



## ADMINISTRATION OF BUSINESS RATES IN ENGLAND



SUBMISSION FROM THE BOOKSELLERS  
ASSOCIATION IN RESPONSE TO THE INTERIM  
REPORT FROM HM TREASURY AND THE  
DEPARTMENT FOR COMMUNITIES AND LOCAL  
GOVERNMENT

*To: David Gauke MP, Financial Secretary to the Treasury  
and Kris Hopkins MP, Parliamentary Under Secretary of  
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## 1 INTRODUCTION

1.1 The Booksellers Association welcomes the opportunity to give its views on the *Interim Findings*' Report (December 2014) from HMT and DCLG, which reviewed the Administration of Business Rates in England.

### **BA membership**

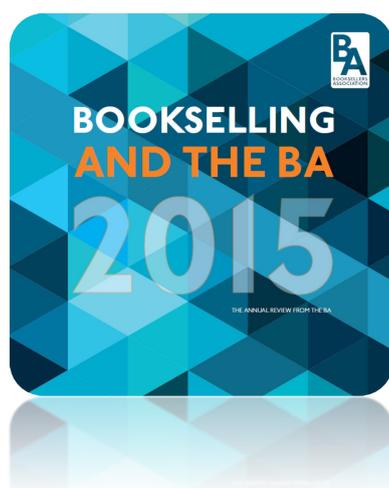
1.2 The Booksellers Association [the "BA"] is a trade association, based in London WC2, currently with 1,256 bookselling businesses in membership (of which 939 are independent bookshops), accounting for in all 4,139 outlets.

1.3 Our members cover a diverse range of different bookselling businesses - large High Street chains with mixed businesses (e.g. W H Smith); large specialist bookselling chains (e.g. Waterstones and Blackwells); independents (e.g. Daunts and Foyles); library suppliers (e.g. Askews); school suppliers (e.g. Heath Educational Book Supplies); specialist internet booksellers (e.g. Eddington Hook); supermarkets (e.g. Tesco, Asda and Morrisons); and the two national wholesalers (Bertrams and Gardners).

1.4 BA members sell to all markets (consumer – fiction/ non-fiction/ reference/ children's; academic – academic/ professional/ school/ English Language Teaching) from terrestrial shops and over the internet in a variety of different formats (hardback, paperback, audiobook and e-book).

### **The BA**

1.5 The BA helps its members to sell more books; operate from a lower cost base; improve competitiveness and productivity; network with others in the 'book world' and further afield and, most importantly, to represent their views..... as we are now doing.



## 2 EXECUTIVE SUMMARY

2.1 In this Executive Summary overleaf, we set out 30 main points we make in our submission which follows.

1. We welcome the Government's decision to conduct a review of the future structure of business rates and to report by the Budget in 2016; and to consider, in parallel, what improvements could be made now to the Business Rates' Administration [3.2]
2. Fundamental reform is required, that is fairer to businesses across the UK and flexible enough to respond to the economic cycle [3.5]
3. Exempt SMEs completely from the Business Rates scheme [4.1]
4. The Government would need to define the criteria for an exempted small business [4.4]
5. The key factor in reducing the number of appeals would be to introduce more frequent valuations [5.2]
6. The procedure for reimbursing ratepayers after they successfully appeal against an assessment needs to be reviewed [5.3]
7. We welcome, therefore, the Government's decision to set up a forum of ratepayers, their representatives, landlords and local authorities, to bring forward practical improvements to develop the detail [5.5]
8. The Booksellers Association strongly supports more frequent valuations beyond the current five years [6.2]
9. We would like the Government to carry out a cost benefit evaluation on either a revaluation every three years, or annually [6.4]
10. More frequent valuations are preferred by our members, because at the moment there can be no guarantee of an accurate assessment before being locked in to the current five year cycle [6.7]
11. Greater frequency revaluation should mean each property pays a bill that is as close to actual value as is possible [6.13]
12. In return for more frequent valuations, we believe it not unreasonable for booksellers and other businesses to accept that the time between the valuation date and the date on which the rating list starts would have to be appropriately reduced [6.16]
13. We support the Government's proposal that there should be an escalation system for appeals [7.1]
14. In future the VOA should be obliged to provide the ratepayer with details of how the valuation was assessed before the rating list is published [7.4]
15. We believe the new steps we are recommending should produce sufficient savings to enable the new system and infrastructure to be built without the ratepayers being asked to pay a separate charge [7.5]
16. The results in the Netherlands of moving from a five year revaluation to an annual one are truly compelling [7.6]
17. We also think it would be sensible if ratepayers had a better understanding as to the roles of the VOA and the Valuation Tribunal for England [7.8]
18. There is a strong consensus among our membership for the need to continue sending individual valuations for their bookselling premises [7.9]
19. The three steps of Checking, Challenging and Appealing to the Valuation Tribunal seem sensible [7.11]
20. The VOA has to provide more information on how their rateable values are calculated [7.12]
21. At present no gateway exists that enables the VOA to share information with Local Authorities. A gateway needs to be developed [8.2]
22. We support the Government's intent to change the law to allow greater sharing of information between the Valuation Office Agency and local government [8.3]
23. We think it not unreasonable for the ratepayer to be responsible for disclosing any physical changes to the property or a change in use or occupation of the property [8.4]
24. Ratepayers should be required only once in a single submission to provide the relevant information about their properties and that this information, in turn, should be shared by the local authority and, if appropriate, national government [8.6]
25. When the property needs to be inspected, either the local authority should do it and share the information with the VOA, or vice versa [8.6]
26. We believe it would be helpful if the VOA approached tenants first before approaching property owners [8.7]
27. We support the drive to on-line billing [9.1]
28. We are relaxed about booksellers being given the choice to support portals for billing and collection, or common systems, provided the information contained is clear, specific and understandable [9.2]
29. Our chains don't want to have to operate lots of different systems, so for them some sort of collection point or single e-mail address of the senior person responsible for paying rates should be considered [9.3]
30. Standard formatting for the invoices would be beneficial [9.6]

### 3 STRUCTURAL REFORM

3.1 The Booksellers Association was delighted to learn from the Chancellor's Autumn Statement 2014 that all ratepayers will benefit from the continuation of the 2% cap on inflation-linked increases for business rates for a further year from April 2015; that the discount for lower value retail premises is increased from £1,000 to £1,500; and that the Small Business Rate Relief has been doubled. These measures really do make a difference, especially to physical booksellers who occupy expensive high street positions and have to compete against multinational book retailers, operating on a cost per square foot basis from far less expensive premises away from the high streets..

3.2 In particular, we believe the Government's decision to:

- Conduct a review of the future structure of business rates and to report by the Budget in 2016
- Consider, in parallel, what improvements could be made now to the Business Rates' Administration.

3.3 In the internet age, multinational online retailers should not be able to shift costs and sales from country to country so that they obtain a competitive advantage over national businesses; neither should they be permitted to operate from huge warehouses way out of town that don't involve the very high business rates that high street operations are required to pay.

3.4 The present Business Rates' system is no longer fit for purpose. UK business rates are the highest commercial property tax in the European Union, at 4.1% of GDP. For every £1 in Corporation Tax, retailers pay £2.31 in Business Rates, compared to £1 to £0.44 for other industries.

3.5 Fundamental reform is needed, that is:

- Fairer to businesses across the UK; and
- Flexible enough to respond to the economic cycle.

3.6 But the system is so broke, booksellers and the retail sector can't wait until a new model is introduced in an estimated 2019 (Recommendations in 2016, to be followed by consultation and discussion, in the House of Commons, the Lords and other specialist forums).

3.7 Practical steps are needed now to bring about improvements in the administration, processes and procedures.

3.8 So in view of this, we very much welcome consideration being given by the Government as to how the key stakeholders can work together to produce a more efficient and modernized system

### 4 SME RELIEF

4.1 One way to immediately bring about some easing of the pressure points would be to exempt SMEs completely from the Business Rates scheme. As the interim findings make clear, 20% of properties in England accounted for around 80% of total rateable value as at March 2013.

4.2 Those businesses with rateable values below £12,000 contribute just 9.1 per cent, but given the welcome Small Business Rate Relief (SBRR) pay a smaller amount around 6 per cent. It makes little sense to assess 1.8 m properties only to exempt or reduce the rates collected from 1.1m of those with lower rateable values. Cost savings from the reduced administration should mean larger businesses wouldn't need to make up the difference.

4.3 At a stroke, removing small business from the financial and administrative burden of Business Rates would reduce hugely the volume of Appeal Cases the Valuation Office Agency [“VOA”] has to deal with.

4.4 The Government would need to define the criteria for an exempted small business. Would it be those with less than 250 employees?

## 5 ADMINISTRATION

5.1 As the Government has said, *“there are too many appeals and it takes too long to resolve them”*.

5.2 As we have indicated, the key factor in reducing the number of appeals would be to introduce more frequent valuations. This step would greatly redress so many of the issues connected with Business Rating and, together with:

- Standardizing the billing
- Modernising the Appeals Process
- Introducing many of the other initiatives suggested in the Report

would produce very significant improvements in the Business Rating system, to the benefit of government, local authorities, the VOA and ratepayers.

5.3 In particular, the procedure for reimbursing ratepayers after they successfully appeal against an assessment needs to be reviewed. Often ratepayers must wait long periods of time to be reimbursed large sums of money without interest paid.

5.4 The current system is unfair to those found to have been paying more than their fair share, which sometimes causes serious cash flow consequences. The same money could be invested in business improvements such as providing employment.

5.5 We welcome, therefore, the Government’s decision to set up a forum of ratepayers, their representatives, landlords and local authorities, to bring forward practical improvements to develop the detail.

## 6 HOW OFTEN PROPERTY IS VALUED

6.1 This is the key area. A sensible change in the frequency of valuation will bring about benefits in many other areas.

6.2 The Booksellers Association strongly supports more frequent valuations beyond the current five years (and a period of less than the current two years between the valuation date and the date the revaluation comes into effect).

6.3 As the Valuation Office itself says: *“more frequent revaluations could improve fairness in the rating system by ensuring rates bills reflect relative changes in rental values”*.

6.4 We would like the Government to carry out a cost benefit evaluation on either a revaluation every three years, or annually. Opinion is divided as to which would be better, but there is unanimity that the present cycle is too long.

6.5 But it doesn’t make sense to change the frequency without simultaneously reforming the appeals process, which is why the very many suggestions in the interim report for improvement are timely.

6.6 We now go on to consider specifically the questions posed in your consultation document.

### **What are your views on the findings and analysis at Annex A on the impact of more frequent revaluations?**

6.7 Although the timing of a property valuation is unlikely to coincide exactly with the trends in the property market, more frequent valuations are preferred by our members, because at the moment there can be no guarantee of an accurate assessment before being locked in to the current five year cycle mentioned in 6.2.

6.8 Furthermore, the current method is likely to have to rely on information that is considerably out of date.

### **How do you think more frequent revaluations would affect your business/ local authority?**

6.9 We believe that more frequent revaluation cycles than what we have at the moment would better align rateable values to market conditions.

6.10 In the Netherlands, the Dutch authorities have moved from our present five year cycle to an annual arrangement. The results were staggering. The Dutch were able to reduce the number of appeals by 80 per cent.

6.11 They were able also to reduce the costs of administration due, in part, to a computerised system of valuation.

6.12 And if the Government were able also to introduce in any new appeal system time limits for each stage of the process – as has been implemented in Northern Ireland – you would, by means of:

- Introducing more frequent revaluations (annually, or a three-year cycle)
- Coupled with a computerised system
- Imposing clear time limits for each stage of the process

you could be looking at a new system with very considerable improvements.

6.13 More frequent revaluations would, we believe, underpin a fairer approach. Greater frequency revaluation should mean each property pays a bill that is as close to actual value as is possible – whereas in the present system property values can be nine years out of date by the time at which the business rates liability is realigned.

6.14 More frequent valuations would make the tax responsive to the actual state of the property market and would be likely to have economic advantages by reducing the disproportionate burden of taxation on businesses in economic downturns. More frequent revaluations would certainly lead to fewer appeals.

### **Running a revaluation presents costs for ratepayers, as well as central and local government. What are your views on how these costs can be managed?**

6.15 Removing the SMEs from the Business Rates' calculation in England would have a net positive economic effect. As we have said in 4.2, those businesses with rateable values below £12,000 contribute just 9.1 per cent, but given the welcome Small Business Rate Relief (SBRR) pay a smaller amount around 6 per cent. It makes little sense to assess 1.8 m properties only to exempt or reduce the rates collected from 1.1m of those with lower rateable values.

### **What are your views on how the gap between the valuation date and the date on which the rating list starts could be reduced, while still ensuring the accuracy of the rating list?**

6.16 In return for more frequent valuations, we believe it not unreasonable for booksellers and other businesses to accept that the time between the valuation date and the date on which the rating list starts would have to be appropriately reduced. This is a positive trade-off acceptable to business in return for the significant benefits caused by more frequent valuations.

## 7 CHALLENGING AND APPEALING RATEABLE VALUES

7.1 We support the Government's proposal that there should be an escalation system for appeals, one that:

- Step 1: Allows ratepayers initially to check their valuation informally – permitting ratepayers to question, check or suggest factual changes to a valuation
- Step 2: If the ratepayer is unhappy, then the VOA should be approached to see if agreement on a way forward can be reached
- Step 3: Only if Step 2 fails, should the case go to the Tribunal.

7.2 But at the same time, the Valuation Office has to be able to resolve more quickly the challenges in Step 2 submitted by ratepayers.

**If the government made it easier for ratepayers to check or seek changes to a property's rateable value through informal routes, would this be likely to reduce the number of formal challenges?**

7.3 We do believe that if the process for settling appeals were to be improved, then the number of formal challenges would be reduced. As we have said, more frequent valuations decrease the incentive to challenge and appeal decisions.

7.4 We do believe, however, that in future the VOA should be obliged to provide the ratepayer with details of how the valuation was assessed before the rating list is published. At present, the system lacks appropriate supporting information from the VOA justifying their valuation.

**If the government asked for more information from ratepayers or levied a charge as part of the formal appeal process would this lead to a more efficient system?**

7.5 We believe the new steps we are recommending should produce sufficient savings to enable the new system and infrastructure to be built without the ratepayers being asked to pay a separate charge in order to appeal.

**What impact do you think the ideas in this paper could have as a whole on the approach to challenging and appealing rateable values?**

7.6 The results in the Netherlands of moving from a five year revaluation to an annual one are truly compelling. So we are not talking about a theoretical benefit that could potentially be possible: another country has already demonstrated the benefits that can ensure.

7.7 But the VOA has to play its part too and provide our booksellers and other retailers with more detailed rental evidence at an earlier stage than at present.

7.8 We also think it would be sensible if ratepayers had a better understanding as to the roles of the VOA and the Valuation Tribunal for England.

**What are your views on box 3.B in chapter 3 which sets out what a new system for challenging and appealing rateable values could look like?**

7.9 There is a strong consensus among our membership for the need to continue sending individual valuations for their bookselling premises, on which their business bill is based.

7.10 An individualised approach maintains fairness between all the ratepayers.

7.11 The three steps of Checking, Challenging and Appealing to the Valuation Tribunal seem sensible.

<p><b>A. Checking</b></p> <ul style="list-style-type: none"><li>• Make an enquiry or clarify aspects of a valuation</li><li>• Request revision for physical changes or factual inaccuracies</li><li>• Queries regarding the approach to valuation (for example retail 'zoning')</li></ul> <p>If issues remain:</p>
<p><b>B. Challenge</b></p> <ul style="list-style-type: none"><li>• Challenger to outline their case</li><li>• Discussion between the parties</li><li>• VOA issue a decision</li></ul> <p>If the ratepayer wishes to make an appeal against the VOA decision:</p>
<p><b>C. Appeal to the Valuation Tribunal for England</b></p> <ul style="list-style-type: none"><li>• Exchange detailed statements of case</li><li>• Tribunal decide case on submissions or a hearing where necessary</li></ul>

7.12 But we say again, the VOA has to provide more information on how their rateable values are calculated.

7.13 The Appeal Process can have a devastating effect on a bookseller's cash flow. At present, a retailer has to pay the rates' sum requested at the beginning of the appeals process. Sometimes the Appeal Process takes a couple of years, so if the case ends up with judgement in support of the retailer, it seems pretty unfair that the retailer has to lose access to this cash over a long period of time. We would like the working group to look at this aspect.

**8 INFORMATION GATHERING, USE AND EXCHANGE**

**Do you have examples of best practice ways to gather and share taxpayers' property data that you would like the government's information sharing forum to consider?**

8.1 It is common at the moment for ratepayers to have to provide the same information about their business or property to both the Valuation Office Agency and the local authority.

8.2 At present no gateway exists that enables the VOA to share information with Local Authorities. A gateway needs to be developed.

8.3 We support the Government's intent to change the law to allow greater sharing of information between the Valuation Office Agency and local government.

8.4 Furthermore, we think it not unreasonable for the ratepayer to be responsible for disclosing any physical changes to the property or a change in use or occupation of the

property. This change should lead to fewer backdated changes to the rating list and a fairer system for all ratepayers.

**8.5** A duty to provide information for business rates may need to extend to all leases and associated side agreements

**What is your view on the suggestion that ratepayers should be required by law to provide information about their property?**

8.6 Ratepayers should be required only once in a single submission to provide the relevant information about their properties and that this information, in turn, should be shared by the local authority and, if appropriate, national government. (Asking businesses to provide this information more than once would be inefficient and burdensome.)

8.6 Also, when the property needs to be inspected, either the local authority should do it and share the information with the VOA, or vice versa, but not for both to do independently the inspection.

**What are the practical steps government could take to make it easier to access information and how would you use that information?**

8.7 We believe it would be helpful if the VOA approached tenants first before approaching property owners.

**9 BILLING AND COLLECTION**

9.1 Billing and collection is regrettably inconsistent across different billing authorities, with approximately just a third being electronic. We support the drive to on-line billing. Electronic invoicing is prolific in the book industry. Indeed, the Booksellers Association has a web company, Batch Ltd, which enables all publishers to send electronic invoices to individual booksellers – and for these invoices in turn to be paid electronically. (This system is now used by booksellers to pay UK suppliers in 65 countries throughout the world.)

9.2 We are relaxed about booksellers being given the choice to support portals for billing and collection, or common systems, provided the information contained is clear, specific and understandable.

9.3 But many of our members are bookshop chains, having shops under the jurisdiction of many different local authorities. Our chains don't want to have to operate lots of different systems, so for them some sort of portal, consisting of a single template that all billing authorities (with their individual contact details) should use should be considered – perhaps this could be set up and managed by HMRC.

**Do you have further suggestions to add to the ideas listed in this paper which you think the government's new billing and collection forum should consider?**

9.4 We welcome the establishment of a billing and collection forum to flesh out the detail and develop digital options.

**What do you see as the main costs and benefits to your business/local authority of a more digital billing and collection system?**

9.5 Our experience with electronic invoicing in the book trade (see 9.1 above) has demonstrated that there are huge benefits in moving to electronic invoicing. These include transparency, the ability to be able to see the invoice over the web, the ease of printing out invoices; the ease of distributing information electronically internally, and speed efficiency. There should be considerable cost savings and efficiencies, to the benefit of all the key stakeholders.

**What are your views on the key issues with billing that best practice guidance for standard and clear bills should address?**

9.6 Standard formatting for the invoices would be beneficial, but we realise this would be hard to achieve, so we refer back to 9.3 above – a standard template operated via a portal.

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