
Devolution of Business Rates

FSB Wales
response to
Enterprise &
Business
Committee

24 November 2015





Devolution of Business Rates to Wales

FSB Wales

FSB Wales welcomes the opportunity to present its views to the Enterprise and Business Committee. FSB Wales is the authoritative voice of businesses in Wales. With 10,000 members, a Welsh Policy Unit, two regional committees and twelve branch committees; FSB Wales is in constant contact with business at a grassroots level. It undertakes regular online surveys of its members as well as a biennial membership survey on a wide range of issues and concerns facing small business.

Key Points

FSB Wales has called for a number of changes to the system of business rates in Wales in our manifesto for the incoming 2016 Welsh Government¹. Most significantly for the proceedings of this committee we have called for the Welsh Government to do the following:

- Agree a position on the local retention of Business Rates within 100 days.
- Undertake more regular revaluations, to ensure that rates bills are more reflective of economic circumstance and rents. The Welsh Government should look to do this within its first three years.
- Instruct the Valuation Office Agency to value land and property separately. This will allow a more meaningful evaluation of the impact of moving towards a system of Land Value Taxation. This should also be undertaken within the first three years.
- Take forward the recommendations in 'The Devolution of Business Rates to Wales' Report (February 2015)² and undertake a full assessment of alternative options for business rates.
- Split the uniform business rate multiplier in line with the split between small and large multipliers operating in England

FSB Wales has general concerns about the levels of data available for modelling the impacts of business rates in Wales. It has therefore been difficult for us to fully assess the impact of business rates policy changes on our members and the wider economy. Welsh Government and local Government should do more to ensure that good quality data relating to business rates is available to policymakers. In this light, we find it difficult to comment as fully as we would like on potential reforms to Business Rates in Wales. It is our view that the costs and benefits of business rates policy are not fully explored.

It will be essential that any changes to business rates are clearly communicated to Welsh businesses, and that any changes to the system of Business Rates in Wales are phased in clearly and with

¹ Available at:

[http://www.fsb.org.uk/policy/rpu/wales/images/the_fsb_wales_business_manifesto_for_the_2016-21_welsh_government%20\(1\).pdf%20final.pdf](http://www.fsb.org.uk/policy/rpu/wales/images/the_fsb_wales_business_manifesto_for_the_2016-21_welsh_government%20(1).pdf%20final.pdf)

² Available at: <http://gov.wales/docs/det/publications/150202-devolution-of-business-rates-en.pdf>



adequate warning. Whilst some changes, such as local retention could be made relatively quickly (i.e. those which are not 'customer facing'), others may take more time and preparation. Such changes should be consulted on fully, and subject to a full and proper impact assessment, as FSB Wales has outlined in our report "Better Regulation for Wales"³.

Non-Domestic Rates are a source of c£1bn a year in revenue for the Welsh Government (and subsequently Local Authorities) and FSB Wales recognises the need to protect this revenue stream, and to grow it in line with economic growth. Indeed business rates' relatively "static" pot, whilst not reflecting business conditions, is a virtue from the point of view of the Government as it provides a predictable and secure stream of revenue. However, it is our view that the tax currently falls disproportionately on those small businesses with premises, something implicitly recognised by the now year-on-year retention of the Small Business Rates Relief scheme, which should be extended and made permanent. It is also clear that some Local Authorities substantially benefit from the current "shared pot" whilst other, normally more prosperous Local Authorities effectively lose out. There is however, a clear need for some element of redistribution to be preserved in order that Welsh Local Authorities are able to deliver their statutory (and non-statutory) services.

On 5th October 2015 the UK Chancellor, George Osborne MP, announced that Local Authorities in England will retain 100% of their business rates, alongside the abolition of the Uniform Multiplier. These announcements will have significant impacts in England and are likely to have cross border implications for the business environment in England and Wales and those businesses which operate on both sides of the border. We await further detail with interest, but it is now even more pressing for Welsh Government to agree a position on the retention (or not) of Business Rates in Wales, and to move ahead with examination of alternative models of taxation.

It appears that Wales and England are on divergent paths with regards to Business Rates, and comments relating to a "long and porous border" are less relevant than they may have been in the past. However, it has historically been true that Wales and England have divergent rates regimes, with England splitting a large and small business rates multiplier where Wales has not. The multiplier has also been set at differing levels on either side of the border – in part to reflect differing levels of prosperity. In general, despite a "long and porous border", Wales and England have rarely, if ever, since 1999 had aligned Business Rates regimes. In this light, over the medium term, the Government should look to examine best practice elsewhere in the UK and globally in order to devise a system of business taxation that works for Wales and its political and social aspirations.

³ Available at: <http://www.fsb.org.uk/policy/rpu/wales/images/better%20regulation%20wales.pdf>



Federation of Small Businesses Wales

1 Cleeve House
Lambourne Crescent
Llanishen
CARDIFF CF14 5GP

Telephone: 029 2074 7406

Email: policy.wales@fsb.org.uk

Web: www.fsb.org.uk/wales

The Federation of Small Businesses Wales

The FSB Wales is non-profit making and non-party political. The Federation of Small Businesses is the UK's largest campaigning pressure group promoting and protecting the interests of the self-employed and owners of small firms. Formed in 1974, it now has 200,000 members across 33 regions and 194 branches. FSB Wales currently has around 10,000 members, a Welsh Policy Unit, two regional committees and twelve branch committees meaning FSB Wales is in constant contact with small businesses at a grassroots level in Wales.

Lobbying

From the Press and Parliamentary Affairs Office in Cardiff, FSB Wales campaigns with AMs, MPs and MEPs in Cardiff Bay, Westminster and Brussels in order to promote our members' interests. FSB Wales also works closely with local, regional and national media outlets to highlight our members' concerns. Development Managers work alongside members in our regions to further FSB Wales influence at a regional level. More widely, the FSB has Press and Parliamentary Offices in Westminster, Glasgow, Belfast and Brussels to lobby the respective Governments.

Member Benefits

In addition, Member Services is committed to delivering a wide range of high quality, good value business services to members of the FSB. These services will be subject to continuing review and will represent a positive enhancement to the benefit of membership of the Leading Business organisation in the UK.

Vision

A community that recognises, values and adequately rewards the endeavours of those who are self employed and small business owners within the UK.

The Federation of Small Businesses is the trading name of the National Federation of Self Employed and Small Businesses Limited. Our registered office is Sir Frank Whittle Way, Blackpool Business Park, Blackpool, Lancashire, FY4 2FE. Our company number is 1263540 and our Data Protection Act registration number is Z7356876. We are a non-profit making organisation and we have registered with the Information Commissioner on a voluntary basis.