Business rates: new reporting obligations for businesses

Large Corporate | Management of taxes | OMB

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A recent business rates consultation includes details of new 30-day and annual reporting obligations for businesses to facilitate three yearly business rates valuations – the CIOT has responded.

The Department for Levelling Up, Housing and Communities and HM Treasury have consulted on the technical detail of the government's proposed changes to business rates following the conclusion of the fundamental review of business rates at the 2021 Autumn Budget. The changes include:

- a more frequent (three-yearly) valuation cycle; and
- introducing a new relief for improvements to properties.

New reporting obligations – anticipated for 2023

To support the three yearly valuation cycle, new legal obligations will require ratepayers (including those businesses that pay no rates due to a relief) to notify the Valuation Office Agency, via a new online service, of changes to the occupier or the property, and to provide rent and lease information in real time, usually within 30 days, and through a mandatory annual return (30 days after 31 March). The consultation indicates it will be a 'recognisable GOV.UK digital service akin to other tax services'.

The new obligations will impose requirements on businesses which have had little engagement with the business rates systems to date; in particular, for small businesses eligible for 100% small business rate relief. The government's proposed extensive communications campaign is therefore essential and welcome. We suggest that direct engagement with representative bodies in the accountancy and legal sectors will help to raise awareness of the new requirements at an early stage.

We note that agents will have a very significant role in ensuring that the new system operates as intended and early consideration should be given to facilitating this interaction through the online service. It is possible that more ratepayers will wish to use an agent to meet their new filing obligations.

We suggest there should be a paper alternative for ratepayers who are digitally excluded and therefore unable to access the new service online.

We welcomed the commitment to designing a system that works for small businesses and businesses with large property portfolios. For large businesses with multiple properties, the ability to provide bulk data via the online system will be essential to minimise burdens, as will a facility for group registration for the online process.

We expressed concern that the reporting deadline of 30 days will require a significant increase in monitoring and will in many cases be quite onerous. Businesses, particularly medium and larger sized businesses, are likely to have a system of month-end reporting; therefore a deadline of one calendar month after the month in which the reportable event occurs would align more closely with existing practices.

We welcomed the commitment to greater transparency for ratepayers on their valuations. However, we note that the ‘carrot’ of transparency (ratepayers will be able to access fuller analysis of rental evidence) will not benefit ratepayers until 2026, while the ‘stick’ of information obligations will have been in place for three years from 2023. We would prefer the requirements for greater provision of information in exchange for increased transparency to operate conterminously as far as possible.

A new relief for property improvements

While it may be debatable economically whether it is the occupier or the landlord who ultimately benefits from the improvements relief, we agree that the relief should remove the distortionary effect of improvements disincentivising businesses from equipping or expanding.

Our full response is available here: www.tax.org.uk/ref896