

Explanatory Memorandum to The Non-Domestic Rating (Small Business Relief) (Wales) (Amendment) Order 2010

This Explanatory Memorandum has been prepared by the Local Government Finance Division and is laid before the National Assembly for Wales in conjunction with the above subordinate legislation and in accordance with Standing Order 24.1.

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 2010. I am satisfied that the benefits outweigh any costs.

Carl Sargeant

Minister for Social Justice and Local Government

6 February 2010

1. Description

This Order amends the Non-Domestic Rating (Small Business Relief) (Wales) Order 2008 (“the 2008 Order”). The 2008 Order provides for a small business rate relief scheme for Wales following the coming into force of section 63 of the Local Government Act 2003.

2. Matters of special interest to the Subordinate Legislation Committee

None.

3. Legislative Background

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

4. Purpose and intended effect of the legislation

The provision of a rate relief scheme to small businesses in Wales is an essential part of the Welsh Assembly Government’s social policy to support smaller businesses and to provide assistance to certain businesses that are important for local communities. This Order amends the main small business rates relief thresholds so that the threshold for relief is not reduced following the non domestic rating revaluation in 2009. The amendments ensure that businesses whose valuations have increased in line with the national average and are currently within the relief thresholds remain within the relief thresholds.

The Order makes provision with effect from 1 April 2010 to increase the rateable value thresholds from:

- £2,000 to £2,400 for the general 50% relief;
- £6,500 to £7,800 for the general 25% relief;
- £9,000 to £11,000 for the general 25% retail relief. This will, as is currently the case, cease after 31 March 2012.

Relief will also continue to be available for the following businesses:-

- 100% rate relief for post offices (and hereditaments that include post offices) with a rateable value of £9,000 or less; and,

- 50% rate relief for post offices (and hereditaments that include post offices) with a rateable value between £9,001 and £12,000.
- 50% rate relief for hereditaments used for credit unions in Wales with a rateable value of more than £2,000 but not more than £9,000 until 31 March 2012;
- 50% rate relief for hereditaments used for child care provision in Wales with a rateable value of more than £2,000 but not more than £12,000 until 31 March 2012.

If this legislation is not made, the Non-Domestic Rating (Small Business Relief) (Wales) Order 2008 will remain in force, and up to 10,000 additional business will not qualify for rates relief.

5. Consultation

Discussions have been held with representatives of the small business community, who have generally indicated that their main priority following the revaluation is to increase the relief thresholds to ensure that businesses currently receiving relief and whose valuation has increased in at least line with the average should continue to do so.

The Welsh Assembly Government is commissioning research on the effectiveness of the small business rates relief scheme, and will be taking evidence from the business community. The provision of this relief will be reviewed in the light of this research and decisions taken on the future of the relief scheme before certain elements of it cease on 31 March 2012.

6. Regulatory Impact Assessment

A regulatory impact assessment has not been produced for this instrument as it simply amends the main small business rates relief thresholds so that the funding for relief is not reduced following the non domestic rating revaluation, ensuring that most business whose valuations have increased in line with the national average and are currently within the relief thresholds continue to do so.