

Mike Hedges AM  
Chair of The Petitions Committee  
National Assembly for Wales  
Cardiff Bay  
Cardiff  
CF99 1NA

8 February 2017

Dear Mr Hedges,

### **Petition to Protect Our High Street - Business Rates**

I have received the response from Mark Drakeford in response to the above petition.

As you know, this petition is part of a wider campaign calling on the Welsh Government to

- 1) help SMEs facing astronomical increases in their business rates bills when the new rateable values come into force in April;
- 2) develop a package of permanent rate-relief measures to alleviate the financial pressure on small businesses in Wales.

Alongside the covering letter which I presented to you when I formally handed over the petition on Wednesday 18 January, I would be grateful if the following points would also be considered by the Petitions Committee when they meet on Tuesday 14 February.

### **Rateable values are increasing dramatically**

Following the recent revaluation of the rateable value of commercial properties across the UK, many Welsh businesses are facing an astronomical increase in their business rates from April. Rural market towns, such as Cowbridge and Monmouth, appear to have been hardest hit and this is seriously threatening the on-going viability of many businesses.

### **The Welsh Government is not increasing the threshold for SBRR**

Business rates is a tax which has been fully devolved from Westminster to the Welsh Government. At the moment, business rates in Wales are calculated in broadly the same way as they are in England. However from 1 April the situation will change, and not in Wales' favour.

The UK Government has announced that from 1 April 2017 it will double the threshold below which small businesses will be exempt from business rates from £6k to £12k, and introduce tapered relief for those valued between £12k and £15k.

Unfortunately the Welsh Government has chosen not to implement this policy, meaning that all small businesses in Wales valued between £6k and £12k **will still have to pay rates whilst their counterparts in England will be rates-free.**

Those businesses valued between £12k and £15k will have to pay the full amount since, unlike in England, they will not benefit from any tapered rates relief at all.

To put it simply, from 1 April 2017 small businesses will be worse off in Wales under the devolved Welsh Government than they would be if they were under Westminster. The situation is even worse when compared to Scotland, where the SBRR threshold is being raised to £15k. SMEs in Wales are being left behind.

### **Welsh Labour's broken manifesto promise**

During the Welsh Assembly elections last year, one of Welsh Labour's six manifesto pledges was "to cut taxes for ALL small businesses". Now they are in government, they are doing the exact opposite. Business rates is the only tax which the Welsh Government has the power to change, yet for many it is being increased dramatically.

We know from discussions in the Senedd that the Welsh Government's justification for not raising the SBRR threshold is that they need the revenue to pay for public services. In other words, small businesses in Wales are being penalised for being located on the wrong side of the River Severn and for having a devolved government. This is wholly unacceptable.

### **Additional £10m support announced in December**

Before Christmas Mark Drakeford announced an additional £10m specifically for high streets which are facing huge increases in their business rates bills. We welcome this additional support, however nearly two months later he has still not clarified how and when this money will be allocated. With fewer than eight weeks until we start paying the new bills, many businesses still do not know how much they will have to pay. We cannot plan properly or make investment decisions whilst there is such uncertainty hanging over us. It must be resolved as a matter of urgency.

In his letter in response to the petition, Mark Drakeford mentions that three-quarters of rate payers will receive some form of relief. Please could you provide the data to back up this claim? We would particularly like to know, both for 2016/17 and from 2017 onwards, how many businesses in Wales fall into the different business rate bands - less than £6k, £6k-£12k, £12k-£15k, £15k-£51k, more than £51k - and how that compares to England.

### **Small businesses are the backbone of the Welsh economy**

In 2015, SMEs in Wales accounted for 99.4% of private sector business and 61% of employment – equating to 673,600 employees. The vast majority are 'micro-businesses' like mine (with nine employees or fewer), which qualify for SBRR. If every small business in Wales employed just one more member of staff, it would wipe out unemployment across Wales. Imposing this significant and unfair additional regional tax burden has the real potential to put many of us out of business and create further unemployment.

It cannot be right that the Welsh Government is knowingly putting small businesses in Wales at a significant competitive disadvantage to those in England - especially as they came to power having made a manifesto pledge to "cut taxes for ALL small businesses".

Yours sincerely,

**Sally Stephenson**  
**Director**