Punch Pubs & Co response to the All-Party Parliamentary Beer Group's inquiry into pubs' business rates

To understand:

- **The impact of business rates on pubs' operations in England and the efficacy of the valuation process and appeals system.**
- **The fairness of business rates on a sectoral basis.**
- **The impact of the Government's current proposals for reform.**

And to explore:

- **Hospitality as a catalyst for inward investment, high street regeneration and employment and skills growth.**
- **Options for business rates reform to recognise this and pubs' wider contribution locally and nationally, including rebalancing the burden of business rates between the digital and physical economies.**

The rate relief support provided throughout the pandemic has been unprecedented and welcome, but Business Rates remain disproportionately high within hospitality, where all revenues generated from a site, both online and in person, are captured in the calculation of rateable value.

The Business Rates bill for our sector accounts for 2.5% of total business rates paid despite only representing 0.5% of total rateable turnover, an overpayment of £570m (BBPA).

As one of the highest taxed sectors per pound of turnover, we do not believe the current system is fit for purpose, nor does it reflect a fair and equitable model for taxing business.

At Punch Pubs & Co, our 1,300 pubs across the UK are run by small business entrepreneurs. We work in partnership with them to create and run profitable and sustainable pubs that are the cornerstone of their local communities whilst ensuring that risk and reward are shared fairly.

We can help deliver jobs and additional economic value in every part of the UK. We are at the very heart of communities fostering social cohesion as we reconnect and recover. Pre-covid, our businesses were already operating under small margins due to the disproportionate tax burden. Coming out of the pandemic it is crucial this is redressed to ensure business survival and a return to growth.

As Punch Pubs & Co we would address the following points:

- It matters what business occupies a particular space within a local community as they impact the social fabric of the UK differently – reducing this disparate tax burden will help shore up a national institution and place pubs at the centre of ‘levelling up’ the nation. Pubs form a vital part of social infrastructure and are anchors that tie the community together. This is particularly true for rural towns and villages, where the majority of our pubs are situated.

- Pubs support 832,000 jobs across the UK and are a key part of the foundational economy, the essential building blocks of growth. The cripplingly high burden of business rates will only inhibit further investment in pubs and their respective communities.

- The use of the rates system to target support to the economy has highlighted inequities in a system that was last reviewed in 1988 and we believe the Government must work on proposals for root and branch reform to allow a rebalancing of tax between bricks and mortar and online businesses.

- Digital retailers often require the same services from their local councils as the shops on the high street, yet they maintain a substantial tax advantage due to the lack of a Business Rates tax equivalent for online retail. **We were encouraged to hear in the Autumn Budget that HMT would be consulting on the potential creation of an Online Sales Tax.**

- Business Rates continue to stifle investment by taxing an individual’s efforts rather than valuing the average operator. A better understanding of Fair Maintainable Trade (FMT) by the Valuation Office Agency (VOA) is also required; technical expertise is required for specialist valuations of pubs under the FMT approach.

- The form of compiling the list by the VOA and assessing rateable values is simply not transparent. The revaluation is carried out and a value is attributed with no supporting data, such as that which we provide to Publicans. The proposals which the Government are currently consulting on suggest that the evidence of how they have arrived at their values will be made available. That would be a welcome step, provided it is in an informative format. Pubs are valued on their trading potential and comparative data such as size of premises can be misleading.

- There is a general feeling in recent years that there has been a loss of valuation experience at the Valuation Office, and this impacts on the quality of the valuations which in turn leads to anxiety and a propensity to appeal. The VOA is actively recruiting (investment in staff and expertise is required to ensure our sector pays its fair share, and no more, of the total Business Rates bill) but valuation has already started for April 2023. This cannot continue with inflationary pressures showing few signs of easing for the UK economy.

- The ‘Check, Challenge, Appeal’ three-stage appeals process is extremely difficult to navigate. The ratepayer has to claim the asset via the Government gateway and any sudden changes of Publican can lead to difficulties in claiming for the site, which could affect our ability to provide data or appeal.

- Time limits are very challenging for our business to provide data to the VOA for the reasons stated above. A sudden change of Publican can make providing data difficult within the current statutory time limits and we have been exposed as a result to penalties.

    - **We note the new proposals set shorter time frames and bigger fines. The mooted three-yearly review cycle and 30-day Duty to Notify would place an even great burden on us for little reciprocal responsibility on HMRC.** It may mean that we have to recruit an FTE to manage these changes on a weekly basis.

- Appeals to the VOA used to be undertaken on a blanket basis, as there was no downside to appeal. The removal of this ability has undoubtedly helped the VOA, but the complexity of the appeals system and delays mean that some Publicans without professional advice could be deterred.
    - We provide rating services to our tied Publicans but a lack of transparency by the VOA and extensive delays means many just do not want to start the process.

- The Rates time limits are strictly enforced on ratepayers, but the appeals can take years to resolve by which time the Publicans have moved on and as a result rebates are lost. It does feel like a one-way street - penalties for a business who fails to comply whereas no accountability for the VOA when they fail to respond.

- We support Treasury's recent announcements of the 12-month investment relief. However, we would argue that it should go further to truly regenerate investment in the sector as we recover. The rate freeze on investments should be two years, or until the next list, whichever is longer. To further incentivise green investment, Treasury should allow relief for installation of electric vehicle charging points, and not just the energy storage system that they require.

- We would also support a national multiplier across the country rather than any return to differential multipliers by region or property value. However, we do support a multiplier by property type which would be less distortive, particularly if set nationally based on agreed definitions. We believe a pub specific multiplier, or a permanent hospitality relief, should now be considered to address the unique position faced by pubs and is the most practicable way to ensure pubs only pay their fair share of the rates burden going forwards.

Ends 17.02.22