

HM Treasury fundamental review of business rates  
Heart of London Business Alliance online response: call for evidence, part 2

**In what capacity are you responding to this consultation?**

Business

**Please enter details of the business or body you represent**

*The Heart of London Business Alliance (HOLBA) acts on behalf of businesses and property owners in the area surrounding Piccadilly Circus, Leicester Square, Piccadilly & St James's. As well as being hosts to some of London's landmark attractions, supporting over 40,000 jobs, we operate services that help keep the area clean, safe and welcoming – supporting all those who invest, work, visit and live in the locality. Our mission is to realise a shared vision for a confident, vibrant and bustling world class Heart of London: a celebration of its rich mix of entertainment and culture creating an inspirational business and leisure environment.*

**Have you already provided a response to phase one of the Call for Evidence (relief and multiplier sections) required by 18th September?**

Yes

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**What are your views on the frequency of revaluations and what changes should be made to support your preferred frequency?**

*Commercial property is volatile in downturns and this is especially the case in prime locations. This can create significant problems in an economic downturn, where commercial tenants are left paying business rates derived from a valuation that took place under very different circumstances (i.e. that is much higher). As a general point of principle, the business rates that businesses pay should reflect the value of the premises they are renting and increasing the frequency of valuations would help address this issue and help manage the current situation, whereby businesses, especially in prime locations, have been caught out by significant spikes in business rates following revaluations.*

*HOLBA acknowledge that accurate revaluations take time, and that this might be addressed by improving the VOA's access to high quality rental information, triggering revaluations of individual properties by a "significant event" such as a lease renewal or rent review, or a "circuit breaking event" such as a significant change in market conditions in a particular area. This would ensure that the rateable value is more accurate at the point that commercial decisions are made by the businesses that will be paying those business rates, and that businesses are better protected in an economic downturn. Alternatively, the multiplier could be used as a tool to achieve the same objectives (see previous HOLBA response).*

**What are your views on a banded or zone-based valuations system and the trade off with valuation specificity?**

*Recommend not answering – unless we think that such a system might benefit central London (in the same way that the highest-end domestic properties pay the same band of council tax?)*

**What are your views on changing the valuation process or the information provided to the VOA, to enable more frequent revaluations?**

*Provided the system is not overly bureaucratic, improving the quality of the information provided to the VOA would help ensure that the rateable value is more accurate at the point that commercial decisions are made by the business that will be paying those business rates, and would make the system more equitable and help businesses avoid unforeseen leaps in business rates. This may need to be matched by increased resourcing within the VOA.*

**What are your views on the relative importance of the period between the AVD and compilation of the list vs. more frequent revaluations?**

*The AVD should be as close to the start date of the revaluation as possible.*

**What are your views on changing the definition of rents used in the valuation process? How could this be done in a way that most fairly reflects the value of the property?**

*Did not answer*

**If you have had concerns over the specific method of valuation applied to your property, what were these concerns and how could the process be improved?**

*Did not answer*

**What are your views on the design of the transitional relief scheme, and how transitional arrangements should be funded, given the requirement for revenue neutrality?**

*The transitional relief scheme has been a major help for Central London businesses managing spikes in business rates. More frequent revaluations would reduce the need for such a scheme.*

*The key issue affecting Central London businesses is that in recent years rising property prices have driven up business rates well in excess of increases in revenue or turnover. Increasing local authorities' retention of business rates could help local authorities provide more targeted relief where it is most needed to mitigate the impact of business rate rises.*

**What evidence is there that the business rates treatment of P&M and changes to property affects investment decisions?**

*Did not answer*

**Are the current P&M principles and regulations still relevant? How could these be updated if necessary, and what would the effect of any proposed changes be?**

*Did not answer*

**What evidence is available on the potential benefits of exempting certain types of P&M on a permanent or time-limited basis?**

*Did not answer*

**What practical challenges would the implementation of wider exemptions for P&M pose, and how might those be addressed?**

*Did not answer*

**How can business investment and growth best be supported through the business rates system, and how effective would business rates changes be compared to other available measures?**

*In the post-Covid period, the generation of economic activity will be a key driver of creating jobs and growth opportunities, and there is a potential role for tax measures to spur on this economic activity. Temporary business rate reliefs on either 1) retrofitting buildings in a more environmentally friendly manner, supporting the UK's zero carbon goal, or 2) repurposing premises for purposes more in line with local priorities could help provide incentives for short-term construction activity. This would help counteract the expected post-Covid increase in unemployment, as well as helping ensure that existing building stock is greener, more sustainable, and better aligned to the economic priorities of its local area. However, consideration will have to be given to how these benefits get passed on to the businesses occupying the premises as opposed to landlords, especially given the high initial capital cost of building work and the fact that businesses will be operating in an environment where they are less likely to have large capital reserves to draw on.*

*HOLBA also believe that the system of Tax Incremental Financing (TIF) is an effective way of securing infrastructure investment that unlocks regeneration and economic growth. By capturing locally generated, incremental public sector revenues (e.g. business rates) that wouldn't have arisen were it not for investment in the delivery of "enabling" infrastructure, this creates a significant incentive for investment, growth, and job creation – again, particularly important in the post-Covid period.*

*Finally, HOLBA strongly believe that the best way for business rates to contribute to local economic growth is for a greater proportion of business rates to go to the relevant local authority. This increases the incentive for investment in growth and productivity, and helps strengthen the link between the local businesses and the local authority – crucial when planning for future prosperity.*

**How could the business rates system support the decarbonisation of buildings? What would the likely impact of any changes be compared to other measures, including other taxes, spending or regulatory changes?**

*See response to question 21*

**What further changes would you like to see made to the (a) Check, (b) Challenge and (c) Appeal stages?**

*Did not answer*

**What are your views on sharing information, such as rental/lease details, with the VOA? What are your views on the risks and benefits of this information being shared with other ratepayers, public sector organisations or more broadly?**

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*HOLBA see little purpose in sharing this data more widely outside the VOA.*

**What are your views on who can currently use the CCA system and become party to a challenge or appeal? What are your views on who can use the system, when and on what grounds?**

*Did not answer*

**What are your views on introducing a requirement to provide the VOA with rental information, either routinely or where changes to a lease occur?**

*See response to Q10*

**What are your views on making a register of commercial lease information publicly available?**

*It is difficult to see what this policy change would achieve in practice.*

**What are your views on introducing a requirement to notify the VOA or billing authority of changes to a property that could impact the business rates liability?**

*Did not answer*

**How can the current billing process be improved? What changes would provide the most significant benefits to ratepayers through for example, cost or time savings?**

*Moving to “digital by default” will, in the majority of cases, be a sensible way of saving cost, time and paperwork to ratepayers.*

**What are your views on a centralised online system linked to other business taxes, enabling more joined-up data and management of billing across different locations? How could this best support ratepayers and billing authorities?**

*Did not answer*

**What sort of support would businesses and agents expect to receive when moving to a centralised online process, and from where would you expect to receive it?**

*Did not answer*

**What, if any, criteria should be applied in exempting certain ratepayers from online billing?**

*Did not answer*

**What are the likely benefits and costs of implementing a CVT? What are the practical implications of implementing a CVT?**

*HOLBA have worked alongside Westminster City Council in examining the case for and against a capital value tax (CVT), and agree with their conclusion that the cost and practical implications of implementation of a CVT outweighs its potential benefits, particularly given the risk of CVT discouraging investment in property.*

**What evidence is there of the benefits that replacing business rates with a CVT would have in practice, for example, on business investment and growth?**

*Did not answer*

**How can land and property be valued fairly and efficiently under a CVT in England? What evidence is available to do this?**

*Did not answer*

**How would replacing business rates with a CVT affect the distribution of taxation?**

*Did not answer*

**What are the likely implications of moving the liability for tax from tenant to landowner or property owner? How could the government ensure effective collection from and compliance by these taxpayers?**

*Did not answer*

**What lessons can be learned from other countries' experiences with CVTs?**

*Did not answer*

**What other international alternative approaches to the taxation of non-residential land and property merit consideration for England?**

*Did not answer*

**What would be the benefits and risks of introducing an online sales tax?**

*In recent years, bricks-and-mortar shopping has been seriously affected by the shift to shops with an online presence. This has had an adverse effect on high streets, which has knock-on effects on city centre liveability, attractiveness to tourists, and the viability of other businesses that get much of their footfall from people coming into town to shop. An online sales tax (OST) supplementing business rates would help to level the playing field between largely brick-and-mortar firms and those with a mainly online presence. The latter pay significantly less in business rates compared to their high street and town centre contemporaries, while both are liable for the same corporation taxes.*

*The additional income raised from OST can be used to support high streets by reducing the tax burden on them. Administration of the system will not be difficult if linked to VAT collection.*

*Westminster City Council have submitted detailed proposals for the design and administration of an OST at a rate of 2% across all e-commerce transactions alongside the business rates system, which HOLBA supports.*

**Which services and products do stakeholders think should be subject to an online sales tax and what evidence is there to support this?**

*Please see Westminster City Council's proposal.*

**What evidence is there for the effects of an online sales tax, for example, on changes in consumer behaviour, or prices?**

*Did not answer*

**How could an online sales tax affect the distribution of taxation?**

*Did not answer*