

Asda flattens building as 'bombsite Britain' tax hits retailers

- Jobs and homes threatened by stealth tax, say government advisers
- Buildings razed by both companies and councils
- Councils, NHS and public bodies also facing huge tax bills

Supermarket chain Asda is demolishing a former call centre that it owns in New Barnet, Hertfordshire, to avoid empty property rates.

The group said it had decided to knock down the building – ahead of getting planning consent to redevelop the 6-acre site as a £100m, Asda-anchored scheme – because of a looming rates bill. The group, which will submit plans this month, said it faced a bill of hundreds of thousands of pounds.

Jonathan Refoy, head of property communications and planning at Asda, said: “The cost of regeneration has increased considerably with the empty building on this brownfield site. It impacts on the deliverability.

“Just as things have become more difficult economically, the government has imposed an ill-timed tax on empty properties, which has a number of unintended consequences and can only hinder retailers’ ability to regenerate brownfield sites.”

From 1 April, empty property has been liable for full business rates after three to six months of being vacant. Office and shop owners previously had 50% relief, and industrial owners were exempt.

Asda is the latest to join a growing list of property owners demolishing buildings early to escape the tax. Last month, Brixton said it was bringing forward the demolition of 350,000 sq ft of its Northfields Industrial Estate in Park Royal, NW10, while Swindon borough council is pulling down a 300,000 sq ft factory site in the Wiltshire town because of a £110,000 ratings bill.

Peter Cosmetatos, director for investment at the British Property Federation, said: “Any short-term gain for the Exchequer will be wiped out by regeneration projects being shelved, firms being driven out of business and usable buildings being demolished.”

Government regeneration chiefs in charge of the country’s urban regeneration companies, the public-private bodies charged with rebuilding England’s cities, have also launched a scathing attack on Gordon Brown claiming he ignored their warnings of how the stealth tax would kill of regeneration, risk jobs and cause buildings to be demolished.

One of the government's most senior advisers on the regeneration of cities has warned that a tax imposed on empty commercial buildings is threatening to derail efforts to breathe new life into some of the most blighted parts of Britain.

John Nicholls, who chairs the URCs chief executives group, said yesterday that owners are demolishing empty buildings to avoid paying the tax introduced in the most recent budget, leaving parts of the country "resembling bomb sites". Regeneration projects had been rendered unworkable, threatening jobs and new homes, he said. Some developers are simply leaving sites unfinished rather than risk liability for the tax.

"There is a lot of pre-emptive demolition going on. This is already having a visual impact - cities are beginning to look like broken teeth."

According to official figures obtained from Birmingham City Council, it owns 184 empty properties and is facing having to pay £817,000 itself in empty rates. There are 3,667 privately owned vacant units which will take £22.7m from local businesses.

Mike Whitby, leader of Birmingham City Council, said:

“Birmingham’s large scale regeneration has propelled it on to the global stage. The city is thriving due to the ability of business to acquire speculative developments that have been key to our recent growth.

“The government’s current ‘tax now, ask questions later’ policy is threatening this growth and suffocating vital new developments.

“A cut in the rate relief on empty properties in the current climate will enable us to work alongside business to proactively reduce the number of longstanding empty properties and transform them in to new commercial premises to help drive the local economy.

“As Leader of the City of Birmingham I am backing the campaign to ensure that in these challenging times the government re-applies the rate relief without the need for even more legislation before it is to late.”

This Tuesday, Conservative politicians in Kent will be staging an event to draw attention to the plight of Thanet, near Margate, one of the South East’s most deprived areas.

The Margate Harbour Arm (<http://www.margateharbourarm.co.uk/>) – a landmark regeneration site which has cost the government millions – is facing ruin due the vacancy rates caused by the downturn.

“With a lack of prospective tenants and many companies fighting to keep afloat, this is the worst time to be hitting businesses with an additional £1bn of costs,” said Laura Sandys and Roger Gale, Thanet’s Tories.

“But it is not only businesses today that will sink. When we eventually come out of recession, Thanet will need these properties to create jobs and opportunities for our young people. It’s bad enough to sink the ship, it’s even worse when the government takes away the lifeboats. If these companies are forced to knock down their properties, then all the work that has gone into Thanet’s regeneration will be lost.”

The Conservative Party has vowed to review property’s hated empty rates tax ‘as a priority’ if it wins the next election.

Shadow secretary for the Communities and Local Government department, Eric Pickles, said: “We will be reviewing empty rates as a priority if we win power.

“We just hope in the remaining 18 months the government’s got left they can’t do any more damage.”

The British Property Federation, which has led a public campaign against empty rates, is due to meet government officials at the end of the month. The BPF is calling for affected businesses to contact it with evidence for inclusion in the dossier it plans to hand to ministers.