

Explanatory Memorandum to The Non-Domestic Rating (Small Business Relief) (Wales) (Amendment) Order 2014

This Explanatory Memorandum has been prepared by Local Government Finance and Performance Division and is laid before the National Assembly for Wales in conjunction with the above subordinate legislation and in accordance with Standing Order 27.1.

Minister's Declaration

In my view, this Explanatory Memorandum gives a fair and reasonable view of the expected impact of The Non-Domestic Rating (Small Business Relief) (Wales) (Amendment) Order 2014. I am satisfied that the benefits outweigh any costs.

Edwina Hart

Minister for Economy, Science and Transport
19 February 2014

1. Description

The Non-Domestic Rating (Small Business Relief) (Wales) Order 2008 (“the 2008 Order”) provides for a rates relief scheme for small businesses in Wales. The Non-Domestic Rating (Small Business Relief) (Wales) (Amendment) Order 2014 amends the 2008 order to extend the provision of increased relief on the rates bills of qualifying business premises for 12 months.

The effect of the order is that the existing rates relief will continue to apply until 31 March 2015.

2. Matters of special interest to the Constitutional and Legislative Affairs Committee

None.

3. Legislative background

The powers to introduce and amend a Small Business Rates Relief Scheme are contained in sections 43(4B)(b), 44(9),143(1) and section 146(6) of the Local Government Finance Act 1988. The functions were conferred on the National Assembly for Wales and were transferred to the Welsh Ministers by virtue of section 162 of, and paragraph 30 of Schedule 11 to, the Government of Wales Act 2006.

The non-domestic rating system in Wales applies to all forms of non-domestic property (with some exemptions). Most aspects of the system apply to public property and property owned by not-for-profit organisations, charities and so forth. However, the Small Business Rates Relief Scheme applies only to particular categories of rateable property which are occupied for business purposes.

4. Purpose and intended effect of the legislation

The provision of a rates relief scheme for small businesses in Wales is an essential part of the Welsh Government’s policy to support smaller businesses and to provide assistance to certain businesses which are important for local communities.

Under current provisions, the scheme comes to an end on 31 March 2014. The purpose of this Order is to extend the existing scheme until 31 March 2015.

In order to qualify for the relief, business premises must:

(a) be fully occupied;

(b) not be an excepted premises as defined by the 2008 Order (ie. those occupied by a council, police authority [now Police and Crime Commissioner] or the Crown; those occupied by charities, registered clubs, or not-for-profit bodies whose main objectives are philanthropic, religious, concerned with education, social welfare, science, literature or the fine arts; beach huts;

property which is used exclusively for the display of advertisements, parking of motor vehicles, sewage works or electronic communications apparatus); and

(c) have a rateable value of £12,000 or less.

The 2008 Order was amended in 2010 (see the Non-Domestic Rating (Small Business Relief) (Wales) (Amendment) (No 2) Order 2010 (“the 2010 (No 2) Order”) so as to make provision for business premises with a rateable value up to £6,000 to receive full relief on their rates bills, and for this relief to be reduced on a tapering basis for most businesses with a rateable value between £6,001 and £12,000. This increase in the provision of relief was to apply between 1 October 2010 and 30 September 2011.

Under the 2010 (No 2) Order,

(a) The following premises defined by the 2008 Order continued to receive relief prescribed by the 2008 Order as this was more beneficial to them:

- all post offices;
- child care premises with a rateable value over £9,000;
- retail premises with a rateable value between £10,500 and £11,000;

(b) All credit unions, and retail premises with rateable values between £11,001 and £12,000, would receive relief prescribed by the 2010 No 2 Order as this was more beneficial to them.

Previous extensions to the original 2010 Order are as follows:

- The Non-Domestic Rating (Small Business Relief) (Wales) Amendment Order 2011 (S.I. 2011/995) extended the relief from 31 March until 30 September 2012.
- The Non-Domestic Rating (Small Business Relief) (Wales) Amendment Order 2012 (S.I. 2012/465) extended the relief for a further six months until 31 March 2013.
- The Non-Domestic Rating (Small Business Relief) (Wales) Amendment Order 2013 (S.I. 2013/371) extended the relief from 31 March 2013 until 31 March 2014.

This Order extends the provision of the increased relief for a further twelve months, to 31 March 2015.

5. Consultation

Ministers have agreed to amend the Non-Domestic (Small Business Relief) (Wales) Order 2008, so that the rate relief for certain small businesses which is due to come to an end on 31 March 2014 will remain available until 31 March 2015.

It was necessary to make the amendment to regulations before the end of February 2014 to allow local authorities to prepare rates bills for businesses for the year 2014-15. Local authorities have been notified of the extension of this scheme and the

Minister for Economy, Science and Transport has tabled a Written Statement on the extension of the relief.

PART 2 – REGULATORY IMPACT ASSESSMENT

Options

Option 1 – Extend the current Small Business Rates Relief Scheme in Wales into 2014-15

This option would mean that the current Small Business Rates Relief Scheme in Wales would be extended for a further year into 2014-15. This is the option taken in England where it was announced in the Autumn Statement that the English scheme would be extended until 31 March 2015.

Option 2 – Cease operation of the Small Business Rates Relief Scheme in Wales

The decision to take this option would mean that the scheme would come to an end on 31 March 2014 and the businesses currently benefiting from the scheme would cease to benefit. This would mean a different approach would be taken in Wales to that taken in England where the English scheme will be extended.

Costs and benefits

Option 1

There have been clear benefits of this scheme for small businesses as the table below demonstrates the uptake of this scheme and how its popularity has increased year on year.

The table illustrates the benefits on the basis of the current criteria for support (eg. the applicable thresholds and rates of relief). It would be possible to construct a scheme based on other criteria but the scheme in Wales may not be substantively more generous than its equivalent in England and there would be obvious disadvantages to businesses in Wales, and to the Welsh economy, of introducing a scheme which offered fewer benefits than the equivalent in England.

Small Business Rates Relief: Reductions under s.23(6a) Finance Act 1988				
	2010-11	2011-12	2012-13	2013-14 *
	£	£	£	
Blaenau Gwent	861,000	1,459,000	1,619,000	1,663,871
Bridgend	1,737,000	2,950,000	3,268,000	3,367,675
Caerphilly	1,904,000	3,288,000	3,593,000	3,684,234
Cardiff	3,862,000	6,837,000	7,701,000	7,968,350
Carmarthenshire	3,098,000	5,226,000	5,686,000	5,838,619
Ceredigion	1,608,000	2,675,000	2,947,000	3,026,049
Conwy	2,388,000	4,158,000	4,589,000	4,699,088
Denbighshire	1,935,000	3,242,000	3,549,000	3,673,851
Flintshire	2,140,000	3,712,000	4,084,000	4,224,448
Gwynedd	3,235,000	5,382,000	5,846,000	5,990,331
Merthyr Tydfil	537,000	945,000	1,026,000	1,038,162
Monmouth	1,241,000	2,162,000	2,350,000	2,435,976
Neath	1,709,000	3,018,000	3,311,000	3,422,438
Newport	1,557,000	2,891,000	3,260,000	3,359,524
Pembrokeshire	3,234,000	5,267,000	5,637,000	5,893,583
Powys	2,924,000	4,733,000	5,130,000	5,246,296
Rhondda C T	2,899,000	5,036,000	5,644,000	6,038,782
Swansea	27,734,100	5,263,000	5,804,000	5,982,544
Torfaen	993,000	1,653,000	1,803,000	1,832,618
Vale of Glamorgan	1,602,000	2,802,000	3,037,000	3,293,891
Wrexham	1,594,000	2,848,000	3,158,000	3,249,486
Ynys Mon	1,294,000	2,174,000	2,361,000	2,259,775
Total Wales	45,198,000	78,809,000	85,403,000	88,189,591
NDR3 Non-domestic rates final contributions return				
Source: statswales.gov.uk				
* 2013-14 (based on NDR1 estimates)				
Figures include Post Office element				

Option 2

The decision not to continue to extend the operation of this scheme would allow Welsh Ministers to decide on whether to implement a different scheme for Wales or to use the funding for other priorities. However, the use of the funds available for this scheme for other priorities would disadvantage the Welsh economy given the recent announcement to extend the small business rates relief scheme in England for a further year and the current financial climate. It would also attract criticism.

Option Selection

After considering each of the options above, Option 1 is considered to be the preferred choice as there are clear benefits to small businesses in Wales and the Welsh economy.

Consultation

The timing of the Chancellor's Autumn Statement and the need for Local Authorities to make the necessary preparations to issue non-domestic rates bills for 2014-15 means no consultation has been undertaken on these proposals.