

**FLINTSHIRE COUNTY COUNCIL**

**REPORT TO:**           **CABINET**

**DATE:**                   **TUESDAY, 18 JUNE 2013**

**REPORT BY:**           **HEAD OF FINANCE**  
**DIRECTOR OF ENVIRONMENT**

**SUBJECT:**               **WELSH GOVERNMENT BUSINESS RATES**  
**CONSULTATION - RATE RELIEF FOR CHARITIES,**  
**SOCIAL ENTERPRISES AND CREDIT UNIONS**

**1.00   PURPOSE OF REPORT**

- 1.01   To provide cabinet members with information on a Welsh Government Consultation seeking views on a number of recommendations on Business Rate Reliefs that are available to charities, social enterprises and credit unions.
- 1.02   To provide members with a series of recommended responses, as drafted by officers, on the proposals as set out in Appendix 1 to this report and seek members support to them.

**2.00   BACKGROUND**

- 2.01   In October 2012, the Welsh Government responded to the recommendations of the Business Rates Review Wales, an independent report commissioned by the Welsh Government and led by a Business Rates Task and Finish Group.
- 2.02   One of the recommendations of the Welsh Business Rate Review proposed wider consultation with the charitable and retail sectors to review the business rates reliefs that are available to charities and social enterprises.
- 2.03   The Welsh Minister for Economy, Science and Transport asked the Task and Finish Group to undertake this consultation and to prepare specific recommendations on the issue.
- 2.04   Their independent report has now been published and makes a number of recommendations that form the basis for this consultation.
- 2.05   The Welsh Government is building on the engagement already undertaken by the Task and Finish Group and the previous call for evidence on key issues such as whether the rate relief available for charities, especially charitable shops, should be changed.

- 2.06 Responses to this consultation will inform any further action that may be taken on the future direction of rate relief for Charities, Social Enterprises and Credit Unions.

### **3.00 CONSIDERATIONS**

- 3.01 The consultation sets out a series of detailed recommendations on the use of rate relief of providing support to businesses, restricting rate relief in certain cases, bringing long term empty commercial property back into use, especially retail property in town centres and introducing a more targeted approach to the rate relief scheme than is currently only available to registered charities.

- 3.02 The recommendations set out by the Task and Finish Group offer a series of measures and ideas on:

#### ***Providing local authorities with powers to set up 'zoned areas' to restrict rate relief***

The Task and Finish Group explored the issue of perceived unfair competition on the generous level of mandatory rate relief charities obtain when they take up occupation of property, coupled with the effect that such occupation of property by charities, often at reduced rents, can have on commercial rent levels in town centres. As part of the call for evidence, charitable organisations countered these arguments partly by pointing to the high shop vacancy levels in town and shopping centres as evidence that the effects of charity shops are minimal.

Some concerns were expressed to the Group of the effects of 'clustering' where a significant number of charitable shops in Wales are concentrated in a relatively small area.

The consultation therefore seeks views on whether local authorities should be given discretionary powers to introduce local schemes to create 'zoned areas' which might restrict the number of charity shops in a given area that may benefit from rate relief.

#### ***Business Improvement Districts (BIDS)***

A Business Improvement District is a partnership between a local authority and the local business community to develop projects and services that will benefit the trading environment within the boundary of a clearly defined commercial area.

Flintshire does not currently have any BID areas although a scheme operates in the City of Swansea.

In areas where BIDS are in operation some charity shops contribute to the BID levy, however, in other locations charity shops have been granted exemptions in the same way that they are exempt from Business Rates through Charitable Rate Relief awards.

Other businesses in BID areas have expressed criticisms of such exemptions given that charity shops have been able to enjoy the benefits of trading in a full commercial environment, which has in large part been fostered and nurtured by BID investment, without making what might be considered to be a full contribution.

The consultation document simply provides encouragement for charity shops and their representative bodies to fully participate as members of local organisations such as BID schemes that aim to rejuvenate and develop high streets in our towns and city centres.

### ***Bringing Long-Term Empty Property into Use***

New proposals are set out to provide rate relief of 50% for the first year of occupation to any business which takes up new occupation of a property which has been previously vacant for 12 months or more.

Additionally, rate relief of 50% would be provided for two years of occupation to any business which takes up new occupation of a retail property located in a town centre which has been previously vacant for 12 months or more. In addition, social enterprises may apply to have this 50% rate relief extended beyond two years at the discretion of the local authority.

### ***Tax Avoidance Measures***

Proposals are set out to consider introducing measures to tackle tax avoidance, especially on large commercial premises that are occupied and used for charitable purposes which could be subject to an upper rateable value limit of, say, £36,000 maximum to qualify for charitable rate relief.

Local authorities in Wales have previously cited specific examples where large retail outlets and warehouses that have been lying vacant have been occupied by often “unfamiliar” charitable organisations and as a result, have avoided or attempted to avoid the empty property rate that would otherwise be levied. In some instances there have been serious doubts as to whether the occupation can be considered to be genuine where the property is put to use ‘wholly or mainly’ for charitable purposes.

The Task and Finish group also noted a number of instances where larger retail premises are being quite genuinely occupied as charity shops by charities that are familiar household names. Whilst there is no suggestion of any improper behaviour, it has nevertheless raised

the wider question of whether the current situation of unlimited relief is appropriate or whether there should be an upper limit on the rateable value for which the rate relief may be granted.

The proposal to place an upper rateable value limit of £36,000, especially on specific categories of property is therefore seen as a practical way to reduce the level of tax avoidance, and even in the case of genuine occupation which is considered to be 'wholly and mainly' for charitable purposes, to restrict the level of rate relief, to specific categories of premises with rateable values of less than £36,000.

### **Tapered Rate Relief for Charity Shops**

Notwithstanding the important contribution that registered charity shops make to the wellbeing of communities, the Task and Finish Group recommended that changes are made to the mandatory relief scheme in order to create a more level playing field in town centres.

Specific proposals are set out for charity shops to provide the full, mandatory 80% rate relief on occupied charity shops with a rateable value up to £12K (being the current upper limit for Small Business Rate Relief). All charity shops would receive 80% rate relief on the first £12,000 of the RV. Mandatory Rate Relief would then be reduced from 80% to 50% on the next £24,000 of rateable value, i.e. up to a maximum rateable value of £36,000. Any charitable shops, occupying premises with a rateable value of greater than £36,000 would therefore receive no rate relief on any proportion of the rateable value over £36,000.

The recommendation is designed to allow for continued rate relief to support smaller charity shops but to restrict rate relief for charity shops in properties of a much higher rateable value, which should have the effect of leaving the vast majority of such organisations unaffected.

The Task and Finish Group also recommended the phasing in over a period of three years in cases where existing charity shops would see a reduction in the level of rate relief due to exceeding the £12,000 rateable value threshold.

### **Rate Relief for Charity Shops from 2022**

Proposals are offered that from 2022, following the revaluation of all commercial property, the consideration be given to reducing the Mandatory Charitable Rate Relief from 80% to 50% for all charity shops and that as much as possible of charitable reliefs should be left to the discretion of local authorities.

## **Rate Relief for Charity Shops - Monitoring of New Goods Sales**

To further address the issue of perceived unfair competition on the high street, the amount of new goods being sold by charity shops is recommended to be more effectively monitored by charitable organisations themselves.

### **4.00 RECOMMENDATIONS**

4.01 For members to broadly support the principals of the proposals and authorise senior officers to respond appropriately to the consultation.

4.02 Assuming that members support the proposals, the recommended responses, as jointly prepared by senior officers within the Revenue and Economic Development services, are detailed in Appendix 1 to this report.

### **5.00 FINANCIAL IMPLICATIONS**

5.01 None as a direct result of this report but further work and clarification would be required on the funding arrangements between Local Government and the Welsh Government, especially if any of the proposals as set out in the consultation result in amendments to existing funding arrangements on rate relief awards.

### **6.00 ANTI POVERTY IMPACT**

6.01 None

### **7.00 ENVIRONMENTAL IMPACT**

7.01 None

### **8.00 EQUALITIES IMPACT**

8.01 None

### **9.00 PERSONNEL IMPLICATIONS**

9.01 None

### **10.00 CONSULTATION REQUIRED**

10.01 The purpose of the report is to provide members with the opportunity to comment on the consultation proposals and to endorse the responses as prepared by officers in the Revenue and Economic Development services.

## **11.00 CONSULTATION UNDERTAKEN**

11.01 This Welsh Government consultation builds on the recommendations of the Business Rates Review Wales, an independent report from the Business Rates Task and Finish Group.

## **12.00 APPENDICES**

12.01 Appendix 1 to this report contains the recommended responses to the consultation.

### **LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS**

Business Rates Wales Review 'Incentivising Growth' – June 2012

Report by the Business Rates Task and Finish Group for the Minister for Economy, Science and Transport – April 2013

Welsh Government Consultation Paper - Rate Relief for Charities, Social Enterprises and Credit Unions – published 23<sup>rd</sup> April 2013

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