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Response to: Business Rates Review: Call for Evidence tranche 2 questions

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Uniper

Uniper is a leading international energy company with around 11,500 employees and activities in more than 40 countries. With about 34 GW of installed generation capacity, Uniper is among the largest global power generators. Its main activities include power generation in Europe and Russia as well as global energy trading, including a diversified gas portfolio that makes Uniper one of Europe's leading gas companies. The company is headquartered in Düsseldorf, being the third-largest listed German utility. Under its new strategy, Uniper aims to become climate neutral in its European power generation by 2035.

We welcome the call for evidence and have answered tranche 2 questions of relevance to our business. Our views are summarised below:

- There are more appropriate policy instruments available to enable business investment and growth or to deliver environmental and climate policy.

- For energy infrastructure, such as power stations and gas pipeline and storage facilities competing in national markets, banded or zone-based valuations would introduce an unacceptable market distortion.

- We support moving to more frequent valuations at three yearly intervals. The timescales for the check, challenge and appeal process need to be shortened to align with the three year list period.

- Transitional relief should ensure that business rates reflect the rateable value by the final year of the valuation period.

- Commercially sensitive information submitted to the VOA must not be shared with third parties.

- We do not support implementing a CVT. This would introduce uncertainty and disruption for business. It would be better to focus time and resource on improving the efficiency of the existing business rates process.

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Valuation and transitional relief

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

We support more frequent valuations. A three year valuation period is the optimum timeframe, as this ensures that the valuation can be as close to the prevailing trading circumstances for the business as is practically possible. It also allows for a period of certainty for business planning purposes.

This will require a more efficient check, challenge and appeal process with shorter timescales or the ability to proceed directly to a more advanced stage if appropriate, to ensure final valuations are confirmed before the end of the valuation period.

Setting the AVD one year prior to the start of the list rather than two years would also support the objective of revaluations being more reflective of prevailing circumstances.

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

For energy infrastructure, such as power stations and gas pipeline and storage facilities, we do not agree with either banded or zone-based valuations as these premises are competing in national markets. It may be appropriate to move energy premises to the central list if a banded or zone-based approach is taken.

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

As the current process is all paper based there is a need to modernise the business rates setting process. We would support moves to implement a centralised online digital platform that would allow businesses to submit information to the VOA in a timely manner to support an efficient valuation process.

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

A consequence of more frequent valuations is that this will inevitably bring the AVD closer in time to the compilation of the list. The timescale for the AVD prior to compilation of the list should however be reduced to one year. Accepting that the valuation process takes time to complete, the benefit of more frequent valuations is that this will take in to account as much of the prevailing trading circumstances for the business as is practically possible.

Question 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 complex market and the nature of premises in the energy sector means that there is a lot of information for the VOA to understand to carry out a valuation. We have found it helpful that the VOA is open to dialogue to better understand the market framework that such premises operate in and that it has been flexible in considering the appropriate basis for the valuation.

Question 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?

We agree with the recommendation of the Treasury Select Committee report of 31 October 2019, that transitional relief should ensure that business rates reflect the rateable value by the final year of the valuation period.

More frequent valuations, conducted every three years, should help to mitigate the concerns with the current transitional relief scheme, where liability does not reflect the rateable value for five years. More frequent valuations should mean that changes in rateable value compared to the business rates liability are more closely aligned, with any difference limited to a two year period.

To mitigate against the risk of outlier extremes in step change increases in business rates liability impacting successful businesses; upward transition annual increases should continue to be capped at 40%. To maintain revenue neutrality, rather than funding the upward transition cap only from those businesses in downward transition, which has had the effect of limiting the change to business rates liability despite a reduction in their rateable value, the cost of transition should be funded by all rate payers.

In the medium term, if the frequency and predictability of three yearly valuations are maintained, and evidence shows that there is little or low incidence of extreme differences between rateable value and business rates liability, there may not be a need for a transitional relief scheme in the future.

Plant, machinery and investment

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

In our experience there is no direct influence from the business rates treatment of plant and machinery on large scale energy infrastructure investment decisions.

Question 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 business rates system should not be revised specifically to enable business investment and growth as there are other policy instruments that could better be utilised to deliver this outcome, such as capital allowances in the tax system.

Question 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?

Business rates should not be used as a method to deliver environmental and climate policy. There are other policy instruments, such as capital allowances in the tax system to support specific categories of investment, that should be considered first.

Valuation transparency and appeals

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

The current process takes too long, with twelve months to decide a check and eighteen months to determine the challenge. For utilities the check process adds very little. It is not until the challenge stage is reached that meaningful discussion can be had with the VOA. More frequent valuations must be accompanied by a shorter and more efficient check, challenge and appeal process with timescales that align with the three year valuation period.

Creating a backlog of challenges and appeals outstanding from a previous valuation remaining when valuations for the next period is being determined must be prevented. Moving to an online digital platform for information submission to the VOA should create a more efficient process and enable shorter timescales between the three stages.

Question 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?

It should be possible for relevant and appropriate information necessary for the valuation process to be submitted to the VOA via an online platform. Information provided to the VOA must however remain confidential as it will be, bar basic information, commercially sensitive and therefore must not be shared with third parties.

Question 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?

The existing rules on who can become a party to a challenge or appeal are sufficient. We do not think the parties that can challenge or join an appeal should be widened as this will add further complexity and delay to the CCA process.

Maintaining the accuracy of ratings lists

Question 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?

An annual submission of prescribed or relevant information to VOA to support the valuation process via an online system or portal would be a good step to making more frequent valuations possible and improve overall efficiency.

A new requirement to notify the VOA or billing authority of any changes that could impact the business rates liability should not be introduced. The VOA already has powers to request additional information. More frequent valuations should ensure that more up to date and accurate information is available to the VOA. Introducing an obligation to notify would create uncertainty for businesses in determining what could constitute a notifiable change. This would result in additional cost to business in engaging external advisors to support management of the new obligation.

The billing process

Question 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?

Our business rates liability are currently collected by direct debit. Consequently there is a low administrative burden on the billing process. However bills are paper based, which can add delays to the process.

Question 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?

We support the introduction of an online system or portal for the provision of information to the VOA, to make the valuation process more efficient and enable more frequent valuations. This could allow for a central point for rate payers to resolve any issues rather than seeking responses from multiple different local authorities for organisations with a presence in more than one billing authority. A centralised online system should be an end to end process that includes the billing activity. Bills should then be issued electronically.

Question 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?

Knowing where queries are resolved and by who will be important for both moving to a centralised online process and subsequent business as usual activities. This will include management of access rights to the online system. If a new online system is to support the VOA's activities that then it should provide resource to support users of its system.

Exploring alternatives to business rates

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

We do not support implementing a CVT. This would introduce uncertainty and disruption for business. It would be better to focus time and resource on improving the efficiency of the business rates process, enabling more frequent valuations and supporting processes through a centralised online system.