WHAT WE NEED YOU TO DO

We have identified key principles that should underpin reform. A new scheme should:

- Flex with economic conditions
- Include incentives for businesses to invest
- Be simpler and more cost effective to administer
- Provide more of an equitable burden across businesses
- Be internationally competitive

We therefore want our parliamentarians' to commit that, in the next Parliament, your government will:

In the short term

- Introduce more frequent revaluations (every three years as a starting point) and reduce the antecedent (date between valuation date and the rating list starts) from two years to one year.
- Consider a retail-specific poundage recognising the significant and disproportionate burden of business rates on the retail industry and the impact this is having on jobs, investment and town centres.
- Exempt empty properties due to refit and refurbishment from paying Empty Property Rates.
- Exempt investment in energy efficiency or low carbon technology property improvements that require high upfront capital expenditure. Investment in plant and machinery meeting low carbon objectives should be treated as excepted plant and machinery.
- Standardise billing, moving away from multiple providers to one, and establish a single online portal enabling ratepayers to visit one site to access information on their properties across all 32 billing authorities.
- Reduce the number of Assessors from 14 to 1, taking a similar approach to England & Wales where a single assessor - Valuation Office Agency (VOA) – undertakes the assessment process, providing greater efficiencies and consistency.

In the medium to longer term

- As an early commitment in your Administration's first Programme for Government, review options for the fundamental structural reform of business rates, going beyond an administrative review, including whether business rates should remain a property-based tax. This should be complemented by a wider holistic and coherent vision for personal and business taxation that promotes sustainable economic growth.

THE SCOTTISH RETAIL CONSORTIUM (SRC)

Retail is an exciting, diverse and dynamic industry undergoing transformational change. The SRC is at the forefront – enhancing, assisting, informing and shaping. Our mission is to make a positive difference to the retail industry and to the customers it serves. Our broad range of stakeholders demonstrates how retailing touches almost every aspect of our culture. The SRC leads the industry and works with our members to shape debates and influence issues and opportunities that will help make that positive difference. We care about the careers of people who work in our industry, the communities retail touches and competitiveness as a fundamental principle of the industry's success – our 3Cs.

In addition to publishing leading indicators on retail sales, footfall and shop vacancies in Scotland's town centres, our policy positions are informed by our 255-strong membership and determined by the SRC's Board.

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HOLYROOD 2016:

BUSINESS RATES

THE RETAIL INDUSTRY CONTRIBUTES A SIGNIFICANT AMOUNT OF TAX REVENUE IN SCOTLAND THROUGH THE DIRECT TAXES IT PAYS AND THROUGH THE INDIRECT TAX REVENUES IT GENERATES SUCH AS VAT AND INCOME TAX. ACROSS THE TOP FIVE TAXES OF VAT, INCOME TAX, NATIONAL INSURANCE, BUSINESS RATES AND CORPORATION TAX THE RETAIL INDUSTRY CONTRIBUTES AROUND £2BN IN TAXES IN SCOTLAND.

Tax competitiveness plays a hugely significant role in the desirability to do business in Scotland. With an expanding arsenal of tax powers the next devolved parliament and administration is set to exert significant influence over take-home pay, household budgets and the competitiveness of the business environment.

We want Scotland to be - and to be perceived to be - the best place within the UK in which to do business. One major tax that undermines this aspiration, however, is business rates.

There is a strong and growing consensus across business and industry in Scotland that the current business rates system is out of date, no longer fit for purpose and in serious need of fundamental reform. The system is a tax on jobs and growth, undermining investment in property, especially in town centres and high streets. It only functions through an increasingly complex system of reliefs and exemptions.

This is not just a problem for business: store closures have a significant and detrimental impact on communities and town centres and lead to a loss in government revenue through corporation tax, business rates, VAT, income tax and employer and employee NICs.

The status quo is unsustainable.

That is why, as we approach the 2016 Scottish Parliament Election, we are asking politicians of all parties to consider the case we are putting forward for the fundamental reform of business rates so that Scotland has a system that is fairer to businesses, flexes with the changing economic conditions, is equitable across industries, free of perverse incentives, simpler to administer whilst being internationally competitive. Jobs, growth and high streets depend on this reform.

THE CASE FOR REFORM

The current system of business rates doesn't reflect wider economic conditions

- As a fixed yield - rather than fixed rate – tax, business rates do not flex with the underlying economic conditions and only ever rise. They therefore fail to adequately reflect profitability or the ability to pay.
- The Uniform Business Rate (Poundage) has continually increased since inception in 1995 from 43.2 to 47.1 pence for the basic rate and to 48.2 pence for those businesses paying the higher rate. Between 2012-15 the poundage increased 42 per cent for those retailers paying the Large Retailer Levy.

The overall burden of business rates has become too onerous

- In 2005, business rates made up around a third of all taxes borne by retailers. By 2014 this had grown to nearly 50 per cent. Among the largest retailers pre-tax profits have fallen 32 per cent since 2008 whilst total taxes borne have increased by 27 per cent, largely driven by business rates.
- The retail industry makes up approximately 5.7 per cent of the Gross Value Added (GVA), however it pays 11.5 per cent of all business taxes and one quarter of all business rates.

Business rates are out of step with other taxes

- Business rates are out of step with other taxes including other property-based taxes like Council Tax. Since 2007 there has been a 42 per cent increase in revenue derived from business rates but only a 7 per cent increase in council tax. However, council tax has been considered 'unworkable' with reform promised, whilst business rates have been largely ignored.
- Business should be encouraged, not discouraged, from investing in property however government's reliance on property-based taxes such as business rates has grown within total business taxation. For every £1 retail pays in corporation tax it pays £2.30 in business rates whereas the rest of the economy pays just 44 pence.

Business rates disincentivises investment in town centres and on high streets

- The current system unfairly penalises businesses, such as retailers and manufacturers, which invest most heavily in occupying and improving property. This is compounded by the changing shape of retail as lower cost and less burdensome routes to market, including online, means that there are more viable alternatives to physical property.
- Rates paid by retail in Scotland have increased 30 per cent between 2009 and 2014. Over that same period there has been around 1,800 fewer shops and the vacancy rate is 'stuck' at 10 per cent. Every 1 per cent increase in the vacancy rate equates to a loss of around 2,550 retail jobs in Scotland.
- Business rates are a crucial consideration for retail companies when deciding whether to remain in a location or expand into new areas. For every announced closure decision there are the numerous private decisions not to open a new store due to the investment case not being made with business rates playing a large part in that decision.

“SINCE 2007 THERE HAS BEEN A 42 PER CENT INCREASE IN REVENUE DERIVED FROM BUSINESS RATES”