

IRRV Evidence: Welsh Government Business Rates Policy Review

1. The IRRV supports the operation of the small business rate relief scheme.
2. The incidence of the current Mandatory Relief scheme is such that there are a large number of ratepayers receiving reductions in liability who are quite able to pay.
3. The Discretionary Relief system allows for reductions or remissions of rates on the grounds of hardship, but the scope for the allowance to be used is severely limited by the ability of the individual billing authority to fund the cost of any hardship reductions granted. Consequently this provision is rarely used. A more consistent approach is required.
4. It is not obvious what the economic benefits of any of the major forms of relief are; indeed, they may be causing distortions that are not beneficial to the economy.
5. The IRRV believes a review should take place on rateability of agricultural land and buildings to examine whether this concession is still appropriate. However, the Institute recognises that this should be part of an overall review of taxation on agriculture.
6. The IRRV has considered the rating of vacant sites but considers it to be impractical and in any event of little financial significance within the overall non-domestic rates yield.
7. We support, in principle, increased local accountability through the retention of business rates. However, in order to increase local decision making and accountability, local authorities would need a genuine say in setting tax rates. It is our view that all business rate income should be redistributed to local government without set asides.
8. The distribution of Formula Grant (RSG) requires re-examination in the following respect. Formula Grant takes account of the resources of each local authority, one resource being the redistributed income from business rates, which is based on population. In effect, the more NDR redistributed income a council receives, the less it gets in RSG. Should NDR income be thus recouped by a reduction in formula grant?
9. We support the principle of creating an incentive for growth, with sufficient incentives and rewards to adequately encourage the required shift in approach to significantly encourage growth. The key in this is to provide incentives without overburdening authorities with significant financial risk, and to provide opportunities to areas where growth potential is limited.
10. We support as a cost-saving process the online publication of the supporting information that is normally issued with rates bills in hard copy.
11. A significant proportion of rate demands are currently so complex in their layout that the recipient ratepayers have great difficulty in understanding the derivation of their rates bill. We suggest that the logical and understandable formatting of single-year rates bills needs to be introduced.
12. There should be a review of the appeals process to enable a ratepayer to challenge the rates bill received. Presently, there is no formal process by which the ratepayer can appeal against the rates bill received. The only way he can do so is to refuse to pay (or just to pay the amount he thinks is due) and he will then

be summonsed for not paying the full amount. He then has to appear in court to seek to defend the action by showing why he is not liable for the amount demanded. Many ratepayers do not want to have to go through this refusal to pay route, nor risk having to pay the additional court costs and therefore pay the amount demanded, but once the bill has been paid there is no route to challenge the amount. We suggest a fast track appeal process by which ratepayers can challenge their rates bill and have liability determined judicially.

13. Change is required to the time period within which ratepayers are allowed to discharge any backdated liabilities. A Valuation Officer can backdate RV increases for up to nearly 6 years – for instance if an extension was built to a property which is not reflected in the assessment – yet when the VO alters the List the local authority can demand that the full amount of the backdated liability is settled the following month. We would propose that in such circumstances the ratepayer should be allowed to discharge such increases over the same number of months as the liability has been backdated, so long as the effective date of that increase is in a prior rate year.
14. As local authorities are now directly affected by the outcome of property valuations, the legislation regarding the appeals to valuations needs to be changed. The rights for appeal as a relevant authority are not sufficient. If the authority has a direct interest in the Rating List, they should in equity have the right to challenge it.
15. We have looked at the situation where local authorities, as well as owning property, also occupy property for purposes which are statutory, are of direct benefit to all of the community and which all local authorities are obliged to provide. These fall under the general headings of police (police stations, police headquarters' buildings and occasional training establishments), fire (fire stations, headquarters' buildings and perhaps some training establishments) and education (mainly nursery, primary and secondary establishments and perhaps some colleges). There is no advantage in the local authority paying rates on these properties into a central pot for the money largely to be disbursed back to the authority. In certain cases there is in fact a disincentive contained within this system in that improvement to and replacement of these facilities will not only require expenditure from the capital account but will increase the expenses on the revenue side. A replacement building, which may be a necessity due to better standards, increasing expectations and technical requirements may more than double the rates bill for the previous building. We suggest that these subjects could still appear within the Valuation List but should be made exempt from the payment of rates. Private schools, colleges occupied by other than the local authority and universities would not be contained within this exemption.