

## Non-Domestic Rating Information and Impact Note Business Rates Reforms: New Duty

### Scope of the note

This note only covers the expected impact on ratepayers of the new duty (including the annual confirmation obligation) that will be introduced as part of the government's reforms to the business rates system, as announced in the conclusion of the Business Rates Review at Autumn Statement 2021. Its scope does not cover the remainder of the reforms, which are covered in the Digitalising Business Rates Impact Note or which are not expected to result in significant costs to ratepayers.

### Who is likely to be affected

People in England who are occupiers of, or have a right to occupy, a unit of property which is liable to pay business rates, including units whose liability is usually covered by a relief. For the purposes of legislation, each unit is known as a hereditament.

### General description of the measure

As part of a wider package of measures to support more frequent revaluations, which are a common and key stakeholder priority, a new duty on ratepayers to proactively provide information to the Valuation Office Agency (VOA) will be introduced. Currently, ratepayers are not obliged to proactively notify the VOA of changes but are required to respond to requests for information. Under the new system, ratepayers will, as is the case for other taxes, be expected to find out what their obligations are and proactively comply, using an online service. Ratepayers will need to notify the VOA within 60 days of changes to occupier and property characteristics that are relevant for valuations. For annual confirmation, where ratepayers will be required to confirm they have provided information which is required of them during the previous year, and where trade and accounts or costs basis information is relevant to the valuation so is required, this will need to occur within 60 days of 30 April each year.

In many instances, existing obligations will be replaced by the new duty. This means that for some ratepayers, the new duty may reduce the occasions where they are required to provide information, as information will now only need to be provided following a change, rather than by request.

### Policy objective

The duty will improve the completeness and timeliness of evidence used for valuations which will support more frequent revaluations. More frequent revaluations represent a significant improvement in the business rates system by ensuring that changes in the underlying property market are better reflected and that valuations respond to economic changes in a timelier fashion. More frequent revaluations also improve fairness for ratepayers as revaluations redistribute business rates between ratepayers to more accurately reflect changes in relative values.

Comprehensive valuation information across all hereditaments is required to ensure greater accuracy of the rating lists and correct application of the tax. Therefore, the duty will apply to occupiers of, or those that have a right to occupy, all non-domestic hereditaments. The only exception is for hereditaments that are wholly exempt. The new duty will be accompanied by a proportionate compliance regime.

Provision of this information will ensure that the VOA has more comprehensive information about properties and market rents to update valuations. It will increase the quantity and quality of

evidence used to derive valuations and improve valuation accuracy. This should reduce the need for ratepayers to challenge their valuation.

### **Background to the measure**

The government launched a review of the business rates system in March 2020. At the 2021 Autumn Budget, the government published its conclusions in the Final Report of the Business Rates Review which set out plans to meaningfully improve the operation of the system, including by moving to three-yearly revaluations from 2023. The government's proposals for implementing these reforms were published in a technical consultation in November 2021 and confirmed in the Summary of Responses in March 2023 published alongside this document.

### **Detailed proposal**

#### **Operative date**

The government aims to implement the duty during the 2023 lists. It will begin once it is satisfied that the online system allows users to comply with the duty reasonably and efficiently. There will be a phased launch of the system and user-testing that will inform this. The annual confirmation process will be introduced once the government has ensured it will be sufficiently straightforward for ratepayers to complete.

### **Summary of impacts**

#### **Impact on business including civil society organisations**

This measure will only impact businesses and organisations that occupy, or have a right to occupy, non-domestic hereditaments, where the hereditament is not wholly exempt from rating. The impacts on ratepayers are detailed below.

#### **Impact on individuals, households and families**

There is expected to be limited impact on individuals as this measure only affects ratepayers. There will be an impact on individuals who occupy, or have a right to occupy, non-domestic hereditaments, where the hereditament is not wholly exempt from rating, as outlined below.

#### **Impact on ratepayers<sup>1</sup>**

Ratepayers will be able to comply with the new duty by using an online service to notify the VOA of a relevant change and complete their annual confirmation by confirming that they have provided any information which is required of them during the previous year. The system will be soft launched to ensure stakeholder feedback is reflected. The impact on ratepayers outlined here uses currently available information and estimates based on how the system is expected to work. Through user testing and phased implementation, we will build a better understanding of ratepayer impacts and look to minimise these through system design and clear guidance.

We estimate approximately 1.3 million ratepayers will be impacted by this measure. The measure is expected to benefit ratepayers by supporting the move to more frequent revaluations, which is a longstanding stakeholder ask and represents a significant improvement to the responsiveness of the system to economic changes and the fairness of the business rates system.

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<sup>1</sup> This impact assessment is based on available information. In instances where data is not available reasonable assumptions have been made. Actual costs will be dependent on the individual circumstances of the ratepayer and agent. Existing costs are provided as an average but actual annual costs may fluctuate throughout the lists. Figures have been rounded to the nearest £5/£5m as appropriate.

In many instances, the new duty will replace existing ratepayer obligations such as Forms of Return and Rent and Lease Details (FoRs and RALDs), which can be lengthy and time consuming to complete. For some ratepayers, the new duty may reduce occasions where they are required to provide information, as information will now only need to be provided where there is a change rather than by request. The new duty will also replace the current optional interaction of Check, the first stage of the VOA's Check, Challenge and Appeal process.

The estimated annual total cost of completing Check, FoRs and RALDs, under a baseline five-year revaluation cycle scenario, absent the duty and supporting policy changes would be approximately £20 million for all ratepayers in total, or the equivalent of **approximately £15 per ratepayer**. **When the new system is introduced, due to the duty, this cost will be largely removed for the vast majority of ratepayers** as Checks will be removed and FORs and RALDs issued only in small numbers.

**The cost of complying with the new duty is expected to be on average £35 per ratepayer each year** once ratepayers have familiarised themselves with the new system. This is an uplift of £20 per ratepayer from the current system and equates to a total annual impact of approximately £45 million for all ratepayers.

In the first year of complying with the new duty, we expect additional time will be needed for a ratepayer to adjust to the new system. We estimate this to be **an additional cost on average of £15 per ratepayer**, equating to an additional cost in the first year of £20 million for all ratepayers in total.

For some ratepayers, these costs of complying with the new duty will not represent additional costs compared to those incurred on the current system.

### **Impact on billing authorities**

The 309 billing authorities in England with responsibility for business rates billing will be impacted by the measure. Billing authorities may need to adjust some hardware and software. The VOA is working closely with billing authorities on what will be required, and new burdens funding will be provided if any additional costs are imposed on billing authorities. Any such costs are yet to be quantified.

### **Equalities impacts**

It is not expected that there will be disproportionate impacts on groups sharing protected characteristics. However, provision will be made for the 'digitally excluded'. While this is not itself a protected characteristic, it can correlate with some protected characteristics (eg. age, disability, religious belief). When designing the online service, VOA will take account of the needs of the digitally excluded and determine any reasonable adjustments which can be made to the policy and/or the service to address those needs. Similarly, the service will be designed to be accessible by those with any additional needs, such as the visually impaired.

### **Operational impact (£million)**

The VOA is currently replacing its core technology systems and data structures. It is the functionality of these platforms that the system will leverage to help facilitate delivery of these non-domestic rating changes. The exact operational costs and savings of the reforms are not yet quantified. There will be reduced costs of issuing and processing completed Forms of Return and administering Check. There will, however, be significant increases in costs for delivering a more frequent revaluation cycle, processing information provided under the new system, supporting customers and ensuring compliance, which are expected to increase the VOA's overall operating costs in future years.

### **Monitoring and evaluation**

The measure is supported by an evaluation plan and will be monitored at review points throughout the roll-out. There will be a decision point before the move from soft launch to the formal implementation of the new duty, including annual confirmation.

**Further advice**

If you have any questions about this change, contact the VOA at: [NDRIN@voa.gov.uk](mailto:NDRIN@voa.gov.uk).