



# DIGITALISATION OF BUSINESS RATES

## **CONSULTATION RESPONSE**

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**PREPARED AND SUBMITTED BY**

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## Introduction and summary

The British Property Federation (BPF) represents the real estate sector – an industry which contributed more than £107bn to the economy in 2020 and supported 2.3 million jobs. We promote the interests of those with a stake in the UK built environment, and our membership comprises a broad range of owners, managers and developers of real estate as well as those who support them. Their investments help drive the UK's economic success; provide essential infrastructure and create great places where people can live, work and relax.

We welcome government's efforts to seek improvements in the business rates system. We recognise the importance of digitalising business rates – it is a long way behind the digitalisation journey of other taxes and there will be huge efficiencies to be gained for both businesses and government through digitalisation. However, we have two concerns with the scope of this project, which are set out below.

### **Is this the right policy to address the challenges with reliefs?**

The fact the business rates system is so reliant on a plethora of reliefs to avoid causing undue hardship on business represents a wider flaw in the business rates system – namely, the tax burden is unsustainably high, and rateable values are out of touch with rents. The new database set out in this consultation will not address these underlying challenges. Government should prioritise resource to addressing these areas which are fundamental to achieving a fair and sustainable property tax system which support business and encourages investment.

### **This is a missed opportunity to digitalise and streamline the business rates compliance process**

These proposals will not actually digitalise or streamline the existing business rates compliance process – and indeed, has the potential to increase the compliance obligation of businesses by adding an additional duty to disclose information (and possibly a third digital interface with government). While there may be some benefits to be gleaned from these proposals, it must be noted that a number of administrative processes within the business rates system which are in desperate need of modernisation and digitalisation will not be addressed by these proposals. We would hope therefore that this project will not preclude further resources being directed at much needed digitalisation of the existing business rates system - not least, because greater digitalisation in the business rates compliance and valuation process will unlock the potential for more frequent revaluations.

We expand on our concerns in relation to the scope of the proposals, as well as provide responses to a handful of the consultation questions in the appendix. If you have any questions, or would like to discuss our response in further detail, please contact Rachel Kelly, Assistant Director (Finance), [rkelly@bpf.org.uk](mailto:rkelly@bpf.org.uk).

## Appendix: feedback on the proposals

### Scope

As noted in the introduction, these proposals seek to add a new digital database to marry up business rates bills with wider tax data. While this will hopefully be of value to government, in allowing reliefs to be allocated more effectively, we are concerned that the real challenge of digitalising and streamlining the compliance processes for businesses has been overlooked by these proposals.

These proposals will in fact add an additional compliance burden for business by introducing a new duty to disclose information, and a third, disparate, digital system (in addition to check challenge appeal ("CCA") system, and the payments process directly with local billing authorities). We believe that larger gains in efficiency for businesses could be made by streamlining and digitalising the existing compliance process – ideally leaving business with one digital system instead of three disparate systems. At a more basic level, efficiencies would also be gained by simply seeking to digitalise all of the paper based processes which still remain in the business rates compliance system.

It would have been beneficial to have an earlier stage consultation to seek views from business on where the biggest efficiencies could be gained from their perspective – in order to ensure that resource is directed at the most impactful changes for business. We would hope that this current project should not preclude such an exercise, and resource can be made available for much needed digitalisation and simplification of the business rates compliance system.

Furthermore, if government are seeking to address challenges with the allocation of reliefs within business rates; we would suggest that the plethora of reliefs on which businesses rely to avoid undue hardship are simply a symptom of a business rates burden which is unsustainably high and which does not keep up with changes in property values. We are concerned that any reforms which do not address these fundamental flaws are simply tinkering around the edges – and risk not representing good value for money.

### Learn from Check Challenge Appeal ("CCA")

The Check Challenge Appeal system, introduced in 2017, sought to streamline the business rates appeals process. The introduction of this new system was fraught with difficulties – not least because the system was not sufficiently tested to iron out errors before it was launched, leaving improvements to be made 'on the hoof' after the system went live. This was hugely inefficient and challenging for business – therefore lessons must be learned from CCA – notably, sufficient testing should be carried out before any new system goes live.

In addition, we would note that the primary object of CCA was to streamline the appeals process, making it more efficient for government and business. Unfortunately, there is still a huge backlog

in appeals and we continue to hear feedback from members that the system is challenging and not sufficiently transparent to enable efficiencies in the appeals process. There would be benefit in reviewing how well the introduction of CCA has met government's objectives and addressing challenges with this system – before embarking on a yet new digital system.

## Consultation questions

While our overriding concerns are with the scope of this project – our comments on a few specific questions within the consultation are set out below:

**Question 16: Would you use a service that allows you to view business rates information for all your properties across England in one place, alongside other HMRC tax liabilities? Yes/No**

It is not clear whether this database would offer businesses significant insight over and above what they already have access to. The feedback we have received is that many businesses – particularly those with large portfolios, are likely to view their business rates as an occupational cost, and are likely to consider them alongside other occupational costs predominantly rather than as part of their tax liabilities.

Being able to pay bills through this system has the potential to offer some benefits – it would at least reduce the number of different interfaces that a business has to deal with.

**Question 17: When thinking about how often (your) bills change, how often should the business rates billing information be updated? (eg daily, weekly or whenever a ratepayer seeks to view their billing information). Options: real time look up/daily/weekly/monthly/quarterly/annually.**

If this system is going to be useful, it must have real time information – if there is ever a difference in data between the CCA system or the billing portal, and this new database, it risks causing confusion for business.

**Question 18: Could DBR data help with targeting and administering reliefs? If so, for which reliefs would it be help most and why?**

This database could be useful where a relief is based on evidencing some kind of hardship, or profitability criteria. However, given corporation tax data is historical (often lagging behind current performance by 1-2 years), it's not clear whether this data set would be the most useful where relief is needed more urgently. For example during the Covid pandemic, relief was needed immediately – and historical corporation tax data from one or two years previously would not have proved particularly useful. It's possible that VAT data could be more helpful to the extent this provides more current data – although it wouldn't give an indication of profitability. And

depending on the capability of the software analysis, if there was the ability to identify businesses where the rates bills typically represent a large portion of their revenues for example – or even just identify typically low margin businesses, this may also be beneficial – albeit this could prove complicated, and there may be challenges with fairness etc.

More generally, and as we have set out in the introduction, we consider that if the business rates burden was more sustainable, and rates bills reflected changes in property rental values more quickly, the system would be less reliant on reliefs to avoid causing undue hardship to business – we consider that addressing these challenges should be the priority in order to reduce the pressure on and need for reliefs.

**Question 19: Is there any other data that DBR could provide to help billing authorities feel more confident when awarding reliefs and/or grants?**

As noted above, historical corporation tax data may not prove as useful where relief is needed particularly quickly – as corporation tax data could lag current performance by one to two years.

**Question 23: Do you envisage risks with applying the principle of conditionality to new or redesigned reliefs? If so, how can these be mitigated?**

We do not consider that reliefs should be conditional on compliance with this database. If government have made a policy decision to allocate a relief, this should be made available as quickly and efficiently as possible in order to support the government's policy objective in respect of the relief. Furthermore, the penalty of denying a relief would be draconian in some cases, if the relief was essential to support a business.