

## **Comments by Edward Trevor, MBE FRICS IRRV (Hons)**

When the Minister for the Treasury and Resources spoke to the Interested Parties briefing in December 2018 re the 2019 budget she said that taxation should be fair. It is, in my opinion, true that Property tax (rates) aren't fair under the current Law.

The current assessments are based on the rental values of 2001-2003. Due to the apparently unfair way assessments were calculated prior to the 2003 Law with foncier not necessarily being the same as occupiers rates and where known actual rentals being used for occupiers but not foncier and changes being made annually, there was a substantial number of appeals. For this reason it was agreed by the assessors, Constables and the States to change to Attributes instead and fix the assessments for ever. £s were substituted by Quarters to try to show that rents were no longer used. The vast majority of ratepayers have no idea what either quarters or Attributes mean and this includes property professionals. I was told by one of the leading members of the committee at the time that the changes bringing in the 2003 Law were a fudge.

It must be obvious to anyone who knew Jersey and particularly St Helier, that relative values have changed substantially over the last 16 years. The evidence provided to the Treasury by CBRE shows this for the classes of property where they have a reasonable record.

In St Helier, areas such as Colomberie and Bath Street have declined when compared to the main shopping areas. The prime office area has moved from Hill Street to the Esplanade. Some former offices are so out of date and inappropriate for modern use that they have been converted into flats. The evidence shows dramatic changes and the 2005 Law does not allow for this to be recognised for a change of assessment. Parking values for both domestic and commercial users have rocketed, particularly within the ring road of St Helier. In a refurbishment from offices to flats 7 car spaces sold for £35,000 each within a very short period of being put on the market. Current rents quoted for commercial parking are in excess of £3,000 pa.

Storage and small workshops seem to be at a premium throughout the Island.

Farm rentals have substantially increased as they were very depressed in 2003.

Domestic rentals are about 80% higher than when the last revaluation took place.

It is probable that masts for mobile telephones have a higher rental than the assessments which were pared back to what they might have been in 2003 if such masts had been in existence here then.

To obtain the absolute effect a complete revaluation would have to be undertaken.

It is highly likely that if there were to be a straight revaluation residential properties would have increases above those of commercial premises. Action would need to be taken to adjust the balance. For the Islandwide rate this could be through adjusting the ratio from that currently used but for the Parish Rate some other mechanism would have to be adopted, perhaps a domestic and non-domestic rate similar to the Islandwide rate to ensure that the total proportion of Domestic to Non-domestic remains similar to now.

I attended the Commonwealth Heads of Valuation Agencies (CHOVA) 2016 conference (not paid for by the tax or ratepayer) and those to whom I spoke couldn't believe that we have no provision for a revaluation. In the UK it is currently on a Quinquennial basis and may become tertiary. Revaluation periods within the Commonwealth seem to be shortening.

I am suggesting that in Jersey the period is every 10 years with provision for the States, by regulation, to amend this should conditions change making it appropriate to reduce the time.

It is obvious that the Parish Assessment committees are not able to undertake a revaluation due to the vast majority of assessors having had no valuation training. I believe that this is one of the reasons that, other than the St Helier committee, they are against both a revaluation and a change from attributes to rental values. St Helier has 2 Chartered Surveyors on its Assessment committee and I am not aware of there currently being any on other Parishes committees.

There will be winners and losers but it must be remembered that the Parishes are only permitted to levy a rate which will raise the money they need to run the Parish for that rate year. This means that the rate in the quarter would reduce if, as expected, the total number of quarters were to increase.

In the event that there are regulations the States should consider merging the foncier and occupier rates so that only one bill need be made for each hereditament. Currently Contract leases, furnished, share transfer and owner/owner-occupied already pay both. With the level of payments in Jersey a number of assessments is so low that the amount collected is less than the costs of notifications and collection and this would be partly ameliorated if one party were to pay the total.

Additionally should there be one rate per Parish there would probably be less default as the landlord would be liable and he could, subject to his legal agreement, reclaim the rates from his tenants. It would also make it easier for Parish staff if they didn't have to find occupiers who had left the premises and perhaps the Island after the 1st January but before the bills were issued which is normally more than 6 months later.

I mentioned CHOVA earlier and they were amazed that with a population of about 100,000 we have 13 rate makers and 12 rate collectors. This is both inefficient and costly. Perhaps one Parish could collect on behalf of all 12. Driving licences are

printed for 9 Parishes by St Helier with the other 3 being undertaken by St Clement so why shouldn't this apply to other services provided by the Parishes? Currently the St Helier Registrars act for 6 Parishes.

During the meetings of the Working Party the cost to businesses of completing a form with rental and other information was discussed. UK companies or their agents do this throughout the UK so it shouldn't create problems in Jersey. For domestic properties the current form with rental questions added could be used and they are used to this. Everyone already receives an Annual Return at the beginning of each year and once the more detailed information had been completed it would remain until there were changes.

The Working Party has seen the form used by Northern Ireland and it would not be difficult to make it suitable for Jersey as an Annual Return. The RMS includes the accommodation information and this could be printed annually as at present on the current forms distributed for return by 15<sup>th</sup> January. In both cases it would stand for 10 years although physical changes would have to be notified annually as at present.

The Working Party was advised of the costs from Southern Ireland and the different parts of the UK for revaluation. I have suggested that the Parishes or States employ 2 or 3 chartered surveyors experienced in rates on a temporary period of say 2 years. The salaries would be in the region of £70,000 and an administrative assistant could also be needed at £30,000 pa. If it were to take 3 years then the base cost would be about £510,000 plus 25% for on costs making a total of £637,500 which call £650,000. This figure would be spread over the life of the revaluation, ie 10 years so is not unreasonable in order to have fair taxation for all.

A suggested programme would be for the States to agree the Regulations during the first half of 2020 with the aim of commencing the revaluation by 1.1.21 and it being effective on 1.1.23 or 1.1.24.

The accommodation is generally on the Rates Management System (RMS) and where it has not been provided should be requested by the Parishes with fixed meaningful penalties for those who fail to provide it. The RMS should be made available to the valuers subject to such rules relating to privacy and non disclosure as shall be agreed.

For a period prior to the new assessments coming into force the Assessment Committees should discuss the provisional list with rate payers and advise the probable cost based on the then current years budget. To ensure that new or redeveloped properties are fairly assessed what is known as "tone of list" would be used. This means the method and scale of valuation attributed would remain constant until the next revaluation.

I accept that there will be a cost. Personal, business taxation, GST, duties and Income support all cost money to collect or distribute so why not rates which are very

low here when compared to the UK countries. It must also be accepted that whereas years ago an honorary system worked well with lawyers, bankers and so on having time to give to Parishes, Charities etc today the working hours of those with sufficient brains to understand assessing are very limited and the system is on the point of collapse. It may be that this doesn't matter in the "Country" Parishes but it is important that where it matters, St Helier and the other "Town" Parishes the work is done properly and fairly.

There is a fear that with major changes to assessments there could be an unmanageable number of appeals however this is unrealistic should a proper consultation take place. Possibly due to a lack of understanding the formula used for Hotels, Guest Houses and Lodging Houses were not changed following implementation of the 2003 Law. It became obvious to me that some of these properties did not meet with the provision in the Law that hereditaments with similar attributes should have similar assessments. I set up working parties to discuss these and we developed a revised method which meant that the Law would be met. In spite of the Hospitality Association and similar with Lodging Houses telling their members to oppose any changes there were no Reviews thus no Appeals. Some had their assessments doubled however conversely some were virtually halved. Discussions were offered to all affected and those who accepted were not unhappy when the methods were explained.

The recommendations below may seem revolutionary however St Helier already deals with driving licences for the Island and the St Helier Registrars are currently acting on behalf of 6 Parishes and over time expect to be Islandwide.

The Working Party had only 3 non civil servants and one of those was a former Constable who had backed the Constables' Committee in arguing against a revaluation so I consider that he was both lacking in knowledge of valuation and backing arguments put by the advisor to the Constables who also has no valuation knowledge or experience.

To end as I began, taxation needs to be fair and currently rates are not.

My recommendations are:

1. The Parishes and States agree to a revaluation of all properties with an antecedent valuation date of 1.1.20 for the rental values
2. That during the period before a subsequent revaluation the "Tone of List" basis be adopted for new or altered hereditaments
3. The Law Draftsmen prepare regulations to this effect and as under



Fields	5,985	4,953,050	240	780,520	15.76
Hospitals etc	52	9,842,807	25	6,915,379	70.26
Hotels	90	15,004,074	34	8,467,914	56.44
Pubs/Cafes	412	13,438,694	252	9,213,146	68.56
Schools	67	14,359,528	14	3,375,065	23.50
Retail	1,192	50,455,602	872	41,377,378	82.01
Utilities	691	12,142,281	191	4,340,103	35.74
Guest Houses	132	3,635,417	34	900,834	24.78
Agric bldgs.	1,460	9,977,190	27	665,040	6.67
Office/Bank	1,111	89,131,452	962	86,071,341	96.57
Parking space	1,133	12,136,338	813	9,517,355	78.42
Museums etc	168	4,266,514	18	1,334,982	31.29
Garage Space	712	1,659,871	405	1,375,723	82.88
**Building site	74	1,504,461	13	128,175	8.52
Land	330	880,412	17	100,960	11.47
Church	12	36,820	5	14,420	39.16
Miscellaneous	252	13,296,795	89	11,853,797	89.15
Stores/sheds	406	3,541,613	48	879,319	24.83
Medical	78	2,267,025	60	1,621,395	71.52

\*The quarters are the assessment and are doubled when including both foncier and occupiers.

\*\* Some Parishes have put building sites as Domestic whereas under the Law they should be classified as Non-domestic.

\*\*\*These can be separated into each of the 12 Parishes but the table would be much too large to be printed at an economic cost.

The numbers of hereditaments and thus the quarters under each heading relies on the various Parish staff having put the assessments in the correct category.