



## BUSINESS RATES 2023 REVALUATION TRANSITIONAL ARRANGEMENTS

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ICAEW welcomes the opportunity to comment on the Business Rates 2023 revaluation transitional arrangements consultation published by the Department for Levelling Up, Housing & Communities on 30 May 2022, a copy of which is available from this [link](#).

For questions on this response, please contact our Tax Faculty at [taxfac@icaew.com](mailto:taxfac@icaew.com) quoting REP 61/22.

This response of 21 July 2022 has been prepared by the ICAEW Tax Faculty. Internationally recognised as a source of expertise, the ICAEW Tax Faculty is a leading authority on taxation and is the voice of tax for ICAEW. It is responsible for making all submissions to the tax authorities on behalf of ICAEW, drawing upon the knowledge and experience of ICAEW's membership. The Tax Faculty's work is directly supported by over 130 active members, many of them well-known names in the tax world, who work across the complete spectrum of tax, both in practice and in business. ICAEW Tax Faculty's Ten Tenets for a Better Tax System, by which we benchmark the tax system and changes to it, are summarised in Appendix 1.

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## KEY POINTS

### INTRODUCTION

1. We appreciate the opportunity to respond to this consultation. Although as an organisation we are not directly impacted by the transitional arrangements, many of our members and their clients will be.
2. It is worth stressing that any change compared to the previous transitional arrangements will result in both winners and losers. As a result, we do not think it is appropriate to recommend one form of arrangement over another. However, we can offer reflections on the practicalities and likely impact on decision making in moving to a new arrangement. There are also more general comments we would like to make on the business rates revaluation process.

### RATES AS A GENERAL COST

3. Our understanding is that most business owners see their rates bill as an expense of running the business, rather than a tax. As a result, if any change to the transitional arrangement caused rates to go up more quickly than before, this could lead to those businesses affected putting their sales prices up which would put even further pressure on inflation. Although inflation in the UK may be under control by the time the next transitional arrangement comes into force, if global events continue to have an unpredictable effect on the economy the government may wish to avoid any measures that put upward pressure on prices.
4. One of the benefits of the current transitional arrangement is that it allows the government to be very prescriptive about the extent to which revaluations are allowed to impact rates bills. If the government wishes to have an influence over economic conditions (given that it cannot influence monetary policy, which is set by the Bank of England) then moving to a less prescriptive arrangement may not be desirable.

### REMOVAL OF REVENUE NEUTRALITY

5. We note that, under current law, the government must have regard to the object of securing (so far as is practicable) that the scheme is revenue neutral over its life. We question whether that requirement still needs to be retained in the current economic climate.
6. The COVID pandemic has demonstrated that many businesses can operate with much of their workforce working at home. In particular, this is likely to reduce demand for office space in the future, which could place downward pressure on rateable values in some sectors. If rateable values have generally gone down since 2015, a smaller than usual proportion of ratepayers will be paying for the cost of transitioning in rateable value increases. Given these conditions we think it is reasonable to reconsider the fiscal neutrality stance
7. We also note from the recent [consultation](#) on a potential Online Sales Tax that the government is looking at options to help rebalance taxation of the retail sector. If the current reliefs given to the retail, hospitality and leisure sectors come to an end in 2023, this could put considerable cost pressures on these sectors, just at a time when it would be ideal for them to help fuel economic recovery, If the rates payable by these businesses cannot fully reflect any reduced rateable value since 2015, this is only likely to exacerbate the problem.

### MORE GENERAL COMMENTS

8. We welcome the move to more frequent valuations to help business rates better reflect current rateable values and the present economic conditions. However, we believe that the government could go further so that rates bills can more easily reflect the wider economic cycle. We would welcome to opportunity to discuss this further with you in due course.

## APPENDIX 1

### ICAEW TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

1. Statutory: tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament.
2. Certain: in virtually all circumstances the application of the tax rules should be certain. It should not normally be necessary for anyone to resort to the courts in order to resolve how the rules operate in relation to his or her tax affairs.
3. Simple: the tax rules should aim to be simple, understandable and clear in their objectives.
4. Easy to collect and to calculate: a person's tax liability should be easy to calculate and straightforward and cheap to collect.
5. Properly targeted: when anti-avoidance legislation is passed, due regard should be had to maintaining the simplicity and certainty of the tax system by targeting it to close specific loopholes.
6. Constant: Changes to the underlying rules should be kept to a minimum. There should be a justifiable economic and/or social basis for any change to the tax rules and this justification should be made public and the underlying policy made clear.
7. Subject to proper consultation: other than in exceptional circumstances, the Government should allow adequate time for both the drafting of tax legislation and full consultation on it.
8. Regularly reviewed: the tax rules should be subject to a regular public review to determine their continuing relevance and whether their original justification has been realised. If a tax rule is no longer relevant, then it should be repealed.
9. Fair and reasonable: the revenue authorities have a duty to exercise their powers reasonably. There should be a right of appeal to an independent tribunal against all their decisions.
10. Competitive: tax rules and rates should be framed so as to encourage investment, capital and trade in and with the UK.

These are explained in more detail in our discussion document published in October 1999 as TAXGUIDE 4/99 (see <https://goo.gl/x6UjJ5>).