



HM Treasury



Ministry of Housing,
Communities &
Local Government

Consultation: more frequent revaluations

Fundamental Review of Business Rates

July 2021



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Foreword

This is a public consultation on delivering more frequent revaluations for business rates (non-domestic rates), part of the government's Fundamental Review of Business Rates.

HM Treasury previously published a call for evidence on the Fundamental Review in July 2020, and published the results of this call for evidence in the Interim Report in March 2021. The Final Report, setting out conclusions across the scope of the Review, will be published in Autumn 2021.

This is a standalone consultation focused on more frequent revaluations, an area of reform that respondents identified as a priority in the call for evidence. We are seeking further input and evidence from interested parties to inform policy development, including on the trade-offs necessary to deliver different revaluation frequencies. Work continues on the other elements of the Fundamental Review in response to the views expressed in the call for evidence, and this consultation does not address those areas directly.

The Local Government Finance Act 1988 introduced 5-yearly revaluations. The first modern revaluation was implemented in 1990. The revaluations since then have been implemented in 1995, 2000, 2005, 2010, and 2017. The next revaluation will take effect in 2023.

This consultation sets out specific proposals for achieving a 3-yearly revaluation cycle, which would both enable more-frequent revaluations, and deliver other key benefits for ratepayers, including more accurate valuations, greater transparency about how their rateable value has been determined, and enable business rates liabilities to more closely reflect current economic conditions.

The package of reforms proposed here represent a significant change, both for the administration of the revaluations system and for the way ratepayers engage with the system. The Government is seeking views from stakeholders on this overall package of proposed measures.

This consultation also seeks to test the Government's emerging thinking with regard to the viability of even more-frequent revaluations, for example introducing a system of annual revaluations such as those used in Hong Kong or the Netherlands. For the reasons described in Chapter 4, it is the Government's expectation that that the costs of such a change would outweigh the benefits, and we are seeking to test this conclusion with stakeholders – although, as noted below, these options remain under consideration for the longer-term.

Chapter 1

The case for 3-yearly revaluations

- 1.1 This chapter sets out the rationale for moving to a 3-yearly revaluation cycle, and provides an overview of the key operational challenges for delivering this faster cycle.
- 1.2 In 2016, the Government set an intention to move to a 3-yearly revaluation cycle. This document builds on that work, by setting out more detailed proposals for delivering a faster cycle.

Why deliver 3-yearly revaluations?

- 1.3 A more frequent cycle of revaluations would deliver key benefits for ratepayers:
 - **Ensuring that ratepayers see their valuations update more quickly**, allowing changes in economic conditions to feed through more rapidly into businesses' liabilities. As long-term changes in the economy continue to manifest, accelerated by the aftermath of the Covid-19 crisis, this would ensure that the business rates system is more agile and responsive to change.
 - **Improving fairness for ratepayers.** Revaluations redistribute the burden of business rates between ratepayers to more fairly reflect changes in relative values – a more frequent revaluation cycle would ensure that this occurs more often.
- 1.4 As set out in the Interim Report published earlier this year, a majority of respondents to the 2020 call for evidence expressed a preference for more frequent revaluations; and, of those who expressed a preference for increased frequency, the greatest number (approximately 50%) were in favour of 3 yearly revaluations.

A 3-yearly cycle presents some operational challenges

- 1.5 A faster revaluation cycle would require the VOA to conduct a full revaluation of England's non-domestic property stock – in addition to clearing all Checks and Challenges – in a shorter period of time than is currently employed.
- 1.6 On its current footing, the VOA has typically been asked to deliver a full revaluation cycle every 5 years. In practice, recent cycles have extended to 6-7 years. All else being equal, compressing the same workload into a 3-year window would risk the deliverability and quality of revaluation and appeals work. This could mean ratepayers receiving less accurate bills, and place

additional pressure on the Check, Challenge, Appeal (CCA) system resulting in delays to clearance of Challenges.

- 1.7 As part of the call for evidence process, a number of respondents raised the issue of funding for the VOA. While the Treasury continues to work with the VOA on future funding arrangements, further to the £22million provided for systems improvements at the last Spending Review in November 2020, **simply increasing VOA resourcing would not enable the deliverability of more frequent revaluations.**
- 1.8 This is because the VOA's workload is not even across the duration of a valuation cycle. Absent the policy changes set out in this document, compressing the workload into a 3-year period could produce significant peaks and troughs in required capacity. Simply increasing surveyor headcount would not address this imbalance, and the availability of qualified surveyors constrains the VOA's ability to meet the significant peaks in work that would result.

Policy changes would be needed to support a 3-yearly cycle

- 1.9 The government is therefore consulting on the following policy changes, to enable 3-yearly revaluations, and to ensure that the workload is sustainable over a 3-year cycle.
- 1.10 The changes set out in this document are designed to achieve 3 objectives:
- 1 **To improve the accuracy of valuations**, by providing for a more regular flow of information to the VOA, supporting more accurate and timely valuations, and bringing business rates more in line with other taxes. This will also help to manage the number of Challenges received against each list by ensuring that ratepayers are provided with a more accurate valuation at the outset, while still providing a well-run Challenge system for those that need it.
 - 2 **To reform and streamline the appeals system**. This would enable the VOA to approach the clearance of Challenges in a more systematic way, by clearing Challenges in thematic or localised batches. This, in turn, would enable faster overall clearance, benefitting ratepayers.
 - 3 **To deliver greater transparency for ratepayers on their valuations**. This would ensure that ratepayers have greater detail on how their valuations have been arrived at. This information would also be made available earlier, and outside of the Challenge process.
- 1.11 Further detail on the new reform measures designed to achieve these objectives is set out in the next chapter.
- 1.12 As well as delivering benefits for ratepayers, these measures would also represent a fundamental reform to the system itself, improving the way the system works by enabling:
- A more sustainable and predictable system, supported by more accurate and timely valuations.
 - Resolution of all Challenges before the end of the list

- Further digitisation ratepayer interactions with the system;
- The administration of business rates to be aligned more closely with the approach for other taxes.

1.13 Finally, once bedded in, the reforms set out below to support a 3-yearly cycle would provide the basis for potentially going further in the future, such as by increasing the frequency of revaluations or shortening the AVD.

Summary

1.14 Moving to a 3-yearly revaluation cycle would provide a significant improvement to ratepayers, delivering a fairer and more responsive system, alongside other benefits such as greater transparency on valuations.

1.15 In addition to delivering direct benefits to ratepayers, a 3-yearly revaluation cycle would also represent a fundamental reform to the business rates system itself.

1.16 To enable 3-yearly revaluations, it is necessary to introduce changes to the way that ratepayers engage with the VOA and the wider system, to ensure that the system remains sustainable.

1.17 The Government believes that this represents **a fair and balanced package of reforms**, and is seeking views on this from stakeholders.

Chapter 2

Policy measures to enable 3-yearly revaluations

2.1 This chapter sets out specific policy proposals for achieving the three objectives set out in Chapter 1: improving the accuracy of the list; reforming and streamlining the appeals system; and increasing transparency for ratepayers. The proposed approach to the new compliance regime is also set out in this chapter.

Improving the accuracy of the list

2.2 Improving the accuracy of the rating lists would strengthen the fundamental soundness of the system, ensuring that valuations are calculated using better and more timely evidence, and reducing the need for ratepayers to submit Checks and Challenges. These measures would also help to bring business rates more in line with other taxes, where self-declaration requirements on taxpayers as part of the assessment process are standard. Greater accuracy would also mitigate the risk of unplanned revenue loss from appeals, improving stability of financial planning by and for Local Authorities.

2.3 Two new requirements on ratepayers would help to improve list accuracy, and are essential to enable a 3-yearly cycle:

- A Duty to Notify the VOA of changes to the occupier and property characteristics that affect liability for business rates. Occupier information would be shared with Local Authorities.
- Mandatory provision of rent and lease information, as well as trade and cost information used for valuation.

2.4 As noted in the Interim Report of the Fundamental Review, responses to the call for evidence indicated general support in principle for greater reporting requirements in exchange for increased transparency (see below) and to support more frequent revaluations.

Duty to Notify

2.5 Under the current system, there is no mandated requirement for ratepayers to notify either the VOA or Billing Authorities (BAs) about changes to the occupation of a property, or changes to the characteristics (e.g. physical structure, fittings, use) which may have an impact on liability for business rates. The exception is when a ratepayer wishes to enter the appeal system

and needs to make a Check to do so. This differs from most other business taxes, where taxpayers are typically required to notify collecting authorities of changes.

2.6 The new **Duty to Notify** provision would introduce a mandatory requirement for rateable occupiers to notify the VOA of changes to the occupier, or changes to relevant property characteristics. These are likely to include, but are not limited to:

- structural alterations to the property such as extensions;
- the property being demolished completely or in part;
- conversion of parts of the property, for example a store room to an office;
- the property being split into two or more new properties, or merged with another;
- any change in use of the property, for example from a shop to a cafe, or a change from non-domestic to residential use.

2.7 Details of changes would be required to be made reasonably soon after the relevant change, to support a timely flow of information. These notifications would be made through an online portal, designed to be user-friendly and not highly burdensome on ratepayers. As with the current Check stage, further engagement with the VOA may be required.

2.8 Although Duty to Notify would be self-declaration, it would not amount to self-assessment. The VOA's valuation function would remain the same. The VOA would provide clear and extensive guidance to explain the process in detail, and support ratepayers with compliance with the new duty.

2.9 This measure would help to ensure that valuation officers have the necessary information to compile and maintain an accurate list. Critically, for revaluations, it would also mean that the VOA would be basing their valuations on a better and more up-to-date evidence base, leading to more reliable valuations. For ratepayers, this would provide assurance that they and others are paying tax based on the right property details, improving confidence in assessments and reducing the need for Challenges against the list.

2.10 It would also ensure changes in Rateable value are made closer to the actual change in the property, reducing the need for backdating of bills.

2.11 This would place a new duty on all ratepayers, but would be designed and implemented in order to ensure ease of use and impose a low burden on firms.

2.12 **An annual confirmation return.** Ratepayers would be required to access an online portal on an annual basis aligned with business rates billing, to confirm that the data held for their property remains correct. The data held would be displayed to users, meaning the user would not have to proactively provide inputs, merely provide confirmation. If the user confirms that the data held is incorrect, the system would automatically re-direct them to update the information held. This would be designed to be a light-touch

process, requiring minimal input from ratepayers that have already completed their returns 'on time' during the year.

Mandatory provision of lease information

- 2.13 The current valuation process relies on the VOA identifying properties that may offer the most useful market information, and requesting information (including lease details) from these property owners through a 'Form of Return' request. Requests are issued by post, and although generic returns can be completed online, there are a large number that are completed and returned in hardcopy. This is a non-comprehensive survey, meaning that some important evidence may not be gathered.
- 2.14 **This measure would require all property occupiers to proactively provide their lease details and other supporting information, such as side agreements, to the VOA.** The mandated information collected for valuation purposes would be similar to that requested in the current Forms of Return, which can be viewed on the VOA website.¹
- 2.15 The information required would depend on how the property is valued for business rates, but typically would include questions about the lease terms; the current rent and what it includes; any incentives or responsibilities agreed; and the dates of rent reviews. Some types of property would require questions about turnover, receipts and expenditure, or build costs. This information would be submitted digitally in a standardised format, that is easy to understand and complete. Most information would be required reasonably soon after the 'event' (such as signing a new lease, changes to a lease, costs for new builds subject to contractor's basis valuations, etc.). Some would be collected via an annual return (e.g. trade and accounts information).
- 2.16 This measure would provide a more complete picture of valuation information, and help to close the lag in the current process between the VOA issuing a request for Forms of Return and these being returned by ratepayers. This would help ensure that important rental information reaches the VOA in time for revaluations to be undertaken. This would improve the accuracy and timeliness of valuations, increasing stability for local authorities and for businesses. Over time, it would help to build trust in the system and reduce the need for Challenges against the list.
- 2.17 This lease information would not be shared outside the VOA.
- 2.18 As with the Duty to Notify, the Mandation of Information requirement would also be included in the annual confirmation (paragraph 2.12, above).
- 2.19 Mandatory information is also a pre-requisite for increased transparency (further detail on this is below).

Summary

¹ <https://www.gov.uk/government/collections/valuation-office-agency-request-for-rental-information-forms>

- 2.20 Together, these proposed measures – Duty to Notify, and mandatory provision of lease information – would help to improve the accuracy of the list, by establishing a flow of real time information to ensure valuations are based on more accurate and timely evidence.
- 2.21 The Government would expect to undertake further detailed consultation with stakeholders on these measures, ahead of any legislation to give effect to the new duties.

Introducing a fair and proportionate compliance framework

- 2.22 Ensuring a high rate of compliance with the new duties would be important to ensure the benefits of the new system were realised, so that the VOA has a consistent, accurate, and timely inflow of information to support more-frequent revaluations. The design and implementation of the underlying compliance regime must be proportionate and avoid placing an unnecessary burden on businesses, particularly during the initial period of familiarisation and adjustment.
- 2.23 The VOA would engage with customers on the design of the new compliance regime, and would implement the new measures in a phased way. An awareness campaign would also support the rollout.
- 2.24 Further compliance measures are expected to be phased-in later, once ratepayers have had sufficient time to familiarise with the new system. Further detail on the phased approach to moving to a 3-yearly cycle is set out in Chapter 3.
- 2.25 The proposed compliance measures include:
- **Conditional entry to the appeals system.** Ratepayers would not be able to submit a Challenge unless they have complied with the Duty to Notify and mandatory provision of lease information. This is because the new measures replace the role of Check in the process. Further detail on the removal of the Check stage is set out below.
 - **Provision of late information:** The government’s view is that ratepayers should not be able to benefit from providing late or incorrect information. Existing regulations would be reviewed in the context of the new duties.
 - **Penalties.** As with the current Forms of Return, penalties may be assessed for non-compliance, including missed deadlines or provision of inaccurate or false information. The penalty regime would include the ability for ratepayers to access a review stage, including consideration of mitigating circumstances, and to appeal their penalty. The proposed penalty regime would be subject to further detailed public consultation ahead of implementation.

Reforming and streamlining the appeals system

- 2.26 A package of reforms to the appeals system, combined with some limited and proportionate restrictions to appeals rights, would be needed to ensure the deliverability and sustainability of a three-year cycle. These reforms are

designed to enable the VOA to approach the clearance of Challenges in more structured way, allowing for faster clearance of Challenges in thematic or localised batches.

2.27 The following proposed changes to the Appeals system are designed to achieve these objectives:

- Streamlining the appeals process by removing the separate 'Check' stage from the Check, Challenge, Appeal (CCA) process. The function of the Check stage would effectively be replaced by the Duty to Notify covered above.
- Introducing a 3-month window for compiled list Challenges to be submitted.
- Reviewing when Material Change of Circumstances (MCCs) provisions apply.

2.28 Also under consideration is the introduction of a fee for submitting a Challenge, refundable in the event of a successful Challenge.

2.29 Alongside these changes, the VOA will also continue to introduce a range of reforms to upgrade and improve the CCA system as part of its ongoing work to respond to customer feedback on the system, such as simplifying the registration process.

2.30 The VOA continues to engage with customers as these improvements are developed, and has already introduced a number of improvements to the process, such as supporting multiple claiming of properties; API enhancements to improve integration with agent software; and publication of additional guidance online.

Removing the Check stage of CCA

2.31 Currently, ratepayers must complete a Check prior to making a Challenge. Checks enable ratepayers to either confirm their property details are correct, or to notify the VOA of changes.

2.32 **The new Duty to Notify requirement detailed above would perform the same function, ensuring that property details held are correct and agreed before proceeding to Challenge.** In place of the Check stage, ratepayers would be asked as part of the Challenge declaration process to confirm that they have updated the VOA about changes to their property through the Duty to Notify. And, as now, ratepayers would be asked to confirm that the information they have provided in their Challenge is correct.

2.33 Removing Check would remove an administrative step within the appeals process, making the CCA process simpler and quicker for ratepayers. Ratepayers would no longer have to wait for a Check to be resolved before submitting a Challenge. (Check applications currently have a 12-month deadline before progressing to Challenge.) Simple factual changes would still be actioned by the VOA without the need for a Challenge, through the Duty to Notify process.

- 2.34 This change, along with the Challenge window described below, would allow the VOA to progress more quickly to resolving Challenges, supporting its ability to resolve these within a 3-year cycle, while also streamlining the process for ratepayers.

Challenge window

- 2.35 Currently, ratepayers are able to submit a Check and subsequent Challenge at any point during the life of the list.
- 2.36 Feedback from the call for evidence process raised concerns about allowing ratepayers to Challenge their compiled list valuation up until the end of the list, given that far less time is needed in practice to determine whether a valuation is incorrect. The current 'open window' approach also creates uncertainty for local authorities and for ratepayers. Such an approach is also at odds with other UK taxes, which typically do not allow appeals multiple years after a decision.
- 2.37 **Removing the separate Check stage, and reducing the window for making Challenges to 3 months from the beginning of the list, would ensure that the majority of Challenges received can be dealt with within the life of the list, giving faster overall resolution for ratepayers, and giving local authorities greater certainty over risks to revenue.** For comparison, under the current system, a Challenge submitted late in the list may be resolved a significant time after the end of the list.
- 2.38 Ratepayers would receive their rateable values several months in advance at the draft list stage, and would also receive their bills ahead of the outset of the list at 1 April, providing additional time for consideration of whether they would like to submit a Challenge.
- 2.39 Based on the feedback received at the call for evidence, the Government is minded towards the view that 3 months provides ratepayers with sufficient time to consider their Rateable value and whether they would like to submit a Challenge.
- 2.40 Requiring Challenges to be submitted at the outset of the list would better enable the VOA to resolve all Challenges received in this window before the end of the list. This provides additional certainty for ratepayers, and faster overall resolution of cases, in contrast to the current system where Challenges received later in the cycle may extend well into the next list. In cases where a new occupier takes over a property after the initial 3-month window, the new occupier would still retain the ability to make a Challenge within three months of the start of their occupancy.
- 2.41 In place of the current per-case statutory time limit of 18 months (in addition to the 12-month Check deadline), an overall statutory deadline for all compiled list Challenges would apply at the end of the list (i.e. 2 years and 9 months from closure of the Challenge window), although a majority of Challenges are expected to be cleared well in advance of this deadline.
- 2.42 Importantly, this would also allow the VOA to take a more structured approach to processing Challenges against the compiled list. The VOA would

be able to move from dealing with Challenges in a largely reactive way as they are received, to an approach based on grouping together Challenges on similar properties (such as particular sub-sectors or local areas) and dealing with these as joint batches. This would produce efficiency gains, as it means all the Challenge information and arguments available for a batch can be considered together at the same time, reducing repeat working and removing the risk of inconsistencies between Challenges received at different stages of the cycle. This would also enable the VOA to undertake more extensive discussion with particular sectors or groups where appropriate, meeting a key stakeholder ask.

- 2.43 Other jurisdictions with faster revaluation cycles use a limited time window for submission of appeals. In Hong Kong, for example, the deadline is two months after a revaluation, or 28 days after mid-list entries. In the Netherlands, the deadline is 6 weeks.

Further reforms to appeals

- 2.44 As part of ensuring the sustainability of a 3-yearly cycle, and improving stability for local government finances, the Government is considering reviewing when Material Change of Circumstances (MCCs) would apply. This reflects the change in scope of the MCC provision beyond its original intention, and the need to ensure that the provision is fit for purpose. A faster revaluation cycle would ensure that changes are captured at revaluations sooner.
- 2.45 The government is considering making further restrictions to the parties for proposal, including restricting the ability to make appeals to the ratepayer, or an agent of the ratepayer, only. This would exclude landlords from making an appeal where they are not the rateable occupier. This was raised as an ask by some respondents to the call for evidence.
- 2.46 The Government is also considering introducing a fee for submitting a Challenge, to help deter speculative or insubstantial Challenges. As with the current fee for submitting an Appeal to tribunal, this would be fully refundable in the event of a decision in the case in favour of the ratepayer. This option remains under consideration.
- 2.47 Together, these reforms would put the appeals system on a more sustainable footing to support the deliverability of a 3-year cycle, while introducing a number of substantial benefits for ratepayers – a more streamlined process, swifter resolution of most Challenges, and scope for greater VOA engagement with ratepayer groups, as described above (paragraph 2.42 above).

Providing greater transparency on valuations

- 2.48 Transparency is about providing ratepayers with the information to be able to better understand their rateable value and how it has been arrived at, including, where possible, other properties used as comparators. Greater transparency would help to build trust and a perception of fairness by helping ratepayers to better understand their tax liabilities.

- 2.49 Currently, specific information about the valuation, and evidence used, is only provided at Challenge as a response to a case put forward by the ratepayer. Greater transparency would mean providing this information earlier and outside of the appeal process, as well as improving guidance to explain rating principles and valuation approach.
- 2.50 This was a common request from call for evidence respondents, who saw increased transparency as a fair trade-off in exchange for greater information provision requirements on ratepayers. The government shares this view, and considers that the measures detailed above (mandated provision of information and duty to notify) are an essential counterpart to transparency to ensure that the information the VOA provides to ratepayers through transparency is more timely and complete.
- 2.51 Accordingly, **increased transparency would be phased-in behind the new duties, with more detailed information disclosed at each phase:**
- **Phase 1:** Release of improved guidance covering rating principles and class specific valuation approach, ensuring guidance is readily accessible and ratepayer-friendly.
 - **Phase 2:** Making available fuller analysis of rental evidence used to set an RV for a specific property, such as analysed price per m², and an explanation of how the evidence has been used to arrive at the RV. This would be accessible on request to the VOA, and ratepayers would be able to submit this request separately from and prior to the Challenge process.
- 2.52 The government is also considering introducing a fee for a transparency requests, to cover part of the cost of providing the additional service. This would be expected to apply only to requests from Phase 2, would be non-refundable, and would be expected to be lower than any fee for submitting a Challenge, were this to be introduced.
- 2.53 Further detail on the move to a 3-yearly cycle, and the phase-in of associated measures, is set out below.

Summary

- 2.54 The proposed package of measures would place some new, proportionate burdens on ratepayers. It would also deliver a range of benefits for ratepayers:
- **Ensuring that ratepayers are provided with a more accurate valuation at the outset**, while still providing a well-run Challenge system for those that need it. This would help to minimise the need for ratepayers to engage with the Challenge system, helping firms to reduce costs and red tape.
 - **Delivering greater transparency for ratepayers on their valuations.** This would ensure that ratepayers have greater detail on how their valuations have been arrived at. This information would also be made available earlier, and outside of the Challenge process.

- **Making the CCA process simpler and quicker for ratepayers.** Ratepayers would no longer have to wait for a Check to be resolved before submitting a Challenge.
- **Ensuring that the majority of Challenges received can be dealt with within the life of the list,** giving faster overall resolution of Challenges for ratepayers.
- **Providing ratepayers with assurance that they and others are paying tax based on the right property details,** through the new Duty to Notify measure.

Consultation Questions – Chapter 2

1. Does the proposed package of measures represent a fair and balanced trade-off for ratepayers between new benefits and new requirements? If not, please detail what adjustments you would like to see, to ensure a balanced package of measures that would support a 3-yearly cycle while taking account of deliverability constraints. (2000 words)
2. What steps could be taken to support ratepayers to comply with the new duties? For example, elements to reflect in the design of the reporting portal, or content that would be helpful to include in the supporting guidance. (500 words)
3. Are you supportive of the proposed approach to Transparency? Are there further elements you think should be made available as part of a Transparency offer? (500 words)

Chapter 3

The move to 3-yearly revaluations

- 3.1 The Government continues to consider timings for moving to a 3-yearly cycle, and will make further announcements in due course.
- 3.2 Moving to a 3-yearly cycle would deliver clear benefits to ratepayers and would represent a fundamental reform to the tax system. However, the move to a faster cycle would also present some operational challenges of its own – particularly with regard to progressing legislation, the readiness of new IT systems, and the need for a familiarisation period for ratepayers.
- 3.3 The need to phase in these reforms is likely to necessitate a period of transition, after the end of the current list, before the full set of reforms are in place to deliver a 3-yearly cycle. The speed of transition would therefore need to be balanced against the extent to which a phased approach is necessary.

Phasing in the new changes

- 3.4 Ensuring that the new list accuracy measures (Duty to Notify and mandatory provision of information), and the underlying compliance regime, are proportionate and not unnecessarily burdensome on ratepayers is key priority for this reform package. **Rolling out these new requirements through a series of 'soft launches', followed by a staged introduction of compliance measures, would ensure that businesses have time to adjust and familiarise with the new measures.** This approach would also help to ensure that the VOA have sufficient time to develop and complete the necessary IT build, including a period of detailed consultation with customers. Further detail on timings for the phase-in of the list accuracy measures would be set out ahead of legislation.
- 3.5 Accordingly, because the new Duty to Notify is designed to replace the current function of Check, **the removal of the Check stage would not be expected to come into effect until the beginning of the subsequent list, once the Duty to Notify is fully phased in.** As above, this would ensure that ratepayers have time to gain familiarity with the system before the requirement for a pre-Challenge Check is removed.
- 3.6 As noted above, the new measures designed to provide greater transparency would also be introduced in phases. The final phase (full analysis of rental evidence used to set the RV for a specific property) would follow the phase-in of the list accuracy measures.
- 3.7 These measures represent a significant long-term package of reforms that will take a number of years to implement. The government is committed to

working with ratepayers to support an effective rollout, and to providing businesses with sufficient time to adjust.

Consultation Questions – Chapter 3

4. What steps could the Government, stakeholders, or industry take to support a smooth move to a 3-yearly cycle? (1000 words)
5. Do you have any other comments on the proposed approach to the move? (1000 words)

Chapter 4

Going beyond 3-yearly revaluations

- 4.1 As noted in Chapter 1, among call for evidence respondents favouring increased frequency of revaluations, the greatest number (approximately 50%) were in favour of 3 yearly revaluations. However, some respondents to the call for evidence expressed support for going further than 3 yearly revaluations, such as an annual revaluations cycle, or a reduction in the Antecedent Valuation Date (AVD) gap.
- 4.2 It is the Government's considered view that, in the medium term, **such a system is not deliverable in England without significant and unpalatable new restrictions to appeals rights, substantially over and above those set out above for a 3-yearly cycle**, which are described below.
- 4.3 This chapter sets out the Government's findings to this effect, and seeks to test this conclusion with respondents.
- 4.4 It may be possible to introduce a shorter-than-3-yearly cycle, or a shorter AVD gap, in future lists, and these remain under long-term consideration.

The case for annual revaluations

- 4.5 Annual revaluations would provide for the fastest updating of values, ensuring a highly responsive and up-to-date system. This would mean that tax liabilities would be closely reflective of economic conditions, and economy-wide or localised economic slowdowns would more quickly feed through into lower rateable values. However, the converse would also be true, meaning that, in a rising market, economy-wide or localised economic growth would more quickly pass through into higher rateable values, and relative burdens on ratepayers would also shift more rapidly.
- 4.6 A rapidly updating system would also mean less certainty for firms and local authorities, because liabilities could not be forecast with certainty more than 12 months in advance. This would complicate cost assumptions for firms and revenue planning for local authorities, and give firms relatively little time to adapt to changing bills.
- 4.7 In the call for evidence for the Fundamental Review, approximately 20% of respondents in favour of more frequent revaluations were supportive of moving directly to an annual cycle. A further 20% favoured a move to a 3-yearly cycle as an interim step, before moving to annual in due course. Several noted that an annual cycle could prove challenging for the VOA to deliver.

- 4.8 The Government’s provisional view, which we are seeking to test through this consultation, is that **the benefits of an annual cycle are not sufficient to justify the compromises that would be necessary to ensure deliverability**. These are set out in the next section.

Delivering annual revaluations

- 4.9 An annual revaluations cycle would require the VOA to conduct the entirety of its work for each list within a single year. This would include conducting a full revaluation of England’s non-domestic property stock (2 million properties), as well as clearing all Challenges received against the existing list, conducting quality assurance, and more. An annual cycle would not be possible without significant changes to how valuations are conducted and restrictions in current appeal rights, over and above the changes set out above to deliver a 3-yearly cycle.
- 4.10 Currently the VOA’s revaluation programme takes 24 months, and includes essential information gathering, a 14-month valuation period allowing revaluation of all properties, and then a period of quality assurance – which includes publishing draft lists in advance to give early sight to ratepayers and local authorities.
- 4.11 **Delivering a full revaluation programme in 12 months would require the VOA to triage the number of properties being revalued.** This would need to follow a strict prioritisation system focusing valuer resource on those property groups where significant movements in value year-on-year are evident. This would mean a significant proportion of ratepayers receiving no bespoke assessment from the VOA; in contrast to the VOA’s wider ambition to deliver more accurate valuations. The post-valuation period – which currently allows for quality assurance, draft list publication, and preparation of bills – would be significantly shortened.
- 4.12 In practice many valuations would not actually reflect the latest economic context: gradual and incremental changes in valuation would only be picked up after a few years when these can be recognised as a substantial change, leading to jumps in valuations every few years. Importantly, in years where significant or widespread market movement takes place – such as a future ‘crisis year’ – the VOA would not be able to revalue every property, again requiring broad brush assumptions or valuations rolling over.
- 4.13 **Ratepayers would also have limited recourse where these valuations led to inaccurate bills.** Stringent restrictions on appeals would be needed to significantly reduce Challenge volumes, far in excess of the balanced and proportionate approach set out above for a 3-yearly cycle. These would be expected to include some or all of the following reforms: a 1-month window for submission of Challenges; a high fee to submit a Challenge; no late admission of evidence; and limiting Challenges to factual disputes only.
- 4.14 Some jurisdictions, such as Hong Kong and the Netherlands, employ a system of annual revaluations, including a shorter Antecedent Valuation Date (AVD) gap. However, there are notable differences between systems such as these and the business rates system in England. For example, the

Netherlands uses an assessment of capital value; whilst in Hong Kong, the property stock and lease arrangements have a much greater degree of homogeneity.

- 4.15 Both jurisdictions are also smaller than England, meaning a lower number of non-domestic properties to assess. For example, Hong Kong contains approximately 370,000 non-domestic properties, while England contains 1,900,000 (both figures excluding car parking spaces).

Summary

- 4.16 The Government's expectation is that these reforms to the valuations process and appeals system, necessary to ensure the deliverability of an annual cycle, would be highly unpalatable to ratepayers, and the costs of these restrictions would outweigh the benefit of an annual cycle.
- 4.17 A two-year cycle would also be expected to require many or all of these reforms, particularly if accompanied by a shorter AVD (see below).
- 4.18 As such, our proposal is that **annual revaluations should not be set as an ambition at this stage**, although, as noted above, this does not rule out moving to an annual or biennial cycle in perpetuity, which remains under consideration for the longer-term.

Shortening the AVD gap

- 4.19 The gap between the AVD and the beginning of the corresponding rating list currently stands at two years (24 months).
- 4.20 Shortening the gap, for example to 18 months or 12 months, would mean that valuations would be more up to date. However, it would also compress the valuation process, reducing the time available for pre-valuation data gathering and analysis, and post-valuation quality assurance. There is accordingly a risk of significant impact on the quality and accuracy of valuations. Moreover, it would make it harder to account for the natural lag between market activity and information being reported to the VOA, reducing the amount of quality information available for valuations (although the Mandation of Information measure detailed earlier in this document would help to reduce this lag, to an extent.)
- 4.21 Delivering a shorter AVD would also require reducing the time taken to carry out revaluation activities. This may require further compromises on the valuation process, similar to those described above for annual revaluations. However, the added efficiencies gained from the new reforms such as Mandation of Information, and the VOA's Business Systems Transformation programme, once bedded in, may allow for some shortening of the AVD gap without the need for such compromises.
- 4.22 As above, the publication of draft lists may also need to be foregone, and the time taken for preparation of bills would also need to be compressed. This would negatively impact on ratepayers, by reducing their ability to plan ahead.

- 4.23 As such, the government's view is that a shorter AVD is not deliverable at this time. However, as noted above, this does not rule out a shorter AVD gap in the future. The government expects to return to this area, and to pursue options to shorten the AVD gap, once the reforms to deliver a 3-yearly cycle are bedded in.

Summary

- 4.24 The Government's view is that moving to a 3-yearly cycle, and setting out a clear and deliverable plan to achieve this, represents a fundamental change to the business rates system, and a significant benefit to ratepayers as users of the system. While going further than 3-yearly remains an option for the future, we consider that 3-yearly represents the right deliverable for this Fundamental Review.

Consultation Questions – Chapter 4

6. Do you agree that that moving to a three-year cycle should be the Government's priority for this stage of reform, and that going further should remain an option for the future? (1000 words)
7. Would you support a move to an annual revaluations cycle or a shorter AVD in the future, accompanied by the necessary enabling reforms set out in this chapter? (1000 words)

Annex A

Consultation Questions

- 1 Does the proposed package of measures represent a fair and balanced trade-off for ratepayers between new benefits and new requirements? If not, please detail what adjustments you would like to see, to ensure a balanced package of measures that would support a 3-yearly cycle while taking account of deliverability constraints. (2000 words)
- 2 What steps could be taken to support ratepayers to comply with the new duties? For example, elements to reflect in the design of the reporting portal, or content that would be helpful to include in the supporting guidance. (500 words)
- 3 Are you supportive of the proposed approach to Transparency? Are there further elements you think should be made available as part of a Transparency offer? (500 words)
- 4 What steps could the Government, stakeholders, or industry take to support a smooth move to a 3-yearly cycle? (1000 words)
- 5 Do you have any other comments on the proposed approach to the move to a 3-yearly cycle? (1000 words)
- 6 Do you agree that that moving to a three-year cycle should be the Government's priority for this stage of reform, and that going further should remain an option for the future? (1000 words)
- 7 Would you support a move to an annual revaluations cycle or a shorter AVD in the future, accompanied by the necessary enabling reforms set out in this chapter? (1000 words)

Responses should be submitted using the survey link at <https://www.gov.uk/government/consultations/hm-treasury-fundamental-review-of-business-rates-call-for-evidence>, by 24 August 2021

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This document can be downloaded from www.gov.uk

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