

27th June 2018

Ben Crudge
Local Taxation Policy Branch
Welsh Government
Cathays Park
Cardiff
CF10 3NQ

Dear Mr Crudge

ACS Submission: Tackling Avoidance of Non-Domestic Rates in Wales

ACS (the Association of Convenience Stores) welcomes the opportunity to respond to the Welsh Government consultation on tackling business rates avoidance. ACS represents over 3,000 local shops and forecourt sites in Wales, including Co-op, McColls, BP and thousands of independent retailers trading under brands such as Spar, Nisa and Londis.

Business rates are a significant cost paid by 38%¹ of independent retailers and the business rates revaluation increased rates bills for one-in-five convenience retailers in Wales². The business rates system contains a complex array of rating and relief schemes for different hereditaments and we recognise that reducing avoidance activity is essential to ensure the fair sharing of the rates burden amongst ratepayers. ACS' response to the consultation's proposals are detailed below.

Notifying Changes in Circumstances

The method through which the Valuation Office Agency determines rateable values for convenience stores extends beyond the 'shell' of the property to internal features such as pallet racking, CCTV and air conditioning units, all of which increase rates bills. Convenience retailers in Wales invested over £49 million in their businesses over the past year but cannot be expected to know whether different property investments will impact their rates liability³. The deterrent to investment caused by higher rates bills could be reversed by following the Scottish Government's 'Growth Accelerator' to delay increases in business rates bills for 12 months to allow businesses to recoup their investments⁴.

Requiring ratepayers to notify their local authority when they make changes impacting their rates liability could penalise retailers who do not know how their investments impact rates bills. 80% of Welsh convenience stores are run by independent retailers, often without the in-house expertise of a property or estates team⁵. These retailers are unlikely to know how their investments impact their rates bills. Multiple retailers would also find a legal obligation to notify local authorities about property changes difficult, many of whom do not have a central recording of changes made to properties. Existing powers for local authorities to request property evidence from ratepayers means there is limited justification for introducing a new obligation for ratepayers to proactively notify local authorities when they make changes to their properties.

The proposal aims to improve the flow of information from ratepayers on changing property characteristics, which could be achieved through the existing Valuation Office Rating

¹ ACS Voice of Local Shops Survey: August 2017

² ACS Voice of Local Shops Survey: November 2016

³ ACS Investment Tracker

⁴ [Response to the Barclay Review report](#) Scottish Government. 12 September 2017

⁵ ACS Welsh Local Shop Report 2018

Contact (VORC) scheme and VOA rent, lease or ownership details forms. VORC is an opt-in scheme for ratepayers with more than ten properties allowing them to submit information digitally on their properties, rather than completing individual rent details forms. The VOA also issues rent, lease or ownership details forms to check rateable values are correct, which are mandatory for ratepayers to complete.

This data is regularly shared with the Welsh Government and provides accurate information which could inform local authority due diligence checks. We believe eligibility for the VORC scheme should be expanded to retailers with a smaller number of properties to support tackling business rates avoidance. The 21-day deadline for ratepayers to supply information is too short and should be extended to 56 days. This would prevent retailers being caught out after being temporarily away from the business and aligns with the existing deadline for ratepayers to complete rent, lease or ownership details forms.

Penalties should only be issued to unscrupulous ratepayers who have knowingly withheld or provided false information and not catch ratepayers who are unaware of a need to notify when making property improvements or their impact on rates liability. The penalty regime should be reduced from £200 to £100 to reflect this approach and match existing penalties for non-compliance with the rent, lease or ownership details form.

Obligations to Provide Information

We are concerned about the circumstances in which local authorities would use a new power to oblige ratepayers to provide information on their rates liability. Local authorities can already ask ratepayers for evidence on their business rates and there is no evidence to suggest convenience retailers avoid business rates through any of the methods raised at paragraph 2.5 of the consultation document.

The power to require ratepayers to respond to requests for information should only be used when there is reason to believe it will assist with identifying business rates avoidance. Local authorities should not use the power to send out blanket letters to ratepayers asking for information, placing an unnecessary administrative burden on ratepayers which must be met within a short timeframe to avoid penalties.

Local Authority Rate Relief Lists

Convenience retailers have expressed no issues with the mandatory and discretionary reliefs they receive being listed in the public domain by local authorities. However, these lists would have to be up kept up to date on a rolling basis to ensure they are relevant and prevent confusion amongst businesses. Local authorities should consider how they would practically maintain these lists.

ACS is committed to working with the Welsh Government to deliver a fair and transparent business rates system bespoke for Wales. For more information on this submission, please contact Steve Dowling, ACS Public Affairs Executive, via steve.dowling@acs.org.uk / 01252 533009.

Yours sincerely,



James Lowman
Chief Executive