Non-Domestic Rating Bill 2023

Executive Summary

The Bill amends the main primary legislation for business rates, the Local Government Finance Act 1988 (LGFA 1988) following the government's Review of Business Rates. There is much to welcome. However, instead of an amended LGFA 1988, a new consolidated Business Rates Act would have better reflected the ambition of a fundamental review of business rates and provided the opportunity to consolidate and simplify the legislation making it easier to navigate, more up to date and therefore more accessible.

We agree that moving, initially at least, to revaluations every 3 years provides a balance between administrative cost and the need for regular revaluation to reflect economic conditions. However, given the rapidity of changes in business and shopping practices a phased approach to achieving even more frequent valuations should remain under evaluation.

The new obligations on ratepayers to provide information to the Valuation Office Agency (VOA) about properties liable for business rates mean that there is now a requirement for ratepayers to inform the VOA when a business rates liability arises. This addresses a major gap in business rates law and ensures consistency with other property taxes.

The Bill also imposes a new duty on ratepayers in England and Wales to provide a taxpayer reference to HMRC. The aim of better targeting financial support to businesses is obviously desirable. However it is unclear how the data matching will enable this objective to be achieved. Greater consistency and transparency around the criteria for business rates reliefs would help to ensure reliefs are targeted more effectively. The proposals as they stand simply overlay data-matching onto a system that does not apply the reliefs consistently between billing authorities.

In designing the penalties regime to support the new duties, we agree that drawing on existing or proposed tax penalties regimes is sensible. However, we have some concerns about lack of consistency and non-alignment with existing tax penalty regimes.

The government has confirmed a 6-month window will apply for Challenges on the 2026 rating list, and a 3-month window thereafter. This 6-month window is a fundamental change to the rating system and greater certainty is needed about how the process will work. We are concerned that there is the risk of a major bottleneck in the system.

It is not clear why the new relief for improvements will not be introduced until 2024. The timing appears to incentivise a delay in undertaking improvements.

1 Overview

1.1 The Non-Domestic Rating Bill 2023 (the Bill)[1] was introduced in the House of Commons on 29 March 2023. The Bill follows the government's 2019 manifesto commitment to review and reform business rates in England and the subsequent Review of Business Rates. The Final Report of the Business Rates Review in England was published on 27 October 2021[2].

1.2 The Bill amends the main primary legislation for business rates, the Local Government Finance Act 1988 (LGFA 1988).

1.3 We comment on the following measures in the Bill:

- Shortening the business rates revaluation cycle in England from 5 years to 3 years. The next revaluation will therefore will take place in 2026 (see para 3 below).
- The new duty on ratepayers to provide information to the VOA about properties liable for business rates, permitting the VOA to impose financial penalties when a ratepayer provides no information or misleading information, and creating a new criminal offence where false information is provided (see paras 4 and 6).
- The new duty on ratepayers to provide a taxpayer reference number to HMRC and the associated financial penalty regime (see paras 5 and 6).
- Power for the VOA to disclose valuation information to ratepayers (see para 7).
- The new relief for improvements allowing a 12-month grace period after a property has been improved, during which any consequential rise in business rate liability will not apply. This will run from 2024 to 2028 initially (see para 8).
- Removing the legislative requirement for transitional relief schemes to be revenue-neutral (see para 2).
- Administrative improvements relating to:
    - completion notices in England (see para 2), and
    - the removal of restrictions on local authorities making retrospective awards of discretionary relief in England (see para 2)

1.4 Business rates are a devolved matter, consequently the majority of the Bill applies to England only. Some parts of the Bill[3] extend to Wales. These parts have been included at the request of the Welsh Government, to provide the Welsh Ministers with certain powers. They will require the Senedd to pass a Legislative Consent Motion. Clause 11 extends also to Northern Ireland. None of the Bill extends to Scotland.

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[1] https://bills.parliament.uk/bills/3442 Second reading : 24 April 2023.
[2] https://www.gov.uk/government/consultations/hm-treasury-fundamental-review-of-business-rates-call-for-evidence
[3] Provisions applying to Wales as well as England include:

- The introduction of new improvement and heat networks reliefs
- Provision for disclosure of information held by valuation officers to ratepayers.
- Provisions relating to the digitalisation of business rates, including the requirement on ratepayers to provide a taxpayer reference number to HMRC. The provisions for the penalty and appeals regime for the duty to supply a taxpayer reference number will apply in Wales.

The duty to supply property information will only apply in England. Thus the provisions for the penalty and appeals regime applying to that duty would also apply in England only.
See Explanatory note 42 for full list or provisions that apply in Wales.

2 Productive measures but lack of consolidation is a missed opportunity

2.1 The reforms included in the Bill will take effect by amending the main primary legislation in the LGFA 1988. The Bill picks up amendments that have been in the pipeline awaiting a suitable legislative vehicle for several years and there is much to welcome including:

2.1.1 **The removal of the 6-month restriction for awarding discretionary relief (clause 4)**

This amendment is positive as it addresses the issue particularly during Covid-19 when local authorities were prevented from granting discretionary relief by the arbitrary 6-month time limit.

2.1.2 **Addressing a lacuna in respect of completion notices for refurbished buildings (clause 7)**

This measure will allow refurbished buildings to be added or returned to a list, using the same completion notice process as for new buildings. Currently, completion notices cannot be served on buildings that have been removed from the valuation list because they are undergoing refurbishment and are therefore considered incapable of beneficial occupation. Clause 7 of the Bill addresses this lacuna by amending the definition of a 'new building' to include refurbished buildings.

2.1.3 **Removing the legislative requirement for transitional relief schemes to be revenue-neutral (clause 6)**

Since 1990 governments have applied a transitional scheme to phase-in increases in rates bills based on annual caps on the percentage by which a ratepayer's bill can increase for that year. The cost of the relief for those ratepayers facing increases has been funded from other ratepayers who benefitted from a decreased bill to ensure the transitional relief is self-financing. This requirement is at odds with the objective of more frequent valuations as businesses do not benefit from reduced bills immediately. Similarly, businesses with higher rateable values are temporarily shielded from higher bills.

2.1.4 **Providing a legislative hierarchy of reliefs where more than one relief applies (clause 1)**

The measure provides welcome certainty.

2.2 While these amendments and other tidying up measures are constructive and worthwhile, instead of an amended LGFA 1988, a new consolidated Business Rates Act would have better reflected the ambition of a fundamental review of business rates and provided the opportunity to consolidate and simplify the legislation making it more accessible.

3 Shortening the business rates revaluation cycle in England from 5 to 3 years (clause 5)

3.1 We agree that moving, initially at least, to revaluations every 3 years provides a balance between administrative cost and the need for regular revaluation to reflect economic conditions. However, given the rapidity of changes in business and shopping practices a phased approach to achieving even more frequent valuations should, we suggest, remain under evaluation.

4 New duty to provide information to the VOA (clause 13(3))

4.1 The Bill imposes new duties on ratepayers to provide the Valuation Office Agency (VOA) with information about :

- the identity of the ratepayer;
- a change to the property or part of the property which is liable for business rates ;
- trade information used for valuation.

4.2 The new obligations will not apply to properties that are wholly domestic or to properties that are wholly exempt from business rates - including agricultural land and buildings.

4.3 The policy objective is to improve the completeness and timeliness of evidence used for valuations which will support more frequent revaluations.[4] It is intended to benefit ratepayers by reducing the need to challenge valuations.

4.4 The information must be provided within 60 calendar days[5] of the change via a new VOA online facility (see our comments on the online service at para 6 below) or another designated paper (non-digital) method.

4.5 In addition ratepayers must provide an annual confirmation, within 60 calendar days of 30 April each year, that confirms all notifiable information has been provided for the financial year or that there was no notifiable information. The government expects this confirmation to take 'a few minutes' and to give ratepayers who have failed to notify an opportunity to comply.

4.6 The new obligations will impose requirements to notify on businesses that to date have had little engagement with the business rates system, particularly small businesses eligible for 100% small business rate relief of which there are more than 700,000. The impact assessment estimates approximately 1.3 million ratepayers will be affected. The estimated cost of complying with the new duty is expected to be on average £35 per ratepayer each year equating to a total annual impact of approximately £45 million for all ratepayers. In the first year an additional cost on average of £15 per ratepayer is estimated, equating to an additional cost in the first year of £20 million for all ratepayers in total.

Our comments

[4] See : https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1142760/M5373_-_Non-Domestic_Rating_Information_and_Impact_Note__NDRIIN__FINAL.pdf

[5] or longer if specified in a notice from a valuation officer.

4.7 These new obligations mean that there is now a requirement for ratepayers to inform the VOA when a business rates liability arises. It addresses a major gap that has existed in business rates (as a property tax) whereby there was no statutory obligation to notify of liability.

4.8 The cost of meeting these new obligations will in part depend on how easy it is for business to submit the information and whether they need an agent to help. If an agent is needed the cost estimates in the Impact Note look low. Either way businesses may need to establish their own new internal processes to meet these reporting obligations, at a cost.

4.9 The original proposal by the government was for a 30-day reporting window. We thought that timeframe would be extremely challenging so we are pleased to see that the government has extended the reporting window to 60 calendar days as we suggested.

4.10 We note that the backdating limitation provisions are still likely to exist whereby the VOA can only include a new entry in the list up to 1 year after the end of a list. After that point the liability is effectively removed for that list. The effect is to provide an incentive not to notify of liability to business rates. We suggest consideration could be given to changing the backdating provisions within regulations so as to cover the current and preceding list.

4.11 We welcome the government’s commitment to a ‘wide-ranging and ongoing communications campaign’ to ensure businesses are aware of the need to sign up to the new online service and provide the correct information. One of the challenges will be communicating the changes to ‘hard to reach’ groups such as non-resident owners of unoccupied buildings. Drawing on HMRC’s experience of introducing the 60 day (originally 30 days until extended) reporting requirements for Capital Gains Tax on residential property disposals (and, although less directly comparable, the High Income Child Benefit Charge) may provide useful insights for effective communication of the new requirements.

4.12 Will businesses still be required to notify the billing authority of changes in occupation? We are concerned that there may be multiple notification requirements (to the VOA and billing authority) when information could be shared between them. Ratepayers will need to understand from the outset which entity should be contacted if, for example, the occupation date or vacation date is wrong on an amended rates bill.

4.13 In light of these information requirements we suggest that consideration should be given to evaluating the need for lease information in relation to Stamp Duty Land Tax (SDLT) returns. When completing a SDLT return for a non-residential or a mixed use (both residential and commercial property) transaction that is either the grant of a ‘head’ lease or the sale of a freehold subject to a lease(s), the purchaser is required to complete a schedule requiring details of non-residential tenancies including the tenant name, property address, start date and end date of the lease. This information is provided to the VOA. It is not required for the SDLT calculation. Removing this obligation would reduce the burden for purchasers and avoid duplication.

4.14 We would like to probe how compliance with this information requirement is intended to be used in the context of other parts of the tax system. For example, under the Construction Industry Scheme, in order to apply for gross payment status, a company must satisfy certain compliance requirements in the 12 months up to the date of application including all requests made 'to supply the Inland Revenue accounts or other information about its business'. Is it intended that non-compliance with the new obligations will be in the future taken into account outside business rates? If so, we think this should be made clear to businesses.

Compliance and penalties regime

Note: There is a separate penalties regime for the new duty on ratepayers to provide a taxpayer reference number to HMRC. See paragraph 5.9 et seq. below.

4.15 Under clause 13(5) the penalties for failure to provide information are:

First penalty	Greater of 2% of the rateable value change and £900.
Second penalty	£60 per day

4.16 Clause 13(5) also sets out the penalties for provision of false information. The civil penalties are:

Fixed penalty and	£500
a variable penalty	3% of rateable value

4.17 Additionally the Bill creates a new criminal offence where a person knowingly or recklessly makes a false statement. The person is liable on summary conviction to imprisonment for up to 3 months or to a fine. However a valuation officer may instead impose a penalty.

4.18 A ratepayer has a right of review by a reviewing officer and a right of appeal to the Valuation Tribunal. The Valuation Tribunal may mitigate or remit the penalty if the person has a reasonable excuse for non-compliance.

Our comments on penalties

4.19 We have some concerns about lack of alignment with the wider UK tax regime, as well as some questions it would be helpful for ministers to answer during the debate. In particular:

4.20 A new criminal offence is being created of knowingly or recklessly making a false statement in purported compliance with a valuation notification requirement. While we agree the VOA should have the option of being able to bring criminal charges against a person who deliberately provides false information, has consideration been given to whether there are existing offences that may apply instead of creating an entirely new criminal offence?

4.21 A valuation officer may instead apply a civil penalty by serving a penalty notice provided they are satisfied 'beyond reasonable doubt' that the person has committed the offence. Is a valuation officer the right person to make this judgement? Will they have sufficient information to make it and how will it be exercised consistently?

4.22 A valuation officer has a statutory discretion to mitigate or remit any civil penalty. However, there are no parameters set out in the Bill. This contrasts with, for example, the failure to notify provisions for most other taxes in Finance Act 2008 Schedule 41 where the mitigation parameters are set out in the legislation: paragraph 12 (reductions for disclosure), paragraph 20 (reasonable excuse) and paragraph 14 (special circumstances). We cannot see any reason why the latter two should not be replicated in this Bill. As drafted the only reference to a reasonable excuse defence is in relation to a tribunal appeal. There is no reference to 'special circumstances' at tribunal or review level.[6]

4.23 We note the government has said the VOA will draw upon existing HMRC practice for mitigation and approach for reasonable excuse. However including the same mitigation parameters in the Bill as for direct taxes would provide a safeguard for ratepayers, ensure consistency of application and allow the VOA officer to have regard to the existing HMRC guidance on reasonable excuse and special circumstances.

4.24 For direct taxes the review process has proved pretty effective at dealing with reasonable excuses such that the penalties are cancelled and cases do not need to go to the tribunal. It is more expensive for the VOA, HMRC and the ratepayer to deal with an appeal at the tribunal.

4.25 The summary of responses to the technical consultation states that penalties will be a last resort with earlier steps taken to support ratepayers in meeting their obligations including an electronic reminder if ratepayers do not meet their obligation within 60-days, followed by a further reminder and then a digital and hard copy warning, with a penalty notice issued only if the ratepayer has still not met their obligations. The summary of responses adds that if the ratepayer complies with the duty within 14- days of a penalty notice being issued, the penalty value will be halved.

4.26 These safeguards for ratepayers are welcome but they are not set out in the legislation. Our preference is for these safeguards to have legislative force.

4.27 It is essential for building and maintaining trust that the VOA's use of their powers is effectively monitored and subjected to appropriate oversight. We suggest consideration be given to establishing a dedicated oversight forum. It will be important to keep the framework under review to ensure it meets its aim of supporting 3-yearly valuations. Consideration will need to be given as to how this is best achieved and by whom, for example by the VOA internally, with or without input from other government departments, or by an external body or an external stakeholder forum?

4.28 For unoccupied properties the technical consultation noted the VOA may need information about intended use and how it is expected to be occupied, the extent of the information required depending on the nature of the property. Unless the use of the building is relatively restricted and therefore its future use is apparent, for example in the case of a storage unit, the intended use could span a number of uses. What will be the consequences if the intended and actual use differ, in terms of penalties?

[6] 'Reasonable excuse' and 'special circumstances' are part of the statutory regimes for similar flat rate penalty regimes in the wider tax regime - see late filed income tax self -assessment returns in Schedule 55 FA 2009 paras 16 and 23.

4.29 For physical alterations to the property, guidance will be needed on when those changes are 'completed' such that the obligation to report arises bearing in mind the penalties position. Physical alterations will not necessarily involve a formal completion notice.

5 Requirement to make a taxpayer reference notification to HMRC (clause 13)

5.1 The Bill imposes a new duty on ratepayers in England and Wales to provide a taxpayer reference to HMRC using an online facility or paper alternative. This obligation includes ratepayers that qualify for full business rates relief but not exempt businesses - including agricultural land and buildings - where there is no business rates data to match to tax data.

5.2 The consultation in 2022 indicated that the objectives were to join up business rates data (held by the 309 billing authorities in England) with centrally held HMRC tax data in order:

- to better target business rates policy and support to businesses
- to improve business rates compliance
- to allow businesses to see (although not pay) their business rates bills in one place online.

Following the consultation the last objective has been dropped on the grounds that it would not represent good value for money and is not the best use of taxpayer resources at this time. Instead the focus is on the core data matching to achieve the first two objectives.

The Impact Note[7] indicates this will affect approximately 1.4 million ratepayers in England and Wales. The cost is estimated at between £2 and £6 per ratepayer based on the estimated time it will take ratepayers to find and input their tax reference number to the online service.

5.3 We recognise that providing a taxpayer reference via the new VOA duty in a single portal should be relatively simple but we remain concerned that for large groups with significant property portfolios (such as supermarkets) the requirement to provide tax references for each property may be an administrative burden (and therefore more costly than the Impact Note suggests) particularly as responsibility for business rates is likely to be with a different team than that for dealing with tax matters. It may require new information reporting protocols and IT changes.

5.4 The ability to upload bulk references will be important to help minimise the administrative burden as far as possible. There will also need to be rules or a structure on which tax reference number a business provides, and how many references when a business has more than one.

5.5 A further concern is about communicating the obligation particularly to small businesses who have little contact with the business rates system because they claim full relief. We welcome the commitment to extensive communications by HMRC. Our

[7] https://www.gov.uk/government/publications/digitalising-business-rates/digitalising-business-rates-impact-note

comments on hard to reach groups and learning from past experience apply equally here (see para 4.10 above).

5.6 A taxpayer reference is defined in new para 4F as

a) unique taxpayer reference number
b) VAT registration number
c) National Insurance number

The Bill sensibly includes a regulatory power to add, remove or vary the definition of taxpayer references (new para 4F(2).
Not all ratepayers will have these forms of tax reference - for example some public sector ratepayers, new businesses, some non-UK residents, those occupying properties liable for business rates but not otherwise carrying on a business and some estates of deceased persons[8]. It is therefore not clear how their data will be matched, potentially undermining the objective of better targeting business rates policy and support to businesses.

Achieving the objectives

5.7 The government's first objective is to better target business rates policy and support to businesses. The ability to better target financial support, particularly in response to an economic shock such as Covid, is obviously desirable. However it is unclear how the data matching will enable this to be achieved, at least in the short or medium term.[9] Liability for business rates arises on a daily basis (based on occupation). Data on turnover and profits is provided to HMRC annually via the corporation tax return submitted 12 months after the end of an accounting period or 10 months after the end of the tax year in the case of unincorporated businesses . The data that HMRC holds is therefore 'old' not 'current' so may not readily be used to target reliefs.

5.8 Furthermore, the way billing authorities approach the granting of relief is widely recognised as inconsistent. Greater consistency and transparency around the criteria for business rates reliefs and their application across billing authorities and the processes for claiming them would help to ensure reliefs are targeted more effectively[10]. Data matching may assist in the design of more targeted reliefs and perhaps facilitate cross-checking between billing authorities to ensure conditions for the relief are met and cash limits or subsidy levels are not exceeded. However, the proposals as they stand simply overlay data-matching onto a system that does not apply the reliefs consistently.

5.9 The government's second objective is improving business rates compliance. It would be helpful to know what sense the government has of the extent of business rates non-

[8] Estates valued at less than £2.5m with income/gains below £10,000 adopting informal reporting arrangements.
[9] We note that some billing authorities already exchange data quite effectively, for example in relation to checking eligibility for Small Business Rates Relief (SBRR). We understand it is not uncommon for SBRR to be withdrawn following a data matching exercise between billing authorities because a ratepayer is using an additional property in another billing authority area
[10] The Treasury Committee recommended the Department for Levelling Up, Housing and Communities should work with all billing authorities to create a single comprehensive guide on how business rate reliefs are operated by the individual billing authorities to provide clarity for business on what discretionary reliefs they may be eligible for, and what steps must be taken to claim them.

compliance? We note that business rates are not included in the tax gap; there is very little formal published data.[11]

Penalties

5.10 Clause 13(4) provides for penalties for failure to comply:

- £100 for failure to comply with the requirement to make a taxpayer reference notification
- A daily penalty of up to £60 per day subject to a maximum of £1,800.
- Up to £3,000 for carelessly or deliberately provides an incorrect taxpayer reference.

An HMRC officer may mitigate or remit the penalties.

5.11 In their response to the consultation HMRC set out the process that they will follow:

- If a ratepayer does not provide a tax reference number on time, HMRC will issue an information notice to ask the ratepayer to provide their number.
- The ratepayer will have at least 30 days to provide this number before HMRC charges an initial penalty. Ratepayers will be able to request more time if needed.
- If the ratepayer still fails to provide the number after the deadline set out in the information notice, an initial penalty of £100 will be issued.
- Ratepayers will then be given a further 30 days to comply or appeal the initial penalty.
- If the ratepayer still does not comply, a daily penalty of up to £60 can be issued up to a maximum of £1,800.
- Where false information is provided deliberately or carelessly by a ratepayer, a penalty up to £3,000 may be issued.

5.12 This approach is, the government says, based on the established HMRC penalties regime – a sensible approach. However, as with the VOA information penalties, we have some concerns about lack of consistency and alignment with regard to other taxes.[12]

5.13 The new regime includes a statutory discretion for an officer of HMRC to mitigate or remit any penalty. We note the discretion may be used to avoid a ratepayer being penalised twice – under the VOA information requirement and the taxpayer reference notification – which seems reasonable. We also recognise that HMRC intends to issue further guidance on how it will operate the penalties regime. However, as with the VOA there are no parameters in the legislation. This is inconsistent with other tax penalty

[11] The summary of responses to the 2015 consultation on Business Rates Avoidance included the following: 'The majority of local authorities felt that the scale of avoidance is growing. A number of local authorities expressed the view that it is difficult to assess accurately the level of avoidance although some of them provided estimates for their areas. The Local Government Association's initial estimates suggest around £230m per annum is lost to avoidance.'

[12] HMRC has five principles that it considers should underpin any new penalty regime. The 5th principle is: 'Customers should see a consistent and standardised approach. Variations will be those necessary to take into account customer behaviours and particular taxes'.

regimes . We cannot see any reason why the mitigation parameters for reasonable excuse and special circumstances defences should not be replicated in the Bill and included as part of the discretion and review stages. As we note in relation to the VOA penalties, including these provisions would offer safeguards for the ratepayer and allow for consideration of mitigation at an earlier stage, potentially removing the need to proceed to tribunal, a process that is costly for the ratepayer and for HMRC.

5.14 As with the penalties for failing to provide information to the VOA, our preference is for the safeguards to have legislative force. We think the way the HMRC use these powers and operate safeguards should be effectively monitored and subjected to appropriate oversight.

6 New online system

6.1 Ratepayers will need to sign up to an online service or to a paper based alternative to provide the new information requirements for the VOA and to provide a tax reference to HMRC. It is not clear to us whether it will be possible to submit information in compliance with both new requirements via the existing government gateway, through a new central portal or through separate portals. A single login will be easier and simpler for users and their agents to avoid the need for separate credentials and authorisation for three separate functions.

6.2 The experience of the Trust Register and the CGT property reporting service emphasises the importance of ensuring that processes are not unduly onerous for those subject to them and the importance of a well-designed IT system to collect and connect data flows.

6.3 Our members' experience in using similar online services in the tax system suggest the following features built into the design would improve the process:

- Ensuring the online process is designed to work for businesses that engage an agent to act on their behalf. Agents will have a very significant role in ensuring the new system operates as intended and early consideration should be given to facilitating this interaction as was done effectively when the Check Challenge Appeal (CCA) system was introduced. Agent access should be built into the system from the beginning.
- The ability to save a partially completed entry so that it is possible to return to the service when further information has been found/checked without having to start again.
- An easy process for amending an entry that is subsequently found to be inaccurate thereby reducing the scope for error and improving the ratepayer experience.
- Clear guidance on the information needed before starting a process so all the information can be assembled in advance.
- The ability for the system to be accessed by more than one individual within a business or an agent's firm - to allow for access to be delegated.
- Unlimited text entry (that is, no fields with limits on the numbers of characters permitted to be used in them).
- The ability to upload information held in Excel or in other formats to minimise costs and administrative burdens.

- Ensuring the system is accessible for non-UK based ratepayers and their agents. We are aware that offshore ratepayers have found it difficult to register for CCA when they want their agent to submit an appeal to de-rate empty property undergoing refurbishment.
- A helpline/ webchat at least initially for queries when it launches, as with the CCA launch with adequate resources to provide this service.
- A published timetable or road map for implementation and the sequencing of stages leading up to implementation so businesses can plan for and establish their own internal processes to meet their reporting obligations. In practice the information needed may fall across different parts of a business – property/estate management, finance and legal. Establishing effective internal processes for the new trigger points will be important for businesses to comply.

7 Disclosure of valuation information to ratepayers (clause 10)

7.1 The government has confirmed a 6-month window will apply for Challenges on the 2026 rating list[13] moving to a 3 month window for the 2029 list. Until now ratepayers have been able to submit challenges at any point during the lifetime of a list. Limiting ratepayers in this way is based on the government's expectations that the VOA can provide ratepayers with rental evidence in a timely way to support a Challenge. Clause 10 therefore amends the 1988 Act to enable valuation officers to supply information to ratepayers in relation to their property and its rateable value via an online process provided the officer 'considers it reasonable to do so' and where disclosure would not contravene data protection legislation.

7.2 We are concerned that there is the risk of a major bottleneck in the system through the new online portal. It is likely that a large proportion of ratepayers will put in requests for their rental evidence soon after each 1 April that a new rating list is published. What reassurance can ministers give that the VOA will be able to respond in time to allow for ratepayers and their agents to construct and submit the Challenge by 30 September?

7.3 The 6-month window for a Challenge is a fundamental change to the rating system. Greater clarity and certainty is needed around how this window will operate particularly for new tenants and in relation to changes to the list that occur during and after the 6-month window.

8 Improvement Relief (clause 1(3))

8.1 There will be 12 months relief from higher business rate bills caused by any improvements to an existing property, depending on eligibility. This 'improvement relief' will run from 2024 to 2028 in the first instance.

8.2 While it is debatable economically whether it is the occupier or the landlord who ultimately benefits from this relief, we agree that the relief should help to relieve the

[13] See paragraph 1.31 Summary of responses to the technical consultation https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1142759/M5373_-_Business_Rates_Technical_Consultation_Summary_of_Responses_FINAL.pdf

distortionary effect of higher business rates disincentivising businesses from equipping or expanding.

8.3 The measure will be introduced in 2024. The methodology for granting the relief (certification) is not linked to the introduction of the new information obligations so it is not clear why the introduction of the relief has been delayed. The timing appears to incentivise a delay in undertaking improvements.

8.4 The mechanism by which the relief is to be applied (demonstrating to the VOA that the qualifying works condition and the occupation condition are satisfied, followed by the issue of a certificate) appears out of step with the 'self-declaration' approach to the information obligations and the policy aim to limit burdens on the ratepayer. The fact that improvements are being made will be made known to the VOA through the notification of any changes to the property so the VOA will have the information. An easier approach for the ratepayer, and one more consistent with the wider tax system, would allow the claiming of the relief at the same time as the information notification is made.

8.5 We suggest there should be a prescribed time by which the certificates will be issued by the VOA - a 4-week period seems reasonable.

8.6 We welcome the commitment to review this relief in 2028. We are very much in favour of systematic, transparent, post-implementation reviews of tax policy and reliefs, as explained in the 2017 Better Budgets [14]report.

The Chartered Institute of Taxation

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[14] Better Budgets – Making Tax Policy Better, published January 2017 by the Chartered Institute of Taxation, Institute for Fiscal Studies and Institute for Government - https://www.instituteforgovernment.org.uk/sites/default/files/publications/Better_Budgets_report_WEB.pdf

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The Chartered Institute of Taxation
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