due to the current coronavirus crisis.

Business rates are a tax businesses pay for non-domestic use of a building. These are set according to the ‘rateable value’ of the premises.

The last valuation took place in 2017 and legislation had been introduced to bring the next revaluation forward by one year from 2022 to 2021.

However, following the economic impact of the coronavirus pandemic, government ministers ‘want to ensure businesses have more certainty during this difficult time’.

A spokesman for Sidmouth Chamber of Commerce said the Government were left with no alternative and warned businesses could face 'years' of hardship after the coronavirus crisis.

The spokesman said: "We do not think that that government has any choice but to delay this revaluation.

"Whilst the Covid-19 business rates relief is much welcomed for 2020/21, we have to be prepared that it is going to take some businesses a number of years to recover from this pandemic, especially those businesses that have had to take out CBLIS (Coronavirus Business Loan Interruption Scheme) and bounce back loans to survive.

"There is much contention regarding business rates, and how businesses on the High Street that pay business rates can compete with those who trade solely online and do not have these fixed costs.

"There needs to be a level playing field for all in order for our High Streets to survive."

Secretary of State for Communities Robert Jenrick said: "Now is the time for us to continue to focus on supporting businesses affected by the pandemic, including through our unprecedented package of almost £10 billion in business rates relief."

The government is continuing work on a review of business rates, with the 'key aims of reducing the overall burden on businesses, improving the current business rates system, and considering more fundamental changes in the medium-to-long term'.

Small businesses in shared premises face missing out on grants

Funding insufficient to meet needs of all those eligible, fear local authorities allocating lockdown aid

Thousands of small companies will be unable to secure emergency government grants meant to help them survive lockdown because the government has allocated too little money, according to local authorities and business groups.

The government in early May offered £617m for businesses that missed out on an earlier scheme for those registered for business rates. The grants of up to £10,000 will be distributed by councils to companies in shared workspaces, market traders, charity shops and bed and breakfasts.

But the funding is insufficient to meet the needs of all those who are eligible, forcing hard-pressed councils to decide who should benefit. Many tech companies and boutiques operate from shared premises, where business rates are often included in the rent.

Craig Cheney, deputy mayor of Bristol, said the city had at least 1,700 businesses in shared workspaces but only £3.5m to allocate. "To give them all £10,000 we would need £17m. We have got 400 market traders and we estimate 110 B&Bs. It is going to be hard to administer," he said.

Bristol has 21,000 businesses with less than 50 employees and only 7,000 have received financial support so far.

The Labour-run council is opening applications on Monday for two weeks but has yet to determine on what basis to allocate money.

All companies that are registered for business rates — even if they are exempt because of small premises — are already eligible for a £10,000 or £25,000 grant depending on their size or sector. This comes from a separate £12.3bn pot.

The new scheme was supposed to cover those missing out.

“We are very disappointed and incredibly frustrated by the government’s approach for this scheme,” said Matt Griffith, director of policy at Business West, the chamber of commerce for Bristol, Bath, Gloucestershire and Wiltshire.

“Government has, knowingly, severely underfunded this package and overloaded it with other eligible groups — meaning it is bound to lead to thousands of businesses not getting access to support they desperately need.”

The self-employed are also excluded from the grant scheme which Mr Griffith described as unfair, as many had high fixed property costs.

“We are talking to many workspace businesses who are likely to be in lockdown for months to come, have fallen through gaps in support and are now worried they are going to go bankrupt.”

Paula Castle, a tattooist in Bristol, who paid rates as part of her rent so was ineligible for the grants initially, and has now been excluded owing to her self-employed status, said: “I should be the primary candidate for the grant fund but I can’t access any of the schemes and my savings are running out. It’s not like I have chosen to close — the government has told me to but won’t provide any help now.”

The Local Government Association said: “Councils are working to develop their own schemes but will face choices about which businesses to distribute funding to as demand is expected to be higher than the total amount available.

“If this proves to be the case, we will look to work with government to ensure more funding can be provided.”

The department for business said: “We are making an extra £617m available to local authorities to offer grants to small businesses.

“We want councils to exercise their local knowledge and discretion. That is why we have clear guidance for setting up the funds, but are allowing local authorities to determine how best to support local businesses in their area.”

COVID-19: will tax reform be the silver lining or the missed opportunity?

We are living through an unprecedented economic crisis. The government has responded with an unprecedented package of support. Fiscal measures have run up a price tag of over £100bn in just a few months. Over half of this will be spent directly supporting incomes. Around £30bn is being spent on cancelling business rates bills and providing cash grants for some firms. More will be spent if tax deferrals result in less tax being paid or loans are defaulted on. And all of the spending on the specific measures announced in response to Covid-19 will come on top of the rise in benefit payments and fall in tax revenues that naturally result from an economic contraction. Given that we have effectively shut down large parts of the economy, we expect the fall in revenues to be huge, and to have persistent effects as, for example, the carry-forward of losses depresses future revenues.

More critical decisions lie ahead

In the coming months, the government will have to decide whether to extend any of the current measures, either for a longer period or to cover more people or businesses. As the health crisis eases and lockdown is relaxed, there will undoubtedly be calls to use the tax system to help revive certain industries or parts of the economy. There may or may not be a case for some targeted fiscal stimulus – and a role for tax within that – beyond the effects of removing current constraints on activity. It is too early to say. But it is almost certain that most of the calls to help a specific industry will amount to special pleading and should be rejected.

There is uncertainty about the ultimate economic price tag of the Covid-19 crisis, but it is already huge, and it could get much bigger. It is certain we will be left with a much larger government debt and a debate about the extent to which taxes need to be raised. We entered the crisis with tax revenue already at its highest share of national income (34%) since the early 1980s. But we have also just had a decade of austerity in public spending and have an ageing population that is demanding more, and more expensive, healthcare. This crisis will lead to further demands for spending on health, social care and the social safety net. The government always has a choice over the size of the state, but the crisis undoubtedly increases the pressure for higher taxes in the long run.

Decisions about the extent of support measures in the short run, and in the longer run how much tax to raise and from whom, are critically important. Ultimately, they will determine how the financial pain created by Covid-19 is shared between different people and across different generations.

Decisions about the structure of taxation are equally important. Changes in patterns of work, transport and consumption that last beyond the immediate crisis might throw up new issues for tax policy. There are also areas of tax that were already in need of reform and have been highlighted by the crisis. Two stand out: how to tax people who work for their own businesses and how to reform business rates.

Should higher taxes on the self-employed be the price for support during the crisis?

Most of the self-employed are eligible for a grant of 80% of their 'normal profits' (technically, 80% of three months' worth of their average profits from April 2016 to April 2019). There are important differences between this self-employment income support scheme (SEISS) and the coronavirus job retention scheme (CJRS) for furloughed employees. For example, the CJRS is available only to employees who stop working in that job, whereas grants to the self-employed will be paid even where people continue to work and report only a small drop in profits as a result of Covid-19. There are people who fall through the gaps in both schemes. But the government is trying to provide broadly comparable insurance by replacing 80% of earnings for both employees and the self-employed. Figure 1 below shows that before the recent reforms, both employees and the self-employed would have lost about half of their net family income, on average, if they had to stop working; the JRS and SEISS reduce that to around 10% for both groups.

There is a clear pitch that the government could make following the crisis and that the chancellor laid the groundwork for when announcing the SEISS. He said: 'in devising this scheme – in response to many calls for support – it is now much harder to justify the inconsistent contributions between people of different employment statuses. If we all want to benefit equally from state support, we must all pay in equally in future.' Read: taxes on the self-employed will be increased to be (at least more) in line with taxes on employees.

There are large tax differences between employees and the self-employed driven by NICs. The main rate of self-employed (class 4) NICs is 9%. In contrast, work that happens through an employment contract attracts both employee NICs (main rate 12%) and employer NICs (13.8%). Self-employed NICs was expected (before the crisis) to raise £3.4bn in 2019/20; that is £5.6bn less than if self-employment income was taxed at the same rates as employment income.

Perhaps the easiest sell post-crisis would be to raise class 4 NICs to 12%. This would still leave a big tax advantage for the self-employed (see figure 2 below) as they would still face no equivalent of employer NICs. Attempting even this looks optimistic based on recent history: in 2017, the government tried and failed to raise class 4 NICs to 11%. Arguably it missed a trick by not linking this attempted move towards equalisation of tax rates to the equalisation of pension rights that happened in 2016, which was a significant increase in generosity to the self-employed. Now that employees and the self-employed accrue the same rights to a single-tier state pension, only tiny differences in the two groups' access to publicly funded benefits remain. The SEISS provides another opportunity to peg equal support from the state to equal tax payments: the crisis has shown that, not only are standard state benefits almost as generous to the self-employed as to employees, but the unspoken promise of emergency support the government provides to the self-employed is comparable to that for employees.

The government could be more ambitious and take a bigger step towards the larger reforms that are needed. The tax penalty on employment is unfair, adds complexity and means that tax shapes the structure of work. In a well-designed system, the overall marginal tax rate schedules for different forms of income should be aligned (and the tax base should be designed so that taxes do not disincentivise investment). Contrary to common belief, lower tax rates on business owners (the self-employed and company owner-managers) cannot be justified by differences in employment rights (see 'Tax in a changing world of work' (Helen Miller), Tax Journal, 20 April 2017). Employment rights are a cost to employers as well as a benefit to employees, so do not skew the labour market overall in favour of employment. An extra pound of income should be taxed in the same way regardless of the legal form in which it's earned.

Alignment of tax across different legal forms implies, among other things, that self-employed NICs should be aligned with the combined rate of employee and employer NICs, which comes to 22.7%. Many baulk at this idea. But employer NICs affect the cost of hiring an employee relative to using the services of the self-employed or a company instead. This discourages employment and allows the self-employed and company owner-managers to charge more for their services than an employee could. It is the overall tax levied on different forms of income that needs to be equalised. If the government chooses to increase class 4 NICs rates after the crisis, it could, therefore, justify going much further than 12%. (Reducing employer and employee NICs could also play a part in achieving closer alignment: it need not involve simply increasing taxes.) Why settle for a small change if the political mood allows more progress to be made?

There is an equally compelling case in favour of increasing taxes on company owner-managers (for example by increasing dividend taxes, and again with a view to aligning overall marginal rates on all forms of income). Higher taxes on the self-employed would make this case stronger by increasing the tax incentive to incorporate.

Increasing taxes on company owner-managers in the aftermath of the crisis might be a harder sell politically than for the self-employed given that – at least at the time of writing – their incomes are not as well covered by the support schemes. Most company-owner managers follow a tax-advantaged strategy of paying themselves a small salary and taking most of their income in dividends. They are eligible for the CJRS for their salary from the company if they furlough themselves. This payment would be more valuable than statutory sick pay or the basic element of universal credit, but less valuable than if all of their income were covered. Despite this, crisis or no crisis, aligning taxes across different legal forms is the right thing to do.

In our opinion, the best outcome post-crisis would be for the government to set out a strategy for how to tax different forms of income and lay out a roadmap for getting there over a number of years. This would aid transparency, help taxpayers to plan, facilitate discussion of a range of related tax issues and reduce the risk of ad hoc moves in the wrong direction. What the government should absolutely avoid is giving the impression that a relatively small tax change in response to the crisis, such as adding a few percentage points to self-employed NICs, is the final ideal solution. That seems like a perfect way to shut down further reform.

Should more generous business rates relief outlive the crisis?

In this year's Budget the government announced a fundamental review of business rates. One of the objectives is 'reducing the overall burden' of the business rates system, recognising concerns about its impact on the high street. The concern that business rates are killing the high street is vastly overblown. While business rates may appear to give online retailers a competitive advantage relative to those operating high street shops (and therefore paying more business rates), looking at the business rates bill in isolation gives a misleading picture. In the long run, business rates lead to lower rents (such that they are effectively paid mostly by property owners rather than occupiers). If we removed all business rates then, after a period of adjustment, rents would be higher and the total cost of premises little changed. Online competition may be a significant threat, but the existence of business rates is not driving high street decline.

In contrast, Covid-19 has actually killed the high street, at least for now while social distancing measures are in place. The government has responded by providing 100% business rates relief for businesses in England in retail, leisure and hospitality, plus an additional £25,000 cash grant if the premises they occupy have a (2017) annual rental value between £15,000 and £51,000, or £10,000 for those businesses (the majority) in any industry if their premises are worth less than that. (Similar measures have been introduced in Scotland, Wales and Northern Ireland.) Taken together, some businesses will receive over £50,000 in grant and business rates relief. These measures cost £28bn, almost as much as a full year's business rates revenue in normal times. As temporary measures go, these are fairly well targeted at the businesses that are in most need of support.

Now that the current generous relief has been introduced, there will undoubtedly be a clamour to keep it at least in part for the longer term – adding to the pre-existing pressure to reduce business rates. Such siren calls should be resisted. If social distancing measures extend, in some form, into the next tax year, there may be a case for phasing out support gradually and avoiding large jumps in tax bills when the relief expires next April. But keeping relief in place for the long term would be expensive, and decreasingly effective as rents would rise (or perhaps not fall as they otherwise might).

After the crisis, we need to move away from temporary reliefs and look to reform business rates properly: not simply the level of the tax, but, for example, how that level should change as rents do, and how to reduce the disincentives the existing system creates to develop and invest in business property. The review announced in the Budget is explicitly intended to address such fundamental issues as well as reducing the overall burden of the tax. It is currently due to report by the autumn, and whether that timetable is stuck to or extended in light of current circumstances, the review looks opportune. Again, the Covid-19 crisis and the radical measures taken in response could provide the impetus to think radically about reform.

It would be a shame to let a serious crisis go to waste

There aren't many upsides to the current situation. Using it as an opportunity to fix some bits of our tax system could be a silver lining, not just for people who spend their lives thinking about tax but for the nation: a well-designed tax system creates fewer distortions and allows us to raise more money with less pain. Reforms could also put us in a better position to weather the next crisis (they do, after all, tend to come around about once a decade). Permanent policy changes shouldn't be made in response to the crisis alone. They should also address the many, broader problems that existed before the crisis. Settling for relatively easy options such as a minor tweak to self-employed NICs rates and extended business rates relief for small retailers would be a missed opportunity. To the extent that the crisis opens up scope for proper tax reform, it is a chance the government should grasp.

B&Q sales begin UK recovery after 70% lockdown slump

Sales up 20% on equivalent week in April as Britons tackle DIY projects

B&Q's weekly takings plunged by 70% during the first stage of lockdown but sales have begun to recover since the reopening of its stores a fortnight ago.

The chain, part of the Kingfisher group, said UK sales slumped 70% in the first week of April but were up nearly 20% in the equivalent week of May as Britons stocked up on materials to tackle lockdown DIY projects. Shares rose 12%.

B&Q was classed as an essential retailer under the government's quarantine rules but its shops closed in March and it initially focused on offering "contactless" click and collect services. It has since reopened its 288 outlets after using the closure period to implement strict new safety measures.

Thierry Garnier, Kingfisher's chief executive, said: "We have rapidly adapted how we operate to meet the essential needs of our customers safely during lockdown." He said the company had made major changes to how it operated "in a matter of days" as its business suddenly moved online, with a fourfold increase in internet sales since mid-March.

As part of its response to the pandemic, Kingfisher donated its stock of personal protective equipment (PPE), worth more than £1m, to frontline healthcare workers. Garnier and the other board directors have volunteered to take a 20% pay cut.

Kingfisher, which also has large businesses in France and Poland, said that in the three months to 30 April group sales from established stores slumped by a quarter to £2.2bn. The sales drop for the the UK and Ireland, which includes the Screwfix chain, was slightly less severe, down 16%.

To reopen its stores B&Q has followed the example of supermarkets by limiting the number of customers in stores, switching to card-only payments and installing perspex screens at checkouts. Owing to the bulky nature of some DIY materials, the retailer is allowing two people to shop together so they can "self-serve" larger items.

Kingfisher, which has lined up access to the loan schemes being backed by the British and French governments, said it would not pay a final dividend to shareholders. The cash cost of last year's payment was £157m and the company said it would revisit the dividend when it had "a clearer view of the scale and duration of the impact of Covid-19 on the business". In the UK, Kingfisher will also save around £140m thanks to the government's decision to waive business rates this year.

Amy Higginbotham, an analyst at GlobalData, said UK consumers were using the lockdown to tackle decorating and gardening projects, which meant the sales decline in Britain "was not as steep as it might have been, as high demand meant sales shifted online as stores closed".

"B&Q benefited from being the first DIY specialist to reopen stores, but with all Homebase stores now open, and other DIY specialists such as Wickes opening stores on a trial basis, the retailer must focus on building the confidence of its customers to retain footfall," she said.

Morrisons sales up as it doubles online delivery slots during lockdown

Supermarket also introducing a click and collect service at 280 stores by mid-June

Morrisons' online grocery store is set to pass £1bn in annual sales by next spring after doubling the number of delivery slots during the coronavirus lockdown.

The Bradford-based supermarket chain said sales on its Morrisons.com site had doubled, to £1bn on an annualised basis.

It is introducing a click and collect service at 280 stores by mid-June, more than doubling its business with Amazon's Prime fast delivery service and selling tens of thousands of pre-prepared food boxes a week, delivered by courier DPD.

Morrisons has also set up a telesales service so that elderly and vulnerable shoppers who do not have access to the internet can order home deliveries from a local store. The company said it estimated it had trebled its total number of delivery slots across all initiatives with sales via Amazon now making up almost 1% of group sales a week.

David Potts, the chief executive, said Morrisons' phone service in particular was offering a lifeline to vulnerable shoppers isolating at home. "We have heard so many stories, particularly from the elderly and vulnerable. Some said they didn't know where their next meal was coming from," he said.

His comments came after consumer and disability rights groups called on the government to better coordinate food deliveries for the vulnerable during lockdown, saying many had struggled to get access.

Potts said Morrisons had worked well with government and Public Health England but admitted that adapting to the surge in demand for home deliveries had been "challenging for everyone".

Morrisons home shopping expansion comes after sales at established stores rose nearly 6% in the three months to 10 May, including a 10% jump in the last two weeks of the period.

But Morrisons said it continued to delay a decision on a planned £100m special dividend for shareholders as it had "minimal certainty or visibility on profits". Costs – including delivery services, protective kit and staff bonuses – are expected to hit about £230m, in line with its expected savings on business rates under the government's retailer support scheme.

The company said the outlook for sales was also uncertain in a volatile environment which could rapidly change depending on the pandemic.

A near-40% dive in fuel sales and the closure of in-store cafes will also hit sales and profits.

Potts said Morrisons had taken on 25,000 extra staff to help with demand in stores and online as well as to cover higher than usual absences, which peaked at 20,000. He said more than 200 members of staff had tested positive for coronavirus.

Potts said all staff who wanted them had been provided with free face masks or visors and he was also keen to sell such protection to shoppers.

The prospect of protective equipment being sold in grocery stores marks a change in the tenor of British life as the government changed its guidance to suggest people should wear a face covering in enclosed places where it is hard to keep two metres away from others, such as on public transport or in certain shops.

Coronavirus: Over one in three closed small firms fear they'll never reopen

One in three small firms that have been forced to close due to the coronavirus pandemic fear they'll never reopen amid widespread redundancy plans, a new study has found.

Four in 10 (41%) small businesses have had to close since the beginning of the coronavirus outbreak in the UK. Of those that have closed, 35% are not sure whether they will ever be able to reopen again, according to a survey of 5,471 small business owners by the Federation of Small Businesses (FSB).

More than one in three (37%) small employers are considering, or have already made, redundancies and 71% have furloughed staff under the UK government's job retention scheme to aid the survival of their business.

The UK chancellor Rishi Sunak has promised to extend government wage subsidies for furloughed workers until the end of October, and will loosen the rules to allow them to work part-time.

The FSB supports the introduction of part-time furloughing, saying that this will allow small businesses to work according to client demand and gradually bring staff back into the workplace, while being supported by the scheme the rest of the time.

FSB national chairman Mike Cherry said: “Part-time furloughing is not a nice to have, it’s fundamental to saving jobs.”

Paying a mortgage or lease on their premises has been a struggle for many small businesses as over a quarter (28%) have failed to make, or faced severe difficulties in making, rent or mortgage repayments as a result of the economic impact of the coronavirus pandemic.

A quarter have had to postpone product development plans as the coronavirus has brought the economy to a standstill.

A fifth (21%) of small businesses that export products said they have had to either reduce or cancel international sales.

Despite the government attempting to help small businesses stay afloat through the Coronavirus Business Interruption Loan Scheme (CBILS) and the new Bounce Back loan scheme, many small business and self-employed workers reported having struggled to access government-initiated support.

Close to one in seven (15%) small firms that pay business rates — a tax on non-domestic property — said their landlord charges them for rent and business rates in a single recurring bill, meaning they risk missing out on cash grants linked to the payment of rates.

Although the government has now launched a discretionary fund aimed at helping businesses in this situation, 81% do not know what share of their single charge is accounted for by rates, making it difficult for them to establish what, if anything, they might be able to receive.

Almost one in 10 (8%) business owners have applied for universal credit, with close to a third (29%) having their applications rejected. Of those that have had applications approved, only 13% have received their advanced payment.

Many (68%) small business owners are excluded from the Self-Employed Income Support Scheme, as they are directors of limited companies.

The FSB is calling for more access to improved local hardship funds and support for those excluded from existing grant schemes.

“The impact of the coronavirus pandemic has been felt right across the small business community, with thousands of small firms all over the UK fearing for their futures,” said Cherry.

“The government has stepped-up with a huge range of support for millions of small businesses and sole traders, from income support schemes, to cash grants, to help with accessing finance and business rates breaks.

“Policymakers now need to realise that the economy will not go from zero to a hundred overnight once we’re into the recovery phase. The crucial support that’s on offer needs to be kept under review, and adapted to reflect the new normal as we chart a course back to economic recovery.
International Property Tax Institute

"The support measures that we've secured are helping the vast majority, but they're not helping absolutely everyone. We're hearing from business owners who are falling through the cracks and taking their stories straight to the top of government.

"Policymakers need to be in listening mode and prepared to help the most vulnerable over the challenging months ahead. No one should be left behind."

How to combat the curse of an empty property during lockdown

Richard New, partner at Mills & Reeve, highlights relief ratepayers might be able to access on empty properties during the coronavirus pandemic.

Covid-19 has caused untold disruption to business and has caused many businesses to shut up shop or, at the very least, to reduce their physical presence in their workplaces.

Corporate occupiers are being encouraged to find amicable solutions with their landlords as to rent and other occupation charges. But what about business rates?

The Government has brought in measures to assist certain types of businesses, but the measures are not sufficiently comprehensive to help all those suffering because of closure and social distancing guidelines. Occupiers will be keen to see savings on their rates bills but, as so often, the process for obtaining reliefs can be anything but straightforward and there is no guarantee that relief applications will be successful.

Most of the reliefs will be heavily fact- and business-specific, so please treat the below advice as a non-exhaustive summary of options open to ratepayers who are burdened with empty properties.

Options

Retail, hospitality and leisure

Business premises wholly or mainly used for retail, hospitality and leisure purposes can avail themselves of a 12 month rates holiday. See if your business is eligible here. Even if your business has closed because of Covid-19 you can still seek this discount.

Rate reliefs

Normal rates exemptions and reliefs continue to apply alongside the Government guidance. Hardship relief, though rarely granted, can be sought. Businesses can apply for three or six months empty rate relief if their premises are genuinely empty. Be aware that this will be difficult to prove if the occupier is still retaining some benefit from the use of the premises, for instance facilities, IT, sporadic use by employees. Relief can apply in certain circumstances to partially occupied premises as well.

Mitigation schemes

You may still employ lawful mitigation schemes. Six weeks of occupation triggers a further entitlement to a rates holiday and the schemes can be used repeatedly.

Occupation prohibited by law

Has your business property been closed because of a prohibition by law or by action of a public authority? These reliefs need careful consideration and have been construed strictly. Businesses which have been 'forcibly' closed by recent legislation may well be eligible, but where partial or temporary use is still possible and/or the premises could be used for an alternative purpose, then difficulties arise. Government advice on social distancing and non-essential travel/working may help the ratepayer here. The relief applies throughout the duration of the enforced closure.

Material Change of Circumstances

Has your business been subject to a Material Change of Circumstance? Whilst not a genuine 'relief' which is granted by your local authority, you can exercise your right to check, challenge and appeal on the basis that the value of your premises is wrong because of a MCC.

MCCs can apply to changes in the physical state or use of your property, or to physical changes or changes of use and occupation in the nearby area. Such changes may relate to factors such as social distancing advice, the closure of neighbouring shops upon which you have a dependency, business closures and transport restrictions. Again, caution needs to be exercised when considering the likelihood of success of this approach.

As well as proving the 'change', ratepayers need to show that the change has had a material impact upon rateable value, which can be difficult when the length and severity of restrictions are still under review. It will also take some time for the challenge to work itself through the system, which, although it does not help immediate cashflow problems, may help ratepayers in the long-run to identify and justify their MCC grounds.

2021 Rating List

Do not forget that the 2021 List will also be soon upon us. Although in force from April 2021, the valuations are treated as at the economic date of April 2019, so prudent ratepayers will be in touch with their surveyors on both the likelihood of valuation changes and the impact of transitional relief.

We should not mourn death of the old high street

There is much to mourn in this pandemic, but the "death of the high street" should not be too high on the list.

We are indeed witnessing the last gasps of a certain type of high street that emerged through the Eighties and Nineties. Chain stores, clone towns and retail parks are all falling victim to Covid-19. The people who got rich from their growth are becoming, well, a bit less rich.

There will be a human cost to this change that should not be underestimated, of course. Livelihoods of retail workers will be threatened and families stressed. Yet politicians must treat with maximum scepticism the appeals to "save the high street" that will be among the loudest business voices in the coming months.

It was, after all, already dying. Yes, business rates were ridiculous and handed an unfair advantage to e-commerce. But let us not pretend that if the business rate holiday now available had been granted five years ago it would have stopped the online juggernaut.

It is too late now anyway. When an industry that is in a gradual decline due to a technological shift gets a shock, it never recovers its previous strength.

When print advertising fell off a cliff in the financial crisis, magazine bosses told themselves it would bounce back. Of course it never did.

Commercial television executives will be spinning themselves much the same yarn today. Yet when customers are forced to change their habits, such as those cash-strapped brand owners who triggered a 42pc collapse in ITV's April advertising sales, there will always be a proportion whose behaviour is changed forever.

Bricks and mortar retail is obviously a more diverse and complicated ecosystem than print or television advertising, but it exists in the same universe and is no more immune to the force of gravity. The smartest in the industry know all this too well. Simon Wolfson of Next is once again adapting with an attempt to create a British equivalent of Shopify, Canada's extraordinary white-label e-commerce success story. Genius steals, after all.

In fairness, before the pandemic many policy people were also grappling with how to avoid the spread of charity shop and bookie wastelands. That work needs to resume with extreme urgency.

The attendant collapse in the value of high street property may be another emergency. The potential knock-on effect to pension funds who may have believed they had plenty of time to reduce their exposure should be grasped as soon as possible.

Ultimately, we are heading into a world where the role of high streets as hubs of commerce is sharply reduced, as part of a mega-shift towards a more geographically distributed economy and online-first consumers. Fatuous comparisons with the Second World War seem all the rage this weekend so here's another: for retail it must be a case of "if you're going through hell, keep going."

Government confirms postponement of 2021 Business Rates Revaluation

The Government has announced that the proposed Business Rates Revaluation in 2021 in England will be postponed.

Communities Secretary Robert Jenrick confirmed the revaluation of business rates will no longer take place in 2021, to help reduce uncertainty for businesses affected by the impacts of the coronavirus pandemic.

He said: "Legislation had been introduced to bring the next revaluation forward by one year from 2022 to 2021, but following the recent economic impacts of the coronavirus pandemic, Ministers want to ensure businesses have more certainty during this difficult time.

"We have listened to businesses and their concerns about the timing of the 2021 business rates revaluation and have acted to end that uncertainty by postponing the change

"Now is the time for us to continue to focus on supporting businesses affected by the pandemic, including through our unprecedented package of almost £10bn in business rates relief."

Real estate advisors Colliers International said it understands the Government will now consider whether to introduce a revaluation on April 1, 2022.

John Webber, head of business rates at Colliers International, said: "This is a sensible decision and something we have been calling for for some time.

"The potential detrimental impact upon businesses to have a Revaluation during the COVID-19 period, giving uncertainty to their liability, along with the question of the state of the market on 1st April 2021, felt far too risky.

"We are submitting appeals for the material change caused by coronavirus which will take up a lot of VOA (Valuation Office Agency) resource and it seems sensible for the Revaluation to be postponed whilst these are handled."
Related Articles

He added: "There is, of course, a debate about how properties may be valued for a Revaluation in 2022.

"Given current market conditions, an Antecedent Valuation Date (AVD) of 1st April 2020 would be anyone's guess as the current market is in flux.

"The AVD for the 2021 Revaluation was 1st April 2019, when the market was in a much more stable place; and we would suggest that it would be sensible to keep to that date for a 2022 Revaluation given values then were not tainted by COVID-19 and the VOA has already almost completed all the work on this. It would be an expensive (£30m) exercise to repeat.

"But this would need to be combined with the Government looking closely at how much it plans to raise from Business Rates in 2022 and the sensible approach would be to accept that tax take should be lower – reducing it from the £26bn currently taken a year, to around £20bn.

"This would enable a lower multiplier and businesses would gain from lower tax bills."

He said: "The Government announced a review of business rates to take place over the Summer.

"We would call on the Government to continue with this to ensure that when we come out of the COVID-19 effects economically, the business rates system is fit for purpose.

"The speed with which the Government has acted with its overall economic measures should give businesses hope that it is listening."

Government delays overhaul of business rates

Move means hard-hit industries face another year of high bills

The retail, leisure and hospitality sectors have all been hit hard by the virus.

A government decision to put off an overhaul of business rates will expose some of the industries most acutely affected by the coronavirus pandemic to another year of elevated bills, according to a leading consultancy.

The resetting of the property-based tax paid by companies, due to take place next year in England, will instead be put back to 2022, said the Department of Housing, Communities and Local Government on Wednesday.

It added the decision would "remove uncertainty" for businesses grappling with the impact of Covid-19, which has forced the temporary closure of tens of thousands of businesses, notably in the retail, leisure and hospitality sectors.

But Jerry Schurder, head of business rates at consultancy Gerald Eve, said that, far from ending uncertainty, the government's move would result in elevated bills for companies next year, when they are likely to be dealing with the consequences of a severe recession.

The levels of business rates are recalculated every five years by reviewing the rental values of companies' premises, and setting a multiplier which then rises in line with inflation. This process is known as the business rates revaluation.

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The government's decision to postpone the next revaluation until 2022 means companies receiving a business rates holiday in 2020-21 to offset the impact of Covid-19 — including retailers, restaurants and hotels — will face a return to bills next April based on rental values that were measured in 2015.

Rents for retailers' premises have fallen sharply since 2015, partly reflecting how companies' sales have shifted online.

Many retailers who have renewed property leases in recent months have been able to secure big reductions in rent. "The [postponement of the 2021 business revaluation] means that when bills return next April they will — absurdly — be based on property values in 2015," said Mr Schurder. "This predates not only the coronavirus crisis but the Brexit vote too."

He said the current business rates holiday, which is set to cost the government about £10bn, should be extended for vulnerable sectors, such as retail.

Mr Schurder added that it was "quite a claim" by the government to say that businesses were benefiting from reduced uncertainty when it was not clear what rental values would underpin the 2022 recalculation.

A Department of Housing, Communities and Local Government spokesman confirmed that business rates paid by companies from next April would be based on 2015 rental values.

He said the government was considering whether to use a new set of values for the April 2022 reset. Alternatively, it could apply the values measured in 2019 for the now postponed 2021 reset.

Alex Probyn, president of expert services at consultancy Altus, called for business rates to be recalculated using valuations from 2021 that reflect the impact of Covid-19 on rents. "It is far more beneficial economically to tie new rateable values . . . to post-Covid-19 levels, where the impact of the economic circumstances are more clear and when businesses will have had longer to recover," he said.

The Department of Housing, Communities and Local Government spokesman said the government still intended to proceed with a review of business rates proposed in the Conservative party's 2019 election manifesto, which pledged to reduce the overall burden of the tax. In normal times business rates raise over £30bn each year for the Treasury, with the bulk of the tax coming from businesses in England.

UK Covid-19 business bailouts have already cost more than £100bn

Office for Budget Responsibility database will track cost of Rishi Sunak's interventions

The bill facing the government for subsidies and tax breaks for businesses hit by the Covid-19 outbreak has already reached more than £100bn, according to the Treasury's independent economic forecaster.

The Office for Budget Responsibility said Rishi Sunak's schemes to protect businesses through the worst of the downturn amounted to £103.6bn of taxpayer support.

It said a new database would track the chancellor's policy interventions, which have already been extended several times in recent weeks following pleas from business groups for further funding.

Among the costed measures documented by the OBR are the main grants schemes for businesses, including the furlough scheme that pays up to £2,500 a month for each member of staff sent home.

However, the coronavirus interruption loan scheme (Cbils), which has supported businesses with £4bn of credit, is excluded, while it remains unclear how many firms will default, leaving the exchequer to pick up the bill. A £750m fund for startups is also excluded from the OBR's costings for the same reason.

The final bill for taking over the UK's rail franchises, lost tax revenues from VAT, income tax and a dive in property transactions will feature in a broader measure of costs to the exchequer, most likely in the autumn.

Among the costs that are included are:

- £39bn Coronavirus job retention scheme (furloughing).
- £16bn Public services spending for health services, local authorities, measures to support vulnerable individuals, supporting rail services and funding for the devolved administrations.
- £800m Additional funding for charities.
- £500m Local authority funding to support vulnerable people (hardship fund).
- £10bn Self-employed income support scheme.
- £15bn Small business grant schemes.
- £13bn Business rates package.

Businesses "rates reduction" firm RVA Surveyors sponging off the Government's Covid rescue package

RVA Surveyors want a 45% cut of the rates savings made by businesses

Here's a blatant example of claiming credit for something you didn't do, courtesy of RVA Surveyors.

This firm claims to help companies get reductions in their business rates and has just billed garage owner Ben Byrom for its supposed services.

Mr Byrom signed a contract with RVA in 2017 and now it is demanding a 45% cut of the savings he'll make on his rates bill this year.

Like all other retail outlets, Mr Byrom will be paying nothing after Chancellor Rishi Sunak announced last month a suspension of business rates for a year as part of the Government's pandemic rescue package.

"We have been given a business rate-free year by the Government to help get us through this very rough patch," said Mr Byrom.

"I am now being billed by RVA, even though they have carried out no work to get this rates relief."

The invoice from RVA Surveyors stated: "To our professional services in securing a reduction in your business rates" and demanded £2,170.65.

RVA Surveyors is run from Denton, Manchester, by sole director Stephan Hughes, 55.

Even before the Chancellor's bail-out package, many smaller firms were automatically entitled to be zero-rated for business rates.

All they had to do to see if they were entitled to it was write to their local council.

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When clients of RVA discovered how easy this was, they understandably refused to pay its huge commission, and were then sued. I've lost track of the number of times that RVA has dragged its clients to court, though this has sometimes backfired, with some cases revealing that sales reps forged the client signatures on contracts.

Mr Byrom has run his garage in Braunton, Devon, for 30 years, and he is also a voluntary river and flood warden, being awarded an MBE for his work during floods in 2012.

The garage is now only open for emergency work on cars of key workers, and most of his staff have been put on furlough.

"I have had many phone calls from so-called savings firms and I always avoided them, but for some reason I gave in to RVA," he said. "Their valuer measured up and increased my rateable value instead of lowering it.

"It was another nine months before this was sorted out and my rateable value was reduced.

"I have paid them 45% of the savings for three years.

"It is grossly mercenary that under these exceptional circumstances this year they should be asking for payment for savings that they have not secured, they are due to the Government granting rates relief."

I cannot tell you how RVA justifies this because it has not replied to me.

Earlier this month I told how it lost a landmark appeal case after suing a furniture store that refused to pay its commission.

William Backhouse of law firm Mayo Wynne Baxter said the ruling could make all RVA contracts unenforceable because they break regulations designed to prevent profiteering by claims management companies.

"The issue decided is that RVA are in breach of a regulation that says that they must provide a reason for setting their fees at the amount that they do," he said.

"RVA would never want to do that as, in doing so, the client would most likely realise that they were taking a high percentage of the business rates savings as their fee for simply returning a form to the local council."
Sainsbury's boss Coupe takes parting shot at Amazon on business rates

Sainsbury's boss Mike Coupe has defended the grocer's decision to accept business rates relief from the government – and said it will still face a higher bill than Amazon this year.

The supermarket giant will receive a £450m business rates holiday in 2020 after chancellor Rishi Sunak put a host of fiscal measures in place to help companies through the coronavirus crisis.

But Sainsbury's insists that the rates relief and additional food sales it will make during the pandemic will only "broadly offset" the £500m impact on its bottom line. Profits will be dented by additional payroll costs, the implementation of in-store measures to protect staff and shoppers, reduced profits from its banking arm, and lower sales in fuel, general merchandise and clothing.

Sainsbury's grocery sales grew 12% in the first seven weeks of its new financial year, while Argos' sales advanced 9%. But clothing revenues plummeted 53%, other general merchandise sales dropped 22% and fuel sales tumbled 52%.

The grocer's outgoing boss Coupe said that, against that backdrop, it was right to accept the business rates holiday – but once again called on the government to reform the tax once the pandemic had passed.
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“We continue to be one of the biggest taxpayers in the UK, regardless of the benefit of business rates,” Coupe said.

“Of course we are appreciative of the business rates cover that we get, but there are very, very substantial costs in our business, we have not furloughed any of our colleagues and we haven’t deferred any of our VAT.

“We will stay pay more business rates on our offices and our warehouses than Amazon will pay this year, just to put that in context.

“In the end, there is a fundamental issue when you come out the other side as to how businesses like ours are taxed. We still believe that business rates are disproportionately burdensome on bricks-and-mortar retailers such as ourselves and one way or another that has to be reformed.”

Exit strategy

Coupe also called on the government to provide clearer guidance around its potential exit strategy from lockdown and social distancing measures so that Sainsbury’s and other essential retailers could prepare.

He said it was likely that Sainsbury’s would “act as a benchmark for what other businesses might have to do” and the government needed to communicate with businesses of its ilk to ensure they get their exit strategies right.

“We, and more broadly the industry, has responded incredibly quickly and incredibly well to the challenges that have been put in front of us,” Coupe said.

“Above and beyond anything else, just having clear guidelines on what it is that we’re required to do, based on the science and the guidance from the government, is central to what we need looking forward.”

Covid-19 Sainsbury's timeline

One thing Coupe does not want to change is Sunday trading hours. Some of Sainsbury’s competitors have called for the rules to be relaxed during the lockdown to help smooth the pattern of trading throughout the week.

But Coupe suggested that footfall to its stores on Sundays has decreased year on year during the pandemic.

“We are not an advocate of extending Sunday trading laws,” he said. “We don’t think it is necessary and ironically, what we have seen as a result of this crisis is a much more smooth demand pattern across the week.

“Mondays are much larger, as is the early part of the week, and the weekends actually tend to be softer. Sunday, year on year in terms of sales, is actually down reasonably significantly.

“We don’t see the need to extend Sunday trading laws and we are not particular advocates of it.”

During what was his final press conference as Sainsbury’s chief executive – he hands the baton to current retail and operations director Simon Roberts on June 1 – Coupe said he expected “full lockdown” to last in the UK until the end of June, before “some loosening of the shackles” during September. But he believed “some form of social distancing” will be in place for the remainder of the calendar year.

He said that would result in “some economic impact” and suggested demand for big-ticket products was “likely to fall during the latter part of the year”.

However, he added it was “very difficult to predict” which new shopping habits would endure following the crisis.
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Digital shift

Sainsbury's has seen a rapid shift to online shopping with ecommerce customers spending, on average, 50% more than previously.

People shopping in-store are purchasing "roughly twice what they would have normally bought" and almost one-third of physical sales being made in Sainsbury's supermarkets are done so through its SmartShop mobile app.

"There are some things which will certainly endure," Coupe said. "Once you've used SmartShop and gotten used to it, I suspect you won't go back to a conventional checkout.

"The jury is out on the volumes of online groceries, but again I suspect that once people get into the habit of ordering groceries online, it is likely to be sticky.

"Equally, there are all sorts of unknowns. What is going to happen to the high street as a result of the particular scenario we have seen? Some parts of the high street have done quite well – if you look at independent food shops – but other parts have completely closed. It's very difficult to predict."

NORTHERN IRELAND

Murphy announces further £213m business rates support

Finance Minister, Conor Murphy has announced an unprecedented £213m rates support package for businesses.

This builds on the £100m scheme announced by the Finance Minister in March which gave all businesses a three month rates holiday.

The new scheme, developed with independent analysis from the Ulster University Economic Policy Centre, will see the sectors hardest hit by the pandemic pay no rates for the full financial year up until 31 March 2021.

Those sectors are:
hospitality, tourism and leisure
retail (excluding certain supermarkets and off-licences)
childcare
Belfast City, Belfast International and City of Derry Airports.
The rates support packages will also see all businesses received a one-month extension of the rates holiday up to 31 July 2020.

Minister Murphy said: "The pandemic has had a devastating impact on the economy. The initial rates support package helped businesses with immediate cash-flow difficulties during the lockdown.

"As the Executive begins to ease the restrictions which have been necessary to save lives, I am pleased to announce this new scheme which importantly provides all businesses with an extended rates holiday for July.

"Further support is then targeted at the sectors which will be in greatest need in the months ahead. This includes retail, hospitality, tourism, leisure, childcare and airports.

“This rates package, which is aligned with the Executive’s pathway to recovery, brings the total support for businesses from rates relief and grants to almost £700m.”

Notes:

The £213m rates support package includes the following:
100% Relief for Hospitality, Tourism, Leisure and Retail properties (with the exception of retail food stores over 300m² and off-licences) to 31 March 2021 - £175m
Continue existing 100% business rates holiday for all properties for a further 1 month to end of July (excluding public sector and utilities) - £34.5m
100% rates relief for Belfast International, Belfast City & City of Derry until 31 March 2021 - £2.2m
Provide 100% rates relief for Childcare Establishments until 31 March 2021 - £1.4m
A £100m rates package for businesses was announced on 17 March – https://www.finance-ni.gov.uk/news/covid-19-ps100m-emergency-rates-package-businesses.

Policy advice for Minister - Rates Relief Information Paper - https://www.finance-ni.gov.uk/node/44363

Developments on business rates expected "within days"

There will be developments on Northern Ireland's business rates regime within days, First Minister Arlene Foster has said.

Firms which have been hit by the coronavirus shutdown have enjoyed a three-month holiday from paying the tax.

Companies struggling with an abrupt, and in many cases total, loss of income want the tax relief to be extended to a full year.

Mrs Foster told a Stormont news conference: "There's also been a rates holiday for three months and there will be further developments in relation to rates in the coming days.

"I also want to say that in relation to the UK Government-wide schemes, those have had a very positive impact particularly on the tourism and hospitality sector."

Economy Minister Diane Dodds has said Stormont's coronavirus economic support schemes will never be able to cover all businesses.

Mrs Foster said firms will be looking very carefully at fresh detail from the Chancellor on Tuesday around extending furloughing to the end of October.

She added: "But I do expect as well that this is not the end of the interventions from the UK Government, and indeed ourselves.

"Every time we relax the regulations we will have to see what impact that it has had," is the message from First Minister Arlene Foster. She says the Executive didn't want to include dates within their recovery plan in order to be "flexible" with restrictions in the future.

"We will want to look at a stimulus package in the future because we're very aware that we're in the response phase now still at the moment in relation to Covid-19, then we will move to the recovery and renewal phase, and we will want to help those businesses that are hardest hit.

"Anyone that knows me knows that I am a great champion of tourism and hospitality, and we will want to get back to the place that we were at before this terrible disease hit us."

Tens of thousands of England's retail, leisure and hospitality firms will not pay any business rates in the coming year.

Companies with a rateable value of less than £51,000 will be in line for the tax holiday, Rishi Sunak said.

Stormont Minister Conor Murphy has previously expressed reservations about following suit.

WALES

Debenhams pledges its future in Swansea after council chiefs suspend anchor store's business rates

The retailer had warned the store was under threat of closure for good

The chairman of Debenhams said the anchor store in Swansea will be among the first to re-open after the council agreed to defer its business rates.

The retailer had warned that the Quadrant Shopping Centre store was one of four Debenhams in Wales which could close for good because they did not qualify for emergency business rates relief.

Swansea's Liberal Democrat opposition group started a petition urging the Welsh Government to include premises over a certain size in the business rates relief scheme launched in response to the coronavirus crisis.

The scheme excludes larger properties with a rateable value of more than £500,000.

The Labour administration in Swansea has been trying to find a solution - and has now announced a deal with Debenhams to defer business rates until March 31, 2021.

Mark Gifford, chairman of Debenhams, said: “I have been overwhelmed by the help and support offered by Swansea council and the personal contribution made by the chief executive and leader of the council in helping Debenhams re-open in Swansea.

“I will make sure that Swansea will be one of the Debenhams stores included in the first wave of our re-opening programme, and with the support of the council and our landlord, our Swansea store has a strong future.”

Debenhams staff attempting to break the Guinness World Record in 2017 for the most eyebrows waxed
Council leader Rob Stewart said the best way to support the company was to suspend business rates to give it more time to pursue a business rates review and apply for other sources of emergency funding.

The council is leading on a £135 million regeneration scheme on land adjacent to the Quadrant Shopping Centre and across the other side of Oystermouth Road.

“Debenhams is vitally important to the future of our city centre," said Cllr Stewart.

"The store is an anchor and attracts many people into Swansea. We will do everything we can to ensure Debenhams plays a massive role in our plans to regenerate the city centre and help our economy recover from this crisis.”
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Lib-Dem leader Cllr Chris Holley said he welcomed the new agreement and hoped Debenhams would flourish.

"We need them in the city centre," he said.

Debenhams pays £1.1 million business rates per year for its St David's store in Cardiff, and it is understood the bill for the Swansea store is not significantly less.

Councils collect business rates on behalf of the Welsh Government, which then shares the money out to authorities based on a formula.

Cllr Holley said his only concern was that Swansea might lose out when the money was reallocated.

Russell Greenslade, chief executive of business group Swansea BID, said: “There has been a lot of work going on behind the scenes to help Debenhams to secure a long-term future in Swansea city centre, and we are pleased, as a BID (business improvement district) to have played an active role in this.

"Debenhams is one of our anchor stores that support our smaller businesses and the fact that all interested parties have pulled out all the stops to support it is a measure of the fact that we all feel that the next chapter of Swansea city centre is a crucial one."

Debenhams warns 'time is running out' to save its Welsh stores

The high-street chain is calling on the Welsh Government to act

Debenhams has warned that "time is running out" to save its four largest Welsh stores.

The high-street chain said hundreds of jobs could be lost unless the Welsh Government grants a business rates relief holiday.

The UK chancellor Rishi Sunak previously granted a year-long rates holiday to all retail, leisure and hospitality firms.

Wales said it would match the pledge but then changed the threshold so that large firms cannot benefit. It means Debenhams faces paying huge sums for shuttered stores.

The chairman of Debenhams previously issued a warning to the Welsh Finance Minister Rebecca Evans that its stores would not reopen, and has again asked for the government to step in.

On Thursday Debenhams chairman Mark Gifford said: "Time is running out to save Debenhams four largest stores in Wales.

"I had a constructive conversation with Rebecca Evans this week but the reality is we need a favourable decision if these stores are to be re-opened by the administrator and precious jobs saved.

"The way the rating system works, and in particular how it relies on outdated rental values, is a UK-wide problem and also reflects the ponderous approach and inaction of the Valuation Office in updating rateable values.

"When combined with the Welsh Government's stance to make an active choice to penalise large retailers, we continue to ask Ms Evans and her colleagues to provide support to Debenhams to help our colleagues retain their jobs."

The rates on the four stores is £2.5m per year, with Cardiff accounting for £1.1m.

A spokesman said the rates liability is "substantially higher" than the rent.

They added: "The Welsh Government's approach unfairly penalises larger retailers which 'anchor' shopping centres.

"Under its proposals, only three retailers (including Debenhams) in Cardiff's St. David's Centre, will be required to pay rates."

They confirmed their store in Wrexham has been "saved" after help from the local authority and is now planned to re-open once government restrictions allow.

In April Debenhams confirmed it formally entered administration.

It is the second time Debenhams, which employs around 22,000 staff, has entered administration in the past 12 months.

The staple of the high street has 10 stores in Wales.

Debenhams' 142 UK stores remain closed in line with government guidance and the company said it would work to "re-open and trade as many stores as possible" when restrictions were lifted.

A Welsh Government spokesperson said:"We decided to limit the Non-Domestic Rates (NDR) Relief for the hospitality, retail and leisure sector announced to exclude the small proportion of properties with a rateable value of over £500,000.

"This affects fewer than 200 properties across Wales but releases more than £100 million towards our Economic Resilience Fund – enough to support more than 2,000 businesses with grants of £50,000.

"The Economic Resilience Fund will support businesses of all sizes, but especially micro, small and medium sized, in responding to the pandemic and received 6,000 applications within the first 24 hours of opening.

"We are also delivering a £1.7bn support package to provide businesses in Wales with certainty and stability during these challenging times.

"We will continue to consider how to best target our support where it will have the greatest impact in sustaining jobs and the longer term viability of our economy."