



Department for  
Communities and  
Local Government

# Reforming business rates appeals

Government response to consultation

July 2016  
Department for Communities and Local Government



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# Introduction

1. The Government is committed to delivering an improved business rates (non-domestic rates) appeals system. There is widespread agreement that the current system is not working, especially for businesses. Too many appeals are held up for too long, creating costs and uncertainty for businesses and for local authorities.
2. The Department for Communities and Local Government's (DCLG) "[Check, challenge, appeal: Reforming business rates appeals](#)" consultation sought views on proposals for a new three-stage approach to business rates appeals. The reforms aim to provide a system which is easier to navigate, particularly for small businesses or unrepresented ratepayers<sup>1</sup>, with the emphasis on early engagement by all parties to reach a swift resolution. By setting out their issues fully and clearly early on, ratepayers will help the Valuation Office Agency (VOA) to respond promptly, cases will be resolved at an earlier stage, and any refunds due will be paid quickly.
3. The consultation closed on 4 January 2016 and we received 214 responses. As part of the consultation process, six roundtable discussions were held with a range of stakeholders. A summary of responses is published alongside this statement.
4. The overwhelming majority of respondents recognised the need for change. They also agreed the objectives of the reforms should be to put in place a swift, structured and transparent system, which promotes early engagement by all parties to resolve cases quickly. This clearly shows that a reformed appeals system is necessary and it will be delivered as part of the VOA's wider transformation programme to modernise services and reduce costs over time. The modernisation of the appeals system is an essential component of this transformation.
5. Responses from businesses and rating agents were however generally sceptical about the extent to which the proposals would achieve the aims of reform. This scepticism is driven in part by their view that ratepayers want more information about the basis of their rating valuation at an earlier stage in the process than is currently the case. Respondents also raised concerns that the VOA will be unable to rise to the challenge of reform, perhaps because of available resources; concerns which will be addressed through the Agency's transformation programme.
6. Responses also raised concerns over the detail of the processes and the maximum length of time the full three-stage process could take if a case was not resolved early in the process. Concerns were also raised about potential administrative burdens on business and the needs of small businesses in the process.
7. The Government is grateful for the views shared during the consultation process and has carefully considered all views in developing this response. This document now sets out decisions the Government has taken, as a basis for preparing draft regulations on appeals reform for consultation in the summer.

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<sup>1</sup> 'Ratepayers' is used as a shorthand in this document for the different classes of people who can enter the Check, Challenge, Appeal process

# Government response to consultation issues

8. The Government shares the view of respondents that the availability of sufficient, tailored information, earlier than under the current system, will provide the basis for early and meaningful engagement between the VOA and ratepayers. This is the key to resolving appeals in a more efficient manner and is at the heart of the package of incentives and requirements in these reforms.
9. From Revaluation 2017 onwards, more property data will be available to ratepayers online than ever before; in addition to the detail published on “Summary Valuations”, a verified ratepayer will be able to log into an on-line account to view additional facts held by the VOA about the property, such as the age of the property and age of any refurbishment, provision of heating, lifts or air conditioning, that the VOA have relied on in reaching their valuation.
10. The Government continues to take the view that ratepayers should initiate a Challenge by providing details about why it is being made, in order that the issues under dispute can be established early on. This will allow the VOA to respond with a tailored package of information and will allow the VOA (and ultimately the Valuation Tribunal for England - VTE) to deploy resources more efficiently than it is able to do at present and thus provide an improved service. The Government considers this can be achieved without imposing unrealistic burdens on ratepayers, including those who may be small businesses or unrepresented.
11. Having regard to the responses received, the Government therefore proposes to proceed on the following basis:
  - a streamlined process will enable verified ratepayers to enter the Challenge stage immediately if they have confirmed, within the last 4 months, that property specific details held by the VOA are correct. This confirmation will be made easily via an online account that enables the ratepayer to log on and confirm that facts relevant to their valuation, held by the VOA, are correct. For the vast majority of ratepayers who can confirm the details are current and correct, we expect this will be a simple and swift element of the process
  - in some cases ratepayers will disagree with the facts held by the VOA and will offer an alternative at the Check stage. The VOA will aim to respond fully to the ratepayer’s alternative, in the great majority of such cases within 3 months. The Government will initially maintain a statutory right for ratepayers to move directly to Challenge after 12 months even if the facts are not yet agreed with the VOA. This will enable a ratepayer to move forward in the small minority of cases which cannot be resolved quickly and where an extension to the timescale has not been agreed, thus providing an important safeguard for ratepayers. Performance levels and time limits will be reviewed as the new system beds in, with the aim of reducing them over time where possible
  - ratepayers considering challenging their rating list entry will be able to view, confirm or amend the property details held by the VOA as often as they wish using the new online account and the most recent confirmation or amendment will be the one taken forward to the Challenge stage if the ratepayer decides to do so

- ratepayers who enter the Challenge stage will need to provide:
  - i. grounds for the Challenge
  - ii. an alternative rating list entry
  - iii. evidence or other relevant information and a statement explaining why that evidence or information supports the proposed alternative rating list entry.

In practice this will mean that the VOA will need the information that the ratepayer has relied on to make their Challenge. This may be rental details, valuations of similar properties, photographs or other documents that they have access to and have used to help them make their case. Wherever possible, the VOA will seek to amend the rating list entry at this point if the evidence presented shows the rating list entry was incorrect. This means it is vital that ratepayers provide meaningful and complete information, which will help the VOA reach a view

- if the VOA does not agree the alternative rating list entry proposed they will provide, as soon as practicable, tailored information and evidence that responds fully to the evidence and alternative rating list entry provided by the ratepayer. This, together with the information available at Revaluation 2017, will mean that ratepayers have access to much more information, much earlier in the process than under the current system
- during the Challenge stage, the ratepayer will have opportunity to respond to any information and evidence that is put forward by the VOA
- the statutory right for ratepayers to move from Challenge to Appeal to the VTE will remain at 18 months. This will allow time for Challenges to be dealt with effectively and to resolve the more complex cases. This is not a time limit or a target for resolving cases, but protection for ratepayers to move to Appeal in the minority of cases where the VOA might not have completed consideration of the issues. The Government and the VOA fully expects the bulk of cases to be resolved well before this point. Ratepayers may however agree to extend the time for VOA to consider their Challenge beyond the 18 month trigger point if they choose. Performance levels and time limits will be reviewed as the new system beds in, with the aim of reducing them over time where possible
- if an agreement has not been reached between the parties during the Challenge stage, the VOA will issue a decision letter setting out a summary of their decisions on outstanding matters, with the reasons for their decision. This will formally end the Challenge stage and the ratepayer will have 4 months in which to lodge an appeal against the VOA's decision should they wish to do so
- in order to provide an incentive for full disclosure by both parties at the Challenge stage, and thus help ensure that only those cases on which there are still matters of dispute reach the VTE and do so in good order, the scope for parties to introduce new matters or evidence at Appeal will be constrained. That is why it is important the ratepayer provides all the evidence they are relying on at the start of the Challenge stage
- there will be no charges at Check or Challenge stage, where it is our expectation that the majority of cases will be resolved. Ratepayers will only be charged fees at Appeals stage and where an appeal is successful the full fee will be refunded. We propose a maximum fee at the level of £300. This will increase the incentives for early and full engagement. It will also help to reduce the large number of speculative appeals which clog up the system for everyone else

- in line with other parts of the tax system penalties of up to £500 may be imposed where false information is carelessly, recklessly or knowingly provided during the Check or Challenge stages, with a right of appeal to VTE
- small businesses will benefit from:
  - a fast track through the system
  - clear guidance which will help them navigate the system without professional support
  - lower levels of fees for making an appeal, which will be refunded if successful
  - lower levels of civil penalties for provision of false information.

For the purposes of this process, the definition of 'small businesses' will be broadly aligned with that in the Companies Act 2006, namely those where two of the following apply – annual income or expenditure of not more than £10.2m, aggregate assets of not more than £5.1m, and not more than 50 employees

- finally, in response to helpful and constructive proposals from business groups, the VOA will work with stakeholders to design and introduce a pre-Challenge clearance process. This will allow groups of ratepayers in the same location – such as a high street or industrial estate – to provide the VOA with evidence outside the formal Challenge process regarding valuations in their area. If after discussions, the VOA and ratepayers agree that the valuations used by the VOA in the specific area are incorrect then the individual businesses who were part of the pre-Challenge clearance process will then be able to provide a much simpler set of information and evidence at Challenge stage referring to the pre-Challenge clearance agreement to adopt what has been agreed.

## Next Steps

12. The Government plans to draft regulations for consultation on this basis. We are aware that there remain issues that need to be resolved, including the role of local authorities, and detail that still needs to be considered. We will continue to work with the respondents to the consultation document to develop that detail up to and during the consultation on draft regulations. We want to keep the dialogue open and welcome the contribution stakeholders have to make to ongoing policy development. We intend the reformed business rates appeals system to apply to the new rating list when it comes into effect on 1 April 2017.