

Joining up business rates data and HMRC tax data

Large Corporate

Management of taxes

OMB

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The CIOT has responded to HMRC's Digitalising Business Rates consultation, which looks at how to join up local authorities' business rates data with HMRC-held tax information, and the benefits of doing so.

HMRC are consulting on how to join up business rates data (held by the 309 billing authorities in England) with centrally held HMRC tax data to better target business rates policy and compliance, and to allow businesses to see their business rates bills in one place online. Billing authorities will remain responsible for the administration of business rates.

Our main concern with the proposals is that they will increase administrative and cost burdens on businesses by requiring them to provide more information to government but with minimal benefits for the businesses themselves. Many small businesses will be fully relieved from business rates and therefore derive no benefit from online bills. Large businesses and businesses using a rating agent will be fully aware of their rates bills already.

One of the objectives is to enable the government to better target financial support to businesses, particularly in response to an economic shock such as the recent Covid pandemic. It is unclear how the data matching will enable this to be achieved, at least in the short or medium term. Liability for business rates arises on a daily basis (based on occupation). The data held by HMRC does not necessarily reflect the current position (because it is based on the corporation tax return submitted 12 months after the end of an accounting period).

While HMRC are pressing ahead with Making Tax Digital for income tax, the timetable for Making Tax Digital for corporation tax is more delayed. It is therefore unclear when HMRC will obtain company financial results on a sufficiently timely

basis to make fulfilment of the aim of targeting financial support feasible. The differences in the tax basis for business rates and income tax/corporation tax would also appear to make this unworkable, unless business rates were to be replaced by a turnover/profit-related tax.

While historically business rates were regarded as a property cost, they are now increasingly perceived as a tax, albeit one charged by reference to rental value rather than profit. There is therefore a good case, and one we support, for making the business rates system more integrated with and aligned to the wider UK tax regime. However, the proposals as they stand simply overlay data matching on to the existing non-aligned systems but without structural or legislative reform or centralisation to underpin the alignment.

We recognise that the limited data matching proposals may be a stepping stone to wider reform and alignment, but we think there is significant uncertainty over how much value digitalising business rates will add, at least in the short term, without wider structural reform.

The full CIOT response is available here: www.tax.org.uk/ref988

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