

Explanatory Memorandum to The Non-Domestic Rating (Unoccupied Property) (Wales) (Amendment) Regulations 2011

This Explanatory Memorandum has been prepared by 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 (Unoccupied Property) (Wales) (Amendment) Regulations 2011. I am satisfied that the benefits outweigh any costs.

Carl Sargeant

Minister for Social Justice and Local Government

24 January 2011

EXPLANATORY MEMORANDUM

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- 1. Description**

These Regulations amend regulation 4(g) of The Non-Domestic Rating (Unoccupied Property) (Wales) Regulations 2008 by setting the rateable value threshold at which empty properties are excluded from liability for non-domestic rates at £2,600 from 1 April 2011.
- 2. Matters of special interest to the Constitutional Affairs Committee**

None
- 3. Legislative Background**

These Regulations are made under sections 45(1)(d), (9) and 146(6) of the Local Government Finance Act 1988. These powers were transferred to the National Assembly for Wales by the National Assembly for Wales (Transfer of Functions) Order 1999 and are now vested in the Welsh Ministers by virtue of section 162 of, and paragraph 30 of Schedule 11 to, the Government of Wales Act 2006.

The Regulations follow the negative procedure.

4. **Purpose and intended effect of the legislation**

The threshold at which unoccupied business properties cease to be liable for non domestic rates was temporarily increased between 1 April 2009 and 31 March 2010 to £15,000, and between 1 April 2010 and 31 March 2011 to £18,000. The UK Government in England raised the thresholds to the same levels, and, under the terms of the Statement of Funding policy agreed between the Treasury and Devolved Administrations, the costs were met by the Treasury from the central rating pool. Prior to this the threshold was set at £2,200 in England and in Wales.

The UK Government has set a threshold of £2,600 to apply from 1 April 2011 in England, and this instrument prescribes the same threshold in Wales. If the legislation to amend the Non-Domestic Rating (Unoccupied Property) (Wales) Regulations 2008 is not made, the threshold in Wales will automatically revert to £2,200.

5. **Implementation**

If this legislation is not made, in Wales industrial properties empty for more than 6 months and all other non-domestic properties empty for more than 3 months with a rateable value over £2,200 will pay the full business rates from 1 April 2011.

6. **Consultation**

No consultation was undertaken as this is a measure conferring a benefit on owners of empty business properties, funded by the UK Government.

Regulatory Impact Assessment –

7. **Options**

Other options were to set either a lower or higher threshold for the exemption of empty properties for liability for non domestic rates.

If a lower threshold had been set, then fewer owners of empty business properties would have benefited from this measure, and the funding specifically for this provided by the Treasury would have been lost to the Welsh economy. If a higher threshold had been set the additional costs of funding this relief would have had to be met by the Assembly Government.

If the threshold at which empty business become liable to pay rates was not raised, the benefits in paragraph (8) would not be realised.

8. **Costs & Benefits**

This will exempt the owners of small business properties with a rateable value under £2,600 from paying business rates, saving them up to £855. It also saves local authorities the time and costs of billing the owners of these properties, and of taking enforcement action in cases where payments are not made.

There are no costs to the Assembly Government as the Treasury effectively underwrites the cost of any rates relief provided in Wales that replicates any that it has agreed to fund in England.

9. **Consultation**

See paragraph 6 of the explanatory memorandum.

10. **Competition Assessment**

This has been scored against the competition filter test which indicated that there should be no detrimental effect on competition,

11. **Post implementation review**

The Welsh Assembly Government will keep under review relief for empty properties, taking into account evidence of its effect on the economy provided by the business community, and it will be discussed at meetings of the Local Taxation Working Group, which is attended by local authority and Assembly Government officials.