

Petition: Small Business Rates Relief

Y Pwyllgor Deisebau | 29 Ionawr 2019

Petitions Committee | 29 January 2019

Research Briefing:

Petition number:

Petition title: Small Business Rates Relief Review

Text of petition: We call on the Welsh Government to revise the small business rates relief system so that businesses with a rateable value of £10,000 or under should receive a 100% discount. Furthermore, any small businesses with a rateable value of between £10,000.01 and £20,000 receive a discount/relief on a tapered scale system of between 0 – 100%.

Currently the small business rates relief in Wales, only offer 100% discount to any business with a rateable value of under £6000. Where as in England, small businesses with a rateable value of under £12,000 receive a 100% discount.

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.



113,100 non-domestic properties in Wales are liable for business rates



£1.05 billion of Welsh Government expenditure will be financed by business rates in 2018-19, 6% of the Welsh Government's total budget

Sources: Valuation Office Agency, [Non-Domestic Rating: Stock of Properties and update of 2017 revaluation statistics](#) and Welsh Government, [Final Budget 2018-19](#)

Business rates are calculated by taking the Rateable Value of a property and multiplying it by the Business rates multiplier for the year in question. The Valuation Office Agency (VOA), which is independent of the Welsh Government, values properties for business rates and the Welsh Government sets the multiplier (which is linked to the Consumer Price Index (CPI)).

$$\begin{array}{c} \text{£} \\ \text{Annual Business} \\ \text{rates bill} \end{array} = \left(\begin{array}{c} \text{£} \text{ factory icon} \\ \text{Rateable value of} \\ \text{non-domestic property} \end{array} \times \begin{array}{c} \% \\ \text{Multiplier} \\ \text{(0.514 in 2018-19)} \end{array} = \begin{array}{c} \text{£} \text{ calculator icon} \\ \text{Annual Business} \\ \text{rates liability} \end{array} \right) - \begin{array}{c} \text{hand icon} \\ \text{Any reliefs the} \\ \text{property is eligible for} \end{array}$$

The Welsh Government is able to offer reliefs which can reduce a business rates bill. Any reliefs that the property is eligible for are subtracted from the liability in the final business rates bill.

Welsh Government action

Rate relief for small businesses

From April 2018, the Welsh Government has introduced a [permanent small business rate relief scheme](#). This exempts eligible business premises with a rateable value of up to £6,000 from paying business rates. Business premises with a rateable value of between £6,001 and £12,000 receive relief that is reduced on a taper; with the percentage of rate relief awarded decreasing by 1% for every £60 of rateable value over £6,000. Businesses with multiple premises will be able to receive relief on two properties per local authority.

There are a range of other initiatives by the Welsh Government and local authorities that can provide [relief to businesses](#).

- Small businesses who were in receipt of [transitional relief](#) following the 2017 business rates revaluation will continue to receive relief in 2018–19 and 2019–20.
- The Welsh Government offers a [High Street Rate Relief scheme](#), which provides relief to eligible high street premises such as shops, pubs and cafes with a rateable value of up to £50,000.

- In 2018–19 the Cabinet Secretary for Finance provided £1.3 million for local authorities to develop their own [discretionary rate relief schemes](#) to assist businesses within their local area that would benefit most from additional assistance.
- Local authorities [also have powers](#) to award additional discretionary rate relief of up to 100% to businesses within their area, although they are required to fully fund the costs of this.
- Local authorities are able to use their discretion to grant hardship relief of up to 100% to businesses within their area.
- The Welsh Government has also run a series of schemes to provide relief to new or expanding small businesses located in [Enterprise Zones](#). The latest scheme closed on 30 March 2018.

UK Government relief

The [UK Government offers English rate payers relief](#) providing they meet certain criteria. Relief is available for small businesses, rural areas, charities and enterprise zones, certain discretionary and hardship reliefs are also offered by English councils.

Criteria for [Small Business rate relief](#) in England differs to Wales. The relief is available to properties valued at less than £15,000. Properties with a rateable value below £12,000 receive 100% relief, those with a rateable value of between £12,001 and £15,000 receive relief on a taper from 100% to 0%.

Relief is limited to one property, if a second property is acquired existing relief on the main property will continue to be available for 12 months. Relief for the main property is then available, providing none of the other properties have a rateable value above £2,899 and the total rateable value of all properties is less than £20,000 (or £28,000 in London).

England also operates a small business multiplier for properties with a rateable value below £51,000. This is lower than the standard multiplier. The small business multiplier is 48p and the standard multiplier is 49.3p from 1 April 2018 to 31 March 2019 (multiplier is higher in the City of London).

Correspondence from the Cabinet Secretary notes the differences between Wales and England:

The Welsh Government is committed to supporting businesses. The Small Business Rates Relief (SBRR) scheme in Wales is funded by the Welsh Government and the thresholds for relief are based on the make up of the Welsh tax-base and the proportion of small businesses in Wales, both of which are

considerably different to the position in England. The average rateable value in Wales is around £22,000; in England it is around £33,000. Also the scheme in England is partially funded through a higher multiplier for larger businesses. It is right that our rates and reliefs system should reflect these differences.

Recent developments

The [UK Government Autumn budget](#) in October 2018 announced a [business rates Retail Discount](#) to support relief for high street premises. The relief was proposed for two years from April 2019. A separate business rate relief was announced for public lavatories of 100%. This is in addition to other English schemes. The Welsh Government will receive consequential funding in 2019–20 due to the UK Government announcement, however consequential funding for 2020–21 has not yet been quantified. In response to [questions in Plenary on November 2018](#), the Cabinet Secretary for Finance (Mark Drakeford), stated:

We don't need to mirror what is going on in England, because we already have a high street relief scheme here in Wales, which they don't have in England. We introduced it the year before last in discussion with the leader of Plaid Cymru, Adam Price, where we agreed on the joint parameters of the high street relief scheme in Wales. We've continued it this year. I hope, using the consequential for next year, that we will be able to make it more generous for businesses in Wales than we've been able to hitherto. We will design a scheme that meets the size, the distribution and the value of the non-domestic rates base in Wales, which is different to that in England, to make sure that the money goes to the places where it is most urgently needed.

Following this, on 10 December 2018, the Cabinet Secretary for Finance announced an extension to the [High Street Rate relief scheme](#). This applies to 2019–20 and would provide full relief for eligible properties up to £9,100 and support of up to £2,500 for properties valued up to £50,000. The Final budget 2019–20 states the Welsh Government intend to allocate the full UK consequential as a result of additional spending in England for rates relief: £23.6m non-domestic rates relief, to enhance high street rates relief scheme and £2.4m more for discretionary rates relief.

Other Welsh Government developments

Recent developments in regard of business rates in Wales:

- The Cabinet Secretary for Finance (Mark Drakeford) issued a [written statement](#) in July 2018 regarding the date of the next revaluation (2021), this also included details on the Welsh Government's reform of local taxes.
- The Welsh Government published an [update on Local Government Finance Reform](#) in October 2018, which includes information on business rates.

- The Welsh Government issued a [written statement](#) in October 2018 regarding fraud and avoidance of non-domestic rates, which followed a [consultation](#) on that issue.
- As part of the Welsh Government [draft Budget 2019-20](#) it was announced that Registered Childcare Premises would receive 100% relief from 1 April 2019 (relief in place for 3 years until 31 March 2022).

The Petitions Committee of the Fourth Assembly considered petitions relating to business rates, including:

- P-04-609: Support Small Businesses – Support out High Streets ([January 2015](#))
- P-04-446: Business Rate Relief for Welsh Charity Shops ([January 2013 to July 2016](#))

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.