

Digitalising Business Rates - connecting business rates and tax data

September 2022

1. The Local Government Association (LGA) is here to support, promote and improve local government. We will fight local government's corner and support councils through challenging times by making the case for greater devolution, helping councils tackle their challenges and assisting them to deliver better value for money services.
2. This response has been agreed by the LGA Resources Board.

Introduction

3. The LGA supports the digitalisation of business rates (DBR) in principle and we have been participating in the officer level working party convened by HMRC to discuss this. In our [submission](#) to the Call for Evidence for the Business Rates Review we supported a centralised online system on the proviso that it did not change the billing authority's responsibility for the collection of business rates. We welcome the commitment in the consultation paper that DBR will not materially alter the established roles and responsibilities of different parts of government within the business rates system and that, in particular, billing authorities (BAs) will remain responsible for the administration of business rates, including billing, collection, and enforcement, and making decisions on the award of relief to businesses.
4. We are concerned about compliance with and avoidance of business rates. We carried out a survey in July 2019 which found that the main methods of avoidance are repeated short-term occupation to qualify for periods of empty property relief, misuse of charitable relief for avoidance purposes, misuse of the insolvency exemptions, dividing properties in order to claim small business rates relief. In our submission to the Call for Evidence for the Business Review we called on the Government to tighten up on the abuse of reliefs on the same lines as in Wales and Scotland. This would mean giving billing authorities new powers to crack down on avoidance. We do see digitalisation as a tool for compliance but we still consider that councils need more powers.
5. Our answers to the questions are set out chapter by chapter. We have not answered questions which are directed to ratepayers and agents only.

Chapter 2 questions

Question 1: How would Welsh Local Authorities, ratepayers, agents and broader stakeholders feel about the possibility of DBR being extended to Wales?

6. Welsh local authorities and the Welsh Local Government Association will be best placed to answer this question.

Chapter 3 questions

Question 2: Do ratepayers know/can they find their SA/Partnership/CT UTR and VRN? If not, what would make this easier?

Question 3: Where ratepayers do not have one of these reference numbers, would identifying themselves as a taxpayer by providing a National Insurance Number or Company Reference Number cause any issues for them? If so, what are they?

7. Ratepayers will be best placed to answer these questions.

Question 4: If ratepayers alternatively needed to provide property reference numbers, would it be easier for them to provide a) a Billing Authority (BA) reference number plus BA name b) a BA reference number plus 4-digit BA code, or c) a Unique Property Reference Number?

8. Ratepayers will be best placed to answer this question and billing authorities will be able to explain the relationship between the different property reference numbers.

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

9. The consultation mentions three such scenarios where an occupier may be liable for business rates but will not be a business taxpayer; new businesses, non UK residents and occupiers of properties such as beach huts, stables or garages. As mentioned in the answer to the following question, liability for business rates and other business taxes is not necessarily the same so there are likely to be others.

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? EG, 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?

10. Yes, the key issue is that liability for business rates, which derives from occupation or, in the case of empty properties, entitlement to possession, is not necessarily the same as liability for other business taxes such as VAT or Corporation Tax, where liability is derived differently. Our understanding is that tax reference numbers are unique, but that in the case of joint and several liability, all persons who have an equal interest in the property are jointly and severally liable and that this may not be identical to liability for other business taxes where the liable body is an entity such as a limited company.

Question 7: When might a taxpayer reference that is associated with a property portfolio under DBR change? (eg, 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?

11. Unique property reference numbers and account numbers for business rates may change with splits and mergers of property.

Chapter 4 questions

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?

12. For reasons explained below, we agree that option A is the lead option. The new ratepayer duty to provide information does provide an opportunity to implement DBR. The forthcoming Non-Domestic Rating Bill should provide an opportunity for HMRC, the VOA and organisations representing billing authorities to work together on the detailed processes after the publication and introduction of the Bill. It is not clear at this stage when the duty will be introduced; we understand that the VOA is working on a timetable which would see it launched during the 2023 rating list. If there is a 'soft' launch, data may not be available from all ratepayers immediately and full implementation of DBR may have to wait until the duty is fully rolled out. We go into more details about the challenges posed by options B and C in our answers to question 9 and 10 below.

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

13. Each option has challenges. The challenge of option A is the fact that the legislation governing the new duty has not yet been introduced and the process has not been designed in detail, as well as plans to roll it out gradually. Option B would require every billing authority (BA) to collect a tax reference from ratepayers; this would be a new burden and we would expect the New Burdens process to apply. It might be particularly challenging for those recipients of 100 per cent small business rates relief. Option C would rely on taxpayers using a service such as self-assessment; it is not necessarily the case that all taxpayers will engage with HMRC in this way. As the consultation says; not all business taxpayers are liable for business rates so all businesses would have to be in scope whether they are business ratepayers or not.

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

14. Under option B billing authorities would be required to obtain information from ratepayers. As the document says, this could be done when new ratepayers register for business rates but this would not cover existing ratepayers. It would require either a new process or for more information to be collected at the same time as annual billing. In either case, as stated above, it would be a new burden and should be funded.

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

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)?

15. Ratepayers will be best placed to answer these questions.

Question 13: Other than those outlined in this document, are there any options for how DBR might collect data to enable matching of taxpayer and ratepayer information that would work better to achieve the policy aims?

16. We cannot think of any other options at this time.

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

17. Ratepayers will be best placed to answer the question.

Question 15: How much might you expect it to cost BAs to upgrade systems to export billing information to HMRC? Please provide the evidence or assumptions that support your estimate. This will help inform new burdens funding estimates.

18. We welcome the recognition that DBR will lead to costs for BAs which would be covered following a New Burdens assessment. There are likely to be costs to councils from each of the options, for example the need to deal with mismatches due to data being entered slightly differently. The responses to this question will be very useful in scoping a future new burdens assessment but should not replace a proper assessment.

Chapter 5 questions

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?

19. This question is addressed to ratepayers, but we can also see that billing authorities would have a clear interest in using a service, for example for checking eligibility to reliefs. We note and welcome that the consultation says that DBR should not change the billing authority's responsibility for business rates, so that any future billing functionality should link to the billing authority.

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

20. This question is primarily addressed to ratepayers. However, we would note that liability for business rates is determined on a daily basis and circumstances can change every day. Therefore, any service should be updated at least daily. Ideally any changes should be notified and billing authority systems updated automatically so that billing authorities do not have to clean data, although there may be an initial data clearing exercise.

Question 18: Could DBR data help with targeting and administering reliefs? If so, for which reliefs would it be help most and why?

21. Responsibility for determining and awarding reliefs is that of the billing authority. We can see that a service could, at least in theory, help billing authorities with both mandatory and discretionary reliefs as long as it gave billing authorities the ability

to look at data for ratepayers with properties both in their own and other billing authorities.

22. We would anticipate that a DBR system could most immediately help with mandatory reliefs such as small business rates relief and that it could also have a role in checking on entitlement to charitable relief and empty property relief. This is because it would enable billing authorities to see if ratepayers met the eligibility criteria for small business rates relief, for example by checking for potential occupation and valuation of properties in other billing authorities.
23. We are concerned about business rates compliance and avoidance. Based on a [2019 survey we](#) estimated that around £250 million per annum, or about 1 per cent of total business rates income, is lost to avoidance. We are particularly concerned about the abuse of reliefs such as empty property and charitable relief, as well as small business rates relief and abuse of insolvency legislation. A digital business rates service, could, at least in theory, give councils new tools to combat business rates avoidance, although we remain of the view that the Government should change the regulations to tighten up on all business rates avoidance including, for example, taking advantage of the six weeks occupation to qualify for another period of business rates relief. Similar measures have been enacted in Wales and Scotland

Question 19: Is there any other data that DBR could provide to help billing authorities feel more confident when awarding reliefs and/or grants?

24. Some reliefs and grants are subject to subsidy control rules and these generally apply for the business as a whole. The normal practice in this case is that the ratepayer certifies that they are not in breach of subsidy control limits, but there is no way of checking across authorities. DBR could provide a way of checking on subsidy control limits, although it should be recognised that this would place more new burdens on councils and should be funded accordingly.

Chapter 6 questions

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

25. We have yet to see the detail of the new VOA duty which is expected to be contained in the Non-Domestic Rating Bill so it is difficult to answer this question. In our response to the technical consultation on business rates reforms, we expressed our support for the introduction of a compliance regime with sanctions and penalties for non-compliance for late or incomplete information, missed deadlines or the provision of inaccurate or false information as we considered that it should be in line with other tax compliance regimes. There should also be a compliance regime for ratepayers covering their duties to councils.

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?

26. This question is addressed to ratepayers. Our general views about compliance regimes are contained in the answer to the question above. If it is decided to adopt option B, it would be necessary to give councils the same compliance powers as it is proposed to give the government for option A.

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

27. As long as the regime is proportionate we do not have any concerns.

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

28. As stated in the answer to the question above, as long as the regime is proportionate we do not have any concerns.

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

29. We do not have any alternative suggestions to offer.

Chapter 7 questions

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

Question 26: Where a ratepayer wants an agent to discharge their duty to provide 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?

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

Question 28: Do tax agents foresee any change in their clients' expectation of them as a result of being able to access to 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?

These questions are addressed primarily to ratepayers and agents.

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