

NON-DOMESTIC RATING (PREPARATION FOR DIGITAL SERVICES) ACT 2019

EXPLANATORY NOTES

What these notes do

These Explanatory Notes relate to the Non-Domestic Rating (Preparation for Digital Services) Act 2019 which received Royal Assent on 4 July 2019 (c. 19).

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

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Overview of the Act

- 1 This Act includes a provision for giving HMRC 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 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 Act 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 therefore require a new statutory function.

Territorial extent and application

- 9 The provisions of the Act 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.

Commentary on provisions of Act

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

- 11 Section 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 would 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 Subsection (2) and (3) define digital services and non-domestic rates respectively.

Commencement

- 14 The Act came into force on the day the Act achieved Royal Assent, 4 July 2019.

Financial implications of the Act

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

Related documents

- 16 The following documents are relevant to the Act 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

- 17 The territorial extent and application of the Act is summarised as follows – the Act 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?
Clause 1	Yes	No	No	No
Clause 2	Yes	No	No	No

Annex B - Hansard References

18 The following table sets out the dates and Hansard references for each stage of the Act's passage through Parliament.

Stage	Date	Hansard Reference
<i>House of Commons</i>		
Introduction	25 April 2019	Vol. [658] Col. [931]
Second Reading	13 May 2019	Vol. [660] Col. [46]
Public Bill Committee	20 May 2019	Vol. [660] Col. [522]
Report and Third Reading	20 May 2019	Vol. [660] Col. [524]
<i>House of Lords</i>		
Introduction	21 May 2019	Vol. [797] Col. [1864]
Second Reading	11 June 2019	Vol. [798] Col. [361]
Grand Committee	11 June 2019	Vol. [798] Col. [368]
Report	11 June 2019	Vol. [798] Col. [368]
Third Reading	11 June 2019	Vol. [798] Col. [368]
Commons Consideration of Lords Amendments	N/A	
Royal Assent	4 July 2019	House of Commons Vol. [662] Col. [1347]
		House of Lords Vol. [798] Col. [1515]

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