

David J. Rowlands AM
Chair of The Petitions Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

4 July 2017

Dear Mr Rowlands,

Petition to Protect Our High Street - Business Rates

I have received the letter from Mark Drakeford, dated 11 March 2017, in response to the above petition. Apologies it has taken me a while to reply.

As you know, this petition is part of a wider campaign calling on the Welsh Government to

- 1) help SMEs facing astronomical increases in their business rates bills following the introduction of the new rateable values in April 2017;
- 2) develop a package of permanent rate-relief measures from April 2018 to alleviate the financial pressure on small businesses in Wales.

Alongside the covering letter which I presented when I formally handed over the petition on Wednesday 18 January, and my letter to the Petitions Committee on 8 February 2017, I would be grateful if the following points would also be considered by the Committee when you meet on Tuesday 11 July.

1) Rateable values have been increased dramatically

Following the revaluation of the rateable value of commercial properties across the UK, many Welsh businesses have been hit with an astronomical increase in their rateable value. Rural market towns, such as Cowbridge and Monmouth, appear to have been hardest hit and this could seriously threaten the long term viability of many businesses.

2) The Welsh Government has not increased the threshold for SBRR

Business rates is a tax which has been fully devolved from Westminster to the Welsh Government. Until recently, business rates in Wales were calculated in broadly the same way as they were in England. However from 1 April the situation changed, and not in Wales' favour.

From 1 April 2017, the UK Government **doubled** the threshold below which small businesses are exempt from business rates from £6k to £12k, and introduced tapered relief for those valued between £12k and £15k.

Unfortunately the Welsh Government has chosen not to implement this policy, meaning that all small businesses in Wales valued between £6k and £12k **are still paying rates whilst their counterparts in England are rates-free.**

Those businesses valued between £12k and £15k are paying the full amount since, unlike in England, they do not benefit from any tapered rates relief at all.

To put it simply, from 1 April 2017 small businesses are worse off in Wales under the devolved Welsh Government than they would be if they were under Westminster. The situation is even worse when compared to Scotland, where the SBRR threshold has been raised to £15k. SMEs in Wales are being left behind.

3) Welsh Labour's broken manifesto promise

During the Welsh Assembly elections last year, one of Welsh Labour's six manifesto pledges was "to cut taxes for ALL small businesses". Now they are in government, they are doing the exact opposite. Business rates is the only tax which the Welsh Government has the power to change, yet for many it is being increased dramatically. This is wholly unacceptable.

4) Analysis of business rates bands in Wales compared to England

Mark Drakeford claims that three-quarters of businesses in Wales will receive some form of relief. I have previously requested (and am still waiting for) the data to back up this claim. We would like to know, for 2016/17 and from 2017 onwards, how many businesses in Wales fall into the different rate bands - less than £6k, £6k-£12k, £12k-£15k, £15k-£51k, more than £51k - and how that compares to England.

The minister's last letter directed us to statistics on the VOA website to answer these questions, but he advised that the information for 2017 is not yet available. If this is the case, how can he possibly know that three-quarters of rate payers in Wales will receive some form of relief?

5) High Street Rates Relief Scheme for 2017/18

Following significant lobbying last autumn from towns and businesses across Wales, Mark Drakeford agreed to support high street businesses facing increased business rates bills with a one-off £10m 'High Streets Rates Relief' scheme for 2017/18.

Whilst we welcome this additional support, it was incredibly frustrating and disappointing that having announced the new scheme in mid-December, it took the Welsh Government far too long to decide how to actually allocate the money and provide the necessary implementation guidance to the Local Authorities. Rates bills therefore had to be issued in March without any mention of the funding, with many businesses having to pay massively increased bills whilst they waited for the details of the new scheme to be announced. The relief was finally allocated three months later when bills had to be re-issued. This was a waste of taxpayers' money and placed unnecessary financial stress on small businesses. The funding should have been ready for the new financial year.

6) Additional financial support announced for business rates

Responding to pressure from businesses across the UK, the Chancellor announced in the Spring Budget significant additional support for business rates. Wales will have received a share of this through the Barnett Formula, as well as the additional £200m. Please can you advise how this money will be used to support business rates in Wales this year?

7) Business rates from 1 April 2018 onwards

The High Street Rates Relief scheme is only in place for this financial year (2017/18). We do not know what will happen next year. As it currently stands, the HSRR scheme will

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disappear, leaving just the transitional relief scheme which will see rates bills increasing significantly every year for the next three years.

Mark Drakeford has committed to reviewing the business rates scheme in Wales from 1 April 2018, however we have not yet seen any proposals. Businesses cannot plan properly or make investment decisions whilst there is such uncertainty hanging over us, especially in the current economic climate. Business rates must be resolved as a matter of urgency.

8) Small businesses are the backbone of the Welsh economy

In 2015, SMEs in Wales accounted for 99.4% of private sector business and 61% of employment – equating to 673,600 employees. The vast majority are ‘micro-businesses’ like mine (with nine employees or fewer), which qualify for SBRR. If every small business in Wales employed just one more member of staff, it would wipe out unemployment across Wales. Imposing a significant and unfair additional regional tax burden has the real potential to put many of us out of business and create further unemployment.

9) Involving businesses to shape future direction

There are many small business owners and representatives, particularly in Cowbridge and Monmouth, who have been fully engaged in this campaign and thoroughly understand the issues facing SMEs. Myself, David Cummings (Chairman of Monmouth and District Chamber of Trade and Commerce) and Ben Cottam (FSB Wales) have all offered our help, advice and experience to the Welsh Government to shape the development of a new permanent Small Business Rates Relief scheme which will benefit all small businesses across Wales. As yet that offer has not been taken up.

We are concerned that a new SBRR scheme is being developed without input from the business community and, just like with the transitional relief scheme and the High Street Rates Relief scheme, it will be presented later this year as a “done deal” with no real opportunity for consultation.

We do hope that you will listen to our concerns and encourage the Welsh Government to take us up on our offer in order to help support, protect and encourage business in Wales.

Yours sincerely,

Sally Stephenson
Director