Business rates three-yearly valuations

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The CIOT responded to the recent consultation by the Ministry of Housing, Communities and Local Government focusing on the case for more frequent revaluations for business rates.

A final report from HM Treasury to the Fundamental Review of Business Rates is expected in Autumn 2021. However, in July the Ministry of Housing, Communities and Local Government issued a standalone consultation on more frequent valuations, an area identified as a priority by respondents to the wider review.

Revaluations currently take place on a five-yearly basis. The next revaluation will take effect in 2023. This consultation set out proposals for achieving a three-yearly revaluation cycle and the administrative changes needed to support a shorter cycle including:

- a duty to notify the Valuation Office Agency (VOA) of changes to the occupier and property characteristics; and
- the mandatory provision of rent and lease information, as well as trade and cost information for valuation.

These changes would be supported by a new compliance framework.

In addition, the consultation proposes the reform and streamlining of the current appeals system to deliver a three-year cycle, including a three-month window for challenges to be submitted.

The CIOT noted that the stated aim of a three-yearly revaluation cycle is to deliver a fairer and more responsive system. However, the consultation does not address the interaction of the proposed three-yearly cycle with the transitional adjustment scheme. The objective of the transitional arrangements is to provide relief

for ratepayers facing large increases in bills because of the revaluation, funded by ratepayers who have reduced rates bills as a result of the revaluation. There is a tension between the continued existence of transitional relief that seeks to smooth out the revaluation gains/losses with the desire to allow changes in economic conditions to feed through more rapidly into businesses' liabilities.

We said that the new requirements to notify the VOA and the mandatory provision of rent/lease information is a significant step-change away from the informal basis of rates that has existed for years where there has never been any duty on the ratepayer to notify the billing authority of changes that affect liability. It should be borne in mind that rights over commercial property and its physical state change frequently, often in complex ways, and much of the background information is not digitised.

Similarly, reforming the appeals system so that challenges must be made within three months of a rates bill is a major cultural change.

It will be important that as far as possible information provided through existing reporting requirements (for example, trade and accounts information provided via corporation tax returns or lease details in stamp duty land tax transaction returns) is not duplicated and not required to be submitted again.
We firmly supported the proposal for 'soft launches' of the new requirements and a staged introduction of compliance measures. We think it would be helpful to set out the different stages in the form of a roadmap to build awareness and ensure that agents and ratepayers can see the timing well in advance and plan accordingly.

A theme of the current consultation is the government's objective of bringing business rates more in line with other taxes and the wider tax system. In our view, a smooth move to a three-year cycle involves building trust in the new regime and the related compliance regime – achieving a balance between powers and appropriate safeguards. With this in mind, the CIOT has developed ten principles against which HMRC's use of its current powers and safeguards and any new measures can be evaluated. These principles are relevant to the design of a new compliance system for business rates and would support alignment with the wider tax system and help to instil trust in the new regime.

The full response can be read at www.tax.org.uk/ref819.