

All Party Parliamentary Group for Hospitality Roundtable on Business Rates 14th May 2019.

One Parliament Street

Thank you for attending the All-Party Parliamentary Group for Hospitality's roundtable on business rates. If you have any questions, please contact Richard.clifford@ukhospitality.org.uk.

The APPG for Hospitality is holding a series of roundtables this year on the key issues that are impacting the sector. This session focused on business rates. The work of the APPG on this topic was designed to compliment that of the Treasury Select Committee by putting forward the sectors view on business rates. The aim of the APPG is to bring together different experts to have a discussion on the pitfalls/merits of the current rates system and suggest potential improvements. Following the event, the APPG will be producing a short report summarising what is discussed at the event.

Speakers

Jim McMahon, Shadow Minister for Housing, Communities and Local Government

Jerry Schruder, Head of Business Rates at Gerald Eve

David Sheen, Head of Public Affairs at UKHospitality

Summary of Discussion

Jim McMahon, Shadow Housing, Communities and Local Government.

The current business rates system is nearing breaking point.

Series of interventions are needed around small business rates.

One area to start, it needs to be decoupled from local Government finance.

Also needs a holistic review.

We need to create a fair and balanced pro-growth system. This includes looking at the potential option of making town centres exempt from paying business rates.

Look at the potential option of making town centres exempt from paying businesses rates.

It is essential to highlight how fragile town and regional economies are

How pressurised the system is for companies just looking to make a living

Doesn't take into account operation, with new pension provisions staffing costs have gone up. For ordinary businesses, the margins are getting tighter and tighter.

We need to find a cross party solution to this. Party affiliation should not be part of the solution.

We should be concerned for the future of our town centres

We need to rebalance the high street with online platforms.

Trying to rebalance where the trade is made.

Important to realise that today's retail space the .com?

We need to look at an online sales tax. The Government wants a service tax, we need an online sales tax. The current system could be the final nail in the coffin for companies that trade on the high street.

Other inconsistencies in Business Rates system- Why charge rate on Government property?- it's public sector transfer.

Rate relief in place for last pub in village- not in place for last pub on the council estate. A review of business rates needs to review pubs and the positive role that they play. It is also important to do this for restaurants.

Need to be right for communities in the role that they play. If you are the convenience store and you step in to get a cash point, could take you over a certain threshold. Needs to be done for the right part in the community.

Property tax is part of our community, we haven't been bold enough in tackling business rates.

Is the high street going to survive? Are we simply providing them with a sticking plaster?

It is not the role of Government to fight the tide on consumer habits. It is the job of Government to ensure that things do not get even worse.

More could be done at a Government level to ensure that there is a level playing field.

What is the roll for town centres, taxation system doesn't know if this is happening.

-power of place to a community is key.

Symbolism of the shopping centres, shops can't make money are the ones who can't move to the shiny traffic centres.

-VAT doesn't tackle profit.

Public House valuation-

Labour is committed to looking at business rates.

Jerry Schruder, Head of Business Rates at Gerald Eve

Asked to discuss problems solutions and possible replacements to the rates system. He is however in favour of a land-based system.

The tax is far too high. In the UK with business rates and council tax, we pay more than any other EU country.

In absolute numbers, 10.4 bn in 1990 at the end of 2018 it was 30.5bn.

You are paying if you make a profit.

Still believe that it is appropriate to have a property tax, the economic theory behind this is pretty clear, difficult to avoid, difficult to evade, can't pay offshore. Furthermore, the assessment of this can be transparent.

There is also a value in using local tax to pay for local services.

Should retain a property tax, makes sense to base this on property value.

Most property in UK is on a property rental basis.

UBR cut- something like 38.8p

Not responsive- doesn't change quickly to economic circumstance. This means that rates are always out of date.

World moves a lot more quickly than rates. In favour of an annual revaluation

Do away with complex transitional arrangements.

Businesses would still want to know rates were fair and reasonable.

No obligation on the assessing body to prove that this is correct.

Total tax rate should change with property values.

No other tax works this way, no reason that rates should do.

Important also to look at whether all ratings are still fit for purpose- Private schools was an example listed.

More analysis required of council tax, relationship between residential properties and business rates

Land value taxation- tax the land and the owner of the land- encourages efficient use of land.

Good in theory- no register of ownership.

Scarcity of evidence- not many transactions of land.

Online sales/revenue tax as mentioned by Jim McMahon could be an option.

Royal Commission to make sure business rates are efficient.

Delivery charges, click and collect charge.

Valuation office- can't justify why they make decisions. This is an unsustainable level of taxation.

Valuation office needs reform to enable business rates to be reformed.

Revaluation from the workload standpoint. Goldman Sachs are in favour of an annual revaluation.

David Sheen, UKHospitality

Common view of business for reform - but what is the answer?

The problems for hospitality - high burden, property inefficient, growing costs, punished on investment.

What are the solutions? Long term a Royal Commission is the only answer.

Short term - digital services tax a start but need more significant shift.

Reliefs positive but not delivering for all businesses.

A different examination should be carried on for small businesses.



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