

Digitalising Business Rates: Connecting business rates and tax data

Purpose of report

For decision

Summary

This report introduces the HM Revenues and Customs [consultation](#) on digitalising business rates which closes on 30 September 2022 and presents a suggested response from the LGA for your consideration.

Recommendation/s

That members comment or provide any amendments to the LGA response in Annex A and agree that it be submitted to HMRC as the LGA response.

Contact details

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Digitalising Business Rates: connecting business rates and tax data

Background

1. In reforms first outlined at Budget 2016 and reaffirmed in the [Final Report of the Business Rates Review](#) in October 2021, the Government stated that 'modernisation and digitisation, as well as how data can be used to improve administration of relief where feasible, would be an effective way to support firms to navigate the business rates system'; with DBR (digitalising business rates) representing a major step towards modernisation of the business rates system.
2. Following engagement with the sector, including the LGA, HMRC published a [consultation](#) on 20 July 2022. This contains proposals to:
 - link business rates information (held by billing authorities (BAs) to tax records (held by HMRC).
 - enabling businesses to view a copy of business rates billing information for all their non-domestic properties in England in one place, alongside other tax information.
3. The consultation does not consider any wider reform of the business rates system, although it is noted that the data provided by DBR once it has been delivered may enable future reform of reliefs. In the consultation paper the Government confirms that DBR will not impact the rates retention process or change any funding model and local government will remain responsible for business rates billing, relief administration and collection.

Summary of consultation and proposals

4. The Government wants ratepayers to have access to business rates data alongside other business tax information. For this, it is necessary to link business rates accounts to other tax data.
5. The Government is considering ways of automating opportunities to match data. Three options are described in the consultation paper.
 - Option A – the Government's favoured option - requesting information as part of the forthcoming duty to supply information to the Valuation Office Agency (VOA).
 - Option B - Requesting ratepayers provide tax reference information to their Billing Authority (BA) who would then pass this to HMRC. This is considered by the Government to be the most costly and complex to deliver.

- Option C – Requiring ratepayers to log on to HMRC’s online services. This option would be likely to involve the most extra work for ratepayers.
6. The Government is also seeking views on how frequently information should be updated, how DBR could assist with the administration and targeting of business rates reliefs, and compliance with DBR.

Proposed LGA response

7. The proposed LGA response is attached at Annex A. In summary:
- The LGA supports the digitalisation of business rates (DBR) in principle and welcomes the commitment that DBR will not materially alter the established roles and responsibilities of different parts of government within the business rates system
 - We raise concerns about compliance with and the avoidance of business rates and we call for the Government to tighten up on these.
 - We agree the Option A is the best way for information to be provided.

Implications for Wales

8. The consultation applies to England but there is a question on extending the arrangements to Wales. Welsh local authorities and the Welsh Local Government Association (WLGA) will be best placed to answer this question although we will liaise with the Welsh Local Government Association on this.

Financial Implications

9. The work outlined in this report will be contained within the core budget of the LGA.

Equalities implications

10. The consultation paper states that it is not anticipated that there will be disproportionate impacts for those in groups sharing protected characteristics and that equality impacts will be further considered following the consultation. HMRC will consider alternative provisions for those who are digitally excluded or need digital assistance.

Next steps

11. Officers will submit the response as approved by members to HMRC and continue to engage with HMRC, the VOA and DLUHC on the implementation of the policy. Further updates will be brought to your Board when appropriate.

Annex A: Digitalising Business Rates - connecting business rates and tax data - LGA response