

NON-DOMESTIC RATING (PREPARATION FOR DIGITAL SERVICES) BILL

EXPLANATORY NOTES

What these notes do

These Explanatory Notes relate to the Non-Domestic Rating (Preparation for Digital Services) Bill as brought from the House of Commons on 21 May 2019 (HL Bill 177).

- These Explanatory Notes have been prepared by the Ministry of Housing, Communities and Local Government in order to assist the reader of the Bill and to help inform debate on it. They do not form part of the Bill and have not been endorsed by Parliament.
- These Explanatory Notes explain what each part of the Bill will mean in practice; provide background information on the development of policy; and provide additional information on how the Bill will affect existing legislation in this area.
- These Explanatory Notes might best be read alongside the Bill. They are not, and are not intended to be, a comprehensive description of the Bill.

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Overview of the Bill

- 1 This Bill includes a provision for giving HMRC the power to incur preparatory expenditure on digital services with the purpose of facilitating the administration or payment of business rates in England.

Policy background

- 2 Non-domestic rates, commonly called business rates, are collected by billing authorities.
- 3 In the Budget 2016, the Government committed to link local authority business rates systems to HMRC's digital tax accounts so that businesses can manage their rates in one place alongside other taxes.
- 4 The Government announced in a consultation response document in March 2018 that it will delay implementation until after the start of the three-year revaluation cycle of non-domestic rates from 2024 and will aim to implement the system at the earliest opportunity thereafter.
- 5 HMRC will have a leading role in designing and building the digital billing and collection service for business rates. However, HMRC functions do not currently extend to this work. This legislation provides HMRC with the power to begin designing and developing the digital service. Further legislation will be needed to underpin the digital service in due course.

Legal background

- 6 The Bill covers non-domestic rating in England. The principal non-domestic rating Act is the Local Government Finance Act 1988.
- 7 HMRC's functions are set out in primary legislation in the Commissioners for Revenue and Customs Act 2005 ("CRCA"), in particular section 5 (HMRC's functions of collection and management of revenue), section 9 (HMRC's ancillary functions) and Schedule 1 to the CRCA (former Inland Revenue matters). Section 51 of the CRCA specifies that HMRC's functions include any power or duty contained in the CRCA or in other legislation.
- 8 HMRC's current functions do not extend to the creation or maintenance of a digital service linking local authority business rates systems with HMRC's digital tax accounts. In order for HMRC to start work on developing the new digital service for business rates, HMRC require a new statutory function.

Territorial extent and application

- 9 The provisions of the Bill extend to England and Wales and apply to England only.
- 10 See the table in Annex A for a summary of the position regarding territorial extent and application in the United Kingdom. The table also summarises the position regarding legislative consent motions and matters relevant to Standing Orders Nos. 83J to 83X of the Standing Orders of the House of Commons relating to Public Business.

Commentary on provisions of Bill

Clause 1: Provision of digital etc services by HMRC: preparatory expenditure

- 11 Clause 1 provides HMRC with the ability to incur expenditure in order to work on the design of a new digital service that will link local authority business rates systems with HMRC's digital tax accounts. HMRC's functions describe the activities that HMRC can undertake and define what it can expend its resources on. HMRC is a statutory body and its functions are set out in the Commissioners for Revenue and Customs Act 2005 and other legislation. HMRC does not have statutory authority to facilitate the administration of business rates by local authorities through its digital tax accounts.
- 12 Subsection (1) will allow HMRC to expend resources in preparing for a digital service that will provide a link between local authority business rates systems and HMRC's digital tax accounts. The work will include but not be limited to: stakeholder engagement; user research; product design and development; and testing services. Legislation will need to be introduced at a later date to provide the framework for the digital service itself, and to enable HMRC to operate it.
- 13 Subsections (2) and (3) define digital services and non-domestic rates respectively.

Commencement

- 14 The Bill comes into force on the day on which the Bill achieves Royal Assent.

Financial implications of the Bill

- 15 The Bill contains provisions that may lead to HM Treasury providing additional funding to HMRC to undertake this work.

Parliamentary approval for financial costs or for charges imposed

- 16 As the purpose of the Bill is to authorise HMRC to incur expenditure on designing the proposed new digital service, a money resolution was required for the Bill in the House of Commons. A money resolution is required where a Bill authorises new charges on the public revenue – broadly speaking, new public expenditure. The Bill will lead to increases in public expenditure under section 43 of CRCA, which provides that expenditure of HMRC in connection with the exercise of its functions is to be paid out of money provided by Parliament.
- 17 The House of Commons agreed, on 13 May 2019, that for the purposes of any Act resulting from the Non-Domestic Rating (Preparation for Digital Services) Bill, it is expedient to authorise the payment out of money provided by Parliament of any increase attributable to the Act in the sums payable under any other Act out of money so provided.

Compatibility with the European Convention on Human Rights

18 Section 19 of the Human Rights Act 1998 requires the Minister in charge of a Bill in both Houses of Parliament to make a statement about the compatibility of the Bill with the Convention Rights (as defined by section 1 of that Act). Lord Bourne of Aberystwyth, the Parliamentary Under-Secretary of State for the Ministry of Housing, Communities and Local Government, has stated that in his view the provisions of the Non-Domestic Rating (Preparation for Digital Services) Bill are compatible with Convention rights.

Related documents

19 The following documents are relevant to the Bill and can be read at the stated locations:

- The Local Government Finance Act 1988:
<http://www.legislation.gov.uk/ukpga/1988/41/contents>
- The Commissioners for Revenue and Customs Act 2005:
<https://www.legislation.gov.uk/ukpga/2005/11/contents>

Annex A – Territorial extent and application in the United Kingdom

20 The territorial extent and application of the Bill are summarised as follows – the Bill extends to England and Wales but applies to England only.

Provision	Extends to E & W and applies to England?	Extends to E & W and applies to Wales?	Extends and applies to Scotland?	Extends and applies to Northern Ireland?	Would corresponding provision be within the competence of the National Assembly for Wales?	Would corresponding provision be within the competence of the Scottish Parliament?	Would corresponding provision be within the competence of the Northern Ireland Assembly?	Legislative Consent Motion needed?
Clause 1	Yes	No	No	No	No	No	No	No
Clause 2	Yes	No	No	No	No	No	No	No

Minor or consequential effects¹

21 There are no provisions which have a minor or consequential effect outside England.

¹ References in this Annex to an effect of a provision being minor or consequential are to it being minor or consequential for the purposes of Standing Order No. 83J of the Standing Orders of the House of Commons relating to Public Business.

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