LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

CALL FOR VIEWS ON THE NON-DOMESTIC RATES (SCOTLAND) BILL

SUBMISSION FROM BYRES ROAD AND LANES BUSINESS IMPROVEMENT DISTRICT

The High Street

It is clear that the high street is undergoing change like never before. Hardly a day goes by without news of another ‘major high street name’ being in trouble and either closing selective stores or, in the worst cases, going into administration/liquidation and shutting completely.

The high street needs help, but it also needs to reinvent itself. I believe the days of the large department/chain stores are now behind us – except perhaps in major city centres – and to be a success a modern high street now needs to look to have a mix of well-known brand names, but probably in smaller premises, plus a mix of vibrant small and medium sized niche businesses, together with an active leisure sector. Excellent, frequent, reliable and affordable public transport from outlying areas is essential, together with adequate, sensibly priced parking within a short walking distance.

Property landlords need to be sensitive about rent levels, and work with local business organisations such as Chambers of Commerce and Business Improvement Districts (BIDs) to set affordable levels of rents, providing discounts and incentives as necessary, to ensure high occupancy levels within the area.

The Non Domestic Rates Dilemma

In a recent interview on BBC Breakfast (24th May 2019) the current Chief Executive of WHSmith pointed out that in some areas, Non Domestic (or ‘business’) Rates (NDR) are the same if not more than the rents paid on business premises. This has led to many businesses closing, and many units lying vacant for long periods of time. This is clearly a situation that is unsustainable.

We are aware of such problems in our BID area in the West End of Glasgow. One particular property has lain empty for over a year. The total of the rent being asked by the landlord, plus NDR and other outgoings, would mean that the business needs to turn over at least £100,000 before making any money for its owner to live on. This is simply not sustainable for a small or medium sized business in the current economic climate.
There are wider problems with NDR which can be summarised in some of the questions and comments that I have had put to me in my role as BID Chair. These include:

- ‘Why is NDR based on size and value of the property? That is nothing to do with my business’
- ‘What does it get spent on? I pay separately for waste collection and water supply, so what does the Council do with the money that I pay them that benefits me?’
- ‘I pay the Council all this money but they never do anything for me or the business sector as a whole. I don’t have a voice in what is going on locally, or if I do make representation, it is ignored’
- ‘I think the Council just use businesses as a cash cow to finance other things that are nothing to do with businesses’

Possible solutions

There is a serious communication problem between Councils and business owners which needs to be addressed. Local Authorities need to make it clear to the business sector ‘what my money is being spent on’.

I believe that it is also time to move away from using property valuation and rent levels to set NDR. This creates a system that appears random and in some cases excessive, and leads to lengthy and costly appeals – which many smaller businesses simply cannot afford. A radical new approach is required, and one that is not tied to property values.

One solution would be for local business taxes to move towards an American style ‘sales tax’ system where a percentage would be added to all sales at the till point - similar to VAT in other words. However this would be unpopular with both businesses and customers alike, especially in the retail sector where the price on the ticket is the price paid at the till.

Instead, I would favour a system based on either the turnover or (preferably) the profits of a business. Limits and thresholds could be set for the amount that is paid, similar to income tax levels. Those at the ‘bottom of the ladder’ would either be fully exempt or be required to pay a nominal amount – even as little as £10 or £20 per month. Charitable exemptions would apply.

If a business was already registered for VAT then the figures provided in VAT returns could form the basis of the information provided on a quarterly basis, with payment following thereafter. If a business is not registered for VAT then a simple form of estimated takings/expenses information could be provided, with the final figures being
calculated and adjusted at the end of a financial year, linked to the business’ tax return to either HMRC or Companies House.

Forums should be provided for the voices of local businesses to be heard from and responded to, through organisations such as BIDs.

John Turner 25 May 2019