



DIGITALISING BUSINESS RATES: CONNECTING BUSINESS RATES AND TAX DATA

Issued 23 September 2022

ICAEW welcomes the opportunity to comment on the Digitalising business rates: connecting business rates and tax data consultation published by HMRC (HM Revenue & Customs) on 20 July 2022, a copy of which is available from this [link](#).

For questions on this response, please contact the ICAEW Tax Faculty at taxfac@icaew.com quoting REP 79/22

ICAEW supports proposals to digitalise business rates. However, we note the limited scope of the proposals which do not include a centralised system for paying business rates; this significantly limits the benefit to business. Nonetheless, if implemented, the proposals would provide a foundation for more comprehensive reform in the future.

While this is a potentially important project, it needs to be assessed against other competing priorities for HMRC's investment and management time and capacity for large projects.

If the proposal does go ahead, we agree that Option A provides the best design. We suggest going further and fully integrating the requirement to provide a tax reference with the requirements to provide data to the VOA, with a single compliance regime. The VOA system would need to be designed so that every user would be in a position to provide a tax reference or claim an exemption from doing so.

We note that to effectively target reliefs it may be necessary for HMRC to hold more up to date tax data that is currently available as well as centralised data on business rates.

The customer support model will need careful consideration so that business rate payers know where to direct queries: HMRC, Billing Authority or VOA. This should be considered as part of a pilot.

This response of 23 September 2022 has been prepared by the ICAEW Tax Faculty. Internationally recognised as a source of expertise, the ICAEW Tax Faculty is a leading authority on taxation and is the voice of tax for ICAEW. It is responsible for making all submissions to the tax authorities on behalf of ICAEW, drawing upon the knowledge and experience of ICAEW's membership. The Tax Faculty's work is directly supported by over 130 active members, many of them well-known names in the tax world, who work across the complete spectrum of tax, both in practice and in business. ICAEW Tax Faculty's Ten Tenets for a Better Tax System, by which we benchmark the tax system and changes to it, are summarised in Appendix 1.

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KEY POINTS

1. We support the government's proposals to digitalise business rates (DBR). Indeed, we support any initiative that allows businesses to run their tax and other affairs in a more efficient manner and supports growth.
2. We recognise that making business rates payments through a new DBR service is currently out of scope. In the longer term, we would like to see payment of business rates payments incorporated into a single centralised system. However, we appreciate that co-ordinating 309 Billing Authorities (BAs) and integrating all their IT systems into one facility would be a major task and that the integration costs might outweigh benefits to business.
3. Hence, we see the proposals set out in the consultation document as a good start and one that could lead to more comprehensive reform in the future. Nonetheless, HMRC is facing multiple demands on its resources and investment in the coming years, both from digitalisation projects and other reforms to the tax and duties system as well as its own reorganisation into regional offices. While this is a potentially important project, it needs to be assessed against other competing priorities for investment and management time. There needs to be a rigorous cost benefit analysis of the proposal, including whether it will provide value for money not just to government but also, and most importantly, to businesses. The question needs to be asked: will this reform help foster growth by making businesses more efficient and reducing their costs? Put another way, is this an essential project for supporting growth and investment in UK plc or merely a 'nice to have'? If the former, then HMRC may require more resources to deliver it. However, given the comments made above, it is not clear that the proposals will deliver the step change in benefits to businesses that is really needed.
4. In principle, to provide value to businesses, we would like the following to be included in the design in the longer term:
 - ability to make and view payments in one place
 - ability to view calculations and challenge where appropriate
 - ability to link rates liability with profitability and target reliefs
5. If HMRC does go ahead with DBR it may also wish to consider harmonising rules and definitions which are currently different for tax and rates purposes. For example, there is a difference between the definition of a furnished holiday let for income tax purposes and self-catering and holiday accommodation for business rates purposes.
6. We do not have the knowledge or experience to answer all the questions raised in the consultation document and we have therefore restricted our response to those questions where we can provide meaningful input.
7. We suggest that HMRC be transparent about the use that it would make of more frequent information on business rates for tax compliance purposes. HMRC currently receives information on an annual basis but is likely to want to make use of data which it would receive more frequently and in a more convenient format.
8. We note that to effectively target reliefs it may be necessary for HMRC to hold more up to date tax data that is currently available as well as centralised data on business rates.
9. The customer support model will need careful consideration so that business rate payers know where to direct queries: HMRC, Billing Authority or VOA. This should be considered as part of any pilot.

ANSWERS TO SPECIFIC QUESTIONS***Question 2: Do ratepayers know/can they find their SA/Partnership/CT UTR (Unique Taxpayer Reference) and VRN? If not, what would make this easier?***

10. We believe that most UK resident trading businesses will be able to find a tax reference (UTR or VRN) easily. Difficulties may arise, however, in less standard situations. For example:
- Some taxpayers are below the VAT threshold so have no VRN.
 - As noted in the consultation document, some individuals occupy non-domestic, non-business properties (e.g., beach huts) and hence will not be running a business from the premises concerned and may not therefore have a relevant business tax reference.
 - New businesses may experience a delay in being registered for tax and receiving their UTRs/VRNs. HMRC could do more to help this by reducing back logs in its processing of applications.

Question 3: Where ratepayers do not have one of these relevant reference numbers, would identifying themselves as a taxpayer by providing a NINO (national insurance number) or CRN (Company Registration Number) cause any issues? If so, what are they?

11. There are some situations where individuals find it difficult to obtain NINOs, particularly non-UK residents. These individuals typically rely on a UK agent to apply for the NINO on their behalf, but HMRC will not deal with such agents unless they are authorised by the client, which can be difficult in some situations. HMRC could therefore do more to make it easier for non-residents to register for tax. Further, some residents and non-residents are not entitled to a NINO if they are not working in the UK or have a UK employer.
12. We question whether a NINO is a relevant tax reference for these purposes, in any event, if the individual is not carrying on a business from the premises concerned.
13. Some entities (e.g., pension schemes, trusts) are not companies and so therefore are not entitled to a CRN.
14. For these reasons, we recommend that the system allows for as wide a variety of tax references as possible. For example, some entities will only have a PAYE reference number as a tax-exempt employer. Trusts could use the reference number they are given through being entered into the Trust Registration Service.

Question 5: Are there scenarios where ratepayers might not have any relevant reference number? Including any scenarios where a ratepayer may not be registered for tax purposes? If so, what are they?

15. As mentioned above, individuals that own non-residential property but who do not carry out a business may not have a relevant tax reference number. They may have a NINO, but would there be any benefit to these individuals being in DBR anyway, given that they would not have a business tax account or be eligible for any business rates relief?
16. Similarly, non-residents without a UK employer or employment may fall outside the need for a tax reference number, though if they are letting property in the UK, it is likely that they would at least have a UTR. This may not be the case, however, if they never file a tax return because the tenant or letting agent has withheld tax due on the rental income at source.
17. Certain non-taxable entities such as schools, hospitals and charities may also not have a tax reference number. HMRC should carry out a check in advance of introducing DBR to ensure that all ratepayers have some sort of reference they can provide or have a simple method of claiming an exemption from providing one.

Question 6: Are there scenarios where a person or entity's identity in the tax system (with one tax reference number) may not precisely align with their legal responsibility as a ratepayer? for example, where multiple ratepayers share the same tax reference number, or multiple entities for tax purposes share one responsible legal identity in a business rates context?

18. You could have the situation where one company owns all the properties for a group and rents them out to the group operating companies. It is presumably the company that pays the business rates that would need to provide its tax reference number in this situation. However, there could easily be a misunderstanding in this situation, such that the tax reference number is given for the wrong company.
19. Similarly, issues could arise with jointly held properties. It could be that only one of the joint owners is responsible for paying the business rates, but all owners would record their share of taxable income arising from renting out the property.

Question 7: When might a taxpayer reference that is associated with a property portfolio under DBR change (for example, registration for self-assessment, incorporation or disincorporation, VAT-registration or de-registration, mergers, and acquisitions)? Are there scenarios where the new reference number might not precisely assume the property portfolio associated with the previous number?

20. We agree that this could happen in any of the situations listed above. The question is whether that causes a problem and what measures would need to be taken to resolve this.
21. The system could include a requirement for a new owner of a property to provide their tax reference number on first using the DBR system. Similarly, ratepayers could be prompted to check that their tax reference number is correct on a periodic basis and amend this if it is not.

Question 8: In which type of customer journey would it be easiest to provide your reference number(s) (option A, B or C) and why? Would any of the options be particularly difficult?

Question 9: What are the main challenges presented with each 'data in' option and how could they be addressed?

22. We are answering these two questions together. We favour Option A for the reasons set out below.
23. Firstly, Option A involves only one reference number being fed into one system. The VOA and DBR obligations could effectively be combined and treated as a single set of requirements and communicated as such. If a business dealt with multiple BAs, it would need to provide its tax reference more than once under Option B. Similarly, under Option C, if a business had more than one rateable property, it would need to supply multiple property references to HMRC.
24. Secondly, by confirming a tax reference while fulfilling its VOA requirements, Option A would provide a method that all businesses would need to follow. The other options either involve needing to supply a reference multiple times or through a variety of different HMRC systems, depending on the tax or legal status of the entity or individual concerned.
25. Thirdly, if the tax reference verification process took place as part of fulfilling the VOA requirements this would mean that only one compliance regime is needed.
26. Taking each option in turn in more detail:

Option A:

27. The key to the success of this option is allowing whichever tax reference is most convenient for the individual or entity concerned. Some non-taxable entities (such as pension schemes

and schools) could use their PAYE reference numbers, for example. The IT systems involved would need to be able to cater for this.

28. HMRC has shown that the tax reference might be provided 'behind the scenes' through the individual or entity logging into the VOA system using their government credentials. Ideally, this system would supply a facility for the person to confirm that the reference that has been found for them is the correct one. There could be a pop-up box when the person logs into the VOA system saying something like "we notice that there is a tax reference X associated with your account. Is that correct?" The person could then have the facility to change it if it is not correct.
29. There could be a risk that this system does not work for everyone, especially if manual provision of a tax reference is needed and the system only recognises a limited number of tax reference types. This could prevent some individuals or entities from logging into the VOA system and hence being unable to fulfil their requirements under that system.
30. HMRC would need to check whether the provision of personal information to another government department is in accordance with HMRC's powers and data protection laws.
31. ICAEW would be pleased to work with the VOA to develop and design any IT systems needed to implement this new requirement.

Option B:

32. Businesses that have branches across the country could face a considerable administrative burden under this option, although if the provision of tax information was as part of an existing process (e.g., paying their business rates) that could mitigate this.
33. This would be similar, for example, to a bank asking a customer to confirm their contact information before logging into their online account.
34. The risk is that if the person does not have their tax reference information with them at that time, they might then log off and forget to make their rates payments, leading to debts and potential late payment interest.
35. This option would also require BAs to update their IT systems to incorporate this latest information, which could prove burdensome.

Option C:

36. The advantage of this option is that the government could be more specific about the reference numbers it requires individuals and entities to provide, rather than the plethora of tax reference numbers it might need to allow under Options A and B.
37. The major downside for businesses with multiple properties is that multiple references would need to be provided. A business with hundreds of properties, for example, could find this particularly burdensome.
38. It would also be necessary for software providers to build this requirement into their products if it were incorporated into a compliance process (eg, tax return filing). It would be necessary to provide this over a variety of return types (corporation tax, income tax, VAT, PAYE) to cover all the circumstances in which businesses might interact with HMRC and the tax system.
39. As noted in the consultation document, some persons holding rateable property may not interact with the tax system in this way. This would exclude those persons from the system. The question then is whether that is a problem. If the purpose is for HMRC to be able to better target business rates more effectively, then perhaps it would not be necessary to include persons that are not carrying on a business. This would prove more of a problem with

Options A and B if they needed to provide a tax reference as part of their required interactions with the VOA or BAs.

Question 10: Under option B – what process would be best for ratepayers (or their agent) to supply their tax references to a BA (Billing Authorities) and why? Or would a standalone process be preferable?

40. As set out above, we do not favour Option B but if it were to be introduced, we consider that including it as part of an existing process would limit the associated administrative burden. However, if you included it as a part of the payment process, for example, might that set an expectation that business rates could be paid via DBR in the future?

Question 11: Under option C – what process would be best for ratepayers (or their agent) to provide their property references to HMRC and why? Or would a standalone process be preferable?

41. We have similar comments here to our answer to question 10. As mentioned above, including the requirement as part of a tax filing obligation would also require software providers to incorporate this into their products and HMRC would need to be satisfied that this had been done successfully.

Question 12: To what extent would ratepayers expect to log in themselves to provide tax or business rates information with a single set of verified credentials (rather than setting up multiple credentials or using an agent)?

42. We would need to understand more about the systems that the government plans to put in place to answer this question more fully. However, we predict that the easier it can make logging into DBR for users the better. A single set of verified credentials would therefore appear to be the best option. Businesses might need to supply the necessary information at short notice and be suitably registered to do so. Anything that holds them up from this should therefore be avoided wherever possible.

Question 14: What processes might ratepayers (or their agents) must put in place to meet their obligations under each option and what costs might this bring?

43. Any changes will result in some short-term hurdles to get over which undoubtedly will result in a one off set up cost. Advisers' fees will be incurred where this process is outsourced. Our members have indicated that even at a basic level you could assume £250-500 per property for set up and then subsequent filing/checking up costs. Some small companies may try to do this themselves, but they could end up making costly mistakes. Processes to put in place will require rigour and have practical implications like logins etc. Option A looks more integrated than Options B and C so the administrative burden may be higher for these.

Question 16: Would you use a service that allows you to view business rates information for all your properties across England in one place, alongside other HMRC tax liabilities? Yes/No

- ***If yes, how often and for what purposes?***
- ***If yes, how useful would you find such a service – on a scale of 1 to 10, where 10 is extremely useful?***
- ***If no, would being able to pay your bill(s) through the service change your response?***

44. Our members in business have indicated that they would use this service and most commonly for budgeting and control including cash and profit/loss forecasts. We believe that DBR would be even more attractive if it were possible to pay rates bills through the service.

Question 17: When thinking about how often (your) bills change, how often should the business rates billing information be updated? (For example, weekly, daily, or through real time look-up whenever a ratepayer seeks to view their billing information through the DBR service). Options: real time look up/daily/weekly/monthly/quarterly/annually?

45. We understand that DBR will need to interact with the IT systems administered by the various BAs around England. Hence, there may be some delay between transactions taking place on BA systems being recognised in DBR. Nevertheless, we believe that this should be minimised as much as possible so that DBR users have confidence in the system.
46. As a minimum, we believe that the DBR system should include a warning that transactions carried out in the last X number of days may not be reflected in the system.

Question 20: If option A for 'data in' is pursued, do respondents think DBR should be included within the sanctions regime for the new VOA duty or have a separate sanctions regime

47. We believe that if provision of a tax reference number were to be a pre-requisite for interacting with the VOA system, it would form part of that system and so would not require an additional sanctions regime.
48. If tax references are picked up 'behind the scenes' we also believe that there should be nothing to sanction users over, although there could be a requirement for them to confirm that the tax references picked up are correct.

Question 21: If separate, or if options B and C are pursued, do ratepayers have views about adopting a similar penalty regime to the one proposed for the VOA's new duty?

49. We do not favour the introduction of a separate sanctions regime. If one were to be introduced, we believe that fixed sum penalties should be administered, and only after warning letters have been issued.
50. As part of the proposed VOA duty regime, account is made of the impact that failure to supply information or provision of false information has on the value of rates recovered. In the case of DBR, it is difficult to see what the loss of revenue is arising from failure to supply information. We therefore do not believe that this aspect of the regime should be included in that relating to DBR, if a separate sanctions regime were to be introduced.

Question 22: What concerns do you have about a DBR sanctions regime?

51. We believe that businesses would lose out from not supplying the information required as they would then not be able to see all their rates and tax information in the same place. We believe that this is sufficient motivation to supply the required information.

Question 23: Do you envisage risks with applying the principle of conditionality to new or redesigned reliefs? If so, how can these be mitigated?

52. We believe that the proposal to remove entitlement to business rates reliefs in response to non-compliance seems harsh. Not being able to access such reliefs could cost businesses thousands of pounds and does not seem proportionate to the failure to comply.

Question 24: Are there alternatives to penalties not explored in this document that the government should consider?

53. As set out above, we believe there should be a single compliance regime for the VOA and DBR requirements.

Question 25: What are ratepayers' and agents' views on whether ratepayers will want their agents to discharge their duty to supply the mandatory reference numbers needed for DBR?

54. We believe that many ratepayers would like their agents to be able to use the DBR system on their behalf.

Question 26: Where a ratepayer wants an agent to discharge their duty to supply the mandatory reference numbers needed for DBR, do agents know/can they easily obtain the tax and property references set out in Chapter 3? Are any more or less easily accessible?

55. If the business has different agents for tax and business rates purposes (which is likely), a difficulty may arise if the agent holding the required information is different to the one that will be adding it to the DBR system. In this case, the business would need to provide the information needed to the agent or authorise the two agents to share information about the business with each other. Delays may occur in such circumstances.

Question 27: What are agents' views on the benefits and any drawbacks of agents being able to access the ratepayer's business rates billing information through DBR?

56. If the business has different agents for tax and billing rates purposes, there would be little benefit to either agent having access to the information they do not deal with. If the same agent is used for both purposes, then we can see obvious administration benefits to seeing all this information in the same place. In some cases a business might have concerns about an agent appointed for a limited purpose having access to other information.

Question 28: Do tax agents foresee any change in their clients' expectation of them because of being able to access their business rates billing information alongside their other tax information? If so, how, and what are their views on the benefits and disbenefits of that change?

57. We expect that businesses may prefer to deal with as few agents as possible, such that tax agents take on the responsibility of managing their clients' business rates affairs. This could reduce costs for businesses but may lead to agents some dealing with matters outside their field of expertise, although to do so would be against our professional conduct rules.

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>).