

Number: WG32525



Llywodraeth Cymru
Welsh Government

Welsh Government Consultation Document

Delivering a Tax Cut for Small Businesses a New Small Business
Rates Relief Scheme for Wales

Date of issue: 21 July 2017

Action required: Responses by 13 October 2017

Mae'r ddogfen yma hefyd ar gael yn Gymraeg.
This document is also available in Welsh.

Overview	This is a consultation to consider policy proposals for delivering a new small business rates relief (SBRR) scheme for Wales. This permanent scheme will be introduced from 1 April 2018 to assist eligible small businesses with their non-domestic rates (NDR) liability.
How to respond	Responses can be emailed or sent direct to: Local Taxation Policy Branch Cathays Park Cardiff CF10 3NQ Email: LGF1Consultations@gov.wales
Further information and related documents	Large print, Braille and alternative language versions of this document are available on request.
Contact details	For further information, or queries regarding this consultation, please email: LGF1Consultations@gov.wales Local Taxation Policy Branch Cathays Park Cardiff CF10 3NQ
Data protection	How the views and information you give us will be used Any response you send us will be seen in full by Welsh Government staff dealing with the issues which this consultation is about. It may also be seen by other Welsh Government staff to help them plan future consultations. The Welsh Government intends to publish a summary of the responses to this document. We may also publish responses in full. Normally, the name and address (or part of the address) of the person or organisation who sent the response are published with the response. This helps to show that the consultation

was carried out properly. If you do not want your name or address published, please tell us this in writing when you send your response. We will then blank them out.

Names or addresses we blank out might still get published later, though we do not think this would happen very often. The Freedom of Information Act 2000 and the Environmental Information Regulations 2004 allow the public to ask to see information held by many public bodies, including the Welsh Government. This includes information which has not been published. However, the law also allows us to withhold information in some circumstances. If anyone asks to see information we have withheld, we will have to decide whether to release it or not. If someone has asked for their name and address not to be published, that is an important fact we would take into account. However, there might sometimes be important reasons why we would have to reveal someone's name and address, even though they have asked for them not to be published. We would get in touch with the person and ask their views before we finally decided to reveal the information.

TABLE OF CONTENTS

- 1. FOREWORD BY THE CABINET SECRETARY FOR FINANCE AND LOCAL GOVERNMENT 5
- 2. INTRODUCTION..... 6
- 3. BACKGROUND 6
 - Non-Domestic Rates in Wales..... 6
 - The Current Small Business Rates Relief Scheme 6
 - Developing a new scheme 8
- 4. OPTIONS FOR A NEW PERMANENT SBRR SCHEME IN WALES FROM 2018 8
 - i. The treatment of larger businesses occupying multiple small properties which benefit from SBRR 9
 - ii. Current and Future Exceptions from SBRR..... 11
 - iii. Providing More Assistance for Small Businesses 13
 - iv. Targeting Support for Wider Welsh Government Objectives 15
 - v. Longer Term Considerations..... 17
 - vi. Targeting businesses which support Welsh Government priorities 18
- 5. WELSH LANGUAGE..... 19
- 6. CONCLUSIONS..... 20
- 7. NEXT STEPS..... 20
- CONSULTATION RESPONSE FORM 21
- ANNEX A - EXPLANATION OF THE SMALL BUSINESS RATES RELIEF SCHEME 24

1. FOREWORD BY THE CABINET SECRETARY FOR FINANCE AND LOCAL GOVERNMENT

- 1.1 In Taking Wales Forward, we set out our intention to foster the conditions needed to ensure our businesses and communities thrive, including a headline commitment to deliver a tax cut by supporting small businesses with their rates bills.
- 1.2 It is evident, now more than ever, that small businesses need certainty and security regarding future costs. It is also true that non-domestic rates (NDR) can represent a higher proportion of overheads for some small businesses. That is why from 1 April 2018, I will be putting in place a new small business rates relief (SBRR) scheme. This will be a permanent scheme to replace the temporary arrangements which have been extended annually since 2010.
- 1.3 My ambition is to deliver a scheme which provides more support to those that need it most – small businesses that play a vital role in delivering economic growth and sustaining local communities. I also want to ensure this relief is aligned to support the delivery of wider Welsh Government objectives and will consider whether there is a case to be made for additional relief for certain sectors to enable this.
- 1.4 In 2017-18, the Welsh Government is providing more than £110 million of financial assistance via SBRR. This is a significant proportion of the NDR revenue raised in Wales. All the funding raised through NDR is redistributed to fund vital local services – services which all businesses benefit from. While I understand the financial pressures on small businesses, we must all recognise our duty to contribute to the upkeep of the services on which our communities rely. Any future scheme has to be sustainable, provide value for money and reflect the specific nature of the tax-base and distribution of small businesses in Wales.
- 1.5 Although the new scheme will be introduced on a permanent basis, we will keep the support we provide under review so that we can adapt to changing business needs and Government priorities, as well as wider fiscal events.
- 1.6 This consultation sets out my proposals for a new scheme and provides an opportunity for businesses and their representatives, other taxpayers and local authorities to shape the future delivery of this relief. I look forward to your contributions on this important matter.

2. INTRODUCTION

- 2.1 Introducing a permanent SBRR scheme in Wales from 1 April 2018 is a key part of the Welsh Government's approach to supporting smaller businesses in Wales.
- 2.2 The purpose of this consultation is to seek views from a broad range of stakeholders on the policy proposals for developing the permanent scheme. Responses to the consultation will help to shape the legislation which will be brought forward in the winter to implement the scheme for the following financial year (2018-19).

3. BACKGROUND

Non-Domestic Rates in Wales

- 3.1 NDR are a local tax for raising revenue to pay for local government and police services from non-domestic property owners and occupiers.
- 3.2 There are approximately 110,000 non-domestic properties in Wales and NDR raises more than £1 billion a year in Wales which, once collected, is redistributed in full to local authorities and police and crime commissioners.
- 3.3 NDR bills are calculated using two variables:
- The rateable value of a property, which is set by the Valuation Office Agency and usually revalued every five years (with the most recent being April 2017); and
 - The multiplier. This is set on an annual basis by the Welsh Government according to primary legislation, and usually increases in line with inflation. The multiplier for 2017-18 is 0.499.
- 3.4 SBRR is the largest non-domestic rates relief scheme operating in Wales, providing approximately £110 million of support to small businesses in 2017-18. A range of other mandatory and discretionary non-domestic rates reliefs also provide assistance to specific types of property or occupiers; these include charitable relief, empty property relief, high street rates relief and transitional relief.

The Current Small Business Rates Relief Scheme

- 3.5 A form of SBRR has operated in Wales since 2008, providing mandatory rates relief to properties according to their rateable value and broad category of use.

- 3.6 The relief provided has been maintained at its current level since October 2010, when it was introduced as a temporary policy response to the recession. It was originally intended that the relief would revert to a maximum of 50% once the recession had ended. This is provided for in legislation, the Non-Domestic Rating (Small Business Relief) (Wales) Order 2015, with a permanent standard relief of up to 50% and enhanced temporary relief of up to 100% – this is explained more fully in Annex A. This enhanced level of relief has been extended annually and is due to end on 31 March 2018.
- 3.7 The Non-Domestic Rating (Small Business Relief) (Wales) Order 2015 provides for the following relief:
- Eligible business premises with a rateable value of up to £6,000 receive 100% relief; and
 - Those with a rateable value between £6,001 and £12,000 receive relief on a tapered basis from 100% to zero.
- 3.8 Certain types of premises also benefit from an additional level of relief. These are:
- Post offices with a rateable value up to £9,000 receive 100% relief and those between £9,001 and £12,000 receive 50% relief;
 - Registered childcare premises with a rateable value between £9,001 and £12,000 receive 50% relief; and
 - Retail premises with a rateable value between £10,500 and £11,000 receive 25% relief.
- 3.9 Certain types of property are not eligible for SBRR, even if the rateable value criterion is met. These include non-domestic premises occupied by a council, a police and crime commissioner, or the Crown; beach huts; and those used exclusively for the display of advertisements, parking of motor vehicles, sewage works or electronic communications apparatus including ATMs. Empty properties are also excluded from the relief. It should be noted that many of these properties, for example, empty properties are eligible for other types of mandatory relief.
- 3.10 The SBRR scheme is administered by local authorities and it is automatically applied to the bills of eligible ratepayers.

Developing a new scheme

- 3.11 The new scheme will be based on the latest revaluation as at 1 April 2017 and will take into account the latest available evidence about changes to the use and rateable values of non-domestic properties in Wales (the tax-base).
- 3.12 In developing proposals for delivering the permanent scheme from 1 April 2018, the following parameters have been considered.
- Alignment with the Welsh Government's tax principles¹.
 - Deliverability within the current funding envelope (approximately £110 million a year plus annual inflationary increases).
 - A scheme which reflects the makeup of the tax-base and distribution of small businesses in Wales.
 - Providing consistent support across Wales.
 - Effectively targeting finite Welsh Government resources to those genuinely in need.
 - Simplicity and transparency for ratepayers to understand and for local authorities to administer.
 - Supporting the delivery of wider Welsh Government objectives.
- 3.13 Although the new scheme will be introduced on a permanent basis, it will be kept under review to allow flexibility to adapt to the changing needs and circumstances of small businesses in Wales over the coming years. This also provides an opportunity for more radical ideas to be developed and tested which it is not possible to introduce from 1 April 2018 – some of these are described in section 4(v).

4. OPTIONS FOR A NEW PERMANENT SBRR SCHEME IN WALES FROM 2018

- 4.1 Providing SBRR is a significant financial commitment for the Welsh Government. Given competing priorities and continuing financial pressures, the new scheme will be designed within the existing £110 million annual funding envelope.
- 4.2 SBRR in Wales is entirely funded by the Welsh Government. This is different from England and Scotland where, as shown in Table 1, a higher multiplier

¹ <http://gov.wales/funding/fiscal-reform/tax-policy-framework/?lang=en>

applies to larger businesses to part-fund the support provided to small businesses.

Table 1: Small Business Multipliers, 2017-18

Country	Small Business Multiplier	Multiplier (RV > £51k)
England	46.6p	47.9p
Scotland	46.6p	49.2p

- 4.3 The multiplier in Wales could be split to generate additional funding for SBRR. However, the nature of the tax-base in Wales and the distribution of small businesses mean that a small number of large businesses might face a disproportionate tax burden if they were subject to a higher multiplier to help fund support for smaller businesses. Also, changes of this kind would require primary legislation.

Consultation Question

Q1. The Welsh Government is interested in your views about the current and future funding of SBRR in Wales, including how the multiplier operates.

- 4.4 To more effectively target relief to small businesses which would benefit most from financial assistance, or which support the wider delivery of Welsh Government objectives, it is necessary to consider whether any funding can be released from some of those who currently benefit from SBRR, for reinvestment in the new scheme.

i. The treatment of larger businesses occupying multiple small properties which benefit from SBRR

- 4.5 SBRR in Wales currently provides relief to all eligible properties with no restriction on the relief provided relative to the number of small properties that a business occupies. This means that a national chain can benefit from relief across all the small properties it occupies across Wales.

- 4.6 This approach contrasts with the SBRR schemes operating in other administrations. These impose some form of eligibility restriction on either the number of properties occupied by a company or the total amount of relief a company can receive. For example, the Small Business Bonus Scheme² prescribed by the Scottish Government restricts relief to three properties per business provided the combined total rateable value is under a certain limit.

² Full details of how the Scottish Small Business Bonus Scheme can be found in the attached link:<https://www.mygov.scot/business-rates-relief/small-business-bonus-scheme/>

- 4.7 The primary advantage of the current approach in Wales is that it is simple to understand and administer. However, this does increase the cost of the scheme relative to those operating elsewhere in the UK and does not necessarily represent an effective targeting of finite resources under a scheme which is designed to support small businesses.
- 4.8 As such, the Welsh Government intends to restrict the relief available to businesses that currently occupy multiple small properties in respect of which they receive SBRR. This is not a cost-saving measure. Any funding which is released via such a limitation will be reinvested in full into making other parts of the new scheme more generous.
- 4.9 There are two main ways in which such a limitation could be introduced:
- Restricting relief to a set number of properties per business across Wales;
or
 - Restricting relief to a set number of properties per business per local authority.
- 4.10 In assessing these options, a number of factors need to be considered. There is inevitably a trade-off between the amount of funding which could be released to make the new scheme more generous and the number of ratepayers benefitting from relief. The first of these options is less generous than the second and is likely to exclude more non-domestic properties from SBRR. It is also likely to have a greater financial impact on businesses which currently receive relief across multiple properties – this could potentially affect a small number of successful small and medium-sized businesses as well as national chains. However, it is not intended to negatively impact those operating franchises
- 4.11 Administrative implications and limiting possible avenues for abuse also need to be thoroughly considered.
- 4.12 Limiting relief to a set number of properties per Wales is likely to necessitate the relief being administered on an application basis rather than being applied directly to bills. This is because, in order to determine eligibility for the relief, local authorities would have to ascertain that a business was not receiving relief in respect of properties in other authority areas. The Welsh Government recognises that an application based scheme may not result in full take-up of the relief by all eligible businesses and may result in additional administrative requirements and hence costs. An application based scheme may also leave the scheme open to potential abuse as eligibility would need to be verified across authority areas and billing systems.
- 4.13 Alternatively, if the scheme were to operate on a local authority basis rather than on an all-Wales level, there would be fewer administrative implications.

4.14 However, restricting relief to a set number of properties on a pan-Wales, rather than an authority basis, would release more funding for reinvestment in other areas of the scheme. This would allow the Welsh Government to more effectively target support to smaller businesses. As such, this is the preferred approach for the new scheme.

4.15 The example below shows how a business with multiple properties currently in receipt of SBRR might be impacted if relief were restricted to a set number of properties on an authority or an all-Wales basis.

4.16 Example of potential impact

Business A has twenty properties across Wales which are eligible for SBRR and which are situated equally across four different local authority areas. Under the current SBRR scheme each premises receives £3,000 and the business benefits from total SBRR relief of £60,000.

If SBRR were restricted to one property per business in Wales, then Business A would only receive relief on one of its 20 properties. The business would receive £3,000 of relief in total, a reduction of £57,000.

If SBRR were restricted to one property per business per local authority then Business A would qualify for relief on four of its 20 properties. It would benefit from total relief of £12,000, a reduction of £48,000.

Consultation questions

4.17 The Welsh Government is interested in your views on the proposed introduction of a restriction on businesses qualifying for SBRR across multiple properties in Wales, specifically:

Q2. Do you agree that a limit should be introduced on the amount of relief a business occupying multiple small properties in Wales can receive? If so, to what extent do you think this should be restricted?

Q3. What are the associated administrative and technical implications of the Welsh Government's preferred approach which need to be considered?

Q4. Comments are invited about the effects (whether positive or adverse) such a limit could have on ratepayers affected or excluded from this relief.

ii. Current and Future Exceptions from SBRR

4.18 There are a number of exceptions from SBRR within the current scheme. These are primarily for types of properties which are not considered to be

consistent with the definition of a small business. Some of the exceptions also recognise the fact that certain types of property are eligible for other forms of relief.

4.19 The exceptions to the current SBRR scheme include:

- Hereditaments (non-domestic properties) occupied by a council, a police and crime commissioner, or the Crown;
- Beach huts;
- Hereditaments used exclusively for the display of advertisements, parking of motor vehicles, sewage works or electronic communications apparatus including ATMs.

4.20 To qualify for SBRR, a property must also be occupied. Unoccupied properties are eligible for Empty Property Relief.

4.21 The Welsh Government is not proposing to change the existing exceptions to SBRR but wishes to consider whether any further exceptions should be introduced, particularly for types of property which do not align with wider Welsh Government objectives. For example, the Scottish Government currently excludes any type of business associated with payday lending from its scheme³. Again, if further exceptions are introduced, any funding released will be reinvested into the scheme.

4.22 In considering this, it should be noted that increasing the types of businesses excluded from relief would affect the number of ratepayers benefitting and could potentially have implications for areas where there is a high prevalence of these types of property. There may also be administrative implications for local authorities if excepted properties cannot easily be identified through their billing systems and the relief has to be applied manually.

Consultation questions

4.23 The Welsh Government is seeking views on whether additional exceptions to the scheme should be imposed, specifically:

Q5. Are there any types of business you feel should be excluded from the new scheme and, if so, why?

Q6. What are the administrative implications of introducing further exceptions?

³ The Non-Domestic Rates (Levying) (Scotland) Regulations 2017 provide that no rate relief may be granted in respect of lands and heritages used for payday lending

iii. Providing More Assistance for Small Businesses

- 4.24 By releasing funding for reinvestment, through either of the options described above, the Welsh Government intends to better target support for small businesses and has an ambition to increase the amount of relief which can be provided to small businesses, without increasing the overall cost of the scheme.
- 4.25 In considering possible options for making the new scheme more generous for eligible small businesses, the specific nature of the Welsh tax-base needs to be taken into account. It primarily comprises lower valued properties. It is also important to remember that SBRR is fully funded by the Welsh Government unlike the schemes in England and Scotland which are funded in part by a higher multiplier on larger businesses⁴.
- 4.26 Any changes need to be easily understood by ratepayers and deliverable by 1 April 2018. As such, potential options are based on the structure and parameters of the current scheme. Viable options include:
- Increasing the threshold for 100% relief (the lower threshold), for example raising it from £6,000 to £8,000;
 - Increasing the upper threshold for relief, for example raising it from £12,000 to £13,000; and
 - A combination of both, for example increasing the lower threshold to £8,000 and the upper threshold to £13,000.
- 4.27 Table 2 provides estimates of the additional costs of these options, the number of additional ratepayers who would be brought into the relief scheme and the number of ratepayers who might benefit from more relief.

Table 2: Illustration of the effect of raising the thresholds for SBRR

	Additional cost (£M)	Ratepayers brought into relief	Ratepayers benefiting from more relief
Option 1 - Lower threshold for 100% relief raised from £6,000 to £8,000	13	-	18,000
Option 2 - Upper threshold raised from £12,000 to £13,000	9	2,000	16,000
Option 3 - Lower threshold raised to £8,000 and upper threshold to £13,000	21	2,000	18,000

⁴ Full details of the multipliers operating in England can be found here <https://www.gov.uk/calculate-your-business-rates>

Full details of the Scottish multipliers can be accessed here: <https://www.mygov.scot/business-rates-guidance/how-your-rates-are-calculated/>

4.28 Table 3 gives examples of the financial impact of these options on ratepayers currently in receipt of SBRR.

Table 3: Illustration of the effect of changes to the thresholds for SBRR

Rateable Value	Current liability after SBRR	Option 1	Option 2	Option 3
£8,000	£1,331	£0	£1,141	£0
£11,000	£4,574	£4,117	£3,921	£3,293

- 4.29 As can be seen from Tables 2 and 3, these options have different effects.
- Increasing the lower threshold for relief means more businesses would qualify for 100% relief, but no additional businesses will benefit and the taper would become shorter. This means that support would be withdrawn at a slightly higher rate for every £1 increase in rateable value. It is also the least costly option.
 - Increasing the upper threshold means that more businesses would qualify for relief, but it would not increase the number that would benefit from 100% relief. It also elongates the taper meaning that support would be withdrawn at a slower rate.
 - Increasing both the lower and upper taper brings more businesses into the relief and increases the number which would receive 100% relief. It would have a minimal impact on the taper. It is also the most costly option.

4.30 The Welsh Government is aware of the potential implications for our transitional rates relief⁵ scheme if the thresholds for SBRR are altered. Transitional relief was introduced from 1 April 2017 to assist ratepayers whose entitlement to SBRR was adversely affected by the revaluation. Transitional relief provides support by phasing in any resultant increases in liability over a three-year period (ratepayers meet 25% of the increased liability in Year 1, 50% in Year 2 and 75% in Year 3).

4.31 The Welsh Government wants to ensure that no ratepayers in receipt of transitional relief are disadvantaged as a result of changes to the thresholds for SBRR. Views are welcomed on the administrative and technical implications of the interaction between the new SBRR scheme and transitional relief.

Consultation questions

4.32 The Welsh Government is interested in views on the options to provide additional support to small businesses through the new scheme, specifically:

Q7. If the Welsh Government released resources from the current scheme to provide additional support to eligible small businesses under the new

⁵ <http://www.legislation.gov.uk/wsi/2016/1247/contents/made>

scheme, based on the options described in paragraph 4.24, how should these resources be reinvested to support small businesses more effectively?

Q8. Are there any administrative or technical implications which need to be considered in changing the current thresholds for relief?

Q9. What are the potential administrative and technical implications of introducing a new permanent scheme and its interaction with transitional relief?

iv. Targeting Support for Wider Welsh Government Objectives

Retail premises

4.33 Under the current scheme, additional relief is provided for retail premises with a rateable value of between £10,501 and £11,000, where relief of 25% is applicable rather than the standard taper. The origin of this relief and its specific nature is detailed in Annex A.

4.34 Analysis suggests that there are fewer than 100 ratepayers currently benefitting from this enhanced relief and, as Table 4 shows, the financial benefit is relatively modest. As a result, the Welsh Government intends to remove this enhancement. This will also simplify the administrative and software considerations for the permanent scheme. Any funding released will be reinvested in making the scheme more generous for other ratepayers.

Table 4: Illustrated effect of Retail Relief

	Standard SBRR Relief	Retail Sector Relief
Rateable Value	£10,750	£10,750
Value of SBRR	£1,117	£1,341
NDR Liability	£4,247	£4,023

Consultation Questions

Q10. We are seeking views on removing the enhanced relief for retail premises with a rateable value between £10,501 and £11,000.

Q11. Are there any administrative or technical implications which need to be considered in changing the relief for the retail sector?

Childcare premises

- 4.35 Taking Wales Forward⁶ commits the Welsh Government to delivering 30 hours of free childcare for working-age parents of 3-4 year olds for 48 weeks of the year. The intention is to remove the barriers to securing employment and to help those who want to work or start a business but are currently constrained by childcare pressures.
- 4.36 There are currently 466 childcare premises in Wales liable for non-domestic rates. Concerns have been expressed by the industry⁷ that day nurseries are particularly affected by non-domestic rates because, in order to meet to meet the National Minimum Standards for Regulated Childcare (NMS), they tend to occupy larger premises. This means that often their rateable values are proportionately larger than other small businesses, for example the average rateable value for childcare premises in Wales is £13,500.
- 4.37 Under the current SBRR scheme, registered childcare premises with a rateable value between £9,001 and £12,000 benefit from an additional level of relief, receiving 50% rather than the standard tapered relief.
- 4.38 Table 5 shows that approximately 39% of childcare properties are eligible for full or partial SBRR. This suggests that the majority of childcare premises do not receive SBRR.

Table 5: Childcare Premises in Receipt of SBRR

Number of properties	Full SBRR	Partial SBRR	No SBRR	Amount of SBRR (£)
466	56	124	286	432,000

- 4.39 In order to support the delivery of the 30-hour childcare commitment, the Welsh Government is considering providing further support to these types of property through the SBRR scheme. There are different ways this could be delivered:
 - providing 100% relief to all childcare premises with a rateable value up to £12,000; or
 - introducing different relief thresholds for childcare premises, for example 100% relief up to £9,000 and tapered relief up to £16,000.
- 4.40 The first of these approaches provides an additional amount of relief for some childcare providers but does not benefit any of those not currently receiving SBRR. The second approach does not impact on those currently receiving relief but does increase the number of childcare premises entitled to some assistance in meeting their rates bills. It is also a more expensive approach.

⁶ <http://gov.wales/about/programme-for-government/?skip=1&lang=en>

⁷ <http://www.ndna.org.uk/NDNA/News/Reports and surveys/Annual Nursery Survey/2017.aspx>

Consultation Questions

- Q12. We are seeking views on whether the childcare sector should be provided with additional relief, over and above that provided under the current SBRR scheme in order to support the delivery of the 30-hour childcare commitment?**
- Q13. If additional relief were provided to the childcare sector, considering the options described in 4.39 how should this be delivered via the SBRR scheme?**
- Q14. Are there any administrative or technical implications which need to be considered in providing additional relief to this sector?**

v. Longer Term Considerations

- 4.41 In June 2017, the Welsh Government published its Tax Policy Framework⁸ and work-plan for the year ahead. The framework sets out the intention to take a progressive, fair and, above all, transparent approach towards taxation in Wales. Delivering a permanent scheme for small businesses is a key deliverable within that work-plan. It also forms part of our wider reform of the local government finance system, through a range of short, medium and long term measures, to ensure the funding arrangements that underpin local services remain fit for purpose. The longer term work will include consideration of alternative mechanisms for raising revenue for local services, including other forms of local taxation. We will consult on these proposals as they are developed.
- 4.42 Whilst a permanent form of support for small businesses will be introduced from 1 April 2018, this scheme needs to be flexible enough to be adapted to the needs and changing circumstances of Wales in future years, particularly economic conditions. Given the large financial commitment, the new scheme will be kept under review to ensure it aligns with Welsh Government priorities. This provides an opportunity to explore options which cannot be delivered by 1 April 2018.
- 4.43 Whilst any future changes to the permanent scheme will be subject to consultation, the Welsh Government invites views on the policy areas set out below to help inform longer term proposals.

Time-limited relief

- 4.44 One area the Welsh Government is interested in considering is whether all eligible businesses should receive relief on a permanent basis or whether, in

⁸ <http://gov.wales/funding/fiscal-reform/tax-policy-framework/?lang=en>

certain circumstances, the relief should be time-limited. For example, relief could be provided to start-ups during the period of establishment with support being gradually withdrawn as businesses become self-sustaining. The gradual withdrawal of support is being considered by the Northern Ireland Government as part of its new support for small businesses.⁹

- 4.45 It is recognised that there are some small businesses which do not have the capacity or desire to expand but which provide a valuable service to the local community. Any future policy proposals would need to take account of this.
- 4.46 Providing relief to certain ratepayers on a time-limited basis may help to ensure that Welsh Government funding remains effectively targeted and could result in additional funding becoming available for other forms of relief or for local services.

Consultation Questions

Q15: We are seeking views on the possible introduction of time-limited support for certain ratepayers which is gradually withdrawn. What are the advantages and disadvantages of such an approach?

vi. Targeting businesses which support Welsh Government priorities

- 4.47 As detailed in the childcare section, the Welsh Government is interested in considering how support for small businesses could be used to assist the delivery of wider priorities. In the longer term, the Welsh Government is interested in exploring support for businesses which are, or are working towards, alignment with Welsh Government priorities and are of social, economic or environmental benefit to Wales. Such considerations could include the following.

Social:

- Support for businesses which pay the National Living Wage Foundation's Living Wage¹⁰.
- Support for businesses which have been identified by the Valleys Taskforce¹¹ as promoting regeneration and economic growth for the region.

Economic:

- Responding to changes in economic circumstances, for example the current SBRR scheme was introduced as a response to the 2010 recession.

⁹ https://www.finance-ni.gov.uk/sites/default/files/consultations/dfp/SBRR%20Discussion%20Paper%20%283%29_1.pdf

¹⁰ <https://www.livingwage.org.uk/>

¹¹ <http://gov.wales/topics/people-and-communities/communities/taskforce-for-the-valleys/?lang=en>

- Supporting businesses which incentivise economic growth and support the creation of more employment.

Environmental

- Supporting businesses which are helping to deliver the Welsh Government's decarbonisation programme¹².

Consultation Questions

Q16. The Welsh Government is seeking general views on providing support to businesses that support, or are working towards supporting, wider Welsh Government objectives and invites proposals for developing the scheme in future years.

5. WELSH LANGUAGE

5.1 Comments are invited about the effects (whether positive or adverse) these proposals for the permanent small business rates relief would have on opportunities for persons to use the Welsh language and on treating the Welsh language no less favourably than the English language.

5.2 In addition, we invite comments on whether the proposal could be formulated or revised to have positive effects or decreased adverse effects, on opportunities for persons to use the Welsh language and treating the Welsh language no less favourably than the English language.

Consultation Questions

Q17. The Welsh Government would like to know your views on the effects these proposals would have on the Welsh language, specifically on:

- i) opportunities for people to use Welsh; and**
- ii) on treating the Welsh language no less favourably than English.**

What effects do you think there would be? How could positive effects be increased, or negative effects be mitigated?

Q18. Please also explain how you believe the proposed policy could be formulated or changed so as to have:

- i) positive effects or increased positive effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language; and**
- ii) no adverse effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.**

¹² <http://gov.wales/topics/environmentcountryside/climatechange/public-sector-decarbonisation/?skip=1&lang=en>

6. CONCLUSIONS

- 6.1 The intention is to design a sustainable scheme which fulfils the Taking Wales Forward commitment and can be delivered within the existing funding envelope. It must be fair to ratepayers, consistent and easy to understand and implement.
- 6.2 The new scheme must also help to deliver wider Welsh Government policy objectives. It represents a significant amount of Welsh Government investment. As such, it must help deliver sustainable local services, prosperity and economic growth.
- 6.3 These proposals are intended to deliver a scheme which reflects the nature of small businesses in Wales and is responsive to the needs of business, both now and in the future.

7. NEXT STEPS

- 7.1 The consultation is open for a 12-week period. During this time, further stakeholder engagement will be undertaken to explore fully the practical implications of the proposals, particularly financial, system, administrative and legislative considerations.
- 7.2 Once the consultation has closed, all responses will be analysed and will be used to inform the legislation which will provide for the new scheme from 1 April 2018.
- 7.3 To provide sufficient notice for ratepayers to undertake financial planning and to allow time for local authorities and their software providers to incorporate the new scheme into their billing processes, it is proposed that this legislation is laid in December 2017. It will be published alongside a summary of consultation responses.

CONSULTATION RESPONSE FORM

Your name:

Organisation (if applicable):

Email / Telephone number:

Your address:

The Welsh Government is interested in comments you may have in relation to the policy proposals for a new permanent SBRR scheme, particularly in relation to technical aspects of running such a scheme; the administrative implications and any processes or procedures that will need to be considered.

- Q1. The Welsh Government is interested in your views about the current and future funding of SBRR in Wales, including how the multiplier operates.
- Q2. Do you agree that a limit should be introduced on the amount of relief a business occupying multiple small properties in Wales can receive? If so, to what extent do you think this should be restricted?
- Q3. What are the associated administrative and technical implications of the Welsh Government's preferred approach which need to be considered?
- Q4. Comments are invited about the effects (whether positive or adverse) such a limit could have on ratepayers affected or excluded from this relief.
- Q5. Are there any types of business you feel should be excluded from the new scheme and, if so, why?
- Q6. What are the administrative implications of introducing further exceptions?
- Q7. If the Welsh Government released resources from the current scheme to provide additional support to eligible small businesses under the new scheme, based on the options described in paragraph 4.19, how should these resources be reinvested to support small businesses more effectively?
- Q8. Are there any administrative or technical implications which need to be considered in changing the current thresholds for relief?
- Q9. What are the potential administrative and technical implications of introducing a new permanent scheme and its interaction with transitional relief?

- Q10. We are seeking views on removing the enhanced relief for retail premises with a rateable value between £10,501 and £11,000.
- Q11. Are there any administrative or technical implications which need to be considered in changing the relief for the retail sector?
- Q12. We are seeking views on whether the childcare sector should be provided with additional relief, over and above that provided under the current SBRR scheme in order to support the delivery of the 30-hour childcare commitment?
- Q13. If additional relief were provided to the childcare sector, considering the options described in 4.16 how should this be delivered via the SBRR scheme?
- Q14. Are there any administrative or technical implications which need to be considered in providing additional relief to this sector?
- Q15: We are seeking views on the possible introduction of time-limited support for certain ratepayers which is gradually withdrawn. What are the advantages and disadvantages of such an approach?
- Q16. The Welsh Government is seeking general views on providing support to businesses that support, or are working towards supporting, wider Welsh Government objectives and invites proposals for developing the scheme in future years.
- Q17. The Welsh Government would like to know your views on the effects these proposals would have on the Welsh language, specifically on:
- iii) opportunities for people to use Welsh; and
 - iv) on treating the Welsh language no less favourably than English.
- What effects do you think there would be? How could positive effects be increased, or negative effects be mitigated?
- Q18. Please also explain how you believe the proposed policy could be formulated or changed so as to have:
- iii) positive effects or increased positive effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language; and
 - iv) no adverse effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.
- Q19. We have asked a number of specific questions. If you have any related issues which we have not specifically addressed, please use this space to report them.

Please enter here:

Responses to consultations are likely to be made public on the internet or in a report. If you would prefer your response to remain anonymous, please tick here:

ANNEX A - EXPLANATION OF THE SMALL BUSINESS RATES RELIEF SCHEME

The relief provided has been maintained at its current level since October 2010 when it was introduced as a temporary policy response to the recession. It was originally intended that the relief would revert to a maximum of 50% once the recession had ended. This is provided for in legislation, with a permanent element of relief of up to 50% and an enhanced temporary element of relief of up to 100%. Additional relief is provided to certain sectors, for example post offices. Special provision was made to ensure that none of these sectors were disadvantaged by the introduction of the temporary enhancement.

	Permanent element of relief – Introduced from April 2010	Temporary enhanced element of relief – Introduced from October 2010 and extended annually
Standard Relief for all properties other than those listed separately below	Rateable Value up to £2,400 – 50% relief Rateable Value between £2,401 and £7,800 – 25% relief	Rateable Value up to £6,000 – 100% relief Rateable Value between £6,001 and £12,000 – tapered relief from 100% to zero
Post Offices	Rateable Value up to £9,000 – 100% relief Rateable Value £9,001 to £12,000 – 50% relief	Continues on the permanent element as more beneficial
Childcare	Rateable Value between £2,000 and £12,000 – 50% relief	Rateable Value up to £6,000 – 100% relief Rateable Value between £6,001 and £9,000 – tapered relief from 100% to 50% Rateable Value between £9,001 and £12,000 – 50% relief
Retail	Rateable value between £7,801 and £11,000 – 25% relief	Rateable Value up to £6,000 – 100% relief Rateable Value between £6,001 and £10,500 – tapered relief from 100% to 25% Rateable Value between £10,501 and £11,000 – 25% relief Rateable Value between £11,001 and £12,000 – tapered relief from 25% to 0