

Written Statement – Delivering a tax cut for small businesses: a permanent small business rates relief scheme for Wales

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Mark Drakeford, Cabinet Secretary for Finance

The Welsh Government has previously set out our intention to introduce a permanent small business rates relief scheme from 1 April 2018. This will provide certainty and security for small businesses in Wales, delivering a tax cut to help them drive long term economic growth. Today, I am pleased to announce the details of the permanent scheme.

In 2017–18, we are providing small businesses with more than £110 million of support in paying their rates bills. Our permanent scheme, which will be in place from 1 April 2018, will maintain this investment from the Welsh Government. In line with our tax principles, the new scheme will target the support more effectively towards the businesses that will benefit most, supporting jobs and growth and delivering wider benefits for our local communities.

There has been extensive engagement with stakeholders to inform the design of the permanent scheme and taken account of the views from ratepayers, business representatives, other taxpayers and local authorities. I am grateful to all those who provided their valuable and constructive input into this exercise.

In order to enable us to target relief more effectively, the new scheme will limit the number of properties eligible for small business rates relief to two properties per business in each local authority. This releases approximately £7m which will be reinvested in other areas of relief.

These funds will be used to provide support in the following areas.

- Additional support for the childcare sector, increasing the upper threshold for rates relief for childcare providers from £12,000 to £20,500. This benefits over 100 childcare providers across Wales.
- Provide £5 million support to continue the High Street Rates Relief scheme

into 2018–19.

- Providing an additional £1.3m funding to local authorities, for them to use their discretionary powers to provide targeted relief to support local businesses which would benefit most from additional assistance.
- Targeted support for small hydropower projects.

While the new relief scheme will be introduced on a permanent basis from 2018, I will continue to develop the scheme to ensure it best meets the needs of Wales.

The areas for further exploration will include:

- Targeting support for certain sectors or types of business which support the delivery of the Welsh Government's policy aims, for example, social care and the priorities identified in the Economic Action Plan.
- Targeting support for the childcare sector, including consideration of the Barclay Review of Business Rates undertaken in Scotland earlier this year. This work will assist with the implementation of the childcare, play and early years workforce plan by supporting childcare providers to operate more sustainably, and align to the aspirations of the Economic Action Plan.
- Potential to time-limit the general period of relief, in order to redirect resources to provide greater help to businesses in the early period of establishment and growth.
- Assessing the feasibility of linking eligibility for relief with the payment of the living wage
- Work to address non-domestic rates fraud and avoidance
- The consideration of possible exceptions from relief where businesses do not align with Welsh Government policy objectives.

My intention is to take a progressive, fair and transparent approach towards

local taxation in Wales which continues to provide vital funding for local services. Delivering a permanent relief scheme for small businesses is a key step in delivering this.