



## BUSINESS RATES REVIEW - IMPLEMENTATION

Issued 22 February 2022

ICAEW welcomes the opportunity to comment on the technical consultation on the business rates review published by the government on 30 November 2021, a copy of which is available from this [link](#).

### **Information provision burden needs to be proportionate:**

- We welcome the use of up-to-date property values in the setting of business rates.
- We are concerned that the burden of updating information to reflect current valuations falls too much on businesses.
- We are also concerned that the information gathering provisions introduced will not have a real-time effect on the rates being set given that valuations will still only take place on a three-yearly basis.

### **Less complexity, more transparency, and further digitalisation are all required:**

- We have concerns around the complexity of the improvement relief regime being introduced and consider that businesses will need significant guidance in advance and on a real time basis so that they feel comfortable they are complying with the provisions correctly.
- We would like to see greater transparency so that businesses can ascertain via an online system how their rates are calculated and the valuations on which those rates have been based.
- As a wider point, we would like to see further digitalisation of the business rates system and for information held by other government departments to be shared with the VOA where it relates to property valuations.

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## KEY POINTS

1. We are delighted to see the government taking forward many of the proposals highlighted in our **response** to the call for evidence in 2020 and is moving towards:
  - a) achieving a clearer link between current property values and business rates
  - b) more timely data and use of that to inform business rates
  - c) greater transparency about the calculation of rateable values
2. We set out our thoughts below on how far the proposals go to meeting our underlying concerns in these areas.
3. As a broad comment, however, we feel that the burden of improving the system is largely being passed over to businesses. We can see parallels between this and the introduction of Making Tax Digital for VAT and business income taxes in that the changes will provide the VOA with considerably more information but it is not entirely clear how that information will be used to make the system fairer and more transparent.
4. We have considerable concerns around the administration burden that the provision of information provisions will place on businesses. We have made some suggestions in our response below which will hopefully reduce that burden to some extent. These include making better use of information that government departments (eg HMRC) already has in relation to the business concerned.
5. We would like to see greater clarity around how the information to be provided by businesses will feed into the calculation of rates as this is not entirely clear from the consultation document. It suggests that information will have to be updated whenever changes are made to the use or condition of the property (and confirmed annually), but how quickly will this translate into a change of rates? If these are only adjusted after each three yearly valuation, while the valuation would be based on more up to date information, there would still be a considerable time lag between changes to the property and changes to business rates.
6. We believe that the changes to improvement relief will remove an existing disincentive to make improvements to property which could then help businesses to become more productive and generate more growth for the local economy. However, the proposed system is complicated, and many businesses will struggle to understand whether or not their proposed improvements qualify for the relief. Businesses will need educating on this relief. A pre-works clearance service could be useful in helping businesses to determine the potential impact of their improvement works before they proceed with them.
7. We welcome the push towards giving local authorities more power to set rates by allowing them to award small business rates and other discretionary rate reliefs. We also welcome the ability for ratepayers to edit and amend factual property and valuation information held by the VOA. However, we are unclear to what extent this will produce greater transparency in how valuations are arrived at and how rates are set. We would welcome the inclusion in any online system of a page which shows the rate payer how the valuation of the property has been arrived at and how that translates into the rates charged.
8. In addition to the proposed changes for the short term we look forward to seeing the government's plans for the digitalising of business rates which we hope will include greater use of information already provided to the government, obtained partly from an already increasingly digitised tax system.
9. We are pleased to see incentives being given for investment in green technologies and consider that the tax and levies system could be used more pro-actively in encouraging behaviour that helps to tackle climate change.
10. We also urge the government not to forget the needs of the digitally excluded and ensure that it takes all measures it can to ensure that they remain able to satisfy their business rates compliance requirements.

## ANSWERS TO SPECIFIC QUESTIONS

## Chapter 1

**Question 1****Q1. Do you have any views on the proposed implementation of the information provision system? What issues should be considered in the design of the new system?**

11. We believe that the new information provision system should be made as easy as possible to comply with. This includes consideration for the digitally excluded and ensuring that a paper alternative to filing information online is provided.
12. For those businesses able to file online, we recommend that the system is integrated with their business tax accounts accessed via the Government Gateway so that, as far as possible, they have a single point of access for their obligations relating to taxes and other levies.
13. The consultation recognises that ratepayers may want to use an agent and the system needs to accommodate this. The approach will increase compliance burdens and is likely to result in more ratepayers using agents. We therefore agree that agents should be given access to the system to allow them to file the necessary information on behalf of their clients. We recommend that where agents already act for businesses in relation to other tax and levy obligations there should not be a requirement for them to seek re-authorisation for them to act in relation to this new system. Restriction of access to the system to just one person in a business or its agent often proves frustrating, and we therefore also recommend that access is extended to multiple members of personnel.
14. A particular frustration many experience when completing online government forms is the inability to save partially completed information to come back to at a later date. The ability to save a partly completed information provision form would therefore be welcomed.
15. The information to be provided under the new system is wide ranging and, to some extent, it is not entirely clear what information is needed. This is particularly the case in relation to the information required about the property for the VOA to assess its rateable value. The consultation notes that “what is needed will vary considerably from property to property” and while it goes on to mention some of the items that might be relevant, this cannot be an exhaustive list. A business may well inadvertently fail to mention an aspect that could have an impact on the rateable value because it didn’t realise that it might have that impact.
16. We therefore recommend that a light touch is taken in relation to penalties or other repercussions for providing information that is found to be incomplete or not wholly accurate, provided that such omissions and inaccuracies are not deliberate. It is also important that the system allows for already submitted information to be amended.
17. We note that HMRC has a plan to make more use of information it already holds about taxpayers by pre-populating returns with that information so that taxpayers only need to check that this information is correct and complete. This is one of the key aspects of its ten year **tax administration framework review**. **We recommend that this principle is carried forward such that, for example, trading and accounts information provided via corporation tax returns or lease details in stamp duty land tax returns or lease information held at the Land Registry can be fed in to the new system. This would also require the ability of businesses and agents to overwrite any such information if it is incorrect.**

**Q2. Can you see any difficulties in collecting this information or providing it to the VOA? Is there any further information that should be provided?**

18. We welcome the government’s desire for business rates to more accurately reflect the most current valuation of the property being used but we are concerned about the overall burden that will put on rate payers. The range and scope of the circumstances that businesses are expected to notify is extensive and we are concerned that some will be missed or forgotten. Businesses will need to get into the habit of thinking about notifications every time something

changes about the way they use or occupy the property concerned. We recommend that all possible use is made of information already available to the government (eg changes notified to the land registry) to ensure that duplicate reporting by businesses is kept to a minimum. We note from paragraph 2.8 of the consultation document that this is the long term aim and so we request that the government keeps this aim in mind as the reporting regime is developed over time.

- 19. *In line with our recommendations above for applying a light touch approach to penalties where submitted information is found to be incorrect or incomplete, we recommend that businesses are not penalised where they complete information in good faith relating to the expected use of unoccupied properties where the actual or eventual use proves to be different. It can often be difficult to predict how a building will be used so we question how useful obtaining this information will be to the VOA.***

**Q3. *How can the VOA best help customers understand what is needed and how to provide it?***

20. As with all new reporting requirements, education and publicity will be required to help businesses understand their obligations. Different businesses and their owners will have different requirements and so a range of techniques should be used, including helplines, short YouTube videos and webinars. The VOA could also enter into discussions with local authorities to find out how they can assist in the education process by holding education meetings with local businesses, for example.
- 21. *We note at paragraph 1.21 that the type and extent of information needed will vary considerably from property to property. We acknowledge that different factors will be important in determining the rateable value of different types of property and that it would not be possible to introduce a one-size-fits-all approach. Once businesses have been in the regime for some time, they will probably begin to understand what types of information they need to provide. However, at first they may be very uncertain. As such, it would be ideal if VOA staff could personally contact all affected businesses in the first instance to answer any questions they may have and to ensure they understand their responsibilities.***

**Q4. *How do you want to be engaged with as this system is developed?***

22. It would be useful if stakeholders are involved in the design process as the system is developed further through continued written consultation and focus groups to consider individual aspects.
23. The new reporting obligations are likely to lead to a growth in ratepayers using agents. Historically, most tax agents have not been involved with business rates but, with the closer integration of business rates systems and processes within HMRC's systems, we can see that may change in the future. Thus, professional tax agents may become involved in this activity, subject of course to them having the necessary competence to do so. As the current rules are not widely understood, there may, therefore, be a need for more general upskilling of tax agents in business rates so that they can help their clients to comply with these new obligations. As part of our wider public interest responsibility, we would be happy to consider with HMRC what more can be done to upskill agents and ratepayers themselves to ensure good compliance and the efficient working of the system.

**Chapter 2**

**Q5. *Does the proposed framework strike the right balance between a system of proportionate and flexible sanctions, and one which helps ratepayers to meet their obligations?***

- 24. *It would be useful if the effectiveness of the framework is monitored on a regular basis to ensure it continues to strike the right balance. A good model for this could be HMRC's Powers and Customer Safeguards Implementation Evaluation Forum set up to***

*provide expert input to the evaluation of the implementation of HMRC powers and safeguards introduced since 2012.*

**Q6. What would you wish to see in an online service to best help ratepayers meet their obligations?**

**25. We welcome the proposed ability of businesses to edit factual property and valuation information held by the VOA and suggest that such an edit functionality be made as comprehensive as possible.**

**Q7. Under what circumstances would 30 days not be enough time for ratepayers to meet their obligations?**

**26. New requirements need time for businesses to adjust. As the introduction on 6 April 2020 of the 30 day CGT reporting deadline for certain disposals of UK residential properties has demonstrated, this timescale can be challenging for many taxpayers. We recommend that lessons are learned from this and that a 60 day reporting window is adopted instead, in line with the extension of the CGT reporting deadline from 27 October 2021.**

**Q8. What processes might ratepayers have to put in place to meet their obligations and what costs might this bring?**

**27. We would like to see business tax and other levy reporting and payment requirements co-ordinated as far as possible from the government's side as this would help to maintain and encourage compliance and reduce administration costs.**

**28. Making Tax Digital (MTD) for Income Tax is being introduced for unincorporated businesses in April 2024 and MTD for VAT is already in place. It is currently planned that MTD for corporation tax will follow thereafter. The government should use digitalisation of the tax system to incorporate other automated interactions into the system. At the very least, information gathered through MTD should be used to pre-populate information reported in relation to business rates or used to initiate prompts regarding potential compliance obligations.**

**Q9. Do you have any suggestions for how this compliance framework could be improved? If so, please provide evidence or scenarios.**

**29. In line with our response to question 1, the system should be developed with the digitally excluded in mind and there should be paper versions of reminder and warning letters.**

### Chapter 3

**Q10. Do you consider that the proposed reform to the rules on MCCs will ensure that changes in economic factors, market conditions or changes in the general level of rents are reflected at revaluations? If not why not?**

**30. We have no particular concerns about the proposed reform to the material change of circumstances rules.**

**Q11. What are your views on the proposed improvements to the CCA system? How else could we improve CCA in a system under which ratepayers are now providing information under the new duties?**

**31. The proposed reduction in the appeal window to three months is too short and needs to be reconsidered. We understand that the window for submitting challenges in Scotland is six months which we believe to be a much more reasonable period and provides more time for businesses to consider their position. It would also have the advantage of making the rates regimes reasonably consistent on an important matter of ratepayer rights to appeal.**

**Q12. Are there particular considerations that the respondents consider the government should have particular regard to when moving forward with phase 2 of transparency?**

32. We have no particular comments on this.

#### Chapter 4

**Q13. Will the proposed rules for the improvement relief ensure the relief flows to occupiers who are investing in their business?**

**Q14. Do you consider that the 2 conditions will give effect to the stated policy intent? Do you have any concerns regarding the practical application of the conditions as set out?**

**Q15. Do you agree that the proposed method of reaching the chargeable amount will achieve the objective of preventing ratepayers who have undertaken qualifying works from seeing an increase in their bill for 12 months as a result of the qualifying works?**

33. We believe that the measure will help to remove the distortionary effect that improvements can have on property values and therefore business rates liabilities, although it is unclear to what extent this disincentive has an impact on businesses when they decide whether or not to carry out building works. We recommend that the measure is introduced earlier than next year so that it does not incentivise delays in undertaking improvements at a time when the economy would benefit from stimulus coming out of the pandemic.

34. Overall, we feel that the design of the relief appears complicated and it may not be immediately obvious to businesses whether they will qualify. To some extent, this is inevitable and we appreciate that the government wishes to restrict the relief solely to works that will create an increase in the value of the property concerned. However, without proper guidance businesses may make incorrect assumptions about their eligibility. We therefore suggest that a pre-works clearance system is introduced so that businesses can gain greater certainty about the impact of their proposed building improvement works.

35. The system could also be streamlined by allowing businesses to claim the relief at the same time that they report changes relating to the property under the information provision system, rather than having to make a separate claim.

#### Chapter 5

**Q16. Do you agree that the proposed changes to the plant and machinery regulations would ensure that plant and machinery used in onsite renewable energy generation and storage used with electric vehicles charging points are exempt?**

**Q17. Do you agree that the tests we are proposing in the heat networks relief scheme will ensure the relief is correctly targeted?**

36. We do not have sufficient expertise to determine whether the proposals would meet the objects set. However, in principle we support measures that encourage investment in greener technologies and the generation of renewable energy.

#### Chapter 6

**Q18. What are your views on the proposed reform to the administration of the central list?**

**Q19. Do you agree that decisions on the operation of local discretionary relief schemes should be localised to billing authorities in the way proposed. Do you consider any rules should still be imposed from central government and if so why?**

**Q20. Are local authorities, ratepayers or other interested stakeholders aware of any other instances where existing constraints on section 47 relief are giving rise to administrative challenges or unintended practical outcomes?**

**Q21. Would the proposed reforms to the multiplier improve the administration of the system and if not, why not? Do you agree that the deadline for confirming the multiplier should no longer be tied to the approval of the local government finance report?**

37. With the move to three yearly valuations, we consider that the system and its administration should be as agile as possible and therefore we believe that removing the current requirement for most changes to be made by way of statutory instrument would be very sensible. Similarly, moving the small business multiplier onto an increase by CPI basis would help to create more predictability, although we recommend that the government reserves the right to make other changes to the multiplier if doing so would fulfil a particular policy purpose, especially given that the CPI has recently increased to 4.8% and may rise again in the future.
38. We also fully support the removal of central control on the ability of local authorities to grant discretionary reliefs. We agree that this change should only be on a prospective and not retrospective basis.

## APPENDIX 1

### ICAEW TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

1. **Statutory:** tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament.
2. **Certain:** in virtually all circumstances the application of the tax rules should be certain. It should not normally be necessary for anyone to resort to the courts in order to resolve how the rules operate in relation to his or her tax affairs.
3. **Simple:** the tax rules should aim to be simple, understandable and clear in their objectives.
4. **Easy to collect and to calculate:** a person's tax liability should be easy to calculate and straightforward and cheap to collect.
5. **Properly targeted:** when anti-avoidance legislation is passed, due regard should be had to maintaining the simplicity and certainty of the tax system by targeting it to close specific loopholes.
6. **Constant:** Changes to the underlying rules should be kept to a minimum. There should be a justifiable economic and/or social basis for any change to the tax rules and this justification should be made public and the underlying policy made clear.
7. **Subject to proper consultation:** other than in exceptional circumstances, the Government should allow adequate time for both the drafting of tax legislation and full consultation on it.
8. **Regularly reviewed:** the tax rules should be subject to a regular public review to determine their continuing relevance and whether their original justification has been realised. If a tax rule is no longer relevant, then it should be repealed.
9. **Fair and reasonable:** the revenue authorities have a duty to exercise their powers reasonably. There should be a right of appeal to an independent tribunal against all their decisions.
10. **Competitive:** tax rules and rates should be framed so as to encourage investment, capital and trade in and with the UK.

These are explained in more detail in our discussion document published in October 1999 as TAXGUIDE 4/99 (see <https://goo.gl/x6UjJ5>).