

11 October 2016

Ms Danielle Angelopoulou  
Department for Communities and Local Government  
2<sup>nd</sup> floor, SE Quarter  
Fry Building  
2 Marsham Street  
London  
SW1P 4DF

Dear Ms Angelopoulou

**ASSOCIATION OF ACCOUNTING TECHNICIANS RESPONSE TO THE DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT CONSULTATION “CHECK, CHALLENGE, APPEAL - REFORMING BUSINESS RATES APPEALS - CONSULTATION ON STATUTORY IMPLEMENTATION”**

The Association of Accounting Technicians (AAT) is pleased to have the opportunity to respond to the Department for Communities and Local Government (DCLG) consultation “Check, challenge, appeal Reforming business rates appeals - consultation on statutory implementation” (condoc), published on 16 August 2016.

AAT is submitting this response on behalf of our membership and for the wider public benefit of achieving the sound and effective administration of taxes.

AAT has added comment in order to add value or highlight aspects that need to be considered further.

AAT has focussed on the operational elements of the proposals and has provided opinion on the practicalities in implementing the measures outlined.

Furthermore, the comments reflect the potential impact that the proposed changes would have on SMEs and micro-entities, many of which employ AAT members or would be represented by our licensed accountants.

**General comments**

The government has demonstrated its commitment to delivering business rates reform with this consultation and the previous consultation<sup>1</sup>. This particular document deals with the reform of business rates appeals and its statutory implementation.

There is now widespread agreement that the current system is broken and in urgent need of reform (1, condoc). Following on from the “check, challenge, appeal” business rates appeal reform consultation, the government has now published its findings and proposals for new regulations and is consulting on statutory implementation.

AAT is supportive of the three stage process outlined in paragraph 8 of the consultation document.

The proposals intend to improve the transparency of the valuation process and the disclosure of more information on rental evidence at an earlier stage. This disclosure will hopefully allow Ratepayers, particularly small and medium sized enterprises (SMEs), the opportunity to check their Rateable Values without having to resort to making a formal challenge and incurring the associated costs.

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<sup>1</sup> <https://www.gov.uk/government/consultations/reforming-business-rates-appeals-check-challenge-appeal>

DCLG asserts that small businesses will benefit from the new system 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.

The Valuation Office Agency (VOA) has also given a commitment to continue to work with stakeholders to design and introduce a “Pre-challenge” clearance process. This process will allow groups of ratepayers in the same location, such as, the same High Street, to provide the VOA with evidence outside the formal challenge process in respect of valuations in their area.

In conclusion, AAT welcomes all of these measures and agrees that with goodwill on all sides these actions could result in a substantial reduction in the number of appeals that have historically been lodged.

The government has set a challenging timescale (6 months) to get the new system ready to apply to the new 2017 Rating List which comes into force on 1 April 2017. AAT supports this challenging timescale.

The consultation document asks a number of specific operational questions and AAT’s responses to these are listed below.

**Question 1. Do you agree that the draft Regulations put in practice the agreed policy intention as set out in the Government policy statement?**

It is acknowledged by the VOA that there are issues that still need to be resolved including the role of local authorities. The VOA has indicated that it will continue to work on these matters in order to achieve a resolution. Nevertheless, in AAT’s view the draft regulations mostly reflect the policy intention as set out in the government’s policy statement.

**Question 2. We would welcome your views on the approach to implementing fees for the appeal stage.**

In the current appeals process the majority of appeals are submitted by agents, many of whom operate on a “no win no fee” basis, sometimes for businesses that are unaware that this is being done on their behalf. To counter this, the Secretary of State for DCLG has confirmed that a new £300 fee will be charged for anyone seeking to lodge an appeal.

AAT supports this proposal on the basis that it is intended to tackle speculative appeals.

**Question 3. We would welcome your views on the approach to implementing penalties for false information.**

AAT accepts that the imposition of penalties of £500 is in line with other parts of the tax system and notes that the penalty for small businesses is set at a lower level of £200. It is AAT’s view that penalties should only be imposed for knowingly, recklessly or carelessly providing false information and therefore the decision to impose a fine should be proportionate to the level of recklessness or carelessness that was identified.

**Question 4. We would welcome your views on the approach to implementing the package for small businesses and small organisations.**

AAT welcomes the package of measures which are intended to assist and meet the needs of small businesses.

AAT also agrees that the definition for micro business in the Small Businesses, Enterprise and Employment Act 2015 is appropriate.

**Question 5. We would welcome your views on the approach to dealing with Material Changes in Circumstances.**

AAT agrees with the suggested approach and procedure for dealing with Material Changes in Circumstances as it is robust and sensible, and follows the main thrust of the check, challenge and appeal process.

**Question 6. We would welcome your views on the amended approach to determining appeals against valuations.**

AAT accepts that the process for assessing rateable values is inevitably a matter of professional judgement and the suggestion is that in determining appeals the Valuation Tribunal for England (VTE) should only order a change in rateable value if the valuation is outside the bounds of reasonable judgement.

AAT agrees that this is an appropriate approach and is in line with other appeal tribunals.

**Question 7. We would welcome your views on the role of local authorities in the reformed system.**

Business rates are an important source of revenue that local authorities need to fund the delivery of high quality local services. The government is also moving to a position where local authorities will retain 100% of its business rate income (localism).

Local authorities have said that in this event they would need to be protected from the risk of appeals if localism takes place from 2020. Local Authorities need certainty in the amount of revenue that they raise not only within one year but also from year to year. In addition localisation would require local authorities to give a full refund of any change as a result of a change in rateable value, as opposed to only the 50% which is retained by the local authority at present.

Clearly further discussions will need to take place between the government and local authorities. However it is AAT's view that ratepayers should only pay what is fair and properly due.

**About AAT**

AAT is a professional accountancy body with approximately 50,000 full and fellow members and 80,000 student and affiliate members worldwide. Of the full and fellow members, there are over 4,200 licensed accountants who provide accountancy and taxation services to individuals, not-for-profit organisations and the full range of business types.

AAT is a registered charity whose objectives are to advance public education and promote the study of the practice, theory and techniques of accountancy and the prevention of crime and promotion of the sound administration of the law.

If you have any queries or require any further information, please do not hesitate to contact our Technical Consultation Manager, Aleem Islan, at [consultation@aat.org.uk](mailto:consultation@aat.org.uk)

Yours sincerely,



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