

# HM Treasury Fundamental Review of Business Rates 2020 – REA Full Response

## Introduction and Summary of Response

The Association for Renewable Energy & Clean Technology (REA) is pleased to submit this response to the above consultation. The REA represents a wide variety of organisations, including generators, project developers, fuel and power suppliers, investors, organic recyclers, equipment producers and service providers. Members range in size from major multinationals to sole traders. There are over 500 corporate members of the REA, making it the largest renewable energy trade association in the UK.

The REA welcomes this Fundamental Review of Business Rates as a promised opportunity to reform the business rates system so that it can support the development of a decarbonising economy.

In this consultation response we note that:

- We broadly support a simplification of the reliefs system in a way that promotes decarbonisation.
- We ask that to support businesses wishing to decarbonise, the Government removes renewables and clean technology from the Plants and Machinery (P&M) Order.
- We recommend a reduction and freeze on the Uniform Business Rate (UBR) multiplier for the duration of each rating list, to ensure a predictable and supportive business rates system, at a time when businesses are facing extreme uncertainty.
- Finally, we also support the proposals to increase the frequency of revaluations, which will enable a better reflection of changing economic environments in the future.

These measures should be introduced as an effective way to promote decarbonisation and help the UK meet its Net Zero target by 2050, as required by UK law. It is worth noting that around 80% of UK buildings that will be around in 2050 have already been built, and 10% of our annual UK emissions come from heating buildings alone.<sup>1</sup> The measures listed above are a simple way to ‘kill two birds with one stone’ – firstly, by supporting businesses at a time of need, enabling them to take action themselves to reduce their carbon footprints, and, secondly, by furthering our national decarbonisation targets.

## 3.1 Reliefs

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<sup>1</sup> <https://www.ukgbc.org/climate-change/>

1. How well do current reliefs and exemptions deliver their intended outcomes and satisfy the principles of good tax design? What changes would you suggest to the system?

Improvements could be made to the reliefs system and the administration of reliefs. The number of reliefs, and the fashion with which they have been introduced, has made the available reliefs confusing and administratively burdensome to apply. This is especially true where reliefs are administered through Local Authorities rather than automatically by central government. This in turn damages the effectiveness of the relief as those unable to navigate the business rate system, such as SMEs who lack resources to do so, are also most likely to miss out on the available support.

2. How can reliefs be targeted more effectively? How can reliefs and their administration be simplified?

In summary, our response supports:

- Simplification of the relief system, with clarified aims, including to support decarbonisation.
- Removal of renewable energy and clean technology from the Plant and Machinery order to facilitate the Government's Net Zero 2050 commitment and unlock investment in renewables and clean technology, increasing tax revenue.
- Introduce the Business Growth Accelerator, as seen in Scotland, in England and Wales, which provides 18-month relief on new investments.

A simplification of the relief system would be welcome, with clear aims for the reliefs established. This should include reliefs specifically designed around the decarbonisation of the UK economy and supporting business growth, incentivising business to install renewable energy and clean technology systems to meet their energy needs.

Firstly, to support the transition to renewable energy and clean technology, amendments need to be made to the Plant and Machinery Order to remove the distortion in value between self-consumption and export only sites. This is particularly pertinent for roof top solar projects and is having further impact on other onsite renewable technologies include energy storage, renewable heat technologies and EV charging infrastructure. There have been high-profile instances (such as [Lidl in 2020](#), which saw business rates rise by 528%, and [schools](#) with solar panel installations) of this distortion penalising businesses trying to move towards a sustainable business model, and disincentivises other businesses from planning to be more sustainable.

Given the Government's commitment to net zero emissions and the Treasury Test all renewable energy and clean technologies (including organic recycling machinery) should be removed from the rateable list and/or provided relief. This should also

include consideration of the transport sector and farm machinery, where those using renewable transport fuels or electricity should not be rateable. There is an urgent need to increase the installation of renewable energy and clean technologies at commercial premises, including energy efficiency measures. The Coronavirus crisis will have a significantly negative impact on the capacity of the average business to make long-term investments that are supplementary to their core business model.

A relief is therefore necessary to incentivise the installation of on-site renewable generation technologies, storage system and renewable heating systems within businesses. Similarly, it will also enable the continued deployment of larger scale renewable projects including anaerobic digestion, organic recycling, wind, bioenergy projects and large-scale solar projects. In one move, this measure would help to bolster clean industries, incentivise decarbonisation, support green jobs and help businesses make energy cost savings.

This would also be a progressive tax measure, if installations rise due to a relief, then the Government will recoup tax revenue through a larger number of renewable energy companies and taxable projects resulting in higher corporation tax and VAT revenue, as such the relief can be expected to be cost neutral to Government.

Business rate relief for renewables and clean technologies also helps rationalise climate policy intent across Whitehall. As it stands, support mechanisms such as the Renewable Heat Incentive, Contracts for Difference and Feed in Tariff are provided by BEIS, only for this cost support to be undermined by heightened business rate liabilities. This becomes a costly way of recycling public spending through Government departments rather than helping to build industries needed for decarbonisation.

Investments in renewables and decentralised energy infrastructure should be supported. A similar scheme to the Business Growth accelerator, as introduced in Scotland, should be introduced in England and Wales. This grants 18 months' business rate relief on new investment from the date the building/asset is completed and this should be extended to explicitly include renewable and clean technology improvements. This could significantly help the deployment of new renewable and clean technology projects.

Furthermore, a 50% 'mineral extraction' rates exemption applies in Scotland to landfill extraction projects, this should be extended to England and Wales to support renewable energy production from landfill gas.

3. [What evidence is there on the capitalisation of business rates and business rates reliefs into rents over time? What does any evidence mean for the design of rates reliefs and business rates more broadly?](#)

No response is submitted.

4. What role should local authorities have in determining business rates reliefs and exemptions? Should reliefs and exemptions be set by central government or set locally?

Reliefs should primarily be determined by central government, with the possibility of local authorities applying to HM Treasury to introduce regional reliefs to help incentivise the growth of specific industry hubs, for example around renewable and clean technologies. However, any relief brought in must be applied automatically and should not be dependent on any application process by the businesses within that local authority. All reliefs should be funded by central Government to avoid local authorities having to apply reliefs at the cost to their own limited budgets.

5. Are you aware of ratepayers misusing tax reliefs or other means to avoid paying their full business rates liability? What could be done to tackle this?

No response is submitted.

### **3.2 The business rates multiplier**

6. What are your views on how the business rates multiplier is set annually and at revaluations?

The Universal Business Rate (UBR) multiplier should be reduced and frozen for the duration of each rating list. The tax rate should be fixed, and more frequent revaluation introduced to allow the rating system to be more responsive to changing economic circumstances. This would simplify the business rate system making it easier for businesses to be more confident in estimating their tax liability and reduce the number of rating increase surprises.

We encourage the Treasury to closely consider the evidence supplied by Tax Consultants and REA Member, Gerald Eve, in response to this consultation and further supports the case for lowering and freezing the UBR.

7. How could the multiplier be set in future to ensure the sustainability of public finances and support growth and productivity? What would the impact of any proposed changes be on the level of the multiplier and revenue from business rates over time?

In summary of the response outlined below, we argue:

- The UBR should be frozen for the duration of each rating list to avoid the tax intake going higher than inflation.
- More frequent revaluations will help ensure tax revenue remains stable and provide a simpler system for businesses to understand.

- A frozen UBR and removing renewable energy and clean technology from the Parts & Machinery Order will stimulate investment in renewable energy and clean technology and improve investor confidence.
- Increased private investment in onsite renewable generation and clean technology will ultimately increase Government tax revenue over time, making up for the initial fall, and supporting the creation of stable jobs at a range of skill levels.
- Other building occupiers have recently been given sources of Government support to improve energy efficiency through the Green Homes Grant, giving businesses a similar level of support will help businesses to decarbonise at a time when many are under financial pressure.

The Treasury Select Committee inquiry highlighted how business rate revenue has outpaced inflation since the system introduction.<sup>2</sup> This is despite intentions that the tax take from business rates should remain roughly equal. This must be avoided in future and more transparent check put in place to keep the tax intake in line with inflation.

If, as we recommend, the UBR is frozen, the inflation-related changes in property value will be appropriately considered in the revised rateable value during the revaluation. More frequent revaluations will ensure that changing economic circumstances are considered, while being a simpler system for businesses to navigate. Overall, more frequent revaluations will help to ensure tax revenue remains level as well as providing a simpler system for businesses to understand.

For example, landfill gas extraction operations should be revalued annually, as their power output from extraction, and hence revenue, drops every year, while the rates they are charged remain the same between revaluations.

A frozen UBR will increase investor confidence. Freezing the UBR and removing renewable energy and clean technology from the Parts & Machinery Order will ultimately stimulate investment in these technologies. Businesses increasingly recognise the urgent need to decarbonise and are looking for ways to do so. Greater investment in onsite renewable generation and clean technology will help businesses to save on bills. Investments will also improve the value of properties, thereby increasing revenue through the Stamp Duty Land Tax, VAT, and Land Transaction Tax (in Wales only). Investment will also increase Government revenue by growing renewable and clean technology businesses, leading to increased VAT revenue from sales and installations. This will also create stable jobs at a range of skill levels.

With the Green Homes Grant, Social Housing Decarbonisation Scheme and Public Sector Decarbonisation Scheme all coming forward, SMEs and office-based commercial enterprises are a noticeable decarbonisation policy gap not addressed by policies coming forward. Business rate relief would be a form of support that could be easily

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<sup>2</sup> [https://publications.parliament.uk/pa/cm201919/cmselect/cmtreasy/222/22205.htm#\\_idTextAnchor006](https://publications.parliament.uk/pa/cm201919/cmselect/cmtreasy/222/22205.htm#_idTextAnchor006)

applied with no additional administrative burden on the Government, and which would increase Government revenue in the long-term.

8. How should the multiplier and any supplements relate to business rates reliefs? Should these be discrete, or should supplements fund specific reliefs?

No response is submitted.

9. What are your views on introducing additional multipliers that vary by geography, property value, or property type?

The focus should be on direct relief measures rather than within the multiplier. This is easier to understand for businesses. Most businesses operate across different areas and regions, property types and/or property values – but many or most businesses, particularly SMEs, have limited resources to put into navigating the fine details of tax legislation. Introducing additional multipliers also increases the potential for double support which could create a unlevel playing field between sectors.

#### **4.1 Valuations and transitional relief: Questions**

10. What are your views on the frequency of revaluations and what changes should be made to support your preferred frequency?

In March 2018 the Government, in summary of responses to “Business Rates: delivering more frequent revaluations” indicated its intention to move revaluations to every three years starting from 2024. We remain supportive of this proposal as it will help keep ratings up to date with the state of the market. This is especially true in renewables and clean technologies where new innovations and markets are constantly maturing, while also being particularly subject to changes in Government energy policy and support mechanisms. As such, revenues can change year-on-year making long term revaluation cycles unreflective of commercial realities even where they provide limited certainty of rateable values.

For example, the landfill gas sector would benefit from annual revaluations. Landfill gas sites see the amount of gas that can be extracted decreases year-on-year, resulting in decreasing revenues, which are not taken into account within longer term revaluation cycles. We also note that batteries degrade over time, and that this decline accelerates with age. For older battery systems, the VOA could carefully consider enabling operators to apply for revaluations to be made on an annual basis – as, for instance, a 15 year-old battery will degrade by 30% across a year if no batteries within the system are replaced and if used for one cycle per day. More frequent revaluation cycles would help ensure appropriate rateable values across renewable and clean technology projects.

### 11. What are your views on a banded or zone-based valuations system and the trade off with valuation specificity?

There is a concern that banded systems could throw up perverse rates charges around the thresholds. While we acknowledge that banded systems have the potential to make the valuation system simpler and easier to understand, the impact on businesses operating at the threshold of bands could be unfair and distorting. Careful and transparent modelling of how banding would affect the renewables sector would be needed before the sector could consider supporting it.

We believe zoning should be avoided as it would likely serve to discourage larger renewable energy sites, like ground mounted solar, from being deployed. Given the recent efforts to change the treatment of energy storage in the planning system, this would also go against the grain of work being done by BEIS to encourage co-location of storage and solar, because zoning would disadvantage renewable sites that require a large land base. Land-based zoning is arbitrary and does not necessarily reflect the true value or revenue of a generation site. Zoning would also have to be done with consideration to the National Grid zones and particularly with regard to how grid securities are calculated based on those zones – a ‘doubling up’ of a high zonal grid securities charge and a high zonal business rates levy could make ground mounted solar projects in some areas financially unviable.

### 12. What are your views on changing the valuation process or the information provided to the VOA, to enable more frequent revaluations?

We note that the VOA already has wide ranging powers to request rental information and also have access to various databases providing rental data. In addition, lease information is generally available on the land registry website. Clear proposals are required to understand what more power the VOA are likely to need.

Submitting information to the VOA could be made much simpler by offering the opportunity to provide information via a centralised online portal allowing for submission of information by spreadsheet and uploading of other relevant documents. Some businesses would likely still require the option of submission via post.

### 13. What are your views on the relative importance of the period between the AVD and compilation of the list vs. more frequent revaluations?

We would support the AVD being reduced so that it was more up to date. The two-year gap has caused problems for renewables and clean technologies in the past, especially where support tariffs have changed in the subsequent two years. Scotland has decided

to adopt a 1-year AVD for the next revaluation – we would support this being introduced in the rest of the UK. We do however recognise that this would need to be achieved by simplification of the ratings system. Alternatively we would encourage the VOA to have the ability to at least take into consideration changes support caused by Government policy changes, as opposed to other external market factors.

14. What are your views on changing the definition of rents used in the valuation process? How could this be done in a way that most fairly reflects the value of the property?

This could risk introducing further complications into the valuation process. Further explanation is needed as to how a new definition of rents might work in order for us to reach a judgement, but a standard definition which is applicable to all has value.

15. If you have had concerns over the specific method of valuation applied to your property, what were these concerns and how could the process be improved?

The valuation is currently fixed at a specific valuation date. This fails to capture changes in outputs from power generating stations during the life of the rating list and we consider that RV's should be more closely aligned with changing revenues and commercial realities. We note that certain types of technologies, such as landfill gas and battery storage, could be considered for review on an annual basis to reflect increased or reduced output thereby aligning rates liabilities with plant performance.

We also consider it to be perverse that generating plant earning revenue through government sponsored schemes such as ROC's, FIT's, CfD's and the Capacity Market are penalised through the valuation process. For example, in the case of owner-occupier renewables, the cost of financing projects aren't fully taken into account. Financing is a major cost for renewable generation projects. When sites receive subsidies, this often results in a higher rateable value. Effectively, this puts the Government into a position of giving incentive to renewables with one hand, and taking incentive from them with another. HM Treasury should coordinate closely with other Whitehall Departments, so that the business rates system can reflect broader Government ambitions. One further barrier to the growth of new technologies is the lack of opportunity to gain a reasonably reliable estimate of their valuations prior to the installation of the product being completed. Options could be carefully explored in consultation with businesses to improve the scope for making reasonably reliable estimations of valuations in the early stages of projects.

16. What are your views on the design of the transitional relief scheme, and how transitional arrangements should be funded, given the requirement for revenue neutrality

Transitional reliefs are financed by rises elsewhere – with regular revaluations transitional reliefs could have the effect of stopping other rateable values falling as others' liability is not met. The downward transition scheme should therefore also be amended.

#### 4.2 Plant and machinery and investment: Questions

17. What evidence is there that the business rates treatment of P&M and changes to property affects investment decisions?

Currently the Plant and Machinery Order creates significant disincentives to the installation of onsite renewable generation systems such as solar PV. This is caused by significant distortion in the value between self-consumption and export only sites, with the former experiencing RV's up to 10 times higher than if a site exports all its generation.

- This is because where there is any self-consumption (the generator and consumer of the power are the same entity) the equipment is assessed under the Plant and Machinery Order, whereas if the system mainly exports to the grid (ie energy not used within the building) the RV is lower because a separate occupation is deemed to exist with the RV being calculated under the 'receipts and expenditure' valuation model - for which, in the case of Solar PV, the VO have agreed and have in place RV bandings
- Currently, the RV on 'self consumption' installations typically means there is a tax of over 20% of the gross value of any power generated
- This has been hugely damaging leading to businesses decommissioning their solar panel assets or having to find administratively burdensome alternatives to ensure fair tax liabilities. The order actively discourages businesses seeking to lower their carbon emissions.

How listing renewable generation and clean technology as rateable P&M disincentivises investment and inhibits decarbonisation

- In the case of rooftop solar PV in particular, there are ample opportunities for investment in installations on office buildings and shopping centres in city centres. This type of commercial premises is often owned by large investors such as pension funds, which have funding to invest in renewables. However, a considerable amount of capital investment is being held back from rooftop

solar due to the Parts & Machinery Order. As it stands, the pay-back for investment in solar PV when included in the P&M Order can be two decades, by which time the technology is nearing the end of its lifespan. If renewables were removed from P&M, there would be much more incentive for investors to begin decarbonising commercial buildings.

- This in turn, would ultimately create more tax revenue for Government, and would encourage job growth in this area. By removing renewable generation and clean technology from the P&M order, investors would be encouraged to inject cash into the 'real' economy through installation of these technologies.
- There are deep concerns that this issue could negatively impact more and more renewable energy systems as their deployment becomes more common. For example, energy storage is also going to be subject to higher ratings where the stored power is used on site. We also raise concerns that renewable heating systems, which utilise the generated heat on site, could similarly see increased liabilities due to current structure of the Plant and Machinery Order.
- There is currently an exemption to P&M for supplying power to the grid, however companies wishing to do this face a hefty administrative cost, which means that for many businesses the cost of installation outweighs the benefits. The revenue raised by selling power to the grid can only be cost effective for economies of large scale and, for solar, there is a payback period of almost two decades, by which time the panels are nearing the end of their lifespan.
- Given the Government's commitment to Net Zero and the Treasury Test all renewable energy and clean technologies should be removed from the rateable list and/or provided relief. This should include a P&M order exemption for machinery that facilitates removal of physical contaminants and non-compostable packaging from biodegradable wastes supplied for AD and composting and removing residues of them from compost and digestate outputs. Such items should not be present in biodegradable waste streams but they often are and the costs of dealing with them are considerable.
- Any P&M order exemption should also include organic recycling machinery (as clean technology) which should be removed from the rateable list and/or provided relief. This should also include consideration of the transport sector and farm machinery, where those using renewable transport fuels or electricity should not be rateable.
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18. Are the current P&M principles and regulations still relevant? How could these be updated if necessary, and what would the effect of any proposed changes be?

Considering the Government's drive to decarbonise the energy sector and incentivising more business to install renewable power and clean technology

systems, all such technologies should be removed from the list rateable plant and machinery within the order. The current business rates system goes against work that Ofgem and BEIS are undertaking to drive the energy transition. The purpose of those reforms is to facilitate technologies to provide services to the system and help support it during the transition. Furthermore, while the Government's new incentive schemes for the decarbonisation of buildings are necessary and helpful, these do not cover commercial premises and businesses must be empowered and encouraged to decarbonise through their own initiative. The rates system as it is, interferes with the energy market, and the Government's own decarbonisation agenda, undermining these reforms.

We note that the current definition of 'class 1' under 'potentially rateable P&M' includes power generation, storage and transmission equipment, but point out that this definition was made in 1993 by The Wood Committee. The intent of inclusion at the time was to cover large fossil fuel power plants and pumped hydro, not small Behind-the-Meter assets. The definition is significantly outdated, and does not consider the invaluable role that renewables and clean technology play today in decarbonisation. The committee could not appreciate the rapid development of renewable and clean technology in the coming decades. Renewable generation and clean technology are a vital part of the national decarbonisation effort and should be seen as essential tools for businesses, thereby should come under the 'tools of the trade' exemption.

Removing all renewable generation and clean technology systems would put a stop to the significant disincentives that are currently in place which actively stop business from decarbonising their energy requirements. Such a move would help drive the adoption of renewable energy systems including solar, energy storage, electric vehicle charging points and renewable heating systems.

#### 19. What evidence is available on the potential benefits of exempting certain types of P&M on a permanent or time-limited basis?

Changes to the P&M are particularly pertinent for roof top solar projects and is having further impact on other onsite renewable technologies include energy storage, renewable heat technologies and EV charging infrastructure. There have been high-profile instances (such as [Lidl in 2020](#), which saw business rates rise by 528%, and [schools](#) with solar panel installations) of this distortion penalising businesses trying to move towards a sustainable business model, and disincentivises other businesses from planning to be more sustainable.

Data about the impact on investment decisions for specific companies is commercially sensitive, however REA would welcome discussions with Treasury on

this issue and we may be able to provide quantitative data in support of our argument from members on a private bilateral basis.

However, the Government clearly sees the decarbonisation of buildings and the potential for renewable energy generation in buildings as important and helpful for an economic recovery. This was demonstrated by the announcement of the Green Homes Grant Scheme, the Social Housing Decarbonisation Fund, and the Public Sector Decarbonisation Scheme in the summer as direct stimulus measures to create green jobs and 'build back better'.

Failure to address the P&M Order undermines the ability of these most recent policy announcements to succeed. Revision of the P&M Order should be considered part of facilitating the decarbonisation of commercial premises, driving the green recovery, stimulating investment and jobs, and reducing bills for businesses over the coming years.

#### 20. What practical challenges would the implementation of wider exemptions for P&M pose, and how might those be addressed?

The removal of renewable energy and clean technology from the list of rateable plant and machinery can be done in a way that is either tax neutral or even increase tax intake from increased activity in the purchase, installation and maintenance of such systems which can be expected when incentivised through lower rateable values. Government initiatives to increase the number of trained installers through temporary incentive schemes mean that there are growing numbers of appropriately trained and registered installers. Removing renewable generation and clean technology from the P&M Order would encourage sustainable and jobs in that industry, in the long-term.

#### 21. How can business investment and growth best be supported through the business rates system, and how effective would business rates changes be compared to other available measures?

The importance of amending the business rate system to be fairer to renewable and clean technologies is to remove barriers to deployment. Elsewhere Government are already incentivising their deployment through other policies like the Smart Energy Guarantee, the Renewable Heat Incentive, and grants for electric vehicle infrastructure, as well as the aforementioned schemes to decarbonise homes and public sector buildings. However, the success of these are being undermined by the operation cost of such systems being substantially increased by being included on the plant and

machinery order. Government are both incentivising deployment, and simultaneously erecting market barriers. This needs to be addressed if the government is going to succeed in decarbonising the power, heat, and transport sectors.

22. How could the business rates system support the decarbonisation of buildings?  
 What would the likely impact of any changes be compared to other measures, including other taxes, spending or regulatory changes

The Coronavirus crisis will have a significantly negative impact on the capacity of the average business to make long-term investments that are supplementary to their core business model. Given the current economic downturn and the difficulty in containing the virus, it is certain that disruption to business' activities will continue into at least 2021, and that it the capacity of many businesses to make long-term investments will decrease. Furthermore, the economic recovery is likely to take many years, which could mean a prolonged contraction of consumer spending. This should not, however, mean that we lose sight of the decarbonisation agenda, and businesses should be supported to make clean investments (which are ultimately bill-saving) on their premises during these difficult times. Not facilitating businesses to decarbonise in this way could lead to a slow-down in the progress of decarbonising commercial buildings.

We note that there are [significant uncertainties](#) relating to how business rates are applied at some forms of electric vehicle charging points, for example on-street when central government funding is applied.

Furthermore, by removing the P&M barrier to renewable energy and clean technology deployment, the Government would be killing two birds with one stone – boosting businesses (cross-sector and within the renewables and clean technology sector) and facilitating decarbonisation. Such a move would also give businesses the opportunity to act by significantly reducing the costs of decarbonising their buildings.

Many businesses realise their responsibilities to the environment, but are currently constrained by the business rates cost of installing renewable generation and clean technologies on their premises, which often negates the cost-savings brought by lower energy consumption and/or onsite renewable generation.

The Government's Green Homes Grant and Public Sector Decarbonisation schemes are seeking to boost the energy efficiency and uptake of clean technology in domestic and public sector buildings, and to boost jobs. Removing renewable energy and clean technology from the rateable list could encourage businesses seeking to decarbonise to do so, and provide an equivalent boost to bill savings – enabling businesses to reduce the running costs of buildings at a time when building owners renting out commercial space will be looking at how they can affordably reduce the rent, and when user-owned buildings are also appearing costly to run for businesses that are not using them as frequently as they previously were.

Increasing commercial onsite renewable generation and clean technology installations would also give a boost to some parts of the renewable energy and clean technology industry not previously helped by the Green Homes Grant, such as energy storage, solar PV for electricity, and some forms of heat generation.

Other measures will also be very important in incentivising decarbonisation and ensuring the growth of green jobs. However, no other measures can be carried out so simply that would have such a broad beneficial cross-sector impact in decarbonisation. Furthermore, removing renewable energy and clean technology from the P&M listings would benefit a very wide range of technologies, furthering a level playing field for companies involved with those technologies.

### **5.1 Valuation transparency and appeals: Questions**

#### **23. What further changes would you like to see made to the (a) Check, (b) Challenge and (c) Appeal stages?**

There have been some good aims introduced by the CCA stages, in particular the requirement for a ratepayer to present their case at the outset. However, members report that there remains room for considerable improvement. The registration and claiming process remains administratively burdensome and not user friendly. Equally the timescales for the VOA response should be reduced to 3 months for an initial check appeal (currently 12 months) and 6 months for the secondary challenge appeal (currently 18 months). Current time scales mean cases are invariably not resolved in time for the next valuation and put businesses off raising fair challenges.

There is also a distinct advantage for certain types of premises under the current system. If you're appealing the rateable value of a shop or office, you can see the detailed valuation before you pay for the appeal. If you are a renewables operator, which is often valued on expenditure on contractors, you cannot see the detailed valuation until you have paid for the appeal. This is unfair, and those appealing valuations of renewables and clean technology should be able to see the detailed valuation before paying for an appeal too.

It is also very difficult for those developing standalone renewable energy generation or storage plants, that they cannot get any estimate of the valuation rate prior to building out the project. This increases the risk for investors in a project, and thereby disincentivises investment.

#### **24. What are your views on sharing information, such as rental/lease details, with the VOA? What are your views on the risks and benefits of this information being shared with other ratepayers, public sector organisations or more broadly?**

The VOA already has access to a significant amount of information, some of which would be commercially sensitive, and for this reason, we do not think any further information should be required. In addition, providing the rent or lease details to other ratepayers or public sector organisations would release commercially sensitive information to a broad range of stakeholders and competitors, as this information could be used to get an indication of the financial health and growth rate of a company.

25. What are your views on who can currently use the CCA system and become party to a challenge or appeal? What are your views on who can use the system, when and on what grounds

No response submitted.

## 5.2 Maintaining the accuracy of ratings lists: Questions

26. What are your views on introducing a requirement to provide the VOA with rental information, either routinely or where changes to a lease occur?

This would increase the administrative burden on businesses, particularly affecting small businesses. Furthermore, it would also risk having distorting effects across different regions and cities of the UK, as some areas have several times higher rental and lease costs than others. Making judgements about the value of the business based on lease or rent costs would also require other regional economic factors to be looked at in order to ensure that the judgement is fair and proportionate. How would businesses with mortgages on properties be valued in this system? Lease information isn't particularly helpful for VOA in most instances. A requirement on rate payers to be sending info when they don't know what the rating could be, would be punitive.

27. What are your views on making a register of commercial lease information publicly available?

This should be avoided given the potential for the release of commercially sensitive information.

28. What are your views on introducing a requirement to notify the VOA or billing authority of changes to a property that could impact the business rates liability?

We believe this is likely to be difficult to comply with as it is not always evident what factors affects the business rate liability, especially when renewable energy and clean technology business models rely upon multiple revenue streams that could be subject

to Governmental policy change. It is likely that it would become very easy to become non-compliant by accident. This is likely to result in significant extra costs to business as they need to pay someone to keep their listing up to date or fear fines.

### 5.3 The billing process

29. How can the current billing process be improved? What changes would provide the most significant benefits to ratepayers through for example, cost or time savings?

An online billing process whereby demands for each property can be readily identified in a single place would be a significant step forward and assist portfolio management of business rates within companies. This is an area where the current business rates system is considerably out of date and would be an improvement for all ratepayers.

All rate demands should be uploaded by Local Authorities onto a portal for a company to access and be sure that all demands are in a single place where they can be simply understood and readily accessed.

30. What are your views on a centralised online system linked to other business taxes, enabling more joined-up data and management of billing across different locations? How could this best support ratepayers and billing authorities?

No response submitted.

31. What sort of support would businesses and agents expect to receive when moving to a centralised online process, and from where would you expect to receive it?

The VOA should provide clear information on how to access their portal and what information will be provided and in what manner. An online and telephone help desk should also be administered by the VOA.

32. What, if any, criteria should be applied in exempting certain ratepayers from online billing

Some businesses will likely still require the opportunity to submit via a postal system – this will be appropriate for smaller ratepayers in particular. Businesses may sometimes need to pay at uncertain times for their business and when submission via post might be necessary, eg. during an office move or during a forced business relocation due to an unforeseen circumstance.

### 6 Exploring alternatives to business rates

33. What are the likely benefits and costs of implementing a CVT? What are the practical implications of implementing a CVT?

Our current view is that this would not work, but further detail of proposals needs to be provided before businesses can make a proper assessment.

Renewables projects are often very capital investment intensive for slow returns and often unpredictable profit margins in the mid-long term. One method of valuation is already based on capital cost, the contractors. If the whole system reverted to that, given that renewables kit tends to be very expensive, that could be even more prohibitive for renewables given so much capital is invested.

It would put the emphasis onto the owner, who has already got existing lease arrangements, so how would you transfer from one to other? A synergy with ability to pay would be important for capital based valuation.

34.. What evidence is there of the benefits that replacing business rates with a CVT would have in practice, for example, on business investment and growth?

No response submitted.

35. How can land and property be valued fairly and efficiently under a CVT in England? What evidence is available to do this?

No response submitted.

36. How would replacing business rates with a CVT affect the distribution of taxation?

No response submitted.

37. What are the likely implications of moving the liability for tax from tenant to landowner or property owner? How could the government ensure effective collection from and compliance by these taxpayers?

No response submitted.

38. What lessons can be learned from other countries experiences with CVTs?

No response submitted.

39.What other international alternative approaches to the taxation of non-residential land and property merit consideration for England?

No response submitted.

40. What would be the benefits and risks of introducing an online sales tax?

In general, we think it could be useful for Treasury to take a step that would tax 'on-line only' retailers, as it could remove substantial market distortions. REA could support this but with caveats that clean tech and renewable energy sector companies should be subject to reliefs in line with decarbonization ambitions, for instance a number of

compost producers & a few digestate producers, sell some of their compost/digestate products on-line, so our request would be that they are exempt from the OST because they are having to pay business rates for their premises and they are, respectively, part of the clean tech and renewable energy sectors that government wants to support.

41. Which services and products do stakeholders think should be subject to an online sales tax and what evidence is there to support this?

As explained above, REA could consider supporting an online sales tax however there would need to be careful consideration of the decarbonisation agenda within proposals to introduce that tax, and measures taken to support decarbonisation through the tax relief.

42. What evidence is there for the effects of an online sales tax, for example, on changes in consumer behaviour, or prices?

No response submitted.

43. How could an online sales tax affect the distribution of taxation?

No response submitted.