By email only

The Rt Hon Rachel Reeves MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Parade
London
SW1A 2HQ

6 September 2024

Dear Chancellor,

Re: London Property Alliance representation to the 2024 Autumn Budget

I am writing on behalf of London Property Alliance (LPA), the membership body and advocacy group for the property industry in the capital. We are the voice of property in London's Central Activities Zone (CAZ), which generates £315bn in economic output annually - 48% of the capital's output and 41% of its jobs.

The LPA represents the leading owners, developers, investors, and professional advisors of real estate operating across central London, providing a unified voice for over 300 organisations ranging from FTSE 100s to affordable housing developers. Due to the nature of central London's economic activity, particularly in the City of London and the West End, we have a particular focus on commercial real estate sector, comprising office, retail and leisure, supporting sustainable development which delivers social and economic prosperity for the UK. Our latest research paper Good Growth in Central London outlines the opportunities that policy support could unlock.[1]

We have seven key asks of your Autumn Budget which we believe would help deliver on many of your core economic objectives:

1. **Ring-fence income for planning departments** to ensure the recruitment and retention of planners needed to support development.
2. **Extend Business Rates (NNDR) relief** via sector-specific multipliers for retail and hospitality businesses beyond 2025 to help support shops and pubs.
3. **Consider an Online Sales Tax (OST)** as part of your NNDR review to provide a fairer system for bricks and mortar retail and to protect our high streets.
4. **Further fiscal devolution for London** to align it with other metropolitan areas, enabling it to plan and deliver over the longer-term.
5. **Provide a long-term sustainable funding framework for Transport for London** as improved connectivity is proven to drive economic activity.
6. Undertake a comprehensive, independent assessment of the full impact **of ending tax-free shopping for international visitors.**
7. **Provide tax incentives and grant funding to support public /private partnership,** and a more sustainable built environment.

[1] https://www.londonpropertyalliance.com/good-growth-in-central-london-2/

We are proud to champion central London as a driver for **economic growth, prosperity and sustainability** for the capital and country, and we fully support your priorities of fixing the foundations of the economy, rebuilding Britain and making every part of the country better off. Ahead of your Autmn Budget on 30 October, the Alliance is calling for the following tax changes and policy support to help drive London's economic, social and environmental recovery – which is in turn an engine for UK growth and prosperity.

1. Ring-fencing income for planning departments

Recent research by the LPA on the future-proofing national policy to support sustainable development,[2] as well as the challenges holding back the delivery of specialist life science research and associated workspace,[3] show that the under-resourcing of planning departments and a lack of national guidance are preventing councils from making speedy, well-informed decisions to deliver the environmentally sustainable, quality workspaces required to attract and grow productive businesses in the UK capital.

We consider it vitally important that all funding for planning departments is now ring-fenced, so they can recruit and retain skilled staff and increase capacity for decision making. By helping to speed up planning decisions and fairly funding planning departments, the Government will be supporting jobs and infrastructure for communities across the country.

We also call for much clearer national guidance for planners and elected politicians to support decision-making, including the delivery of sustainable development considering the social, economic and environmental benefits of buildings, as well as supporting the transition to a net zero built environment. We therefore welcomed the Secretary of State for Housing, Communities and Local Government's decision to consult on the National Planning Policy Framework.

2. Extend the relief on Business Rates (NNDR) via sector-specific multipliers for retail and hospitality businesses beyond 2025 to help support shops and pubs. Extend the threshold in central London to factor the area's increased values

The existing multiplier relief for retail expires in 2024/2025, making it difficult for the sector to plan ahead, as well as preventing new entrants given the uncertainty over their future liabilities. London businesses are also at a disadvantage with the current thresholds not applying to a much greater proportion of them, given the increased costs of operating in central London. Whilst these are invariably high footfall and high value areas, UK Hospitality data shows that businesses located in central London operate at lower margins.

[2] https://www.londonpropertyalliance.com/retrofit-first-not-retrofit-only-future-proofing-national-policy-to-support-sustainable-development/

[3] https://www.londonpropertyalliance.com/londons-knowledge-clusters-from-emerging-to-maturing/

3. Progress an urgent review of the business rates system, with changes to make the system fit-for-purpose, as well as fair and responsive to a 21st century digital economy. The consideration of an Online Sales Tax (OST) must be at the heart of this

The LPA has long advocated for reform to the business rates system to make it fit for purpose as well as fair and responsive to a modern digital economy. We have been delighted to endorse Labour's plan to replace business rates with a new system of business taxation that is fit for the 21st century and seeks to offer a level playing field that will boost investment, entrepreneurship and the high street.

The current system of business rates disproportionately impacts bricks and mortar businesses - which support 416,000 jobs in London (ONS, 2021). The burden of disproportionality high rates on businesses based in UK city centres are damaging economic growth and employment.

The LPA considers the introduction of an online sales tax (OST) as an addition to the current system would be the most simple and effective tax to enable reform and deal with the digital revolution in retailing and the more general growth in on-line commercial activity.

Implementation of an OST could be relatively easily implemented if it is piggybacked off the VAT system and levied at the national level on final online sales. If an online tax was applied to all e-commerce then indicative analysis suggests it could raise between £10bn and £12bn per annum (at a rate of 2%).[4] This is broadly equivalent to between 40% and 50% of the revenue raised from business rates. These resources could be used to provide targeted business rate relief (in partnership with local government) and also pay for investment in the public realm and high streets, in partnership with local authorities, business improvement districts and local businesses.

OST would provide the Government with the opportunity to reduce the fiscal impact of non-domestic rates (by reducing the amount raised) whilst providing "breathing space" for lasting reforms to be developed and implemented.

4. Provide further fiscal devolution to the Greater London Authority and the boroughs to enable London government to have the financial capacity and incentive structures to deliver infrastructure and secure long-term economic growth

Ensuring more of the benefits of growth, particularly from business rates, can be re-invested locally will create a powerful incentive for long-term development and investment from which everyone can benefit.

Under the current business rates system, there could also be innovative forms of devolution which would provide a local incentive for growth, for example Tax Increment Finance (TIF) style arrangements or Local Investment Zones (LIZs) linked to business rate growth. These would reward local government and private sector partners for investing in targeted investments in the

[4] https://www.londonpropertyalliance.com/lpa-response-to-business-rates-review-call-for-evidence-stage-two/

public realm, allowing up-front borrowing by local authorities (to complement that of the private sector) for improvements to infrastructure. Under the arrangement, a significant proportion of above average increases in rateable value would be retained locally.

The Treasury should also consider the adoption of other additional levies or taxes to facilitate the delivery of infrastructure. The Elizabeth line is a good example of how this sort of approach can be used; approximately two-thirds of the project will be paid for by London businesses and the railway's farepayers.[5] Our recent research ***The Crossrail Effect: How the Elizabeth line is transforming the capital*** has demonstrated the vital role played by this project in driving economic and social prosperity across the capital and beyond.[6] Office sub-markets close to Elizabeth line stations are outperforming on pre-let transactions. The new transport route has helped create 200,000 new office jobs and the opening of 171 hotels, 2,666 new food and beverage outlets and 12 museums and art galleries.

We would also urge a rapid review of the London Finance Commission's recommendations to enable London's government to reform the taxes under its control and, for example, promote not only economic growth but a better functioning housing market.

5. Sustainable funding for Transport for London

Transport connectivity is vital for London to maintain its position as a global city with productive businesses and workers, and support its important visitor economy. We would urge the Chancellor to work with TfL to agree a long-term sustainable funding plan for Transport for London, a lasting solution for HS2 and make urgent progress with the Bakerloo line extensions as well as Crossrail 2, both of which will bring housing and regeneration benefits.

6. Undertake a comprehensive, independent assessment of the full impact of ending tax-free shopping for international visitors

The decision to end the VAT RES scheme leaves Britain as the only country in Europe not to offer tax-free shopping at the point of purchase. This has been damaging not only to London but to other regions of the UK.[7] We ask that the OBR is commissioned to undertake an independent analysis of the overall fiscal and economic impact of the impact of restoring tax-free shopping on the UK economy.

We also ask that the Government looks again to allow reform to current Sunday trading laws to allow for extended hours in International Retail Centres, such as London's West End.

7. Provide grant funding to support public /private partnership and a more sustainable built environment

---

[5] https://www.crossrail.co.uk/about-us/funding

[6] https://www.londonpropertyalliance.com/the-crossrail-effect-how-the-elizabeth-line-is-transforming-the-capital/

[7] https://internationalretail.co.uk/wp-content/uploads/2022/11/20221110_AIR-TFS-ES_Final.pdf

We call for the creation of a dedicated capital grant scheme to support the funding of retrofit measures across residential and commercial buildings. The intensive nature of such works often requires full or partial decant, or relocation, which within the central London context adds significant cost and complexity to projects. Furthermore, the very nature of many of our buildings - often historic within the area - adds a level of complexity and risk which makes delivery of such measures extremely challenging. This should be considered in the context of public private partnership, utilising mechanisms such as TIF.

Concluding comments

Central London supports **3.2 million jobs** (ONS, 2022). Its commercial districts house innovative and world-leading business clusters, ranging from fintech, life sciences to specialist creative industries (Central London Forward, 2023). The area makes a major contribution to UK public finances. Central London's 12 local authority areas a**ccount for 23% of England's business rates revenue (**DLUHC, 2022).

Despite the impact of the pandemic, **London generated tax revenue of £18,431 per person** in 2021, compared to a UK average of just £11,837 (ONS, 2022). Its economy is **inextricably linked to regional economies across the countr**y. Every £1 of consumption in the capital generates 24p of production elsewhere in the UK economy (GLA Economics, 2020).

We urge HM Treasury to help provide the tools for London to grow as a global city: providing jobs, economic growth and tax revenue to support the UK.

Yours sincerely,

Charles Begley
London Property Alliance – Chief Executive
E: charles.begley@cwpa.org.uk