

Digitalising Business Rates: connecting business rates and tax data

Consultation issued by HM Revenue & Customs

Comments from ACCA
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GENERAL COMMENTS

ACCA welcomes the opportunity to respond to HMRC's consultation on *Digitalising Business Rates: connecting business rates and tax data*.

Whilst ACCA acknowledges the Government's earlier announcement to link tax data to business rates data (DBR), we are gravely concerned that these proposals will not deliver a net benefit to society as represented by business and the regulatory authorities. We believe that the cost of these proposals to both UK business and the 314 billing authorities in England would significantly exceed any savings to the public purse from a reduction in fraudulent or erroneous claims, although we acknowledge the concerns expressed by the Local Government Association around business rates avoidance.

At the heart of these proposals lies the fundamental question: what is the role of HMRC? HMRC has a long-established role as assessor and collector of taxation, payments and customs in the United Kingdom, together with administering certain benefits for the Department of Work and Pensions, but its primary role is not that of a data collection body. HMRC data is shared under specific instances of legislation with other Government bodies and certain public sector entities to facilitate their activities, but it is used to supplement, rather than replace or outrank, the data held by those bodies. Much of the data that HMRC proposes to obtain under the DBR scheme would be available to HMRC under the *Making Tax Digital* (MTD) reforms; for this reason we recommend that HMRC puts its DBR scheme on hold until it has comprehensively assessed the data to be made available under MTD.

We would emphasise to HMRC that businesses operate across the UK and note that the DBR proposals are specifically for England; we would ordinarily expect proposals of this nature to consider joint working across all countries and devolved administrations in the UK. Ultimately, we would have hoped that HMRC would seek to ease the regulatory burden on business and simplify the business rates process; the current proposals seem to have been designed for the government's benefit rather than UK business.

We are particularly concerned that the proposals have neither been costed, nor do they outline key processes that would be critical to programme success, such as the 'silent matching' of ratepayer to taxpayer data. As noted in [our letter](#) to the Chancellor of the Exchequer earlier this month, HMRC is insufficiently resourced to fulfil its business-as-usual obligations at present; as it is currently resourced, we do not believe that HMRC can perform the functions of a tax collection agency, play a role in the benefits system, and act as a government data hub. We are also concerned that these proposals have been published and comments invited thereon prior to publishing the Non-Domestic Rating Bill, which will legislate the new duty on ratepayers to report certain information to the Valuation Office Agency (VOA).

ACCA recognises that it would be beneficial for the Government to '*better target financial support to the businesses that need it most*¹', and '*improve the data available to billing authorities in determining the reliefs that individual ratepayers should benefit from*¹', indeed we applaud these ambitions; however, the DBR proposals as outlined would create an onerous burden on both

¹ Paragraph 1.3 of the proposals

large businesses with multiple rateable properties, and small and medium enterprises (SMEs) with limited capacity to provide this data. The proposal to present business rates data alongside HMRC tax liabilities on a taxpayer dashboard has potential to drive further confusion for ratepayers and taxpayers, while potentially exposing commercially sensitive yet irrelevant tax information to their professional advisors and/or agents. For DBR to succeed, it will be essential from the outset to incorporate authorisation for multiple agents for a single ratepayer or taxpayer, and for the ratepayer/taxpayer to determine the level of systems access to be provided to those agents.

If HMRC intends to proceed with its DBR scheme, we recommend that HMRC sets out how such proposals align with its purpose to *'collect the money that pays for the UK's public services and help families and individuals with targeted financial support'*² and *'help the honest majority to get their tax right and make it hard for the dishonest minority to cheat the system'*². We also recommend that HMRC embarks on a public education programme to spread awareness of the new requirements, if implemented, perhaps in consort with the VOA's new duty on ratepayers to report certain information.

SPECIFIC COMMENTS

1. How would Welsh local authorities, ratepayers, agents, and broader stakeholders feel about the possibility of DBR being extended to Wales?

As outlined above and in our specific responses below, we have significant concerns at the onerous impact of DBR on businesses and recommend that DBR is not extended to Wales for the foreseeable future; indeed, we believe the DBR scheme should be put on hold, pending a comprehensive assessment to be made of the data available under the *Making Tax Digital* programme.

2. Do ratepayers know/can they find their SA/Partnership/CT UTR and VRN? If not, what would make this easier?

Whilst a UTR and VRN are both relatively accessible in most instances, we consider that a UTR is not in as frequent use as other information about an organisation or business, for example:

- Company (or branch) number issued by Companies House;
- Charity registration number issued by the Charity Commission;
- National Insurance number issued by HMRC (in the case of sole traders); and
- Charity reference number issued by HMRC's Charity Unit.

² [HMRC website - 'About us'](#)

It is likely that at least one of the above identifiers is readily available to many organisations or businesses, however there is no single identifier that would be applied consistently for the purposes that HMRC proposes. For example:

- A self-employed sole trader who is not registered for VAT could easily provide or recall their National Insurance number but would likely need to look into their tax records or ask their professional advisor(s) for their self-assessment UTR. For the significant majority of such taxpayers, their self-assessment UTR is used just once a year when completing their self-assessment return;
- An unincorporated charity, such as an association established under trust deed, may have a charity registration number issued by the Charity Commission, and could have a reference number for Gift Aid administration purposes issued by HMRC's Charity Unit, but would be unlikely to have a corporation tax UTR or VAT registration number;
- A large business or group operating across multiple sites might centralise its tax function in a central team (with access to corporation tax UTRs and/or VAT registration numbers) whilst business rates could be administered through multiple entities and/or branches, with varying levels of consistency between those locations. Under such circumstances, it can be challenging to identify which entity's/ies' UTR(s) should be applied;
- An incorporated business could provide its company number(s), corporation tax UTR(s), VAT registration number(s) but it would be entirely inappropriate to reference its directors' individual National Insurance numbers, given this is confidential personal data.

Given the examples outlined above, our preference would be for HMRC to accept any of the identifiers listed above, of the ratepayer/taxpayer's choosing. We would only expect HMRC to act where multiple identifiers provided by a business are inconsistent.

3. Where ratepayers do not have one of these relevant reference numbers, would identifying themselves as a taxpayer by providing a NINO or CRN cause any issues? If so, what are they?

We are not convinced that HMRC has sufficiently communicated the benefits to warrant ratepayers sharing sensitive and highly personal data such as their National Insurance number with the local authority/ies administering business rates for their organisation. We question the extent of safeguards in sharing this data from HMRC to the 314 billing authorities in England³.

We are concerned at the data privacy implications of requiring, for example, trustees of an unincorporated charity to provide personal data such as their National Insurance numbers to the local authority administering business rates. This personal information is highly sensitive and, if misused or abused, could expose innocent ratepayers to fraud, identity theft and other financial crime.

³ [National non-domestic rates collected by councils in England: 2020 to 2021 technical notes](#) (April 2022), technical note 0.3

4. If ratepayers alternatively needed to locate and provide property reference numbers, would it be easier for them to provide a) a BA reference number plus BA name or 4-digit BA code, or b) a UPRN?

As noted in [our October 2016 response](#) to HMRC on *Tackling the hidden economy: Conditionality*, the underlying principle of conditionality in respect of tax is sound, and as a theoretical concept operates to align a business' profit-taking activities within society with its commitment to properly account for the taxes it might owe in respect of those activities.

We are however concerned that ratepayers who are lawfully not ordinarily subject to taxation would be required to provide such information to HMRC, or for taxpayers not ordinarily subject to paying business rates to have their tax information shared with a billing authority. We recommend that, should HMRC proceed with the DBR scheme, it provides exemptions for ratepayers that are lawfully exempt from taxation to provide this information to HMRC.

5. Are there scenarios where ratepayers might not have any relevant reference number? Including any scenarios where a ratepayer may not be registered for tax purposes? If so, what are they?

As stated in our response to question 2 above, we have identified examples where a ratepayer may not be registered for tax purposes; this list is not exhaustive and the vastly different natures of business rates and taxation means that we expect many other anomalous examples to arise, should HMRC continue with its DBR proposals. It is vital that ratepayers can select the reference number they wish to provide, rather than forcing a single type of reference number onto the ratepayer.

6. Are there scenarios where a person or entity's identity in the tax system (with one tax reference number) may not precisely align with their legal responsibility as a ratepayer? For example, where multiple ratepayers share the same tax reference number, or multiple entities for tax purposes share one responsible legal identity in a business rates context?

The question itself highlights the anomalies that we expect to arise, should HMRC proceed with its DBR proposals. While legal entities have distinct and separable legal identities, it is common for multiple entities under common control and their associates to occupy the same property and/or multiple properties. The corporate identity of their employer is primarily that of the group, and so employees might not ordinarily distinguish between one legal entity and another in performing their normal duties; it is the role of financial, operating and legal procedures to identify and segregate the inputs, activities and outputs of those employees to particular legal entities, and ensure such allocations across legal entities are valid and appropriate. The advent of hybrid and flexible working, together with hotdesking, working from the location that best gets the work done, or the location that best suits employees' expectations and needs, confuses the situation further; it is possible for employees of a large group to work across multiple sites, and for this not to be tracked in detail by their respective employers (which would be an onerous burden). We encourage HMRC to recognise the modern reality of business and employment in the UK, which has evolved to more flexible and dynamic ways of working than before the onset of the covid-19 pandemic.

We envisage significant challenges for large groups occupying multiple premises; while certain group entities may be assigned to a location as their respective registered offices, that does not necessarily mean that they can readily identify which property/ies the employees of one subsidiary work from compared to the employees of another subsidiary. Central finance teams may incur all costs via a service entity and subsequently recharge these costs to fellow subsidiaries, holding companies and cost centres under a management agreement; the nature of group reliefs and corporation tax arrangements for group entities in the UK means that groups need not allocate such costs to specific subsidiaries. We therefore consider it would be highly onerous for a large business (as defined by the Companies Act 2006) to assign one or more subsidiary UTRs to a single premises, or vice versa.

We believe this requirement, if implemented, would create significant challenges for the self-employed and SME landscape; by its nature, this sector is considerably fluid and it is not uncommon for a startup to change its location(s) more than once in the same 12 month assessment period, as it scales up its operations and activities. Given that business rates and taxation are clearly distinct expenditures with no clearly-defined link between their bases or determinants, and business rates are not necessarily regarded as 'taxation' by the business community, we do not believe the self-employed or SMEs are sufficiently resourced to provide such information to HMRC or their billing authority/ies.

We note an increased trend for entrepreneurs, whether self-employed or working for an incorporated entity, to share premises with likeminded businesses; this is particularly prevalent in the creative sector. It would be highly onerous to expect such collective ratepayers to provide the UTR of each individual entrepreneur or business (however defined) to their local billing authority, given many such individuals may not know what a 'UTR' is. It would also be highly onerous to consider passing this responsibility onto other stakeholders, such as their landlord(s). Given that many billing authorities provide localised business rates relief to such operations to the extent that their business rates are nil or substantially lower than larger businesses, we question the need for ratepayers to provide this information.

Responsibility for paying business rates falls on the occupier (or the owner if the property is vacant); where the property is jointly owned or occupied, this liability falls on all occupiers/owners with an equal interest. This contrasts significantly with the taxation position of each business, where, while a business typically has a unique reference number, the related tax balances are distinct and solely for the business in question. We are at present unable to identify a suitable workaround that would address this situation.

7. When might a taxpayer reference that is associated with a property portfolio under DBR change (for example registration for self-assessment, incorporation or disincorporation, VAT-registration, mergers and acquisitions)? Are there scenarios where the new reference number might not precisely assume the property portfolio associated with the previous number?

Business rates administration and its practices have potential to vary across the 314 billing authorities in England; no two billing authorities are likely to share exactly identical processes except where they have combined resources and established a shared service centre. This is indeed one of the causes that makes business rates an unruly and inconsistent method to target relief for struggling businesses; a complaint of large businesses operating across multiple billing authorities is that the local reliefs can be so inconsistently applied.

We would highlight to HMRC that properties administered under the business rates system can, like businesses, be combined or separated, generating new property reference numbers and account numbers. This has potential to cause significant issues under all three of the DBR options proposed by HMRC.

Given the wide variability in application of business rates administration, in the time taken to process such changes, and the differing protocols, we believe that there is distinct potential for errors to arise and for any change, routine or otherwise, to create challenges for ratepayers and/or taxpayers.

8. In which type of customer journey would it be easiest to provide your reference number(s) (option A, B or C) and why? Would any of the options be particularly difficult?

Of the three customer journeys outlined in the proposals, we believe that option B would be the easiest, but it would still be a considerable challenge for ratepayers to provide such details to the VOA, for both large businesses and SMEs alike, for the reasons described in our response to the questions above.

Option A is particularly difficult for large businesses because it requires ratepayers to source taxation information that they would not ordinarily expect to access in administering their business rates or providing information to the VOA under their new duty to report. Indeed, we note that the Non-Domestic Rating Bill, under which this new duty to report will be legislated, has not yet been published. This option could entail a facilities manager seeking tax reference numbers from their finance team or external professional advisors; those advisors or finance professionals may not readily understand the need or logic in providing such information to the applicable billing authority/ies, and the facilities manager may experience challenges in allocating properties to tax reference numbers in a manner consistent with the tax administration of those respective businesses.

Option A might be less challenging for SMEs if an effective single sign-on hub existed for government interactions. However, we are concerned that imposing option A before there is a single sign-on across gov.uk services would create further problems. In any event, larger businesses with segregated administrative functions would be more likely to segregate employee/agent access to relevant elements of the gov.uk interface.

HMRC has raised the possibility of 'silent matching' of business rates and/or VOA data to HMRC data under option A, but has not provided any details on how this might operate; we strongly recommend that HMRC provide further details so that ratepayers and their professional advisors might respond on the accuracy and helpfulness of such proposals. At present, we have concerns that this could result in errors that could be plausibly avoided.

We consider option B, requiring ratepayers to provide their UTR(s) to their billing authority/ies to be slightly more appropriate for many ratepayers compared to option A, primarily because ratepayers would not ordinarily need to access VOA systems unless they have information to report under the new duty. Option B would still present significant challenges for most, if not all, ratepayers for the same reasons outlined above; it is also important to note that a single ratepayer may occupy properties operating across more than one billing authority and so would need to repeat identical information.

Option C, entailing provision of property references to HMRC, is more challenging than option A, particularly for businesses that either do not occupy a rateable property / administer business rates, or where they occupy a number of premises across more than one group entity or billing authority. At present, we are unable to identify a pragmatic approach that would facilitate this process.

Given that all three options as proposed require the development of a new DBR platform, we are sceptical at the cost, which would significantly exceed any benefits to HMRC and the public purse; we believe that billing authorities would require additional funding under the 'new burdens' procedure to accommodate any of the options proposed.

9. What are the main challenges presented with each 'data in' option and how could they be addressed?

Please refer to our response to question 8 above.

10. Under option B – what process would be best for ratepayers (or their agent) to provide their tax references to a BA and why? Or would a standalone process be preferable?

As noted in our response to question 8 above, we are unable to identify a meaningful or practical process that could ease the burden of option B.

11. Under option C – what process would be best for ratepayers (or their agent) to provide their property references to HMRC and why? Or would a standalone process be preferable?

We are unable to identify an existing process that could allow ratepayers (or their agents) to provide property references to HMRC in a consistent format, given the wide variety in taxation processes that ratepayers are currently subject to, if at all. Should HMRC proceed with option C, we recommend that HMRC develop a simple process that allows for bulk upload of property references, matched to UTRs or other taxpayer information, without undue burden on the ratepayer. It is important that a single taxpayer (such as a tax group) can make a single submission for all their properties/legal entities without the need to raise submissions for each separate legal entity or property.

12. To what extent would ratepayers expect to log in themselves to provide tax or business rates information with a single set of verified credentials (rather than setting up multiple credentials or using an agent)?

As noted elsewhere, we are concerned that HMRC's DBR proposals will create confusion for ratepayers and taxpayers alike, where currently no confusion exists; we believe that many, if not most, ratepayers will need to resort to engaging an agent or professional advisor to assist with providing this information.

13. Other than those outlined in this document, are there any options for how DBR might collect data to enable matching of taxpayer and ratepayer information, that would work better to achieve the policy aims?

We have not identified a pragmatic and reasonable approach that could be consistently applied across taxpayers and ratepayers, unless HMRC were to permit ratepayers to provide any of their corporate identifiers currently in use (as referred to in our response to question 2). We therefore encourage HMRC to put its DBR scheme on hold, pending a comprehensive assessment of the data it will obtain under the MTD programme.

14. What processes might ratepayers (or their agents) have to put in place to meet their obligations under each option and what costs might this bring?

Ratepayers would likely need to engage their professional advisors and/or agents to meet their obligations under the three options outlined by HMRC. It is not common practice for larger organisations to manage both their business rates and taxes in the same team, as different knowledge bases are required. We believe obfuscating the two will create confusion where currently none exists. This is particularly challenging to implement at a time of significant inflation and technical economic recession; we encourage HMRC to put the DBR scheme on hold pending a comprehensive assessment of the data it will obtain under the MTD programme.

15. How much might you expect it to cost BAs to upgrade systems to export billing information to HMRC? Please provide the evidence or assumptions that support your estimate (this will help inform new burdens funding estimates)

Billing authorities do not currently provide data to HMRC under the statutory framework in place; we are unable to forecast the cost of such upgrades, given that many processes will differ between billing authorities. We expect the collective cost of upgrades across all billing authorities to significantly exceed any benefit for HMRC, billing authorities, ratepayers and taxpayers. As other respondents have identified, a comprehensive 'new burdens' assessment would be required if and when HMRC proceeds with its DBR proposals.

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? If yes, how often and for what purposes? If yes, how useful would you find such a services – on a scale of 1 to 10, where 10 is extremely useful? If no, would being able to pay your bill(s) through the service change your response?

We do not believe such services would provide any benefit to ratepayers and/or taxpayers. As noted in our response to earlier questions, business rates and taxes are not generally recognised as having a consistent basis or objective by the public, the accountancy profession, and academics; we are concerned that such proposals will create confusion where currently none exists. We are particularly concerned that implementing a payment option could result in overpayment of business rates and/or taxes where these are administered by different elements of a business' operations, and strongly encourage HMRC to delay its DBR proposals until it has comprehensively assessed the data it will obtain under the MTD programme.

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

If HMRC were to proceed with its proposals, we believe that real time look-up, or daily updates, are the only feasible options that would minimise the substantial confusion we expect to arise. It is important that any data cleansing responsibility does not fall upon ratepayers, taxpayers or billing authorities, and that HMRC adequately resources its DBR team to address any mismatches that may arise.

18. Could DBR data help with targeting and administrating of reliefs? If so, for which reliefs would it be of most help and why?

While DBR data may be of limited use to central government, we would not reasonably expect a local authority to target reliefs, given that many organisations would research the reliefs they are entitled to. Billing authorities typically deploy a robust and stringent programme to ensure reliefs are only provided where the applicant is genuinely entitled to such reliefs, although their efforts are hampered by only having access to data for their administrative area; access to data held by other billing authorities would significantly assist billing authorities in mitigating rates avoidance and fraud, particularly in relation to empty properties, charities and small businesses. We believe that powers granted to billing authorities could also be strengthened in this regard.

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

We do not believe it is appropriate, nor is there a genuine need, for HMRC to share tax information with billing authorities, but believe billing authorities should have access to business rates data held by other billing authorities, to minimise abuse.

20. If option A for 'data in' is pursued, do respondents think DBR should be included within the sanctions regime for the new VOA duty or have a separate sanctions regime?

We do not support the imposition of a sanctions regime for DBR and the new VOA duty, particularly where HMRC's 'silent matching' programme leads to an incorrect UTR being prepopulated in the ratepayer's return and this is not identified by the ratepayer. Should HMRC proceed with DBR, we propose that this information is optional and will not result in any sanctions being applied for a period of three years, to allow ratepayers and taxpayers to acclimatise to the new requirements. HMRC and/or the VOA would need to embark on a widespread education programme for these proposals to have any chance of success; this would itself raise concerns given the relatively 'niche' aspect of these proposals. We are concerned that HMRC proposes a sanctions regime without having published the legislation that will impose the new VOA duty on business.

21. If separate, or if options B and C are pursued, do ratepayers have views about adopting a similar penalty regime to the one proposed for the VOA's new duty?

As stated in our response to question 20, we do not support the imposition of a sanctions regime for DBR or the new VOA duty, given the high risk of error underlying options B and C, and that legislation has not yet been published on the new VOA duty.

22. What concerns do you have about a DBR sanctions regime?

We do not believe that a sanctions regime would be proportionate under DBR. HMRC proposes to create an additional obligation on businesses and organisations as a solution to a problem which has not been fully evidenced. It is rare for the same individual or team in a larger organisation to administer both business rates and taxation. There is no confusion about the different purposes, administration and payment obligations of these respective types of expenditure. It would be unjust for HMRC to impose sanctions where HMRC is itself creating confusion and increasing the risk of error for ratepayers and/or taxpayers.

Notwithstanding our views above, we support penalties where there is clear evidence that a ratepayer has provided false or incorrect information to one or more billing authorities, to benefit from reliefs it is not entitled to.

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

As noted in our response to question 4, we support the principle of conditionality. There are however instances where a business or organisation may need to obtain rapid business rates relief, but is either not yet registered or unable to locate its tax information in sufficient time to obtain such relief, for example due to a change in control or the death of an owner-manager. It is important that exemptions are designed for such instances.

24. Are there alternatives to penalties not explored in this document that the government should consider?

We do not believe that a penalties or sanctions regime is appropriate for DBR and, should HMRC proceed with its DBR proposals, we strongly encourage HMRC to consider a widespread educational programme to improve compliance. We expect significant confusion (where currently none exists) in relation to DBR, and neither ratepayers nor taxpayers should be penalised for the natural confusion that would arise, should HMRC proceed with its DBR proposals.

25. What are ratepayers' and agents' views on whether ratepayers will want their agents to discharge their duty to provide the mandatory reference numbers needed for DBR?

We consider that many ratepayers will rely on their professional advisors to provide the reference numbers mandated by DBR, thus increasing the cost of compliance for businesses.

26. Where a ratepayer wants an agent to discharge their duty to provide the mandatory reference numbers needed for DBR, do agents know/can they easily obtain the tax and property references set out in Chapter 3? Are any more or less easily accessible?

For large businesses in particular, it would be a challenging task for their agent(s) to source reference numbers applicable to all entities and/or properties; an agent depends on their client(s) providing complete and accurate information, and they will not know the client's operations as intimately as the client's own management. We are particularly concerned that ratepayers' agents might be able to view both business rates and HMRC tax information; it is unlikely that the same agent or professional advisor would need, or expect to see, both sets of information. The situation proposed by HMRC could lead to an agent viewing commercially-sensitive information that they are not contractually entitled to access.

27. What are agents' views on the benefits and any drawbacks of agents being able to access the ratepayer's business rates billing information through DBR?

We believe that many professional advisors do not currently access clients' business rates information, nor is there any need for them to do so; agents merely need to know the amount of business rates paid by a legal entity in totality to claim the appropriate relief for corporation tax or income tax purposes.

28. Do tax agents foresee any change in their clients' expectation of them as a result of being able to access their business rates billing information along side their other tax information? If so, how and what are their views on the benefits and disbenefits of that change?

We expect greater burden to fall on tax agents and professional advisors, where such agents/advisors would not ordinarily expect to assist with business rates administration. If HMRC were to proceed with its DBR proposals, we strongly encourage HMRC to embark on programmes of educating both the general public and professional advisors / tax agents, to ensure that clients are able to comply with the new requirements. We believe that the costs of implementing DBR would significantly outweigh any benefit for HMRC, billing authorities, ratepayers, taxpayers and their professional advisors / agents. As noted in our general comments above, it is critical that HMRC builds in authorisation for multiple agents at the outset of implementing its proposed DBR platform, and for ratepayers/taxpayers to be able to determine the level of systems access for each agent.