

BRIEFING PAPER FOR THE NATIONAL ASSEMBLY FOR WALES ECONOMY, INFRASTRUCTURE AND SKILLS COMMITTEE, PREPARED BY ANDREW WEST MRICS, IRRV (HONS), RICS WALES

1. What should the Welsh Government's priority for Business Rates Policy be for the Fifth Assembly?

- **Stability; certainty; transparency**
- Where possible reducing the fiscal impact of business rates to the small business community (See Question 2)
- Simplifying existing over complex system of reliefs and exemptions

2. How should the recommendations made by the Business Rates Task and Finish Group and the Business Rates Panel in the last Assembly be prioritised and taken forward?

- Commit to more regular revaluations (3 yearly) in order to reflect businesses ability to pay during periods of economic volatility, and avoid extended periods of hardship.
- Abate annual increases in rate bills by linking the multiplier to CPI, not RPI, and consider a freeze on increases during downturns and recessions.
- Permanently exempt small businesses from business rates using enhanced RV thresholds.
- Exemption of plant and machinery from valuations particularly poignant and effective in Welsh industrial heartlands.

3. How can business rates be used to drive economic growth, and how should performance be measured against this?

- See response to Question 2 above.
- Targeted reliefs and exemptions, eg extension of the Wales Retail Relief Scheme and the New Developments Scheme.
- Creation of jobs and occupation of vacant units are crude but measurable to identify success.

4. The potential implications of recent changes in English business rate policy for Welsh Businesses and the Welsh economy, such as planned changes affecting small businesses like reliefs and multipliers; more frequent revaluations; proposals for 100% local retention of business rates and for local authorities to be able to set their own business rates multiplier?

- If the existing system of 5 yearly revaluations, multiplier linked to RPI and small business relief up to £12,000 RV continues England will enjoy a business friendly reputation and a competitive and marketing advantage which could be material to marginal investment decisions.

- 100% local retention of business rates – pluses and minuses: could cause significant problems for Council's reliant on income from one or two large assessments, eg Tata, Port Talbot!
- Any rate retention scheme should protect and target income for economic growth.
- The multiplier should remain consistent throughout Wales to give business consistency and stability
- Local rates retention should be linked directly to economic development activities.

5. Your views on taking forward localisation/regionalisation of business rates policy in Wales, particularly in the context of the Cardiff Capital Region City Deal and proposed deals for Swansea Bay and North Wales?

- Regionalisation linked to development of city regions which could weaken development initiatives for individual councils but should target income to areas of most need. Regionalisation should encourage a wider, strategic approach.
- Winners and losers
- NB Impact of local government reorganisation?

6. The potential impact of the revaluation of rateable values currently being conducted by the Valuation Office Agency for the Welsh Government?

- The broad impact of the 2017 revaluation should be measurable by this meeting. However, external analysis will be in its early stages.
- It is likely that the Welsh rate pool will fall leading to an increase in the tax rate from 0.486 to 0.500+, a psychological barrier. The increase in the tax rate to 50p+ should come with increased transparency to understand the valuation basis for the assessments behind the tax.
- Transparency is seen as key to the continued creditability and acceptance of a property tax which has been used with us for 400 years.
- Dealing with resultant appeals in a timely fashion has been and should be deliverable in Wales compared with appeal volumes and time lags present in England.

7. Any other issues you think are particularly relevant?

CHECK, CHALLENGE, APPEAL

- Substantial changes to the appeals system in England from 2017 dividing the appeal into 3 distinct phases:

- **Check** – largely administrative confirmation of facts with financial penalties for provision of incorrect information.
- **Challenge** – the substantive phase where the ratepayer will be required to produce a detailed document specifying grounds for appeal and a reasoned justified valuation. If the VOA considers the information provided inadequate the challenge will be returned.
- **Appeal** – to the Valuation Tribunal Service, upon payment of a charge up to £300 with a proposal that the Tribunal will only give a decision if a valuation is outside the bounds of “reasonable professional judgement”.
- It could take 2 years, 10 months to reach the appeal stage.
- It is suggested this system will reduce transparency and increase frustration in the system due to substantial procedural and administrative barriers, penalties and increased time lags: it could take almost 3 years to arrive at the appeal stage.
- Historically, Wales has adopted subtle but distinct differences from England: one multiplier; no transition; no burden of Statement of Case production to the Valuation Tribunal. The system in Wales is generally accepted by stakeholders as an exemplar of good practice for business rates in the UK: annual liability is a simple, understandable calculation with no barriers to communication with the Valuation Office Agency. The result is a much more stable, generally accepted system of local government taxation.
- If we wish to continue as a beacon of good practice for business rates it is strongly recommended that the Welsh Government do not adopt the draconian English Check, Challenge, Appeal proposals which are the subject of concern from many stakeholders including, critically, ratepayer organisations.
- This criticism will increase as we approach the implementation of the new scheme from 1st April 2017.
- In order to maintain a stable tax based and reduce the impact of appeals, the production by the VOA of background information upon which an assessment is based would substantially reduce the need to appeal.
- This could be done through a discreet electronic portal in order to address potential disclosure and confidentiality issues. We suggest a working party is assembled to develop this process which would address many of the concerns which have caused criticism of a system which remains a consistent stable source of income for local government and should continue to do so with these suggested improvements.