

The Special Interest Group of Municipal Authorities (Outside London)

Business Rates Review: technical consultation – SIGOMA response

About SIGOMA

This submission is made on behalf of SIGOMA, the Special Interest Group of Municipal Authorities. We welcome the opportunity to respond to the consultation.

SIGOMA is a special interest group (within the LGA) representing 47 local authorities covering key urban areas in the North West, East and West Midlands, the North East, Yorkshire & Humberside and the South-coast; consisting of 33 metropolitan districts and 14 major unitary authorities.

Our members are all billing authorities and are responsible for collecting around 19% of all business rates in England (despite representing just under 25% of English residents). As Billing authorities we are affected in two ways: firstly in the administration of the business rates system and secondly due to our dependence on business rates to fund local services.

Our response to your questions are set out below, if you would like to discuss our answers please do not hesitate to contact us.

Q1. Do you have any views on the proposed implementation of the information provision system? What issues should be considered in the design of the new system.

Members are supportive of a scheme that places greater responsibility on the taxpayer to notify the valuation office agency (the VOA) of changes to their property, provided that:

* Every occupier or potential occupier is aware if their responsibility
* They have access to the means of responding without bureaucratic or electronic obstruction
* The have sufficient time to respond
* They receive reasonable reminders in order to comply before penalties are applied
* They understand where to go to receive information and explanation
* It is not unduly onerous or costly to comply

In addition we suggest that councils should have a means of reviewing and commenting on notification of changes.

We also suggest the agency must consider and make clear how it will deal efficiently with large scale ownership of regionally located assets such as retail stores and (now) schools.

Q2. Can you see any difficulties in collecting this information or providing it to the VOA? Is there any further information that should be provided?

There may be difficulty of online access for owners of low value property.

There may be peak demand for an online service which the VOA must resolve. One of the risks is the system being overwhelmed at peak times. Therefore the Department could fund councils to provide a helpline service at peak times.

VOA should be clear to distinguish between the notification of a date of a change and the effective date.

Q3. How can the VOA best help customers understand what is needed and how to provide it?

This is a significant change and taxpayers must be fully aware of their responsibilities. Methods of communications will include:

* Press, news and social media outlets.
* Information to agents and financial advisors.
* Hard and electronic notification with business rate bills.
* Support councils to provide hotline and similar drop-in briefing sessions

Q4. How do you want to be engaged with as this system is developed?

Our members wish to be fully involved in every step in the development of the proposals through local agents and national forum. This would also include Business Rate Information Letters and Taxation forum.

Q5. Does the proposed framework strike the right balance between a system of proportionate and flexible sanctions, and one which helps ratepayers to meet their obligations?

Although this is a large step for the Treasury it seems to offer a great deal of latitude to the taxpayer, especially in the early years.

The real test will be whether the measures ensure the compliance they require. Weak measures may result in a lack of compliance and difficulty for the VOA to maintain more frequent revaluations. We wonder what the VOA plan for non-compliance is until 2026. We assume there will be limited right to challenge in these circumstances.

Ultimately they should have the desired effect and they are broadly supported

Q6. What would you wish to see in an online service to best help ratepayers meet their obligations?

The online service should have:

* Advance warning of the information that will be required
* The ability to save and return to a submission.
* The ability to upload photographs and documents.
* The ability to download a submission.
* Sufficient capacity to accommodate large volumes at peak times.
* Online real time help (as well as FAQs).

Q7. Under what circumstances would 30 days not be enough time for ratepayers to meet their obligations?

These could include :

* Death or illness of a family member of business partner,
* Inability to access premises.
* Legal dispute
* Temporarily out of the country

These could be evidenced and extensions provided as appropriate

Q8. What processes might ratepayers have to put in place to meet their obligations and what costs might this bring?

We feel that ratepayers themselves are best placed to respond to this. Shifting the evidential burden will no doubt incur some additional time and effort by the taxpayer, but no more-so than income tax, corporation tax or VAT, which is not recompensed.

Q9. Do you have any suggestions for how this compliance framework could be improved? If so, please provide evidence or scenarios.

Simple returns, perhaps according to a de-minimis could be pre-populated as far as possible with a “no-change” option.

Q10. Do you consider that the proposed reform to the rules on MCCs will ensure that changes in economic factors, market conditions or changes in the general level of rents are reflected at revaluations? If not why not?

We agree with the intention of the proposed reforms. This still seems open to judicial interpretation and so may tested in individual cases but the shorter revaluation period seems to be a reasonable trade-off against more engagement by the taxpayer which we trust agents and other bodies representing taxpayers will agree.

It may help to publish illustrations of what would and would not be considered as a material change of circumstances.

Q11. What are your views on the proposed improvements to the CCA system? How else could we improve CCA in a system under which ratepayers are now providing information under the new duties?

Members are broadly supportive of measures that limit the risk to the list, both in value and over time and consider the provisions reasonable providing the VOA can fulfil its intended early publication of the draft list. The department may need to consider how to treat challenges on additions/removals/changes between the draft list and the final list or when an amendment to the list occurs.

Clearly the extent to which taxpayer groups are comfortable with the rules will depend on their easy access to information and the declaration process and to speedy resolution of disputed issues.

Q12. Are there particular considerations that the respondents consider the Government should have particular regard to when moving forward with phase 2 of transparency?

Probably the most confusing aspect for ratepayers of a business rates at revaluation is the change in the rate charge relative to the revaluation, as this is a factor not only of the rateable value but of the change in multiplier. At both phase 1 and phase 2 there should be a strong emphasis on the reasons for this, though hopefully more frequent valuations should mitigate this effect.

This is likely to generate a significant volume of enquiries and the department should be resourced sufficiently to meet this. It is recommended that the system is tested on practitioners beforehand.

Q13. Will the proposed rules for the improvement relief ensure the relief flows to occupiers who are investing in their business?

Like many business rates tax incentives, it is one in which councils will, it seems, be expected to share a burden of the relief. Therefore government should compensate councils for their share of lost income due to the relief. The relief should flow to the occupier in all but a minority of case. Like capital allowances, it will be a marginal influencer of investment decisions

Q14. Do you consider that the 2 conditions will give effect to the stated policy intent? Do you have any concerns regarding the practical application of the conditions as set out?

Verifying occupation of the property may result in some additional burden for councils, who should be involved in scheme development and should be considered for new burdens funding if onerous.

Q15. Do you agree that the proposed method of reaching the chargeable amount will achieve the objective of preventing ratepayers who have undertaken qualifying works from seeing an increase in their bill for 12 months as a result of the qualifying works?

The proposal should achieve the objective but will either require manual adjustment to councils automated billing system or possibly some minor system alteration of billing software. The department must consult with authorities on the solution to this.

Q16. Do you agree that the proposed changes to the plant and machinery regulations would ensure that plant and machinery used in onsite renewable energy generation and storage used with electric vehicles charging points are exempt?

Q17. Do you agree that the tests we are proposing in the heat networks relief scheme will ensure the relief is correctly targeted?

Members have no comment on the proposals

Q18. What are your views on the proposed reform to the administration of the central list?

Whilst understanding the administrative simplification of placing items on the central list Members object to its potential widening without the need for regulations due to the lack of openness regarding the use of the central list for local authority purposes. The change should be accompanied by a commitment to give a clear unambiguous and easily understood analysis of how the funds for the central list are applied for local government purposes. For the avoidance of doubt this does not mean a verbal statement

Q19. Do you agree that decisions on the operation of local discretionary relief schemes should be localised to billing authorities in the way proposed? Do you consider any rules should still be imposed from central government and if so why?

We agree with the proposition

Q20. Are local authorities, ratepayers or other interested stakeholders aware of any other instances where existing constraints on section 47 (powers to award relief) are giving rise to administrative challenges or unintended practical outcomes

Members have no comment on the proposals

Q21. Would the proposed reforms to the multiplier improve the administration of the system and if not why not? Do you agree that the deadline for confirming the multiplier should no longer be tied to the approval of the local government finance report?

We are not clear that the improved administration justifies the lack of scrutiny. Since local authorities are, more than ever, dependent on business rates funding, this factor remains very much in the domain of local government finance and should be subject to parliamentary scrutiny.

We would also ask that councils continue to be recompensed up the rate of RPI.