

HM Treasury's Business Rates Review:

Call for Evidence (July 2020)

Response from the UK Golf Federation to the questions

where responses are invited by 31 October 2020

Background regarding the UK Golf Federation and its purpose

The UK Golf Federation is a not-for-profit organisation with over 1,000 member facilities. It represents and supports the interests of proprietary and commercially operated golf course and driving range sector of the UK golf industry.

It takes a key role in providing leadership in discussions with Government and other major governing bodies in golf throughout the UK on all matters that impact commercially minded golf facilities.

The Federation offers a programme of benefits and opportunities for its members to enable them to understand and develop their business. Its mission is to grow golf participation through its members open access to try and play golf facilities, promote the health and community benefits of the game, and help grow its members businesses and their bottom line.

The Questions

Note: our answers below reflect our response as they relate to golf courses and golf driving ranges operated by our members. We are not commenting on other property uses such as retail, offices, industrial etc.

4.1 – Valuations and transitional relief:

Answer to Q10: Since 1990 to 2010 rates revaluations were every five years. The 2010 Rating List was then extended to seven years in length, and the current 2017 Rating List is now due to last six years: both are simply too long to reflect current market conditions. Revaluations should be more frequent – say every three years in order to keep reasonably up to date with changing market conditions.

Answer to Q11: There is merit in a simplified banded system, however, there needs to be enough bands so that reasonable valuation specificity is not totally lost. If the bands are too wide, this is likely to cause hardship to those who would have been at a lower Rateable Value had the banded system not applied. The converse would also apply in that those whose Rateable Value would have been at the higher end of the band range would pay less rates under the banded system.

Answer to Q12: Moving to a digitally-based returns system only (as opposed to the current paper or digital return system) with a mandatory obligation to make digital returns (in a similar manner to the ‘making tax digital’ VAT return system) should, in theory, help with data collection – both in terms of quantum and speed of return.

Answer to Q13: If there is a move towards more frequent revaluations, then it would be preferable to reduce the current lag between the AVD and the Rating List start date from two years to one year (or perhaps 18 months as a compromise).

Answer to Q14: Estimated open market annual rental value of the rating hereditament has to be the correct valuation approach for reasonable RV consistency, and not the actual rent payable – not least for the simple reason that sometimes actual rents are only for part of a property to be rated.

Answer to Q15: For many years golf clubs have been valued for rating purposes with no reference to their yearly trading performance (turnover, profitability, customer usage etc). However, after several golf club ‘test case’ challenges in England against the VOA, the latter agreed early in 2020 to considering trading performance in assessing Rateable Value – which is a welcome move.

Answer to Q16: It seems fair and reasonable to continue with a transitional relief scheme for each revaluation to phase in any unusually large rates bill increases.

4.2 – Plant and machinery investment:

Questions 17 to 22 are not relevant to the golf venue sector.

5.1 – Valuation transparency and appeals:

Answer to Q23: The ‘Check’ part is now largely working effectively for the golf sector with generally quick turnarounds from the VOA. However, to date, the VOA has been slow to respond to ‘Challenges’ made relating to golf venues. Under current regulations they are given up to 18 months to respond, and they took 17½ months to respond to the initial ‘test case Challenges’ submitted regarding golf venue Rateable Values. It would help golf venue ratepayers a lot if the VOA were able to give considered responses to Challenges within a maximum of say 6 to 9 months, instead of 18 months.

Answer to Q24: It is necessary for ratepayers to share rent/lease details with the VOA so that the latter can analyse the data and set Rateable Values. Sometimes rental/lease details contain sensitive commercial market data, and it would be concerning if a change to the current system allowed other ratepayers, who may be direct trading competitors, to see such rent/lease details in full.

Answer to Q25: The current rules for who can use the CCA system and become party to a challenge or appeal are fair and reasonable, as are the grounds for appeal.

5.2 – Maintaining the accuracy of rating lists:

Answer to Q26: The onus should be on the VOA to systematically ask for rental data as and when it needs it (which would be more often if revaluations were say every three years), rather than the onus being placed on the ratepayer to provide it when lease changes occur.

Answer to Q27: A register of property prices paid for freehold non-domestic properties when they are bought or sold (in a similar manner to house price sales being in the public domain for the residential sector) is usually relatively straightforward as it involves a single capital sum for a freehold interest.

Matters are vastly different for leasehold properties where the terms of individual leases can vary greatly. It could be misleading to provide a public commercial register where only some parts of the lease details are released, and it may be inappropriate to publish the

lease in its entirety, as it may contain commercially sensitive information. Thus, we do not think that a register of commercial lease information should be made publicly available.

Answer to Q28: We think that there should be no change to the current arrangements.

5.3 – The billing process:

We have no specific comments to make regarding questions 29 to 32.

6 – Exploring alternatives to business rates:

Questions 33 to 38 focus on changing the taxation system from one based on a property's rental value to one based on its capital value.

If the current rental-based system moved to a tax based on capital value, then this could potentially be disastrous for the UK golf industry. This is because golf venue capital values are now often highly influenced by 'high value' alternative use land values (as golf clubs often occupy 100 acres or more of land).

Property investors/speculators have been buying golf clubs in recent years as medium to long term 'land banks' for high value alternative uses (such as large housing schemes). They can afford to pay significant premiums over a golf club's inherent capital value for its use as a golf club.

Capital prices paid in the above circumstances, which will include an element of 'hope value' for longer term alternative use value would result in a higher yearly tax being levied on golf venues – which they can ill afford.

There is therefore still considerable merit in the current basis of rental valuation - which assumes the current use, and not an alternative use, as the benchmark for valuation.

We have no specific comments to make regarding questions 39 to 43 in the context of the golf venue sector.