

## Business Rates Review consultation - More Frequent Revaluations

### Response by the Chartered Institute of Taxation

#### 1 Response via online survey

- 1.1 The Chartered Institute of Taxation (CIOT) responded to this consultation from HM Treasury and the Ministry of Housing, Communities & Local Government via the consultation online survey. The text of the CIOT's response is set out below in response to the questions posed.

#### 2 About us

- 2.1 The CIOT is an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it – taxpayers, their advisers and the authorities. Our comments and recommendations on tax issues are made solely in order to achieve this aim; we are a non-party-political organisation.
- 2.2 The CIOT's work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.
- 2.3 The CIOT draws on our members' experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries.
- 2.4 Our members have the practising title of 'Chartered Tax Adviser' and the designatory letters 'CTA', to represent the leading tax qualification.

### 3 Introduction

3.1 A final report from HM Treasury to the Fundamental Review of Business Rates is expected in Autumn 2021. This consultation is a standalone consultation focused on more frequent valuations, an area identified as a priority by respondents to the call for evidence as part of the Review.

3.2 The CIOT responded to the calls for evidence –

Business Rates Review <https://www.tax.org.uk/ref698>

Business Rates Review - Improving the business rates system: tranche two <https://www.tax.org.uk/ref718>

3.3 Our stated objectives for the tax system include:

- A legislative process that translates policy intentions into statute accurately and effectively, without unintended consequences.
- Greater simplicity and clarity, so people can understand how much tax they should be paying and why.
- Greater certainty, so businesses and individuals can plan ahead with confidence.
- A fair balance between the powers of tax collectors and the rights of taxpayers (both represented and unrepresented).
- Responsive and competent tax administration, with a minimum of bureaucracy.

#### 4 ***Question 1: Does the proposed package of measures represent a fair and balanced trade-off for ratepayers between new benefits and new requirements? If not, please detail what adjustments you would like to see, to ensure a balanced package of measures that would support a 3-yearly cycle while taking account of deliverability constraints. (2000 words)***

4.1 The stated aim of a 3-yearly revaluation cycle is to deliver a fairer and more responsive system. However the consultation does not address the interaction of the proposed 3-yearly cycle with the transitional adjustment scheme. The objective of the transitional arrangements is to provide relief for ratepayers facing large increases in bills as a result of the revaluation, funded by ratepayers who have reduced rates bills as a result of the revaluation. There is a tension between the continued existence of transitional relief that seeks to smooth out the revaluation gains/losses with the desire to allow changes in economic conditions to feed through more rapidly into businesses' liabilities. The consultation recognises the changes necessary to facilitate 3-yearly revaluations place new burdens on ratepayers. In determining whether these new burdens are proportionate and represent a fair and balanced trade-off, the question of whether, and to what extent, the continued existence of transitional relief negates those benefits should also be evaluated.

#### 5 ***Question 2: What steps could be taken to support ratepayers to comply with the new duties? For example, elements to reflect in the design of the reporting portal, or content that would be helpful to include in the supporting guidance. (500 words)***

- 5.1 As the consultation recognises, the new requirements to (1) notify the VOA of changes to occupier and property characteristics (Duty to Notify) and (2) mandatory provision of rent/lease is a significant step-change away from the informal basis of rates that has existed for centuries where there has never been any duty on the ratepayer to notify the billing authority of changes that affect liability. It should be borne in mind that rights over commercial property and its physical state changes frequently, often in complex ways, and much of the background information is not digitised.
- 5.2 Similarly reforming the appeals system so that challenges must be made within three months of a rates bill is a major cultural change, agents will need to undertake an analysis of rental evidence, determine whether an appeal is merited and construct the statements of case and evidence within the new window of three months, noting also that there seems to be little urgency applied to submitting and clearing appeals on the current 2017 list.
- 5.3 To ensure the burden on business of mandatory reporting property/lease information is minimised, it is important that as far as possible information provided through existing reporting requirements (for example, trade and accounts information provided via corporation tax returns or lease details in stamp duty land tax transaction returns) is not duplicated and required to be submitted again.
- 5.4 Mandatory provision of lease information would require landlords to provide lease details including side agreements to the VOA. Side agreements are usually highly sensitive commercially. While noting the confirmation at paragraph 2.17 of the consultation document (lease information would not be shared outside the VOA) and recognising the trade-off between confidentiality and the need to report full information, it would be helpful to confirm whether commercially sensitive information could be the subject of a Freedom of Information Request such that commercial confidentiality is breached.
- 5.5 The development and testing of the VOA online portal will be key to implementation as teething problems with new online systems and software inevitably create administrative and cost burdens for taxpayers. In the wider tax system, we have seen examples where the pace of new legislation can run ahead of the ability to develop the systems to implement it, and this should mean that either one needs to slow down or the other needs to speed up requiring expensive resource for changes to legislation and development of new IT systems. This should be taken into account when recommendations are made to ministers.
- 5.6 We note the proposed duty to notify changes of occupier/property characteristics will be to the VOA and the VOA then shares the information with the billing authority. We observe this approach resembles the national rating agency approach that has been developed in Northern Ireland with the Land & Property Services (LPS).
- 5.7 We also consider it important that any changes are introduced as a package, such that reporting requirements (in particular those over and above existing requirements) are not introduced prior to more frequent revaluations.
- 6 *Question 3: Are you supportive of the proposed approach to Transparency? Are there further elements you think should be made available as part of a Transparency offer? (500 words)***
- 6.1 No further comments.

**7 Question 4: What steps could the Government, stakeholders, or industry take to support a smooth move to a 3-yearly cycle? (1000 words)**

7.1 We welcome the Government's intention to consult further ahead of any legislation to impose the new duties, including consultation on a new compliance regime. We firmly support the proposal for 'soft launches' of the new requirements and a staged introduction of compliance measures. We think it would be helpful to set out the different stages in the form of a roadmap to build awareness and ensure agents and ratepayers can see the timing well in advance and plan accordingly.

7.2 A theme of the current consultation is the Government's objective of bringing business rates more in line with other taxes and the wider tax system. A smooth move to a 3-year cycle involves building trust in the new regime and the related compliance regime achieving a balance between powers and appropriate safeguards. With this in mind, the CIOT has developed ten principles against which HMRC's use of its current powers and safeguards and any new measures can be evaluated. These principles are relevant to the design of a new compliance system for business rates and would support alignment with the wider tax system and help to instil trust in the new regime.

### **HMRC POWERS & SAFEGUARDS**

#### **The CIOT's 10 principles against which HMRC's use of its powers and safeguards and any proposed powers and safeguards can be compared**

1. **Consistent** – powers and safeguards should be applied consistently across HMRC, taxes and taxpayers.
2. **Fair** – powers should help build trust in the tax system and achieve a fair balance between the powers of the tax authority and the rights of taxpayers, whilst being effective in identifying and dealing with non-compliance.
3. **Proportionate** – powers should be proportionate to the mischief they are introduced to tackle, used in a fair and even-handed way and are not abused.
4. **Evidence based** – decisions about when and how to use a power or operate a safeguard must be based on the available facts and evidence.
5. **Be targeted appropriately and used for the purpose they were introduced for** - the policy rationale for the power or safeguard should be clearly articulated at the outset and later deviations only considered exceptionally and after consultation.
6. **Certain** – there should be certainty about when and how a power or safeguards will and can be used; it should be set out in statute, with easily accessible and understandable guidance to supplement it.
7. **Simple** - so the rules can be more easily understood by taxpayers, agents and HMRC officers.
8. **Transparent and communicated effectively** – so taxpayers, agents and HMRC officers can understand and are aware of what taxpayers need to do to comply with their obligations or to challenge HMRC decisions.
9. **Regularly reviewed** – powers and safeguards should be reviewed regularly to ensure they are up to date and being used appropriately.
10. **Access to justice** – powers and safeguards should be subject to appropriate oversight, including the right for taxpayers to challenge HMRC decisions via statutory review, tribunal appeal etc.

**8     *Question 5: Do you have any other comments on the proposed approach to the move to a 3-yearly cycle? (1000 words)***

8.1    The Non-Domestic Rates (Scotland) Act introduces 3-yearly revaluations and associated measures similar to those proposed in the consultation including a statutory duty to notify. We suggest the Government may wish to draw on the Scottish experience.

**9     *Question 6: Do you agree that that moving to a three-year cycle should be the Government's priority for this stage of reform, and that going further should remain an option for the future? (1000 words)***

9.1    We commend a phased approach coupled with effective and routine evaluation of implemented changes to ensure the new measures are achieving their objectives at an acceptable cost.

**10    *Question 7: Would you support a move to an annual revaluations cycle or a shorter AVD in the future, accompanied by the necessary enabling reforms set out in this chapter? (1000 words)***

10.1   No comment.

The Chartered Institute of Taxation

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