HM Treasury

Department for Communities and Local Government

Administration of business rates in England:

interim findings

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Foreword

The government is committed to improving the administration of the business rates system and continues to respond to businesses' concerns about the burden of business rates. At Autumn Statement 2014, the Chancellor announced measures worth £1 billion that will reduce business rates bills. All ratepayers will benefit from the continuation of the 2% cap on inflation-linked increases for business rates for a further year from April 2015; over half a million small businesses will benefit from the doubling of Small Business Rate Relief; and increasing the £1,000 business rates retail discount for lower value retail premises to £1,500 will help around 300,000 shops, pubs and cafes. This builds on a £2.7 billion package of support for ratepayers announced at Autumn Statement 2013.

Since December 2013, the government has also opened up a discussion on the long-term reform to business rates. We have worked with businesses, their representatives and local authorities to identify how the business rates system can be improved. This paper sets out our interim findings and proposes how we will take forward work to achieve that.

Our discussion paper in April 2014 described the current business rates system and asked for views and suggestions and we have also consulted on reforms to the appeals system. These led to an open and wide-ranging discussion and we have welcomed contributions from small and large businesses of all sectors, their representatives and local authorities.

We are grateful to everyone who has engaged with the review to date. Your views have given us a useful insight into the priorities for further work and we welcome your ongoing engagement in how we can improve the current system and your responses to these interim findings. Alongside this work the government will conduct a review of the future structure of business rates to report by Budget 2016. The review will be fiscally neutral and consistent with the government's agreed financing of local authorities. The government will publish terms of reference in due course.

David Gauke MP

Financial Secretary to the Treasury

Kris Hopkins MP

Parliamentary Under Secretary of State for Communities and Local Government

1 Progress to date and next steps

1.1 The government is committed to improving the business rates system in England over the long-term. It wants to make the administration of business rates and the business rates appeals system more effective and efficient for ratepayers and local authorities.

1.2 The government opened up a discussion to consider the way in which the business rates system in England is administered by the Valuation Office Agency and local authorities, with a view to strengthening its responsiveness to changes in property values and its simplicity and transparency to business ratepayers. It has gained a valuable insight into how stakeholders view the business rates system.

1.3 This paper summarises the government's interim findings on the administrative reform of business rates and sets out how the government proposes to respond to businesses' calls for clearer billing, better sharing of information and a more efficient appeals system.

Progress to date

Discussion paper on business rates administration in England

1.4 Over the past 12 months the government has opened up a wide ranging discussion with local authorities, businesses and their representatives to seek ideas and discuss potential solutions. In April 2014 the government published a paper to support those discussions[1] and has since continued an open dialogue.

1.5 The government asked for views about 5 aspects of the business rates system (how property is valued; how often property is valued; how business rates bills are set; how business rates are collected; and how information about ratepayers and business rates is collected and used) and posed a number of questions. The government received a total of 217 written responses to the discussion paper in addition to which officials from Her Majesty's Treasury, Department for Communities and Local Government and the Valuation Office Agency held over 30 workshops and visits throughout England.

Consultation paper on the appeals system

1.6 At Autumn Statement 2013 the government also announced plans to reform the business rates appeals system.[2] There are too many appeals and it takes too long to resolve them. This leads to frustration and costs for ratepayers and is unfair on those ratepayers who are owed a reduction in their business rates bill. Each rating list gives rise to many hundred thousand appeals by ratepayers against their properties' rateable values, most of which result in no change to rateable values or business rates bills.

1.7 The government published a consultation which proposed a number of reforms to allow ratepayers to check that their rateable value was correct, provide better information to support their case if they wished to challenge their rateable value and to improve the process for settling appeals. Respondents supported the overall aims of the consultation paper on appeals reform.

[1] https://www.gov.uk/government/publications/business-rates-administration-review-discussion-paper

[2] Checking and challenging your rateable value: https://www.gov.uk/government/consultations/checking-and-challenging-your-rateable-value

However, most respondents were not convinced that the package as a whole would meet the government's objectives for reform. Since July 2014, the government has considered reform of the business rates appeal process as part of this wider review.

Stakeholder views

Business rates administration

1.8 Ratepayers, their representatives and local authorities have made clear their views about the current business rates system in their written responses and in wider discussions. A summary of the responses to the discussion document is published alongside these interim findings. The key points are as follows:

- The majority of respondents want all 1.8 million properties in England to continue to be valued individually.
- Just over half of respondents, including most businesses and their representatives, favoured more frequent revaluation cycles than currently, believing that this would better align rateable values to market conditions.
- However, a significant minority of respondents, including most respondents representing local government, did not favour more frequent revaluations, arguing that this would result in decreased certainty and stability to both business and local government.
- Most respondents, including more than half of businesses, felt billing and collection needed significant improvement and that digital options should be explored.
- Although most respondents recognised that the timely and accurate gathering of information was integral to the effectiveness of the business rates system, views differed as to how this might be improved.

Appeals

1.9 A summary of responses to the consultation paper on reform to the appeals system is also published alongside this paper. The key points are as follows:

- Some stakeholders felt that the proposed Rateable Value Information Sheet would not provide sufficient information for them to check their rateable value without appealing.
- Others thought that some ratepayers would find it difficult to provide fuller evidence with their appeal than they currently provide. As such, there was a considerable risk that proceeding with the short term reforms as planned would not solve the underlying problems with the appeal system and may lead to new costs and delays.

1.10 Many respondents recommended instead that the government should consider reform of the appeals system within the wider context of the review of business rates administration. This would allow further options to be developed.

Summary of next steps and questions

1.11 The discussion so far on administrative reform has stimulated ideas and debate and the government now has a better understanding of what stakeholders consider important in the rating system, which aspects should be preserved, and where further work is needed. This paper summarises the main areas for discussion and invites responses to a number of questions in order to help the government consider further long-term reform to the business rates system.

How property is valued

1.12 Ratepayers have sent a clear message to the government that they support an individualised approach to valuation. They want to continue receiving an individual valuation for their property, on which their business rates bill is based. Ratepayers would not support a move away from this towards more 'broad brush' approaches such as those considered in the discussion document (e.g. 'banding' or 'zoning'). Therefore, the government confirms it has no immediate plans to change the current individualised approach to valuation. In specialist sectors, such as pubs, the Valuation Office Agency will continue to work with stakeholders (for instance, creating a regular engagement forum with the pubs sector) to ensure valuation methods can be more easily understood by unrepresented ratepayers. The government will also continue to keep under review the rating of plant and machinery to ensure the principles established by the Wood Committee are being applied in practice[3].

How often property is valued

1.13 The government has heard a wide range of views from businesses, their representatives and local authorities about how often revaluations should take place. Opinion is divided and there is no clear consensus on whether the government should revalue properties more often than it does now. The government therefore proposes to continue the discussion on the frequency of revaluations to understand better the main differences in opinion. It would like to focus this discussion on:

- the costs and benefits of more frequent revaluations;
- what more frequent revaluations would mean for all stakeholders; and
- how the gap between the valuation date and the date on which the rating list starts can be reduced while still maintaining the accuracy of the rating list.

1.14 To inform consideration of these areas, the government has published at Annex A its assessment of how more frequent revaluations would impact ratepayers and local government. It would welcome views on this analysis and further contributions from stakeholders in response to its views in chapter 2 and the questions below.

[3] Rating of Plant and Machinery: a Report by the Wood Committee, March 1993, Cm2170, paragraph 13.15

Box 1.A: Key questions

1. What are your views on the findings and analysis at Annex A on the impact of more frequent revaluations?
2. How do you think more frequent revaluations would affect your business/local authority?
3. Running a revaluation presents costs for ratepayers, as well as central and local government. What are your views on how these costs can be managed?
4. What are your views on how the gap between the valuation date and the date on which the rating list starts could be reduced, while still ensuring the accuracy of the rating list?

Checking your rateable value and making challenges

1.15 The government has identified problems with business rates appeals and has taken immediate steps to reduce delays. Now, the government proposes to build on this work and look at solving the problems in the appeals system as part of wider reforms to business rates administration.

1.16 The government wants to identify practical improvements to the way in which rateable values can be challenged and appealed that make the whole appeals system more efficient and easier for ratepayers to deal with. The government's view is set out in greater detail in chapter 3. It wants, in particular, to look at:

- alternative informal routes that allow ratepayers to check or seek changes to rateable values, including how and when evidence used for valuations should be shared with ratepayers
- improvements to formal routes of appeal, including consideration of the information to be supplied with a formal challenge and how appeals should be made to the Valuation Tribunal for England
- whether reforms such as introducing a charge or a requirement for the submission of information could encourage ratepayers to use informal routes to resolve disputes and reduce the high number of appeals in the system that are based on incomplete or poorly argued cases that take longer to resolve

Box 1.B: Key questions

5. If the government made it easier for ratepayers to check or seek changes to a property's rateable value through informal routes, would this be likely to reduce the number of formal challenges?

6. If the government asked for more information from ratepayers or levied a charge as part of the formal appeal process would this lead to a more efficient system?

7. What impact do you think the ideas in this paper could have as a whole on the approach to challenging and appealing rateable values?

8. What are your views on box 3.B in chapter 3 which sets out what a new system for challenging and appealing rateable values could look like?

Information gathering, use and sharing

1.17 The government is committed to improving the transparency and accountability of government and its services while recognising its responsibility to protect taxpayers' personal data.

1.18 Stakeholders have said they want greater access to the information held on their behalf by the Valuation Office Agency and they also suggest that public bodies, which hold ratepayer data, should share it more efficiently between themselves in order to reduce the number of times ratepayers are asked to provide it. The government will therefore look for a suitable opportunity to change the law to allow greater sharing of information between the Valuation Office Agency and local government.

1.19 However, stakeholders also recognise that in order to run efficiently and effectively, the business rates system relies on the Valuation Office Agency and billing authorities having accurate and timely information about properties. This is a key part of enabling the government to deliver a fair and even-handed tax system so that rateable values can be kept up-to-date and businesses know that they are paying accurate businesses rates bills. Some stakeholders suggested that ratepayers could be placed under a duty to provide information about their property in order to enable this. Noting that the process of providing information can present a cost to businesses, the government would welcome views on this and other suggestions. Further details are set out in chapter 4.

1.20 The government also commits to set up a forum of ratepayers, their representatives, landlords and local authorities to bring forward practical improvements that:

- ensure the Valuation Office Agency has the data it needs to carry out timely and accurate valuations
- ensure information about changes to properties can be shared efficiently between public bodies and accurately reflected in valuations in a timely way
- improve the Valuation Office Agency's systems for gathering rental details
- ensure the Valuation Office Agency can increase the transparency of the valuation process and of individual valuations whilst continuing to provide the right level of protection for information given to it in confidence

Box 1.C: Key questions

9 Do you have examples of best practice ways to gather and share taxpayers' property data that you would like the government's information sharing forum to consider?

10 What is your view on the suggestion that ratepayers should be required by law to provide information about their property?

11 What are the practical steps government could take to make it easier to access information and how would you use that information?

Billing and collection

1.21 The government is committed to making tax easier, quicker and simpler for businesses to deal with and pay. Business rates bills can be difficult to understand and inconsistent in content and format. Stakeholders have made clear that they want to see simpler and standard business rates bills and that the rating system should make more use of digital technology.

1.22 The government wants to ensure that bills meet the needs of businesses, as well as local authorities. It will therefore set up a billing and collection forum that will bring forward practical improvements to the billing system including consideration of digital options. The government will also consider best practice guidance for standard and clear bills. Further details are set out in chapter 5.

Box 1.D: Key questions

12 Do you have further suggestions to add to the ideas listed in this paper which you think the government's new billing and collection forum should consider?

13 What do you see as the main costs and benefits to your business/local authority of a more digital billing and collection system?

14 What are your views on the key issues with billing that best practice guidance for standard and clear bills should address?

Next steps

1.23 In the next stage of the review, the government would like to focus increasingly upon the impact and benefits of potential reforms and how they could be implemented in practice. The following chapters suggest in more detail how the government would like to take forward work to make the administration of the business rates system more effective and efficient.

Responding to these interim findings

1.24 The government would like to continue an open discussion with stakeholders and invites views on these interim findings and responses to questions in this paper. Responses should be sent to businessrates.review@hmtreasury.gsi.gov.uk by 28 February 2015.

Review of the future structure of business rates

1.25 Alongside this work the government will conduct a review of the future structure of business rates to report by Budget 2016. The review will be fiscally neutral and consistent with the government's agreed financing of local authorities. The government will publish terms of reference in due course.

Box 1.E: The business rates system in numbers

326 billing authorities

1.816 million properties in England as at September 2014, valued separately at each revaluation[4]

£57 billion total rateable value of non-domestic properties in England[5]

20% of properties in England accounted for around **80%** of total rateable value as at March 2013[6]

Normally **5 years** between revaluations

2 years between the valuation date and the date the revaluation comes into effect

Around **£21 billion** raised in England in 2013-14 to fund local services

2% cap on inflation-linked increases in business rates in 2014-15 and 2015-16[7]

641,000 appeals received against rateable values in the 2010 rating list in England. **532,000** of these had been resolved (as at 30 September 2014)

Around **70%** of all of these appeals resolved to date resulted in no change[8]

[4] http://www.voa.gov.uk/corporate/_downloads/141030_Publication_AllTables.xls

[5] http://www.Valuation Office Agency.gov.uk/corporate/_downloads/xls/131219_Table3.xls

[6] http://www.Valuation Office Agency.gov.uk/corporate/_downloads/xls/RV-by-Band.xls

[7] The non-domestic multiplier includes a supplement to pay for the cost of the permanent part of the Small Business Rate Relief (SBRR). As a result of changes to this supplement, the non-domestic multiplier increased by slightly more than 2 per cent in 2014-15 and 2015-16.

[8] http://www.voa.gov.uk/corporate/statisticalReleases/141127_Local_Rating_List.html

2 How often property is valued

Introduction

2.1 The government has heard a wide range of views on how often property should be valued. Some groups wish to retain the current 5 year cycle whereas others have called for more frequent revaluations on the basis that it could make rateable values more responsive to changes in market conditions. There is no consensus on what the best length of the cycle might be. Although 3 yearly revaluation was the most popular option, others favoured annual revaluation. The reasons given for increasing the frequency of revaluations also vary.

2.2 Therefore, the government wants to continue the discussion on the frequency of revaluations. To inform this ongoing discussion, the government has published at Annex A its assessment of how more frequent revaluations would impact ratepayers and local government. It would like to consider further the costs and benefits of more frequent revaluations and look in detail at what more frequent revaluations would mean for all stakeholders.

Stakeholder views

2.3 We have had an open and wide ranging discussion on how often revaluations should take place. Most ratepayers have requested more frequent revaluations because they feel it will make the system fairer through being more responsive. But some ratepayers wish to keep the current 5 yearly cycle to retain the predictability of the tax they pay. Local authorities wish to stay with 5 years to maintain the certainty and predictability of their funding. Very few stakeholders have requested longer gaps between revaluations.

2.4 Many ratepayers suggested the government should introduce more frequent revaluations in order to make their rates bills more responsive to changes in market conditions. However, at the level of individual properties, shorter periods between revaluations will not always result in rates bills moving in the same direction as rents. At a revaluation, the multiplier is reset to ensure that the same amount of income is raised overall. If total rateable values fall, then the multiplier would increase. So if a property's rateable value falls by less than the national average at a revaluation then its rates bill would increase. This is explained in box 2.A.

2.5 The current system provides ratepayers with some certainty about what their business rates bill will be over the usual 5 year cycle of each rating list, although changes to a property and the application of reliefs to its rates bill can alter how much a business pays in rates. Nevertheless, this element of certainty is seen as an advantage of the current system by some stakeholders who do not want more frequent revaluations as they are concerned it could lead to bills fluctuating from year to year. Local government has also expressed concerns that more frequent revaluations could make business rates income volatile and difficult to forecast, which could create uncertainty for the funding of local public services.

2.6 The government wants in the next stage of this review to continue an open discussion with ratepayers and local authorities about the frequency of revaluations and how they would affect rates bills. Box 2.A below[1] seeks to explain this in simple terms but the government wants to go

[1] This box has been reproduced from the discussion paper published in April.

further to inform this discussion and so it has provided in Annex A more detailed analysis and modelling of the impacts of more frequent revaluations.

Box 2.A: How does a revaluation affect business rates bills?

Between revaluations, a ratepayer's bill is stable and will only move broadly in line with inflation (the Retail Prices Index (RPI) of the previous September), unless there are alterations or changes to their property that may increase or decrease its rateable value or the property is in receipt of Transitional Rate Relief as a result of the previous revaluation.

A revaluation does not raise any extra revenue for the government: its aim is to redistribute the amount businesses pay based on changes in the rental market i.e. rises and falls in the rent they pay. To maintain the revenue raised through business rates at roughly the same amount when rateable values change at a revaluation, the government adjusts the business rates multiplier (the tax rate) either up or down.

If the rateable value of a property falls by more than the national average at a revaluation, the rates bill for that property will see a decrease. However, if a property's rateable value falls by less than the national average, its rates bill will increase.

Example

A and B are both running businesses in England. B has an office in Portsmouth and A has a shop in Hull. Since the last revaluation (5 years previously), average rents paid by occupiers have fallen across the whole country. That means that at the next revaluation, the multiplier will increase to keep total business rates receipts at a similar level.

Rents at B's office have fallen a lot in the last 5 years and rents at A's shop have fallen by a small amount. At the next revaluation, both companies are likely to see their properties' rateable values fall. However, the rents at A's shop have fallen less than the national average, so A's business rates bill after the revaluation will be higher than before the revaluation, even though his property's rateable value has fallen. The rents at B's office have fallen by slightly more than average so B will see a small reduction in bills.

What are the impacts of increasing the frequency of revaluations?

2.7 The annex to this publication presents analysis undertaken by the Valuation Office Agency of what more frequent revaluations would mean for business rates bills. The analysis explores how changes to revaluation cycles might work in different economic circumstances, analyses the available data on historical trends in the market (using the Investment Property Databank (IPD)) and simulates different options using that historical data.

2.8 The analysis shows that:

- we can only be sure that more frequent revaluations increase stability of bills when the property values **across the market** follow a stable and steady trend. When the market is cyclical (which historical data suggests is the case), more frequent revaluations are likely to come at different points in the cycle, which could lead to larger changes to bills

- because the Non Domestic Rates Multiplier[2] adjusts to achieve a given total business rates revenue, more frequent revaluations redistribute the burden of business rates according to **relative changes in rent**. This can mean increases in bills even when rents are falling

2.9 The Valuation Office Agency's analysis in the Annex shows that more frequent revaluations would make rates bills more responsive to relative changes in the property market. So if rents in one location were falling in comparison to the national average for all properties, then more frequent revaluations would ensure this was reflected in bills. This is why many stakeholders feel that more frequent revaluations would make the rating system fairer.

2.10 However, the analysis also shows that if rents are falling over England as a whole, then some properties whose rents have fallen by less than the average could see their rates bill increase. If those ratepayers had expected their rates bill to fall then they are unlikely to consider such an outcome as fair or reasonable.

2.11 Overall, the Valuation Office Agency's analysis suggests that more frequent revaluations could improve fairness in the rating system by ensuring rates bills reflect relative changes in rental values. The government recognises that fairness in the business rates system is the priority for many ratepayers. However, more frequent revaluations will not make it easier for ratepayers to predict what their bills will be: some who are expecting reductions may still see their bills rise.

2.12 Some ratepayers have suggested that having more frequent revaluations would allow the government to end the transitional rate relief scheme which dampens changes in bills. However, the analysis suggests more frequent revaluations would not reduce volatility and that, as a result, calls may continue for a scheme to support ratepayers facing sharp changes in bills (currently funded by capping reductions in bills). The government recognises that a system of more frequent revaluations which involves a transitional rate relief scheme could add complexity and mean that bills are no more responsive to change than they would have been under a 5 yearly revaluation.

2.13 The government would therefore like to discuss these findings with stakeholders and hear their reactions to what this analysis suggests about the impacts of more frequent revaluations.

The valuation date

2.14 Currently the valuation date is set 2 years prior to the revaluation itself. Some stakeholders have said that the government should reduce this gap to 1 year. This would ensure that the revaluation was based upon market information which was more up to date. But some stakeholders said it was also important to allow time for rateable values to be set correctly and to allow time for ratepayers to check those valuations before they have to pay their bill. Those stakeholders did not support reducing the time interval from 2 years.

2.15 In 2010 one third of rents which were considered useful for the revaluation would not have been available to the Valuation Office Agency when preparing the valuations had the time interval been 1 year. This is because there can be delays in finalising rental deals and in reporting them to the Valuation Office Agency. As a result, shortening the period between the valuation date and the revaluation without making changes to the provision of rental information to the Valuation Office Agency would reduce the accuracy of the revaluation. This would have implications for ratepayers because rateable values would not always accurately reflect their rental value. This could lead to more appeals. It would also have implications for local government in the form of greater uncertainty over their business rates income.

[2] Although there are separate multipliers for small businesses, City of London and Wales, we will only focus on the one multiplier within this annex.

2.16 Therefore, the government would like to consider in more detail the impacts of a shorter valuation date and what could be done to ensure the Valuation Office Agency has the accurate and timely information it needs to complete a revaluation. As part of this, chapter 4 discusses changes to the way information is gathered, used and exchanged.

Administering more frequent revaluations

2.17 Some stakeholders who support more frequent revaluations have said it would reduce appeals. Others who are opposed to the idea have said it would increase appeals. Running a revaluation of 1.8 million properties comes at a cost to the government but also to ratepayers. Revaluing more frequently would increase the total cost of administering the business rates system for the government and could increase costs for businesses. In addition, it is likely that the total number of appeals would rise, further increasing administration costs. This is because each new revaluation would, under current appeal arrangements, present a new set of values based upon a new set of rental evidence on which ratepayers and their professional representatives could appeal. This could create increased uncertainty and delays for ratepayers who expect their appeals to be dealt with efficiently.

2.18 For local government, more frequent revaluations and more appeals would mean greater uncertainty and risk over their rates income which in turn could require them to set aside more funds to cover the risk from those appeals. As a result, more frequent revaluations could reduce the funds available to support the delivery of local services.

2.19 The government wants to ensure that the administration of the business rates system is efficient and easy to understand. It also needs to consider ways to manage down costs and risks associated with potential changes. Some of the ideas for discussion in other chapters could support more efficient revaluations. In particular, improvements to the appeals system and the way information is gathered would be essential to support a system of more frequent revaluations and they could help to manage costs. Many stakeholders have said they would support more frequent revaluations and a more efficient appeal system but if the additional costs remain of a size which could not be accommodated within normal efficiencies then the government would need to consider how these could be funded. We would also need to consider carefully how local government could manage the risks associated with more frequent revaluations. The government would like to hear views on these points.

Next steps and questions: how often property is valued

2.20 There remains a wide range of views on how often revaluations should take place. Therefore, the government wants to continue the open discussion on the frequency of revaluations. To inform this ongoing discussion, the government has published at Annex A its assessment of how more frequent revaluations would impact ratepayers and local government.

2.21 In addition, the government would like to continue discussions with stakeholders to consider:

- the costs and benefits of more frequent revaluations
- what more frequent revaluations would mean for all stakeholders; and
- how the gap between the valuation date and the date on which the rating list starts can be reduced while still maintaining the accuracy of the rating list.

Box 2.B: Key questions

1 What are your views on the findings and analysis at Annex A on the impact of more frequent revaluations?

2 How do you think more frequent revaluations would affect your business/ local authority?

3 Running a revaluation presents costs for ratepayers, as well as central and local government. What are your views on how these costs can be managed?

4 What are your views on how the gap between the valuation date and the date on which the rating list starts could be reduced, while still ensuring the accuracy of the rating list?

3 Challenging and appealing rateable values

Introduction

3.1 There are too many formal appeals in the current system and they take too long to resolve. One of the reasons for this is that many appeals are made with little or no supporting detail or evidence. Resolution of the majority of appeals currently relies on the Valuation Tribunal's limited capacity to list and in a few cases to hear those appeals and this creates delay. These factors combine to make the system inefficient, leading to frustrations for ratepayers and costs for both government and businesses.

3.2 The rating system should provide an easy to use and prompt opportunity for ratepayers to understand their rateable value and to check or challenge it if necessary, with any resultant alterations carried out quickly. The government believes that in a future system ratepayers should be able to check their valuation informally. It also wants the Valuation Office Agency to be able to resolve more quickly 'challenges' submitted by ratepayers. Checks and challenges should be dealt with more quickly so that ratepayers should only need to appeal to the independent Valuation Tribunal if all other means of resolving their dispute have failed.

3.3 Currently ratepayers make appeals to correct an error in their rating assessment. Appeals are made where there has been a physical change to the property or its locality or because they believe the level of value adopted by the Valuation Office Agency is wrong. In recent years the Valuation Office Agency has ensured appeals are settled more quickly. And at Autumn Statement 2013 the government committed to resolve 95% of the 168,000 appeals outstanding as at 30 September 2013 by July 2015 so that in the short term ratepayers can have their cases resolved quickly. As at 30 September 2014, this figure has fallen to 52,000.

3.4 However, the underlying problems with the appeals system remain. Over 70%[1] of all challenges on the 2010 rating list have resulted in no change and most do not state the basis for the appeal. These cases cause delays for all ratepayers and undermine confidence in the rating system. They tie up resources in the Valuation Office Agency which could otherwise be spent improving the service they provide to ratepayers and local government. Similarly, the current appeals system also creates difficulties for local government which is required to set aside funds to allow for losses on future appeals. This uncertainty over rating appeals ties up funds which could otherwise be spent on providing services. The government believes that this would be exacerbated with more frequent revaluations as local authorities would have to set aside fresh sums for future appeals at each new rating list.

3.5 In light of this, the government's consultation on the appeals system[2] explored these problems and considered solutions. The consultation generated a good degree of agreement on what was wrong: ratepayers do not always understand what evidence rateable values are based on; ratepayers make large numbers of challenges with little or no explanation; there is often little or no discussion about the case until very late in the day; and there is confusion over the roles of the Valuation Office Agency and the Valuation Tribunal for England.

[1] http://www.voa.gov.uk/corporate/statisticalReleases/141127_Local_Rating_List.html

[2] Checking and challenging your rateable value, DCLG, December 2013

3.6 The government would now like to consider more widely these problems. It wants to identify the barriers to a better system that would enable ratepayers to understand, informally check and only if necessary formally challenge their rateable value, and how these barriers can be overcome.

Information on how rateable values are calculated

3.7 The first stage of the review of business rates administration has highlighted the main strength of the current system: that each property is given an individual rateable value reflecting its characteristics and location. Stakeholders have told the government that maintaining this individualised approach will maintain fairness between all ratepayers but they have also said they want more information on how their rateable values are calculated.

3.8 For ratepayers a great deal of information is already available from the Valuation Office Agency. Most ratepayers can check the dimensions of their property in the rateable value assessment, see how it has been valued, check the level of value against similar properties and see the details of the valuation scheme[3] used for the property.

3.9 However, the valuations of most properties are based upon actual rents negotiated and agreed on similar properties in the location. Rents on business premises are often agreed together with other incentives or payments which could benefit the landlord or the tenant (such as an initial rent free period). The landlord may also agree to pay business rates or other property related costs. Therefore, the headline rent being paid does not always represent the underlying rental value of a property, which is the data on which the Valuation Office Agency must base a property's rateable value. Specific lease terms and side agreements may not be in the public domain and are often commercially sensitive. The Valuation Office Agency needs to have this detail to set accurate rateable values and properly consider challenges but given its sensitivity, the case for sharing more of this information is not always clear.

3.10 Some stakeholders have suggested that the more information that is available on valuations, the greater the confidence ratepayers will have in their tax assessment and be less likely to challenge it. This in turn would allow the Valuation Office Agency to resolve those challenges much faster than now.

3.11 The December 2013 appeals consultation paper explored how more information about rents could be made available but found there were barriers and safeguards within the current system to making the information available in a way which was truly useful to ratepayers. Rental and trading information is provided to the Valuation Office Agency in response to a request using statutory powers. These powers and other legislation exist to protect taxpayers' personal, private, confidential and commercially sensitive information and limit how and when the Valuation Office Agency can share the information it gathers to carry out valuations. The current system does not allow ratepayers to see the details of those rents and adjustments without making an appeal and progressing cases to substantive discussions.

3.12 The Valuation Office Agency take seriously stakeholders' expectations that information provided by ratepayers is treated with care and not disclosed unless necessary. Some stakeholders have suggested that moves to publish more rental information by the Valuation Office Agency would make landlords and tenants more cautious about providing that information.

3.13 The government would like to focus the discussion in the next stage of the review on how and to what extent the Valuation Office Agency and ratepayers should share the relevant information

[3] A valuation scheme outlines the level and basis of valuation applied to a particular group of properties.

they hold outside of the formal challenge process. This will include considering both the costs and benefits of any options and the balance between privacy and enhancing transparency.

3.14 To take this work forward, the government will set up a forum on the gathering, use and exchange of information to consider these issues. See chapter 4 for further details.

Checking rateable value and making challenges

3.15 In the current system too many appeals progress through to a Tribunal listing without any informal discussions or proper consideration at earlier stages. This is a barrier to a more efficient appeals system. Many other Tribunal systems are preceded by a phase of dialogue and negotiations where cases are settled or the issues are narrowed down to those which genuinely need to progress to formal appeal. In Northern Ireland, for example, time limits are set for each stage of the process which helps to ensure a more efficient process.

Routes for challenging rateable values

3.16 The government would like to explore how it can encourage or require ratepayers to use an informal resolution route where possible and present only properly argued formal challenges. These challenges should only progress to the Tribunal as appeals when settling the case by other means has proved to be impossible.

3.17 The provision of a 'pre-challenge' or 'review' stage would allow ratepayers to question, check or suggest factual changes to a valuation. If ratepayers are dissatisfied with the outcome of such a review or they wish to challenge a valuation basis or scheme they could make a more formal challenge. Such challenges could have a formal outcome with the option for a dissatisfied ratepayer to make an appeal thereafter to the independent Valuation Tribunal for England. The government would like to explore how such an approach could work for business rates.

3.18 Currently ratepayers may make an appeal if there has been a physical change to their property or the locality or a change in the way the property is used which they believe should alter the rateable value. They can also appeal if they believe the level of value placed on the property is incorrect. The grounds for making appeals are very wide.

3.19 When ratepayers make an appeal against their rateable value, the law requires them to include a statement of why they believe the rateable value is inaccurate.[4] However, the system allows ratepayers to lodge challenges with little or no investigation or explanation of why they think the rateable value is wrong. Normally a ratepayer need only claim that their rateable value is 'incorrect and excessive' to be able to make a challenge.

3.20 As a result the Valuation Office Agency receives a large number of appeals on which it can take no action until it has held discussions with ratepayers. This is a barrier to a more efficient appeals system and the government wants to work with ratepayers to address it, so that they benefit from a more effective system overall.

3.21 Most appeals are in some way seeking a reduction in the rateable value either for a physical change or to correct the level of value. Therefore, the alternative valuation of the property should be the key part of any formal challenge. Other appeals may concern the size of the property or how it is occupied. But at the moment very few challenges include a valuation or an explanation or what changes are needed to the assessment. Some stakeholders have said that the law should be changed to require ratepayers to provide more information with challenges.

[4] Regulation 6(1)(e) of the Non-Domestic Rating (Alteration of Lists and Appeals) (England) Regulations 2009

Box 3.A: Northern Ireland – standard process for rating valuation appeals at revaluation

1 Under the current non domestic valuation process in Northern Ireland if a ratepayer feels that their rates are too high there are a number of steps they can take to seek redress.

2 The following paragraphs lay out the route an appeal must progress through in order to reach the Lands Tribunal. It should be noted once a valuation basis is established post revaluation,[5] the majority of challenges will miss out the District Valuer stage, going directly to the Commissioner.

3 The process is commenced by a ratepayer (or another party as the case may be) completing an appeals form (a "CR3 form"[6]) and then applying to the District Valuer for review.

4 Upon receipt of that application the District Valuer must then complete any revision to the valuation, which arises out of an application to him within 3 months of the application date.

5 If the District Valuer cannot complete the revision within 3 months he must notify the applicant of the reason for delay and also specify the further period within which he will complete the revision. An extended period may be further extended by a notice under this paragraph, but no period of extension may exceed 3 months.[7]

6 In relation to applications arising from a new valuation list the standard 3 month period is extended to 6 months provided the application for revision is made during the first year after a new valuation list takes effect.

7 This extension is deemed necessary given that many more applications can be expected in the year after a new valuation list comes into force.

8 If the ratepayer is dissatisfied with the outcome of the District Valuer review he then has 28 days to complete a further appeal form (a "CR20 form") and request an appeal to the Commissioner of Valuation.[8]

9 If the ratepayer remains dissatisfied with the Commissioner's decision, they can appeal to the Northern Ireland Valuation Tribunal (mixed properties where the Net Annual Value (NAV) is less than £12,500) or more commonly the Lands Tribunal for Northern Ireland for all other non-domestic properties.

3.22 The government would like to hear views on the issues and ideas raised in this section about the challenge process. It wants to consider further what information it could require ratepayers to provide when they submit challenges and how in practice it can work with them to make the system more efficient and effective for everyone involved.

The appeal process

3.23 The Valuation Tribunal for England should provide ratepayers with the opportunity to have their case settled only after they have had the opportunity to discuss it with the Valuation Office Agency and exhausted all other options. Under the current system many cases proceed automatically after 3 months to the Valuation Tribunal for England and are settled by the parties

[5] Rates (Northern Ireland) Order 1977 S.I. 1977 No. ("the Rates Order"), Schedule 12, 2 (1) includes provisions on comparable assessments: 'In estimating the net annual value of a hereditament for the purposes of any revision of regard shall be had to the net annual values of comparable hereditaments which are in the same state and circumstances as the hereditament whose net annual value is being revised.'

[6] http://www.dfpni.gov.uk/lps/index/about-lps/publications_and_statistics/valuation_publications/application_and_appeal_forms.htm

[7] Article 49(4) of the Rates (Northern Ireland) Order 1977 S.I. 1977 No. ("the Rates Order")

[8] Article 49(5) of the Rates (Northern Ireland) Order 1977 S.I. 1977 No. ("the Rates Order")

very late in the process. A significant number of cases are either struck out by the Tribunal or withdrawn by the ratepayer or their representative shortly before the hearing. As a result the Valuation Tribunal for England administers the resolution of almost all challenges rather than just those where a dispute cannot be settled. This creates unnecessary costs and delays for ratepayers and confusion as to whether they are dealing with the Valuation Office Agency (who are part of the government) or the independent Valuation Tribunal for England.

3.24 The government would like to explore how the administrative and business procedures in the appeal system can be improved to support a more efficient process. In other areas of case challenge and dispute resolution (for instance HMRC) there are clearly mandated systems for reconsideration, with parties required to exchange information and review the facts, prior to any consideration by an independent review body, whether that is a Tribunal, a Commissioner or some form of Alternative Dispute Resolution.

3.25 The current business rates appeals system allows ratepayers to challenge their rateable value and proceed to an independent Tribunal at no charge. In contrast, charges are common in other Tribunals. The government would welcome views on whether introducing a charge could help to reduce the number of speculative appeals in the system.

Next steps and questions

3.26 The government has identified problems with business rates appeals and taken immediate steps to reduce delays. Now, the government proposes to build on this work and look at solving the problems in the appeals system as part of wider reforms to business rates administration. The government summarises the issues and ideas in this chapter in the box below and would be grateful for views on what it suggests.

Box 3.B: What could a new system for challenging and appealing rateable values look like?

A. Checking

- Make an enquiry or clarify aspects of a valuation
- Request revision for physical changes or factual inaccuracies
- Queries regarding the approach to valuation (for example retail 'zoning')

If issues remain:

B. Challenge

- Challenger to outline their case
- Discussion between the parties
- VOA issue a decision

If the ratepayer wishes to make an appeal against the VOA decision:

C. Appeal to the Valuation Tribunal for England

- Exchange detailed statements of case
- Tribunal decide case on submissions or a hearing where necessary

3.27 In the short term the government has ensured that fewer ratepayers are left waiting for their appeals to be considered. In recent years we have reduced the number of outstanding appeals from 340,000 in September 2011 to 113,000 in September 2014. But the government wants to identify practical improvements to the way in which rateable values can be challenged and appealed that make the whole appeals system more efficient and easier for ratepayers to deal with. It wants, in particular, to look at:

- alternative informal routes that allow ratepayers to check or seek changes to rateable values, including how and when evidence used for valuations should be shared with ratepayers
- improvements to formal routes of appeal, including consideration of the information to be supplied with a formal challenge and how appeals should be made to the Valuation Tribunal for England
- whether reforms such as introducing a charge or a requirement for the submission of information could encourage ratepayers to use informal routes to resolve disputes and reduce the high number of appeals in the system that are based on incomplete or poorly argued cases that take longer to resolve

Box 3.C: Key questions

5 If the government made it easier for ratepayers to check or seek changes to a property's rateable value through informal routes, would this be likely to reduce the number of formal challenges?

6 If the government asked for more information from ratepayers or levied a charge as part of the formal appeals process would this lead to a more efficient system?

7 What impact do you think the ideas in this paper could have as a whole on the approach to challenging and appealing rateable values?

8 What are your views on box 3.B which sets out what a new system for challenging and appealing rateable values could look like?

4 Information gathering, use and exchange

Introduction

4.1 Stakeholders recognise that the timely and accurate gathering of information is integral to the effectiveness of the business rates system. A great deal of information is already provided and shared between stakeholders within the rating system. Although some stakeholders have called for greater sharing of rental data there was no consensus as to when and how widely this data should be shared. Chapter 3 discusses the rental detail required for valuations as it relates to the appeals system and chapter 5 below considers simplicity in billing and collection. This chapter considers more generally how information is gathered, used and exchanged and how the Valuation Office Agency can increase the transparency of the valuation process and of individual valuations whilst continuing to provide the right level of protection for information given to it in confidence.

Information required for valuation

4.2 The Valuation Office Agency requires a wide range of information about businesses and property to do its job.

4.3 Most properties are valued by reference to their size and layout in order to ascertain annual rental values. So the Valuation Office Agency must gather and maintain this information on offices, shops, factories and warehouses in England. This will include the size, nature, age and characteristics of the property. The Valuation Office Agency may hold detailed plans, information about the heating and ventilation system, security systems, floor heights and how different parts of the property can be used. A rateable value should reflect any extensions or value significant changes from the date of their completion.

4.4 For more specialised properties the Valuation Office Agency will hold trading information about the business including data on sales or throughput and costs. In some cases the Valuation Office Agency will hold very detailed operational and management level information about a property (e.g. to support the valuation of a power station).

4.5 Underpinning the valuation of most properties is evidence of actual rents. Therefore, the Valuation Office Agency gathers evidence of rents agreed in the market (on new leases and rent reviews), it analyses those rents to a common standard so they can be compared across different properties and then uses that evidence to prepare valuation schemes[1] for different types of properties in different locations.

Information required for billing and collection

4.6 Local authorities also need information to collect business rates. The published rating list prepared by the Valuation Office Agency includes a property’s address, description and rateable value. To bill accurately the local authority requires the legal identity of the occupier, the most appropriate billing address and, to consider reliefs, it may also need details about the business, the property and how it is used.

[1] A valuation scheme outlines the level and basis of valuation applied to a particular group of properties.

4.7 More generally, local authorities now have a direct financial interest in ensuring the rating list is accurate and up to date. To support this local authorities also gather information about changes to the stock of property in their area.

How information is gathered

4.8 Historically the Valuation Office Agency has requested rental information directly from ratepayers using statutory powers. And these powers remain their principal source of data for rents (although information can also come from more general market sources and contacts).

4.9 The powers allow the Valuation Office Agency to request information from ratepayers and then levy a fine if the request is not met. However, effective use of these powers first requires knowledge of where the rental information is held. So to support this the Valuation Office Agency also retains details of when rents are being renewed or reviewed and also collect from the Land Registry details of new tenancies that are for 7 years or longer. This allows them to target information requests to those ratepayers who they believe hold useful data and avoid 'blanket' requests for data.

4.10 But this approach can never be 100% successful. Rental evidence will always exist of which the Valuation Office Agency is unaware and is therefore, unable to request. This gap in the Valuation Office Agency's ability to gather rental data acts as a barrier to maintaining an accurate rating list and creates uncertainty for ratepayers, local authorities and others.

4.11 Information about the property, such as its size or use, is either gathered by the Valuation Office Agency directly by inspection, from the ratepayer or, sometimes, from external sources such as published plans. Trading and business information is also gathered directly from the ratepayer by the Valuation Office Agency using their statutory powers.

4.12 Typically the local authority will gather the information they need either directly from the ratepayer or by inspection of the property (again separate from inspections by the Valuation Office Agency). This information may be gathered specifically for business rates or it may have been gathered for other reasons (such as development planning purposes) but then also used for business rates.

How the information is shared

4.13 Local authorities have a statutory duty to inform the Valuation Office Agency of any information which suggests the rating list is inaccurate. Furthermore, local authorities now have a direct financial interest in business rates growth in their area. Accordingly, local authorities are increasingly sharing more information with the Valuation Office Agency.

4.14 The Valuation Office Agency is subject to the Commissioners of Revenue and Customs Act 2005. Sections 18(2) and (3) set out the circumstances in which information sharing outside HMRC and the VOA is lawfully permitted. Sharing information held by the VOA with local authorities can only take place in limited circumstances – in the main where consent is given by the ratepayer; where disclosure is clearly required to support one of the VOA's functions (for business rates this is primarily in compiling and maintaining lists of rateable values for non-domestic properties); or where a legislative gateway is created to permit such sharing. At present no gateway exists that enables the VOA to share information with Local Authorities.[2]

4.15 As a result, it is common for ratepayers to have to provide the same information about their business or property to both the Valuation Office Agency and the local authority. It is also

[2] The Commissioners of Revenue and Customs Act (CRCA) 2005

possible for a business to be inspected twice for business rates in a short time frame by both the Valuation Office Agency and the local authority.

Information sharing with ratepayers

4.16 Generally speaking, ratepayers only share rental information with the Valuation Office Agency on request. Some stakeholders have said that the system the Valuation Office Agency uses for gathering information should be simpler and digitalised. Businesses have also said the Valuation Office Agency should focus its data requests more accurately upon useful information. Some ratepayers with multiple sites and landlords volunteer to join a Valuation Office Agency scheme under which they will systematically provide bulk rental information.[3] The Valuation Office Agency is working with ratepayers to further develop and expand this scheme to make the provision of information easier and more efficient. But the government recognises there is further room for improvement.

4.17 Information about rateable values and the rating list is shared with ratepayers by the Valuation Office Agency on their website or on request. Summary valuations are published online together with the basis and composition of the valuation. A link to information about valuations and appeals on similar properties is available together with more general information about rating valuation.

4.18 Research by the Valuation Office Agency[4] showed that what information ratepayers needed varied. Some ratepayers did not want to be overwhelmed with detailed information whereas others who had reached the appeal stage did want more information. Generally, ratepayers wanted simple and clear information that is specific to their property.

[3] The Valuation Office Ratepayer Contact Scheme (VORC)

[4] Understanding Customers' confidence in the VOA's valuation and advice: Stage 2 research findings (October 2014).

Box 4.A: Information already provided by the Valuation Office Agency

The VOA provides the following information direct to its website (www.2010.voa.gov.uk):

- The rateable value of every property, including changes over time
- A breakdown of most valuations in the form of a summary including (in most circumstances) the size of the property and main rate per square metre adopted.
- A 'scheme information sheet' showing how defined groups of properties have been valued, including details of the assumed building type, specification, location, rates for additional items (such as car parking) and where relevant the age.
- A direct link to the valuation 'scale' showing the adjustments to the main rate adopted for that type of property.
- A link from the valuation to the VOA Rating Manual giving the methodology and approach to valuation.
- Details of all assessments in the same scheme.
- A 'comparison' function that allows 2 or more valuations to be compared.
- Data relating to all settled appeals including the professional representative's/interested parties name, settlement date, type of settlement and resulting valuation.
- In addition to the above all Valuation Tribunal for England decisions since 1995 and all Upper Tribunal (Lands Chamber) decisions since 2000 are available on their respective websites.

Improving information gathering, use and sharing

4.19 The government would like to explore how this system of information gathering, use and sharing can be improved to support a better business rates system.

4.20 It is common in many areas of the tax system for the taxpayer to be under a duty to inform the tax authorities about their circumstances and changes to those circumstances. Such a duty does not exist in business rates. Some stakeholders have suggested that the business rates system would benefit from such a duty. The government would like to understand how such a duty could be applied in practice for business rates. This could include a duty to disclose physical changes to the property or a change in use or occupation of the property which should also lead to fewer backdated changes to the rating list and a fairer system for all ratepayers.

4.21 Leases of more than 7 years must be registered with the Land Registry but this does not cover the separate side agreements which may accompany them (such as for funding fit out costs) and may only detail terms where a full copy of the lease is available. Leases shorter than 7 years are not registered. A duty to provide information for business rates may need to extend to all leases and associated side agreements to capture the data needed for valuation. It would also have to strike a balance between providing all the details of changes to the fabric or use of the property and imposing an unnecessary burden on business. As part of its new information gathering, use and sharing forum, the Valuation Office Agency will work with stakeholders to consider a duty on ratepayers or landlords to provide information about their property.

4.22 Stakeholders have commented that much of the information needed to run the rating system is already held through local and central government but is not always in the right hands. There are some clear examples of this such as the legal barrier which prevents the Valuation Office Agency sharing information with the local authority. At its worst this leads to inefficiency in the Valuation Office Agency and local authorities, and ratepayers being asked to provide the same information twice. The government would like to understand more about these constraints and why better sharing of information does not take place.

4.23 The government has considered the points raised by stakeholders and recognises that the current constraints on the Valuation Office Agency sharing information with local government is a clear barrier to the efficient administration of the rating system. Therefore, the government will look for a suitable legislative opportunity to allow greater sharing of information on non-domestic properties between the Valuation Office Agency and local authorities.

4.24 The information required for valuation and how this can be shared has been outlined in chapter 3. Where necessary the government can consider removing legal constraints to sharing the information required but it will be important to understand why information is not shared at present. In some instances the existing constraints provide important assurances to the owners of the information that their data can be protected and will be treated with care.

Next steps and questions: information gathering, use and sharing

4.25 The government is committed to improving the transparency and accountability of government and its services. The government also recognises that public bodies which hold taxpayers' data have a responsibility to protect it.

4.26 Stakeholders have said they want greater access to the information held on their behalf by the Valuation Office Agency and they also suggest that public bodies, who hold ratepayer data, should share it more efficiently between themselves in order to reduce the number of times ratepayers are asked to provide it. The government will therefore look for a suitable opportunity to change the law to allow greater sharing of information on non-domestic properties between the Valuation Office Agency and local government.

4.27 However, stakeholders also recognise that in order to run efficiently and effectively, the business rates system relies on the Valuation Office Agency and billing authorities having accurate and timely information about properties. This is a key part of enabling the government to deliver a fair and even-handed tax system so that rateable values can be kept up-to-date and businesses know that they are paying accurate businesses rates bills. Some stakeholders suggested that ratepayers could be placed under a duty to provide information about their property in order to enable this. The government would welcome views on this and other suggestions.

4.28 The government will therefore set up a forum of ratepayers, their representatives, landlords and local authorities to bring forward practical improvements that:

- improve the Valuation Office Agency's systems for gathering rental details to make it easier for ratepayers to provide up-dated information on their property
- ensure the Valuation Office Agency has the data it needs to carry out accurate valuations so that ratepayers have more confidence in and a better understanding of the valuation system and their own property's rateable value and business rates bill
- ensure information about alterations and improvements to properties can be shared efficiently between public bodies and be accurately reflected in valuations, reducing the burden on ratepayers to provide the same information more than once
- ensure the Valuation Office Agency can increase the transparency of the valuation process and of individual valuations whilst continuing to provide the right level of protection for information given to it in confidence

Box 4.B: Key questions

9 Do you have examples of best practice ways to gather and share taxpayers' property data that you would like the government's information sharing forum to consider?

10 What is your view on the suggestion that ratepayers should be required by law to provide information about their property?

11 What are the practical steps government could take to make it easier to access information and how would you use that information?

5 Billing and collection

Introduction

5.1 During the first stage of the review stakeholders have told us that the billing and collection of business rates can be complicated and burdensome. Bills can be difficult to understand and inconsistent in content and format. This is an especially common view of ratepayers who have to deal with multiple bills for many different local authorities. We also heard that many businesses are in favour of local authorities using more electronic billing as business rates are mostly collected by paper or emailed bills and that only a handful of local authorities have considered online billing for business rates or other digital options.

5.2 In the first phase of the review stakeholders have told us that the business rates reliefs system is complicated and acts as a barrier to simpler rates bills. Currently the government is targeting a package of relief at small businesses and retail premises with rateable values of £50,000 or below as well as providing financial support for those authorities who decide to operate their own Localism Act relief schemes. These reliefs provide welcome support to the ratepayers affected and are explained in full on the government's website[1] as well as on many local government websites. The government has heard views on reliefs and will continue to take these into account as it keeps all taxes under review.

5.3 The government is committed to working with local authorities to make business rates bills clearer and easier to understand. This chapter sets out how government will consider in more detail options for reform of billing and collection focussed on simpler bills and digital opportunities.

Simpler and standard billing

5.4 Most decisions on how to bill for business rates are made individually by 326 local authorities. The government defines the minimum information which must be shown in a bill but does not define the format, layout or precise content of bills. Most local authorities use one of three main software providers to support billing which does drive some consistency within bills. But the scope for different local authorities to take different approaches to bills is wide. As a result, the format, content and layout of bills varies significantly.

5.5 Our discussions have told us this has a number of consequences. Some stakeholders have said the diverse approach to billing means it is less likely that local government as a whole will be drawn into common best practices in preparing bills. Some business support groups have said this makes it difficult for them to offer consistent guidance to business on understanding bills (when that guidance would in principle have to cover potentially up to 326 different types of bills). And multiple traders have told us that handling many different types of bills creates extra cost and time in their business. Stakeholders have asked that bills:

- include a clearer explanation of reliefs applied to a bill
- use plain English
- demonstrate greater consistency in bills issued by different local authorities
- use online tools to improve ratepayers' understanding of how their bills have been calculated

[1] https://www.gov.uk/introduction-to-business-rates

5.6 A more prescribed statutory framework for billing would deliver greater certainty but would be inflexible and it may not be possible to create a set of rules to cover all possible scenarios. Alternatively, best practice guidance would allow for a more responsive and flexible approach to standardisation. This might, for example, offer a best practice approach for the common billing scenarios but still leave local government with the flexibility to adapt bills to meet particular cases. But guidance would lack the force of law. The government wants to ensure that bills meet the needs of businesses, as well as local authorities. It will therefore establish a billing and collection forum involving local authorities and business representatives to bring forward practical changes to the billing system and consider best practice guidance for standard and clear bills.

Digital improvements and business rates

5.7 The government is committed to becoming digital by default by which we mean digital services that are so straightforward and convenient that all those who can use them will choose to do so whilst those who can't are not excluded. In particular all new or redesigned government (civil service) transactional services should aim to be so good that people prefer to carry out the transaction online rather than by phone, post or in person.

5.8 Stakeholders have told us they would like to see more use of digital technology such as:

- billing authorities offering an option to businesses of receiving email bills (i.e. send bills as PDF)
- billing authorities offering an option of paying business rates bill online, and
- online billing across multiple local authorities

5.9 The government would like to understand in more detail how digital solutions in business rates can help stakeholders. Local government has already shown that it can take the opportunities presented by digital technology in its dealings with customers. Some local authorities have told us they are also considering online and digital billing for business rates but that the benefits of digitalisation are not always clear. For example, local authorities have explained that because most ratepayers only interact with them once a year at billing time then the benefits of digitalisation for business rates may not be as great as they are with other services. And they have said that in the absence of an email address for the ratepayer which they are certain is correct, it is essential that local authorities use paper bills to ensure they are legally delivered. As such the costs of digital improvements may not always balance the returns. There is also considerable complexity to a programme that, for example, tries to link the collection systems of 326 separate local authorities.

5.10 Therefore, in the first instance, the government would like to understand better what businesses see as the main advantages and disadvantages of digital improvements in business rates. This will help the government to assess the costs and benefits of potential solutions.

5.11 Business rates are an important source of revenue for local authorities and are a key tool in the government's aim to incentivise and reward local authorities that go for growth. So it is important that any digital solutions preserve business rates as a local tax. Nevertheless, the government would like stakeholders to consider options which can take benefits from a single digital solutions whilst preserving business rates as a local tax. It would like to explore what practical options are available to bring digital improvements to business rates. Some stakeholders have said this could include options for ratepayers to use common systems or portals for billing and collection provided the link between local authorities and bills on local properties is retained.

5.12 The government proposes that its new billing and collection forum considers potential digital improvements to business rates bills that could be made over the longer-term, weighing up the pros and cons of reform.

Next steps and questions: billing and collection

5.13 The government is committed to making tax easier, quicker and simpler for businesses to deal with and pay. Stakeholders have made clear that they want to see simpler and standard business rates bills and that the rating system should make more use of digital technology. The government will therefore set up a billing and collection forum that will bring forward practical improvements to the billing system including consideration of digital options. The government will also consider best practice guidance for standard and clear bills.

Box 5.A: Key questions

12 Do you have further suggestions to add to the ideas listed in this paper which you think the government's new billing and collection forum should consider?

13 What do you see as the main costs and benefits to your business / local authority of a more digital billing and collection system?

14 What are your views on the key issues with billing that best practice guidance for standard and clear bills should address?

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This document can be downloaded from www.gov.uk

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