

# Petition: Fairer business rates for Welsh businesses

Y Pwyllgor Deisebau | 17 Medi 2019  
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## Research Briefing:

Petition number: P-05-894

Petition title: Fairer business rates for Welsh businesses

We call on the Welsh Government to recognise the changing nature of retail in Wales over the past decade and look at exploring ways of introducing a fairer business rates as part of more progressive Welsh tax system for large and small businesses in our town centres, retail parks and online to fully represent these changes.

Vibrant and sustainable towns and cities are important to everyone who lives and works in them and the Scottish Government have recognised this by looking at raising taxes for retail parks and the UK Labour Party has called for annual business rates valuations, partly recognising the need to look at sharing the tax burden more evenly.

This is an opportunity for the Welsh Government to take the lead on fairer business rates and taxes and we at Your Pontypridd Business Improvement District (BID) encourage you to grasp the opportunity to show our local business that you understand their current and future needs.

## Background

[Business rates](#) (also known as non-domestic rates or NDR) have been fully devolved to Wales since April 2015. Business rates are a property tax paid on non-domestic properties and are the means by which businesses and other users of non-domestic property contribute towards the cost of local authority services.

The Welsh Government sets the business rates multiplier every financial year and determines national business rates policy including setting reliefs. Local authorities can also award discretionary reliefs for business within their authority.

Business rates revaluations have generally taken place every five years. The most recent revaluation took effect in April 2017, with the next scheduled for 2021 (brought forward from 2022).

## Welsh Government action

### Business rates reliefs

The Minister for Finance and Trefnydd states in her letter to this petition that the Welsh Government is providing “over £210 million” of rates relief support in 2019–20. The Minister goes on to note that, “more than three quarters of ratepayers in Wales will benefit from these reliefs, with half paying nothing at all”.

[Reliefs available for businesses](#) that meet certain criteria and that are available from Welsh Government and local authorities include:

- Small Business Rates Relief (SBRR)
- Transitional Relief
- High Street and Retail Rates Relief
- Relief for Hydropower Projects
- Charitable rate relief
- Rates relief for empty properties
- Hardship relief
- Discretionary relief

Certain properties are also exempt from business rates, such as:

- agricultural land and buildings including fish farms
- buildings used for training or the welfare of disabled persons
- buildings registered for public religious worship and church halls

### Tax policy

The Welsh Government’s [‘Tax Policy Report 2018’](#) (October 2018) outlines actions to change its Small Business Rates Relief scheme, including to develop local taxation policy as part of

wider local government finance reform. The report outlines that the Welsh Government will consider “whether local taxes could be made fairer”.

The report also notes the Welsh Government’s priority to:

Implement a better-targeted Small Business Rates Relief (SBRR) scheme in April 2018. Continue to develop the scheme beyond 2018 to ensure it meets Wales' needs

In the report, the Welsh Government detail the [consultation](#) it undertook to improve SBRR in 2017 and subsequent priority actions, including:

- Enhanced relief for childcare premises in support of our commitment to offer 30 hours free childcare for working-age parents of three and four year-olds;
- Targeted support for community energy projects;
- An extension to the high street rates relief scheme for 2018-19;
- An extra £1.3m for local authorities in 2018-19 to provide discretionary relief to local businesses and other ratepayers which would benefit from locally determined assistance.

The Tax Policy Report outlines that these actions were funded by limiting the number of properties eligible for SBRR to two per business in each local authority. The Welsh Government notes:

This policy prevents larger businesses and national chains from benefiting from the SBRR scheme which is designed to help small businesses. The change released an estimated £7m a year which is being reinvested to support small businesses.

Additionally, on [27 September 2018](#) the Welsh Government announced it would provide 100% rates relief to all childcare providers from April 2019.

The Tax Policy Report notes:

As the Welsh Government evaluates the changes made this year, it continues to consider and examine changes and improvements to non-domestic rates and relief schemes. These include time-limited relief and doing more to help businesses which support social, economic or environmental priorities.

The Tax Policy Report also includes information relating to measures to tackle evasion and avoidance of non-domestic rates.

In its report '[Reforming local government finance in Wales: 2018 update](#)' (October 2018) the Welsh Government details changes it has made to the business rates system, including changes to the annual uprating procedures to reflect movements in the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI), as had previously been the case. The report also considers flexibility of funding for local government, noting:

We have also begun to explore the scope for share-gain approaches to local taxes where authorities could retain part of additional revenue which they raise through their own efforts. This includes looking at the potential for some form of non-domestic rates retention on a regional basis in connection with

the current city deals – and potentially with the growth deals in the future – where the actions of the authorities working together result in a net growth in rates revenue.

## Business Rates revaluations

The next business rates revaluation in Wales is [due to take place in 2021](#), in line with the next revaluation in England. This has been brought forward by one-year from 2022.

The Welsh Government's '[Reforming local government finance in Wales: 2018 update](#)' outlines a revaluation as:

...a periodic review of the rateable values of all nondomestic properties in Wales. It is carried out to maintain fairness and accuracy of the system by redistributing the tax liability amongst ratepayers to reflect changes in the property market and to capture any changes that have been made to properties.

It goes on to say:

On 11 July 2018 the Welsh Government announced it would bring the next revaluation exercise for non-domestic rates forward by a year from 2022, to 2021. This announcement means the rateable values on which non-domestic rates bills are based will reflect the latest market conditions and enable ratepayers to plan ahead for changes in liability. The exercise is not designed to raise additional revenue.

The [Valuation Office Agency](#) (VOA) is responsible for carrying out revaluation exercises. The Welsh Government outlines that the VOA compiles the rating list used by local authorities for billing and collection purposes, the new list due to take effect from 1 April 2021. The update goes on to note that the UK Government has announced it will adopt a three-yearly revaluation cycle in England after 2021, however the Welsh Government suggest it would be “premature to commit to the same three-yearly cycle”.

The update notes the Welsh Government intends to explore:

...better and more frequent ways to value non-domestic property within the existing framework for non-domestic rates, if the Welsh Government concludes alternative forms of tax are not viable

On [9 July 2019](#), the National Assembly for Wales agreed a motion to propose that:

...provisions in the Non-Domestic Rating (Lists) Bill in so far as they fall within the legislative competence of the National Assembly for Wales, should be considered by the UK Parliament.

The Minister for Finance and Trefnydd outlined the purposes of the [Non-Domestic Rating \(Lists\) Bill 2018-19](#):

The UK Government introduced the Non-Domestic Rating (Lists) Bill on 12 June to provide for a number of technical changes to the non-domestic rates system in both England and Wales. Following my predecessor's announcement in July last year, provisions in the Bill applying to Wales will bring forward the next non-domestic rates revaluation date from 2022 to 2021 and adjust the deadline for the submission of proposed lists from September to December in the preceding valuation year.

## Alternative approaches to taxation

The Welsh Government's '[Reforming local government finance in Wales: 2018 update](#)' outlines research it intends to take throughout 2019, including exploration of:

...the feasibility of a land value tax as a possible replacement for non-domestic rates. This would be an initial step with a view to further work, assessing land value tax as a replacement for council tax.

The Welsh Government's '[Tax Policy Report 2018](#)' details the Welsh Government's intention to explore a different approach to local taxes in Wales, including Land Value Tax, and whether those approaches may bring benefits. The report notes:

In 2019, the focus will be on empirical and technical work to assess the magnitude of these practical challenges. The Welsh Government will undertake distinct but linked pieces of research relating to the progressiveness of council tax and the impact of welfare reform; a hypothetical revaluation exercise; alternative ways to value domestic and non-domestic property and explore the feasibility of a land value tax.

The Welsh Government intends to bring findings from that technical work together in early 2020 and outline possibilities ahead of the National Assembly for Wales elections in 2021.

## Other support for businesses

The Minister for Finance and Trefnydd notes in her letter to this petition that the Welsh Government also has a number of initiatives providing financial support for town centres, including:

- £100 million [Targeted Regeneration Investment programme](#) (2018–21)
- £54 million [Building for the Future regeneration programme](#) (2017–2022)
- £31.5 million [Town Centre Loans scheme](#) (commenced in 2014–15)
- £262,000 for [Business Improvement Districts](#) (2018–19 and 2019–20)

## Developments in Scotland

The petition refers to approaches in Scotland to Business rates. In 2017 the Scottish Government published an [independent report on Non-domestic tax rates](#) ("the Barclay Report"). That report concluded:

...some form of property tax is still an appropriate way to fund the local services provided by councils, as the whole of society benefits from the services they provide (such as education, social care and road maintenance). However, we also acknowledge that a property tax does not adequately cover all aspects of the fast-growing digital economy...

The Scottish Government looked to [immediately address](#) a number of aspects from the review, including to hold more regular revaluations and has [consulted](#) on the implementation of aspects of that review that would require primary legislation. A [Non-Domestic Rates \(Scotland\)](#)

[Bill](#) is currently progressing through the Scottish Parliament. The policy notes to that Bill outline that the Scottish Government will not be taking forward the recommendation to charge businesses based predominantly online or out-of-town, a business rates supplement.

## Other recent developments

- The Welsh Government ran a consultation from 8 March 2019 to 30 May 2019 regarding the [decapitalisation rates for the 2021 non-domestic rates revaluation in Wales](#).
- On 10 June 2019, the Minister for Finance and Trefnydd [responded](#) to a written question on support for pubs in relation to non-domestic rates.
- On 16 June 2019, The Minister for Finance and Trefnydd put a [motion to the Assembly](#) for a Legislative Consent Motion allowing the UK Government to legislate to [reduce the rates liability for public lavatories to zero](#) from 1 April 2020.
- The Welsh Government outlined in [January 2019](#) that it intends to consult on removing the charitable rate relief from private schools and private hospitals.
- On 13 August 2019, a group of retailers [wrote to the Chancellor](#) (UK Government) requesting reform of the business rates system.

The Petitions Committee has recently considered another petition relating to business rates:

- P-05-855: Small Business Rates Relief Review ([29 January 2019](#))

Every effort is made to ensure that the information contained in this briefing is correct at the time of publication. Readers should be aware that these briefings are not necessarily updated or otherwise amended to reflect subsequent changes.