

Rates Avoidance: time for reform?

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Starting points:

- Tax avoidance is lawful
- Pure tax avoidance is undesirable

Option 1 : Do nothing

Avoidance schemes remain available:

- *Makro* scheme
- Intermittent charity use

Option 1 : Do nothing

Makro wrongly decided?

- Transience not considered
- *De minimis* not applied to benefit
- Intention misunderstood

Option 1 : Do nothing

Charity schemes:

- 1.0 : *PSCT*
- 2.0 : more resilient
- Expendable charities

Option 1 : Do nothing

Central government's role:

- Funding/co-ordinating litigation: *PAG Management*
- Use of charities legislation?

Option 2 : Legislative reform

Charity provisions:

- (a) the ratepayer is a charity or trustees for a charity, and
- (b) it appears that when next in use the hereditament will be wholly or mainly used for charitable purposes (whether of that charity or of that and other charities).

Option 2 : Legislative reform

Charity provisions amended:

- (a) the ratepayer is a charity or trustees for a charity, and
- (b) it appears that when next in use the hereditament will be wholly or mainly used for charitable purposes (whether of that charity or of that and other charities) **for a continuous period of at least six weeks.**

Option 2 : Legislative reform

Makro – lengthen 6 week period?

“Having considered the evidence submitted in the responses to the consultation document, we consider that the arguments in favour of a longer time period are not sufficient to make changes to the existing six week qualification period.”

Option 2 : Legislative reform

Makro – other solutions:

- Six weeks ‘wholly or mainly used’
- Targeted anti-avoidance provision

Option 2 : Legislative reform

Anti-*Makro* provision:

In deciding the question of whether any hereditament is occupied and for how long it is occupied, there is to be disregarded any action the sole or main purpose of which is to reduce any person's liability to non-domestic rates in respect of the hereditament.

Option 3 : 50% empty rate

Pros:

- Simplicity
- Reduce avoidance

Cons:

- ££££££££££££££££££

CAIN
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Rating and Council Tax Pocket Book



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