

Business Rates Review Call for Evidence – suggested LGA response to Tranche Two

Purpose of Report

For decision.

Summary

This report provides a brief introduction to the response to Tranche Two of the Business Rates Review Call for Evidence.

Recommendations

That members comment on and agree the Tranche Two submission (Appendix A).

Action

Officers to forward the Tranche Two response as agreed to HM Treasury and arrange for its publication on the LGA website.

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Tranche Two

Background

1. The fundamental review of business rates was announced in the December 2019 Queen’s Speech. Its [terms of reference](#) were published in March 2020 and a [call for evidence](#) on 21 July 2020.
2. The [call for evidence](#) restated the aims of the review:
 - 2.1. reduce the overall burden on businesses from business rates
 - 2.2. identify practical reforms that can improve growth and the sustainability of public finances
 - 2.3. explore alternative systems of taxation.
3. The government is also seeking to understand the impacts of COVID-19 on the business rates system.
4. The call for evidence states that business rates are an important source of revenue for local government, and the impact on the local government funding system will be an important consideration in reviewing the tax. However, the structure of the local government funding system, including Business Rates Retention, is outside of the scope of this review.
5. The Government is seeking evidence in two tranches:
 - 5.1. Tranche One on reliefs and the business rates multiplier by 18 September 2020 (Questions 1 to 9).
 - 5.2. Tranche 2 includes valuation and transitional reliefs, valuation of plant and machinery, valuation transparency and appeals, maintaining the accuracy of rating lists, the billing process and alternatives to business rates (Questions 10 to 43). The deadline for the response is 31 October 2020.
6. At your meeting on 10 September you agreed the response to Tranche One. This has now been submitted to HM Treasury and [published](#) on the LGA website. This report covers the Tranche Two response.

Proposed Tranche Two Response

7. The Tranche Two response, at Appendix A, starts off by summarising the key points in the Tranche One submission, in particular principles such as sufficiency and buoyancy and the context of the submission. This is followed by answers to the questions (set out in full in Appendix B) which concern the following:
 - 7.1. Valuations and Transitional Relief;
 - 7.2. Plant and Machinery and Investment;
 - 7.3. Valuation Transparency and Appeals;
 - 7.4. Maintaining the accuracy of rating lists;
 - 7.5. The billing process;
 - 7.6. Exploring alternatives to business rates.
8. This response reflects the views of the Business Rates and Local Government Finance Reform Task and Finish Group who considered a partial draft of the response along with a separate paper on capital value tax at its meeting on 29th September. The answers to the questions on capital values taxation (questions 33 to 38) have been drafted subsequently in the light of members' comments at that meeting.

Further work

9. At the Task and Finish Group meeting, members also discussed the possibility of the LGA commissioning external work on alternative ways of raising finance for councils. At the next meeting of the Task and Finish Group, members will be considering future areas of work for the group on business rates and wider local government finance reform, LGA policy on council tax, and the role of tax in incentivising behaviours.

Recommendation and next steps

10. That members comment on and approve the Tranche Two submission.
11. Officers to forward the completed Tranche Two response to HM Treasury by the closing date of 31st October 2020.
12. Officers to keep the Executive Advisory Board up to date on the work of the Task and Finish Group including any proposals to commission future work.

Implications for Wales

13. The Review specifically concerns business rates in England. Local government funding is a devolved matter. We will engage with the Welsh LGA on matters that relate to both England and Wales.

Financial Implications

14. The submission to the Business Rates Review call for evidence is part of the LGA's core programme of work and as such has been budgeted for in core work programme budgets. Any outside commissioned work would have to be budgeted for separately.