



Llywodraeth Cymru  
Welsh Government

**Number: WG45915**

Welsh Government  
Consultation Document

## **Reforming Non-Domestic Rates in Wales**

We are seeking your views in this consultation on reforms to non-domestic rates, creating opportunities to make improvements specifically for Wales to better support the Welsh Government's ambitions.

Date of issue: **21 September 2022**

Action required: Responses by **14 December 2022**

Mae'r ddogfen hon ar gael yn Gymraeg hefyd.  
This document is also available in Welsh.

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## How to respond

Submit your comments by midnight on **14 December 2022**, in any of the following ways.

- Complete our online form
- Download, complete our response form and email: [LGFR.Consultations@gov.wales](mailto:LGFR.Consultations@gov.wales)
- Download, complete our response form and post it to:

Non-Domestic Rates Policy Branch  
Welsh Government  
Cathays Park  
Cardiff  
CF10 3NQ

## Further information and related documents

An Easy Read version of this consultation is available [here](#). Large print, Braille and alternative language versions of this document are available on request.

## Contact details

For further information:

Non-Domestic Rates Policy Branch  
Welsh Government  
Cathays Park  
Cardiff  
CF10 3NQ

Email: [LGFR.Consultations@gov.wales](mailto:LGFR.Consultations@gov.wales)

This document is also available in [Welsh](#).

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The Welsh Government will be data controller for any personal data you provide as part of your response to the consultation. Welsh Ministers have statutory powers they will rely on to process this personal data which will enable them to make informed decisions about how they exercise their public functions. Any response you send us will be seen in full by Welsh Government staff dealing with the issues which this consultation is about or planning future consultations. Where the Welsh Government undertakes further analysis of consultation responses then this work may be commissioned to be carried out by an accredited third party (e.g. a research organisation or a consultancy company). Any such work will only be undertaken under contract. Welsh Government's standard terms and conditions for such contracts set out strict requirements for the processing and safekeeping of personal data.

In order to show that the consultation was carried out properly, the Welsh Government intends to publish a summary of the responses to this document. We may also publish responses in full. Normally, the name and address (or part of the address) of the person or organisation who sent the response are published with the response. If you do not want your name or address published, please tell us this in writing when you send your response. We will then redact them before publishing.

You should also be aware of our responsibilities under Freedom of Information legislation.

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- to (in certain circumstances) object to or restrict processing
- for (in certain circumstances) your data to be 'erased'
- to (in certain circumstances) data portability
- to lodge a complaint with the Information Commissioner's Office (ICO) who is our independent regulator for data protection.

For further details about the information the Welsh Government holds and its use, or if you want to exercise your rights under the UK GDPR, please see contact details below:

Data Protection Officer:  
Welsh Government  
Cathays Park  
CARDIFF  
CF10 3NQ  
e-mail: [Data.ProtectionOfficer@gov.wales](mailto:Data.ProtectionOfficer@gov.wales)

The contact details for the Information Commissioner's Office are:  
Wycliffe House  
Water Lane  
Wilmslow  
Cheshire SK9 5AF  
Tel: 01625 545 745 or  
0303 123 1113  
Website: <https://ico.org.uk/>

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# Reforming non-domestic rates in Wales

Our [Programme for Government](#) sets out our ambitions for a greener economy and a fairer, more equal society. Our plans for the economy of Wales are set out in our [Economic Action Plan](#) and [Economic Resilience and Reconstruction Mission](#) and build on developing a foundational economy which reflects the values of social partnership and fair work.

Allied to this, the Welsh Government is committed to making the case for clear and stable tax devolution and to reforming both local taxes in Wales – non-domestic rating (NDR) and council tax – as key contributors to funding essential public services. We will improve both systems to support the delivery of many of the policy goals in our Programme for Government. This consultation sets out our proposals for reforms to the NDR system in Wales and is a partner to the [Fairer Council Tax](#) consultation we issued in July.

Alongside the benefits of a more effective and policy-driven local taxation system for Wales as a whole, our proposals will result in a more responsive and efficient system for ratepayers, which is designed to reflect the economic and social conditions long into the future. We also want to ensure that ratepayers make a fair contribution and clamp down further on instances of avoidance.

We are launching this consultation at a time when the cost-of-living crisis is already affecting businesses across Wales and their employees, through the rising prices of goods, services and energy costs. These challenges will remain at the forefront of our considerations, although the changes outlined in this document will need time to implement and take effect.

**Our ambition is for a renewed non-domestic rates system for Wales. A system which:**

- Better reflects the nature of the economy in Wales, and keeps pace with changes.
- Allows decisions to be made and accounted for in Wales, nurturing the sectors and businesses we wish to see grow.
- Means ratepayers contribute fairly to the services they receive.
- Funds services that businesses and their employees rely on.
- Connects businesses and organisations with communities.

**We want to hear your views.**

# The purpose of non-domestic rates

For more than 30 years, NDR has been an important part of the way we fund public services. All the revenue generated from NDR in Wales – over £1 billion every year – is distributed to local government to help fund the vital local services that we all use and pays for around 10% of their total cost. These services include many which are essential for businesses and organisations to operate effectively and sustainably in Wales – educating the workforce, providing local infrastructure, enabling the conditions for enterprise, innovation and growth, delivering the transport systems to get people to work, and supporting childcare for working families. Businesses also benefit from good public services more generally, for example, employees, clients and consumers with access to education, prosperous and safe communities, and attractive and diverse local environments.

Securing a fair and sustainable local tax contribution from businesses and ratepayers has always been a challenging balance to achieve, and the Welsh Government recognises the need to regularly review and adapt local taxation policy to meet existing and emerging challenges.

The legal framework which established the NDR system in 1988 predates devolution, yet it provides the basis for most of the powers of the Welsh Government (or its predecessors) to make changes to policy. These policy-making powers have been applied from the point of devolution in 1999. However, the financial separation of NDR happened later, in 2015. It was at this point that the Welsh Government became fiscally accountable for all the revenue raised through NDR, carrying the budgetary risks related to fluctuations on an annual basis.

Since 2015, we have made numerous improvements aligned to our specific policy goals. This consultation launches a renewed approach, proposing changes which will enable the Welsh Government to continue crafting a system to support our priorities.

There remain some constraints on our scope to design a system which is customised to the needs of Wales. The porosity of our border with England and the case for some consistency for businesses and other ratepayers, the limits on our devolved powers to design and raise new taxes, the scale of the operational functions, and the prescriptive nature of the existing legislation still limit the autonomy of Ministers to design solutions which are tailored for Wales.

The work outlined in this consultation focuses on modernising the existing system to ensure it is as efficient and effective as possible, and better fitted to our policy ambitions for Wales. This work will take place in parallel with further work on alternative approaches to raising local revenues, such as taxation systems based on land value.

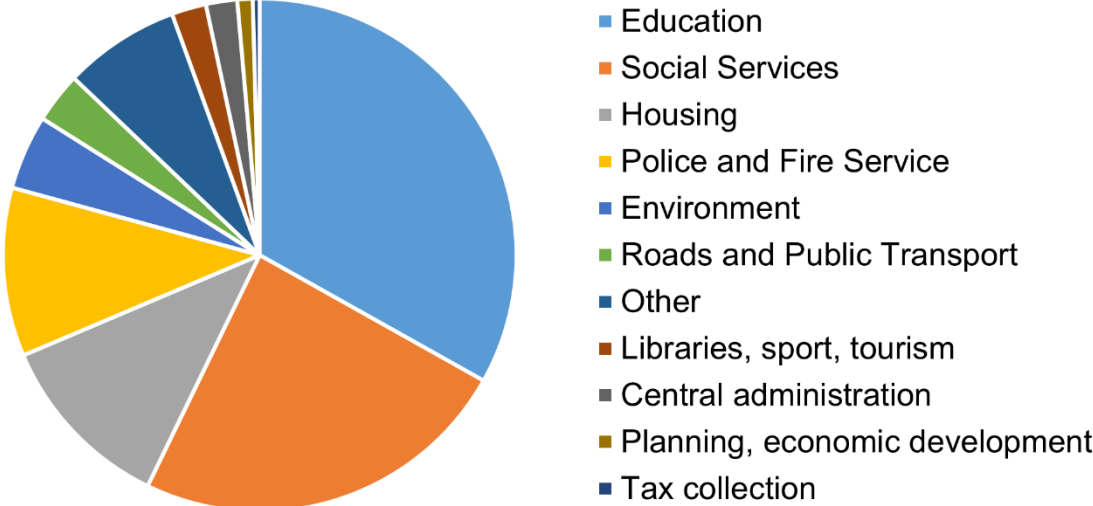
## **How the NDR system operates**

The current local taxation system operates on the basis of hereditaments (units of property with a valuation assessment) being defined as domestic or non-domestic.

Domestic hereditaments are subject to council tax. Non-domestic rates are levied on owners or occupiers of non-domestic hereditaments, a term which has a meaning far broader than a traditional bricks and mortar building. The rating list includes hereditaments such as major transport and utilities infrastructure (eg airports, telecommunications networks, infrastructure for gas, electricity and water supply). Not all ratepayers are businesses, and certainly not all businesses require a commercial property from which to operate.

There is sometimes limited awareness of where NDR revenue goes and what it pays for. NDR contributes towards the cost of essential local services being delivered right across Wales: keeping schools open, our loved ones cared for and our communities thriving. There are hundreds of local services part-funded through NDR, not just those of councils, but police and fire services too. All NDR revenue collected is distributed to local authorities and police forces, and is spent on the key services outlined in Figure 1.

**Figure 1: Proportion of council spending on services**



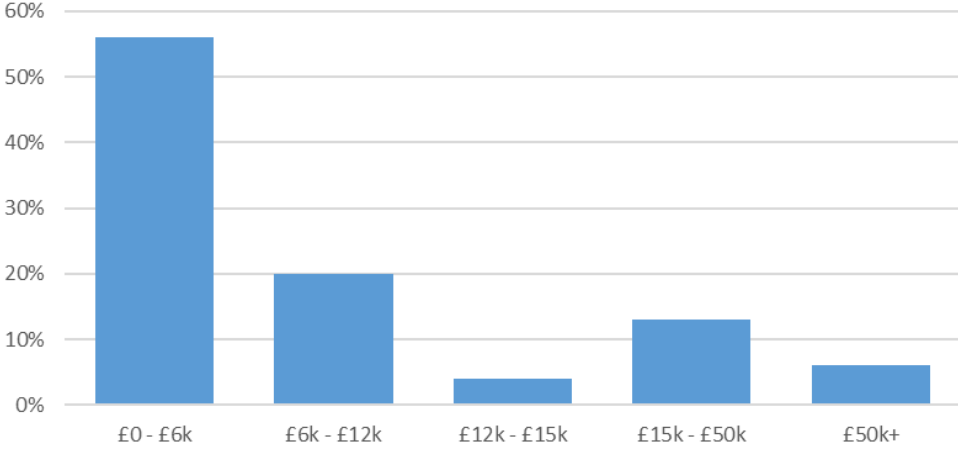
The NDR tax-base contributes over £1 billion each year towards the £10 billion it costs to fund the services in Figure 1. It has over 120,000 hereditaments in four main categories of properties: industrial, shops, offices and 'other' properties (which represents a wide variety of smaller sectors) (Figure 2).

**Figure 2: Main categories of properties in the NDR tax-base**



When we look at the rateable values of these properties, the majority fall into the lower part of the range, with over half having a rateable value below £6,000 (Figure 3). This is an important feature of NDR in Wales which continually defines the policy choices we make.

**Figure 3: Distribution of hereditaments by rateable value**



**Benefits of the current system**

There are many benefits to the existing system that we might need to preserve in future arrangements. The NDR system:

- has a proportional tax rate and is (largely) a naturally buoyant and reliable revenue stream for local services;
- operates as a national pool which distributes the yield amongst councils to allow for the high variance in tax-raising ability, ensuring broad equity;
- is able to flex to provide significant support for those less able to meet their liability obligations, such as occupiers of smaller properties and certain sectors during difficult economic periods;



- strengthens local relationships between councils and business communities, maintaining local knowledge of the business landscape and enabling linkages to the wider economic policies of councils;
- is a highly efficient local tax which consistently achieves over 97% collection rates year-on-year, with low administrative costs (less than 1% of yield);
- has demonstrated longevity and is harder to avoid than other types of tax; and
- is a key administrative function of councils, providing high quality public sector jobs dispersed across the country.

The current system has stood the test of time, and it has provided local government with a stable and reliable revenue source, however, it has its limitations. It is difficult to adapt to respond to changes in the economy and it was not designed specifically to suit the economy and priorities of Wales. The opportunity to move away from the existing approach in its entirety is not achievable in the short-term, but the Welsh Government is committed to exploring alternative, longer-term, options.

### **The need for reform**

On 29 March 2022, the Minister for Finance and Local Government made a [statement](#) setting out the Welsh Government's plans for the reform of NDR during the current Senedd term. This built on the [Reforming Local Government Finance for Wales: Summary of Findings](#) that was published at the end of the previous Senedd term.

The NDR tax-base is unique to Wales. Our immediate aim is to maintain the benefits of the existing local tax, whilst delivering changes that will improve the overall system and meet emerging, potentially Wales-specific, challenges.

The Welsh Government's Programme for Government sets out the ambition for a fairer, greener and stronger Wales. These principles form the basis for any potential changes to the NDR system. There is also a clear commitment to stabilise tax devolution and legislate where possible to ensure decisions are taken and scrutinised in Wales, rather than in the UK Parliament. The Welsh Government currently has a number of levers available to change the way the NDR system operates, but the range and flexibility of these levers is limited through legislative opportunities and operational constraints. The reform agenda seeks to address these limitations, providing the Welsh Government with opportunities to adapt and renew the system for Wales, specifically designing components to reflect our tax-base.

A key feature of the NDR system in Wales is the role of the Valuation Office Agency (VOA). The VOA provides a valuation function for both Wales and England, which has resulted in a number of operational constraints and has, at times, limited the Welsh Government's ability to make changes specifically for Wales. A significant system transformation project is being undertaken by the VOA which we hope will result in more opportunities for decisions to be made by the Welsh Government in relation to the valuation processes. This creates the potential to deliver more meaningful NDR reform for Wales in the future.

Alongside the short and medium-term reform proposals outlined in this consultation, the Welsh Government continues to explore the potential for a local land value tax as a replacement for NDR and potentially council tax, building on Bangor University's detailed [technical assessment](#) during the previous Senedd term. Over the next four years, further progress will be made to move forward with the findings from that report, drawing on a wide range of expertise to develop a clear understanding of what this could look like and how it could work in practice. This analysis will include a potential roadmap to work towards.

# The scope of our proposals

This is a consultation on a range of proposals which will make essential and positive changes to NDR. These proposals create opportunities to make future improvements specifically for Wales so that the system is more flexible and can be more readily adapted to support the Welsh Government's ambitions and meet future needs. Our proposals include the following.

- **More frequent revaluation cycles**, a change which many stakeholders have been calling for, to ensure that rates valuations more accurately reflect up-to-date market conditions, along with additional measures necessary to support this.
- **Improving the flow of information** between government and ratepayers, taking advantage of modern digital services.
- Providing the Welsh Government with **more flexible legislation** to amend reliefs and exemptions in future years.
- A **review of reliefs and exemptions** to ensure the arrangements align to our Programme for Government and the available support is targeted in the most effective way.
- Providing greater scope to **vary the multiplier** to help align annual increases with our economic development priorities.
- Improving the **administration of valuation functions and rating lists** to streamline processes and reduce the burden on government and ratepayers.
- Further measures to ensure we can continue tackling rates **avoidance**.

Some proposals make specific improvements in the short to medium-term, while others relate to policy levers that would enable the Welsh Government to better adapt and customise NDR as conditions change. This consultation also outlines our continued work to explore the scope for more radical reform through **alternative approaches** over the longer-term.

We recognise that each nation in the UK is undertaking reforms to its local taxes in various forms. As a key delivery function, the VOA, operates on a Wales and England basis, some of our proposals reflect, in essence, those being pursued for England through the UK Government's *Review of Business Rates*. Scotland and Northern Ireland are also moving towards more frequent revaluations.

Our *Summary of Findings* outlined the practical challenges of establishing a new or wholly separate local taxation system for Wales. We remain open to this as an option in the future but, in the interim, we will make full use of the potential offered by greater and more adaptable operational capability of the VOA, to tailor our NDR system to the needs of Wales. We also recognise that there may be benefits to some ratepayers in managing improvements to the rating systems across the UK in a planned and joined up way.

This consultation does not ask for views on specific changes which may be required ahead of the implementation of the next NDR list, following revaluation on 1 April 2023. Any such changes will be considered separately, as more information on the impact of the revaluation becomes available.

Many of the proposals that are the focus of this consultation would require primary legislation to be delivered. In a recent [statement](#) on the legislative programme, the Welsh Government announced plans to bring forward a local government finance Bill towards the end of 2023. Subject to the outcome of this consultation, the Bill could provide an opportunity to take forward some of these proposals.

All proposals within this consultation will require a coordinated and cooperative approach between the Welsh Government, the VOA, local government and other stakeholders. Changes made through legislation require time to be implemented successfully.

The consultation is open for a 12-week period and will close on 14 December 2022. Following the conclusion of this consultation there will be a range of further engagement opportunities about specific aspects of NDR reform.

The consultation applies to Wales only.

# Enabling more frequent revaluations

This section seeks views on the Welsh Government's proposals for more frequent revaluations for NDR, including a range of measures that would be necessary to make this possible.

## **Revaluation cycle**

Liability for NDR is based on rateable values of the hereditament (a unit of property with a rating assessment) which, broadly speaking, reflect annual rental values. There are over 120,000 hereditaments in Wales liable for NDR. Rateable values are set independently of the Welsh Government by the Valuation Office Agency (VOA) and appear on non-domestic rating lists. There is a local list for properties in each local authority and a central list for certain types of properties which cross local authority boundaries (eg utilities). The process of regularly reassessing rateable values and compiling new NDR lists is known as a revaluation.

The default frequency of revaluations in Wales is currently every five years and the next revaluation will take place on 1 April 2023. Shorter revaluation cycles are being pursued in all UK nations to improve the fairness of the NDR system and its responsiveness to economic change.

## **Three-year cycle**

The Welsh Government recognises the case for a more rapid and responsive cycle and the desire among stakeholders for revaluations to occur more frequently than every five years. We propose to legislate to increase the frequency to three-yearly. This strikes a balance between improving fairness, by ensuring liability responds to economic change, and stability for ratepayers. Under this proposal, the next revaluation after 1 April 2023 would take place on 1 April 2026.

## **Changing revaluation dates**

Between 1990 and 2010, revaluations took place every five years. Due to the challenging economic context of the early 2010s, the scheduled 2015 revaluation was postponed to 2017, in Wales and England, to give ratepayers certainty about their liability while the economy recovered. Following the 2017 revaluation, a decision was taken to bring the next revaluation forward from 1 April 2022 to 1 April 2021. It was subsequently moved to 1 April 2023 to take account of the impact of the coronavirus pandemic. Some of these changes required primary legislation and were delivered by seeking provisions for Wales in law made by the UK Government.

The Welsh Government recognises that, in the long-term, there may be an ambition for shorter cycles than the proposed three-yearly frequency. Should this become practically achievable, working with the VOA, we may decide to set an alternative revaluation date or change the cycle frequency in the future. Opportunities to implement primary legislation specifically for Wales are more limited than opportunities to make subordinate legislation, such as regulations. This imposes a

significant limitation on the ability of the Welsh Government to implement such decisions in the future, particularly where there is a need to respond rapidly to changing economic conditions or where decisions would result in divergence from revaluation cycles adopted elsewhere in the UK.

The Welsh Government also proposes to remove the need for primary legislation to set an alternative revaluation date or change the default cycle frequency in the future. Instead, it is proposed that such changes are made possible through regulations, which would be scrutinised in the Senedd. This would provide the Welsh Government with greater practical flexibility to change revaluation dates specifically for Wales in future.

### **Antecedent valuation date**

Completing a revaluation of all hereditaments is a resource intensive, complex and time-consuming task for the VOA. For this reason, and to ensure that ratepayers are taxed on a consistent basis, rateable values are based on valuation evidence at a given point in time, known as an Antecedent Valuation Date (AVD), prior to the revaluation being implemented. The AVD has always been set at two years prior to the date of revaluation. For example, the 1 April 2023 revaluation will be based on values as at the AVD of 1 April 2021. An AVD helps to maintain consistency and fairness in the tax-base as valuations relate to a consistent date.

The gap between the AVD and the revaluation means that factors affecting valuations may change in the intervening time. This is unavoidable, as time is needed to value all hereditaments on a consistent basis. Continual adjustments during preparation for a revaluation are impractical, creating a barrier to timely, consistent and fair implementation.

However, we are working with the VOA to explore the potential for the gap between the AVD and the date of revaluation to be reduced in future. The relatively smaller size of the tax-base in Wales, compared with England, may help to enable this. Both Scotland and Northern Ireland have committed to implementing a shorter gap between the AVD and revaluation.

It is intended that more frequent revaluations, and the measures required to achieve this, are embedded first, to inform further detailed consideration of shortening the AVD. This would be a more fundamental change to the system to be considered in the longer-term and would be subject to further consultation.

### **Provision of information**

The Welsh Government considers that improvements to the flow of information are required to ensure that the VOA can deliver more frequent revaluations and improve the accuracy of rating lists. Better information benefits ratepayers and local authorities by ensuring bills are accurate and improving fairness within the system. Improvements may also reduce the volume of appeals. The most significant of the proposed changes is a new process for the timely and efficient provision of certain

types of information, by ratepayers to the VOA, to ensure valuation evidence is continually kept up-to-date.

The Welsh Government considers it necessary for the provision of information to be underpinned by a legal duty requiring ratepayers to supply certain types of information to the VOA. The UK Government has recently consulted on an equivalent duty on ratepayers in England, to support comparable policy aims in relation to more frequent revaluations and the maintenance of accurate rating lists by the VOA. The duty would support the move to more frequent revaluations, which has been achievable in Scotland and Northern Ireland, enabling the VOA to deliver for ratepayers in Wales at the same time as they do so for England.

The rateable value of a hereditament represents an estimate of the rent it could have been let for. To determine rateable values the VOA, in most instances, considers rental evidence (typically rent and lease agreements where these are available) relating to the hereditament itself where available, plus from similar hereditaments nearby. To understand this rental evidence, the VOA also needs to know the physical features of those hereditaments, so that the rents can be adjusted to a common value per unit of comparison (eg per square metre) reflecting the individual features of each one. This evidence is then used to value similar hereditaments where appropriate.

The VOA has a statutory obligation to compile and maintain NDR lists, and requires certain types of property, rental and accounts information to conduct valuations. Limited powers currently exist that enable an information notice to be served on ratepayers in an attempt to gain information. However, there is currently no mandated requirement for ratepayers to notify the VOA about changes to this information, even where it may change the rateable value of a hereditament. In practice, this can mean occupiers of similar properties not being taxed equitably and the correct amount of tax not being collected.

Many ratepayers already provide information, when asked to do so by the VOA, to ensure valuations are correct. Introducing a new duty to provide information will improve fairness for ratepayers and the timeliness and completeness of information flows to the VOA, better enabling the compilation and maintenance of more accurate lists in a shortened cycle. Improving the accuracy of rating lists will strengthen the system, ensuring that valuations are assessed using better and more timely evidence, and reducing the need for ratepayers to challenge valuations. It will also help ensure ratepayers pay the right tax at the right time.

This proposal represents a shift in how ratepayers currently engage with the VOA, and it will need to be implemented in a way that is straightforward, fair and easy to comply with. The approach will need to accommodate the needs of ratepayers with large portfolios, and those who engage with the process using an agent, as well as individual customers with a single property who may have less experience of engaging with the VOA.

The Welsh Government will work with the VOA and ratepayers to deliver the practical arrangements to support the duty, including an online service. We will not formally

activate the duty until we are satisfied that ratepayers can reasonably be expected to comply with it through the service provided. It is anticipated that the duty will be activated during the 2023 rating list. Where ratepayers are unable to access an online service, it is intended that the ratepayer should be able to agree with the VOA an alternative method to provide the information. We intend to work with the VOA to ensure there are suitable measures in place to enable the duty to be complied with via alternative means.

## **General approach**

The proposed duty to provide information will be based on ratepayer self-declaration. This will mean changes are made closer to a notifiable event, reducing the need for backdating of bills and providing more certainty to ratepayers about the tax due. The types of changes that would constitute a notifiable event are described in more detail later in this section. The duty will cover changes to occupier and hereditament characteristics, and provision of commercial, rent and lease information.

Ratepayers will be required to update the VOA each time circumstances change (eg when their rent changes, they start occupying a hereditament, or they alter the physical features of a hereditament). As information will need to be provided close to the event, proposed to be within 60 calendar days, it is more likely to be readily available, reducing the need for ratepayers to go back through records to retrieve the information.

It is recognised that the NDR tax-base is diverse. The information that the VOA requires from ratepayers to perform its valuation function varies by type, scale and use of hereditaments. This will be considered in determining the requirements of an online service which:

- is straightforward and easy to use for all ratepayers, creating minimal additional burden;
- is not punitive on those who may legitimately struggle with compliance, but encourages all ratepayers to comply;
- allows lenience for genuine errors, but focuses enforcement on those wilfully refusing to comply or knowingly providing false information; and
- is practicable and cost-effective for ratepayers and the VOA.

There will be a single online destination for ratepayers and agents to access to comply with the new obligations, and ratepayers will be able to agree with the VOA another method to provide the information if needed. The online system will make compliance as straightforward as possible and will be well signposted by the Welsh Government, local authorities and other government websites used by businesses and other ratepayers. All ratepayers will be able to sign up to the online service. Ratepayers will be able to confirm the hereditaments for which they are liable for NDR, review and amend (if required) the factual information held by the VOA, and provide other information required under the duty. We will also consider how the



online service can be optimised to accommodate the needs of businesses or agents with responsibility for multiple hereditaments.

Ratepayers will be reminded, at the point of signing up for the online service, of their obligations under the proposed duty, relevant dates, and consequences of non-compliance. The online service will partially replicate the system the VOA currently use for collecting information ('Forms of Return') and provide a route for ratepayers to provide other information required under the duty. Once signed up, ratepayers will simply need to log back into the online service to undertake any actions required.

The VOA routinely shares information on occupiers and hereditaments with local authorities, to support correct and timely NDR billing. Local authorities are, therefore, anticipated to benefit from these arrangements and hold more accurate billing information as a consequence.

### **The duty to provide information**

The Welsh Government proposes to introduce a legal duty on ratepayers to provide information relevant to the identification and valuation of a rateable hereditament, which is compatible with the varying circumstances of each hereditament and ratepayer. Adopting this approach means that ratepayers will be expected to take simple steps to find out what information they need to provide. Ratepayers will be required to access and sign up to the online service provided by the VOA and follow the instructions, in a similar way to online processes for other tax obligations. The online service will support ratepayers to understand what specific information will be required and when. This approach will minimise the burden on ratepayers as much as possible by ensuring they only need provide information that is relevant to their hereditament and circumstances.

The duty will apply to the ratepayer of a hereditament. This is either the person in rateable occupation of the hereditament, or the person entitled to possession if the property is unoccupied. This will ensure that a leaseholder who has vacated, but still retains the lease, will be captured by the duty, rather than the freeholder. We are also considering how the duty may also apply to hereditaments which are not yet on a rating list, so that there is no information gap when a hereditament joins a rating list for the first time.

Property which is not a hereditament is not intended to be captured by the duty. Also intended for exclusion from the duty are hereditaments which are wholly exempt from NDR and those which are wholly domestic. Where occupation is partly domestic and partly non-domestic, the duty is intended to apply to the whole hereditament, to provide clarity about the distinction between the two parts. Ratepayers will not be expected to know specific details about the domestic element of the property, rather an overall view of the split of usage and detailed knowledge of the non-domestic elements. The VOA will ensure that ratepayers are made aware of their obligations through a series of simple questions and steps, using the online portal.

Only information that is relevant to the identification of ratepayers and valuation of hereditaments for NDR will need to be provided. This will minimise the burden on

ratepayers and ensure that the purpose of providing information is intrinsically connected to the valuation function of the VOA.

Further, ratepayers will only need to supply information that is within their possession or control. Information will also only need to be supplied to the VOA if the ratepayer knows, or could reasonably be expected to know, that it would assist a valuation officer in carrying out their functions.

The types of information that will be covered by the duty are set out in more detail below.

### **Information about the hereditament**

Ratepayers will need to notify the VOA of any changes to information about the hereditament that the VOA would need to identify it or assess its rateable value. The information required is likely to include details about the ratepayer (such as name and contact details), what hereditament they have occupied and how it is being used. For unoccupied hereditaments, the VOA may need more information about it, its intended use and how it is expected to be occupied. Ratepayers would also need to inform the VOA if certain physical changes are made to the hereditament as well, for example, after an extension has been built.

What is needed to identify a hereditament or ratepayer will vary between hereditaments. For example, the VOA is likely to require quite detailed information about the arrangements at a shared office site, before it can identify the individual units to be assessed. The VOA may also need detailed information about the nature of the use of a concession at a shopping centre or airport and its licence conditions. Comparatively little information may be needed from the new occupier of a standard industrial unit.

The information required to assess a hereditament's rateable value will also vary. For example, very specific information is needed for a telecommunication mast or advertising rights. The VOA would need to know the areas of an office, but might need different information about a pub or petrol station. The VOA may also need to know how different parts of the hereditament were being used, as this may affect the valuation.

The proposed duty will only apply to relevant information about the part of a hereditament which has changed. For example, it would only apply to the altered part of a recently extended property, but for a new property it would apply to all of its relevant details. Over time, this requirement is intended to provide a more complete picture to the VOA of relevant information on all hereditaments to inform accurate valuations.

### **Information about the tenancy and use of the hereditament**

Ratepayers will need to notify the VOA of changes to relevant information about any lease, licence or other agreement concerning the use of the hereditament. The nature of information required overall will be the same as what is requested in the

VOA's current process for collecting information ('Forms of Return'). The ratepayer will be able to identify and update the relevant information specific to their hereditament by accessing the online service. This information enables the VOA to undertake an accurate valuation of the hereditament, but also to assess the valuation of similar hereditaments in the local area.

### **Trade, accounts and costs information**

A small number of ratepayers, occupying certain specialised types of hereditament, may need to provide information about their trade, accounts and costs (where it is relevant to their rateable value). This obligation may apply, for example, to utility networks, pubs, and petrol filling stations. It will not apply to most ratepayers occupying shops, offices, and factories.

The type of information which the VOA will need is already provided through the Forms of Return. These ratepayers are already familiar with the provision of the information. Unlike the other parts of the duty, this aspect will not be triggered by a change in relevant information, but will have to be provided annually for a 12-month period. Ratepayers will be able to provide this information when completing their annual confirmation (see below).

### **Annual confirmation**

Ratepayers will be required to access the online service annually (or in another manner as agreed with the VOA), to confirm that they have provided any information required of them, or that they were not required to provide any notifiable information, and that the data held for their hereditament remains correct. This will give ratepayers who have failed to notify the VOA of changes during the year an opportunity to correct their information. For most ratepayers in most years, where there have been no notifiable changes, this process should only take a few minutes. The deadline for completing the annual confirmation is proposed to be 60 calendar days after 30 April each year.

The Welsh Government recently launched a [consultation](#) on changes to implement a 'check, challenge, appeal' system for Wales, from 1 April 2023. Once the proposed duty and annual confirmation process is embedded, this will replace the need for a 'check' to be completed before a ratepayer is able to 'challenge' the rateable value of their hereditament. Instead, a ratepayer will only be able to make a 'challenge' after they have completed their annual confirmation.

### **Compliance regime for provision of information**

The duty to provide information will be supported by a proportionate compliance regime, to help ensure ratepayers meet their obligations. It is anticipated that the majority of ratepayers will make every effort to comply, to ensure they pay the correct tax based on accurate valuations, and the online service provided by the VOA will make this as straightforward as possible for all ratepayers.

To tackle non-compliance, the Welsh Government proposes to enable the VOA to issue civil penalties for failure to provide the required information, when other measures to encourage compliance are ineffective. The penalty regime is intended to provide scope for lenience, where appropriate, while offering a deterrent to those who deliberately do not comply. This will align the NDR valuation procedure more closely with the operation of other taxes, which are subject to similar compliance regimes.

It is likely that the compliance regime will not be commenced at the same time as the duty to provide information is commenced. Working with the VOA and ratepayers, we will ensure that ratepayers can reasonably be expected to understand and comply with their duties to provide information, before the associated compliance regime is initiated. The duty to provide information may commence during the 2023 rating list, but it is unlikely that the penalty regime will be commenced before the following rating list, expected to be compiled on 1 April 2026.

The proposed parameters for the operation of the compliance regime are set out below.

### **Deadlines for return of information**

Where an obligation has been triggered under the duty (eg where there has been a change to the property), ratepayers will be required to log in to the VOA's online service to provide their information, within 60 calendar days.

For rental information, the requirement to provide information will be triggered when a formal agreement (or amended agreement) becomes legally binding. In the case of an informal agreement, it will be the date the rent (or any subsequent amended rent) is payable. Examples include:

- signing a new lease;
- signing a formal tenancy agreement, including sub-lets;
- the date rent is first paid under an informal tenancy agreement, including sub-lets;
- if details of an informal tenancy are changed with the signing of a formal agreement;
- signing a rent review memorandum;
- signing a lease renewal agreement;
- a change in rent; and
- a change or addition to a tenancy agreement.

Receipts information, which is required for hereditaments valued directly or indirectly with regard to turnover, should cover the annual accounting period (financial year) for the business and be supplied within 60 calendar days of 30 April each year.

For hereditament characteristics and occupation, the requirement to provide information will be triggered by changes such as:

- a new or ceased occupation;
- completion of an extension or other substantial physical alterations; or
- a change in use.

## Penalties

A penalty regime is proposed to encourage compliance. For ratepayers who do not provide their information in a timely or accurate way, the VOA will have the discretion to apply penalties. It is intended that, where a person who is subject to the duty knowingly or recklessly makes a false statement in attempting to appear to comply, they will be considered to have committed a criminal offence. Penalties are not anticipated to be issued in instances where a ratepayer fails to comply with their annual confirmation obligation. Failure to comply would give rise to further VOA compliance activity and, where applicable, would give rise to subsequent penalties under the other obligations.

If there is no evidence of compliance after the initial 60 calendar days from the notifiable event, the VOA will be able to issue a penalty notice. Ratepayers who fail to provide information within 60 days will receive a reminder, warning and final warning before a penalty is applied. A further daily penalty may be applied by the VOA if there is still no compliance after 30 calendar days following the issuing of the penalty notice (see further details below). Ratepayers may be liable for a penalty for each instance of failure to notify the VOA of relevant information.

It is intended that the VOA will be able to apply penalties for failure to notify at any time after the non-compliance is identified, including failure to comply during a previous rating list that was subject to the proposed duty. Where a penalty is based on rateable value, the rateable value used will be the higher of the rateable value prior to the receipt of the relevant information and the rateable value post the receipt of the relevant information.

## Tariffs for penalties

The NDR system already includes penalties (eg in relation to non-return of rental information requested by the VOA). Existing penalty provisions will be retained alongside the proposed penalties associated with duty to provide information. The proposed **maximum** penalty levels intended are as follows:

- The maximum penalty for failure to comply with a notification requirement for any reason (including as a result of making a false statement) will be the greater of 2% of the hereditament's rateable value (either what the rateable value would have been post receipt of the relevant information or, if higher, the rateable value reflected in the lists prior to receipt of the relevant information) or £900.
- If a false statement is knowingly or recklessly made, the ratepayer could be liable for a criminal sanction. The ratepayer would commit a criminal offence and would be liable on summary conviction to imprisonment for a term not exceeding 3 months or to a fine not exceeding level 3 on the standard scale or to both.

- A valuation officer may, if satisfied beyond reasonable doubt that the ratepayer has committed an offence as a result of knowingly or recklessly making a false statement, determine that they are liable for a civil penalty rather than for a criminal penalty. In this case, the maximum penalty would be the sum of 3% of the rateable value (either what the rateable value would have been post receipt of the relevant information or, if higher, the rateable value reflected in the lists prior to receipt of the relevant information) and £500.

Where a person is liable to a civil penalty and fails to comply with the notification requirement within 30 days from the day on which the penalty notice is served, the ratepayer would be liable to a maximum further penalty of £60 for each day on which the failure continues after the end of that period.

The Welsh Government intends that flexibility and discretion in the system will allow the VOA to operate these compliance activities fairly and with due regard to individual circumstances. The VOA will have discretion to mitigate or remit any of the above penalties. Ratepayers will be able to request an extension to the timescales if they need more time to meet their obligations. It is anticipated that extensions will be available in limited circumstances, where there is a compelling reason, such as a medical emergency or bereavement, but this will be at the discretion of the VOA.

These penalty levels are proportionate to similar penalties elsewhere in the tax system. For example, some HMRC penalties are based on a percentage of the potential for lost revenue and depend on the type of behaviour displayed by the taxpayer. The proposed structure will result in larger penalties for situations where non-compliance leads to a significant under-assessment of rateable value.

## **Reviews and appeals**

Ratepayers will have the opportunity to request a review of penalty decisions, based on a set of mitigating criteria (similar to HMRC's approach to 'reasonable excuse'). If desired, they will be expected to do this within 30 calendar days of the issuing of a penalty notice. To begin the review, the ratepayer will complete a simple online form. The review itself will be conducted by an independent VOA caseworker. Penalties will be suspended during a review, which will have to be completed by the VOA within 45 calendar days.

The ratepayer will be able to lodge an appeal with the Valuation Tribunal for Wales (VTW) if a review is not completed within 45 calendar days or within 30 calendar days of the review decision. The VTW will be able to order the VOA to cancel, in part or in full, the penalty in question, if the appeal is upheld.

The VOA will have discretion to cancel or reduce any penalty imposed for failure to comply or provision of false information, whether or not an appeal has been lodged or a tribunal judgement made.

## **Questions about enabling more frequent revaluations**

When responding to the consultation questions, please include reasons for your answers and any supporting evidence.

### **Question 1**

Do you agree revaluations should occur at least every three years in future, to maintain fairness in the system by ensuring valuations are updated more often to reflect changing economic conditions? What are your reasons for your answer?

### **Question 2**

Do you think revaluations should occur more frequently than every three years? If so, how often would you suggest?

### **Question 3**

Do you think the gap between the antecedent valuation date and the revaluation taking effect should be less than two years, if possible, in future?

### **Question 4**

Do you have any views on the proposals to create a duty on ratepayers to inform the VOA if certain information relating to the hereditament changes, and the new duty to provide annual confirmation, to support more frequent revaluations and the maintenance of accurate rating lists?

### **Question 5**

Do you have any views on the proposals for a proportionate compliance regime to support the duty to provide information? In particular, do you consider the proposed penalties to be fair and proportionate?

### **Question 6**

Do the proposed timescales provide ratepayers with enough time to meet their obligations? If not, under what circumstances would this not be possible?

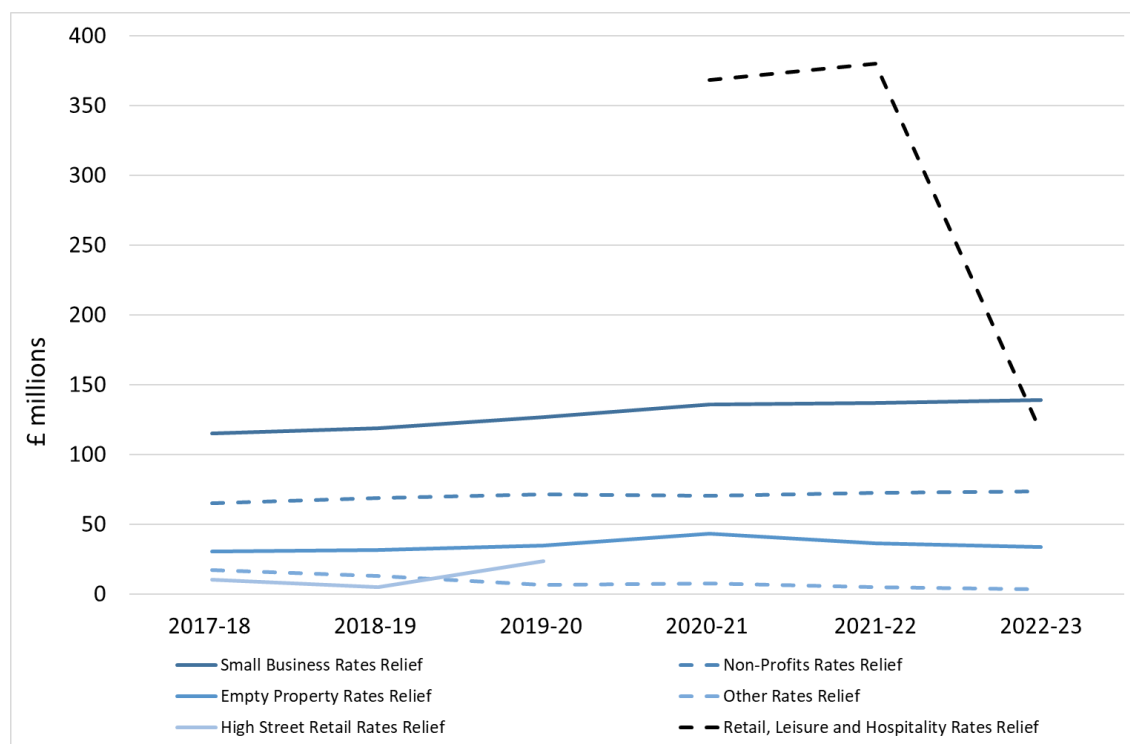
# Providing reliefs and exemptions

This section seeks views on whether the Welsh Government should review the range of NDR reliefs it provides, and on some specific proposals for initial improvements.

## Review of reliefs

The landscape of NDR reliefs has increased in scale and complexity over time. Reliefs are provided to eligible businesses, non-profit organisations and charities, but not public sector bodies. More than half of hereditaments (units of property with a rating assessment) in the tax-base benefit from full or partial relief and the Welsh Government spends around £240 million annually on a wide range of permanent relief schemes (Figure 4). In addition, more targeted and time-limited relief for the retail, leisure and hospitality sectors has played a crucial role in supporting businesses throughout the coronavirus pandemic, and is providing £116 million this financial year.

**Figure 4: Welsh Government expenditure on NDR reliefs**



The Welsh Government will undertake a review of all rates relief schemes, to ensure they are fit-for-purpose and delivering support in the most effective way. The review is intended to consider the range of reliefs, the level of support, how reliefs are targeted and how long they last. The outcome of this review and the Welsh Government’s current or future policy priorities could result in proposals to add, remove or amend NDR reliefs.



The operation of most existing relief schemes is set out in primary legislation, with some flexibility for the Welsh Government to define certain parameters in regulations. More substantial changes, such as consolidating or amending the scope of existing reliefs, removing reliefs, or creating new ones, usually require primary legislation. Opportunities to make primary legislation are much more limited than opportunities to make regulations, imposing a significant limitation on the Welsh Government's ability to use the NDR system effectively to support existing or emerging policy priorities. These priorities include our Programme for Government ambitions for a stronger, fairer, greener Wales.

We want to ensure the NDR system is future-proofed, by enabling a more flexible and responsive approach to the design and implementation of reliefs. The Welsh Government proposes to remove the need for primary legislation to create, amend or remove permanent NDR relief schemes. Instead, it is proposed that this is made possible using regulations. The ability to do this is proposed to extend to the creation of new reliefs, which may be based on different parameters from those already set out in primary legislation. This will enable the Welsh Government to implement any changes considered appropriate as a result of the review of reliefs and to manage the overall landscape of reliefs in line with our wider policy objectives on an ongoing basis.

### **Providing exemptions**

Hereditaments that are exempt from NDR and the extent of exemptions can be prescribed by the Welsh Government in regulations, subject to limitations set out in primary legislation. These limitations provide very little practical flexibility to provide for exemptions, as they amount to a requirement that the exemption in question already operates in practice. The Welsh Government proposes to remove the limitations, to provide greater flexibility in relation to the scope of exemptions that may be provided in regulations, so that changes can be made in a timely way and in accordance with wider policy objectives.

### **Simplification of discretionary relief**

While local authorities currently have wide discretion to award NDR relief, their powers are constrained in some respects. Some retained rules were designed when NDR was more centralised and are unduly restrictive, in the context of the greater local flexibility that now exists in relation to discretionary relief. Local authorities are able to devise relief schemes for any ratepayers, except for themselves, provided they are satisfied that a decision to award relief is reasonable, having regard to the interest of their local taxpayers.

The parameters within which local authorities may award or change all discretionary (ie non-mandatory) relief schemes, including those set up to deliver centrally-funded schemes, are set out in legislation. A specific restriction exists which prevents local authorities from awarding or changing discretionary relief decisions more than six months after the end of the financial year. The Welsh Government proposes to remove this restriction, to give local authorities full discretion to apply reliefs

retrospectively and vary schemes or bills. This change would not apply to any financial year before the year during which the law is changed.

### **Empty property relief when the next use is anticipated to be for charitable purposes**

We have been developing and implementing a broad set of measures to tackle avoidance, following [consultation](#) in 2018, and these are outlined later in this consultation.

A decision we made in 2018 was to alter the ability for a charity or trustee of a charity who owns or leases an unoccupied hereditament to seek zero-rating of the hereditament indefinitely (zero-rating means a hereditament is treated as having a nil rateable value and therefore receives full relief from rates liability). This is currently permitted in legislation if ratepayers claim that, when next in use, a hereditament will be wholly or mainly used for a charitable purpose. If the hereditament is not actually used for a charitable purpose in the future, the owner or leaseholder has already benefitted from these arrangements while it was empty.

The Welsh Government intends to implement its decision at the next legislative opportunity to remove zero-rating for unoccupied hereditaments which, when next in use, it appears will be wholly or mainly used for a charitable purpose. To enable the system to continue to support the minority of genuine cases making legitimate use of zero-rating, local authorities will be provided with discretion to apply zero-rating on the same basis. We previously worked with local authorities to arrive at this decision and we will coproduce the necessary operational requirements.

This issue is separate from the mandatory provision of relief from NDR when a property is occupied by a charity. There are no proposals to change the existing arrangements for charitable relief for occupied properties. Considerations about the appropriateness of charitable relief as a whole in achieving its goals will form part of the wider review of NDR reliefs.

### **Questions about providing reliefs and exemptions**

When responding to the consultation questions, please include reasons for your answers and any supporting evidence.

#### **Question 7**

Do you have any views on the proposal to undertake a review of relief schemes and any views on how their effectiveness should be considered? What factors should a review take into account?

#### **Question 8**

Do you have any views on our proposals to enable the Welsh Government to amend, remove and create new statutory reliefs by secondary legislation to align to policy priorities?

**Question 9**

Do you have any views on the proposal for the Welsh Government to have greater flexibility to provide for exemptions by secondary legislation, to align with policy priorities?

**Question 10**

What is your view on the proposal to give local authorities greater flexibility to award retrospective discretionary relief?

# Varying the multiplier

This section seeks views on whether the Welsh Government should consider making changes to the NDR multiplier in future, to align with policy objectives.

## **Setting the multiplier**

Liability for NDR is determined by combining the rateable value of a hereditament (a unit of property with a rating assessment) with the multiplier, set annually by the Welsh Government. The multiplier acts as a key component in determining the liability of ratepayers, as it applies to the whole tax-base. It is subject to annual inflation in line with the Consumer Prices Index (CPI), unless the Welsh Government sets it at another level by prescribing an alternative figure to use in place of CPI.

Currently, a single multiplier applies to all hereditaments in Wales, with no mechanism for the Welsh Government to set different multipliers for different segments of the tax-base. Local authorities hold powers to set a supplement to the multiplier as a funding mechanism. This has been used in London in relation to Crossrail funding, but the powers have never been used by local authorities in Wales. Elsewhere in the UK, tiered multipliers exist, where hereditaments with a rateable value below a prescribed level are subject to a lower multiplier than those above the threshold. Tiered multipliers currently act in a revenue neutral manner, with a lower multiplier for some hereditaments being subsidised by the higher rate for others.

## **Options for different multipliers**

The Welsh Government proposes to change legislation to enable different multipliers to be set for different segments of the tax-base, on the basis of the parameters set out below. It is proposed that any alternative multipliers defined on the basis of these parameters would be prescribed in regulations.

- Rateable value of a hereditament. In England and Scotland, small businesses (as defined on the basis of their rateable value) are subject to a lower multiplier. The Welsh Government is not currently able to, for example, support small businesses in this way.
- Use of a hereditament. In the context of the Welsh Government's ambitions for a stronger, fairer and greener Wales, it may be desirable for a multiplier to be set for specific sectors, to support wider policy objectives. For example, a lower 'sector specific multiplier' might be one potential way of using the NDR system to support investment in a specific area, without the need for a targeted relief scheme.
- Geographic location of a hereditament. It may be desirable for the Welsh Government to set a different multiplier for specific geographic locations, linked to wider government objectives.

The Welsh Government does not propose specific changes to multipliers at this stage. The powers are intended to provide greater flexibility to adapt the NDR to future needs. The ability for the Welsh Government to vary the multiplier based on the rateable value, use and geographical location of a hereditament would better enable the NDR system to be aligned to wider policy objectives.

### **Questions about varying the multiplier**

When responding to the consultation questions, please include reasons for your answers and any supporting evidence.

#### **Question 11**

What is your view on proposals to provide the Welsh Government with the ability to vary the multiplier for properties of different use, rateable value and geographical location, to align to policy priorities?

#### **Question 12**

Do you have any other suggestions for parameters that could be considered in varying the multiplier?

# Improvements to valuation and rating list administration

This section seeks views on a range of specific changes proposed by the Welsh Government to improve aspects of NDR valuation and administration to make the system more efficient for government and ratepayers.

## **Material changes of circumstances**

More frequent NDR revaluations will ensure that rateable values for all hereditaments are more up-to-date and reflect changes in the economy and the property market. It is at these general revaluations of the whole tax-base that rateable values are updated, by the independent Valuation Office Agency (VOA), to reflect changes in economic factors, market conditions or the general level of rents. Between revaluations, rateable values can only be changed to reflect 'material changes of circumstances' (eg physical changes to the property or the locality). The scope of material changes of circumstances should not be so wide as to capture changes in economic factors, market conditions or the general level of rents, as that would amount to real-time revaluations, be impracticable and undermine the role of the regular revaluations.

During the coronavirus pandemic, a large number of appeals were submitted, citing restrictions put in place by governments across the UK as causing material changes of circumstances for properties: ratepayers considered this should reduce their rateable value. This was at odds with the intention of the provision for material changes of circumstances and legislation was made to ensure that the impact on rental values of the coronavirus pandemic should not result in changes to rateable values outside a revaluation. It is possible that there will be other events which occur in future between revaluations which, by their nature, concern economic or market conditions, or the general level of rents.

Whilst steps have been taken to address issues arising from the coronavirus pandemic, further changes are necessary to ensure the law is clearly and fairly calibrated, and that all stakeholders are aware of what should be reflected at revaluations and what should be reflected as material changes of circumstances. Applying legal boundaries to the scope of material changes of circumstances would not mean that rateable values never change to reflect major events. It would, however, ensure their impacts are reflected across the whole tax-base at the same time, at revaluations. This will restore the scope of material changes of circumstances to its originally intended extent and future-proof the system against other major and unforeseen events.

## **Matters not to be taken into account between revaluations**

The Welsh Government proposes to legislate to clarify which matters should not result in a change of rateable value between revaluations. These matters are:

- Changes to legislation. It is intended that rateable values are based on the legislative landscape at the antecedent valuation date and that any changes to legislation do not constitute material changes of circumstances.
- Other provision which is made under and given effect by legislation, such as licensing regimes. These are run by public bodies with powers under legislation to administer licences and create, apply and enforce rules to govern the operation of certain industries and sectors. Like legislation, licensing regimes contribute to the economic context for the occupation and use of particular properties. It is intended that changes to these regimes do not constitute material changes of circumstances.
- Advice or guidance issued by a public authority. The means by which public bodies implement their responsibilities is sometimes through advice or guidance and, like legislation or licensing regimes, contributes to the economic context for the use of the property. It is intended that advice or guidance issued by a public authority concerning how a property should be used do not constitute material changes of circumstances.

It is recognised that there are circumstances in which regulatory changes may have secondary consequences and that, when these constitute physical changes, they should be in scope for material changes of circumstances. Ratepayers would still be able to appeal their rateable value on the basis of the following matters, even where they have been caused by a change in legislation, licensing or guidance:

- a physical change to the property;
- a physical change in the locality;
- the property joining or leaving the categories 'domestic' or 'exempt'; or
- the property becoming or ceasing to be a hereditament.

These proposals would clarify the scope of material changes of circumstances, ensuring it aligns with the original intention of the provision in legislation, is fair to all ratepayers, and does not undermine the concept of revaluation. The Welsh Government intends to implement this proposal as soon as possible, to be given effect during the 2023 rating list.

### **Completion notices**

A completion notice is currently served by a local authority in respect of a new building. This is a means of determining the completion day for that building. Local authorities supply copies to the VOA of completion notices they serve. This enables the VOA to complete a valuation and list the building for NDR. A gap has been identified in the completion notice procedure, in relation to buildings which have been removed from the rating list because they are temporarily unoccupiable (eg for refurbishment). The existing procedure for new buildings does not currently apply to previously listed properties, when they become occupiable again, which can delay their return to the rating list.

The Welsh Government wishes to ensure that a completion notice may be served in respect of a building which, although not new in itself, was temporarily unoccupiable. This would allow it to be added or returned to a list, using the same process as for new buildings. The same procedure is also intended where part of a building is added to an existing building (eg as an extension or the creation of a new floor).

### **Central rating list changes**

For NDR purposes, hereditaments are either listed on the local rating list or the central rating list. Most hereditaments are on the local rating list, held by local authorities. Those crossing a local authority boundary are included on the list for the local authority containing the largest part of the hereditament by value. A small number of hereditaments which span multiple local authorities are on the central rating list, held by the Welsh Government. These include network hereditaments, such as pipelines and cabling. NDR bills for properties on the local list are paid to the relevant local authority and those for the central list are paid directly to the Welsh Government.

Currently, changes to the central rating list, such as the name of a ratepayer, the addition or removal of a ratepayer, or the description of a hereditament, can only be made via legislation. While this occurrence is infrequent, it creates a disproportionate administrative burden. Under a system of more frequent revaluations, the Welsh Government will need to review the central list more often and ensure it is kept up to date. It is anticipated the need for changes may increase, including to reflect changes within the telecommunications sector and the anticipated emergence of new railway networks spanning multiple local authorities (eg metro networks).

To enable changes to be made in a less burdensome way, the Welsh Government proposes to change legislation to enable Welsh Ministers to direct the VOA to show, add, alter, or remove the names of persons and descriptions of hereditaments which should appear on the central rating list. These powers of direction will be used in place of the existing regulation making process and will allow the Welsh Government to proactively maintain the central rating list. The Welsh Government will only direct changes to the central rating list following engagement with the individual ratepayers concerned.

### **General anti-avoidance rule**

The Welsh Government is committed to reducing the opportunities for avoidance of NDR liability. While avoidance is not illegal, it is behaviour that creates artificial arrangements to exploit tax advantages. It is important that the efforts of the considerable majority to pay what is due is not undermined by a minority intent on exploiting or abusing the system. We have been developing and implementing a broad set of measures to tackle avoidance, following [consultation](#) in 2018. The scale of avoidance through various methods has previously been assessed as at least £10 million to £20 million a year in lost revenue for vital local government services.

Our 2018 consultation and subsequent investigations have highlighted the need to be adaptive to changing methods of avoidance, with avoidance methods and relevant



case law constantly evolving. The nature of tax avoidance is such that once one method has been addressed, new methods and behaviours will emerge. This involves the Welsh Government retrospectively and periodically responding to precise behaviours.

The existence of a general anti-avoidance rule (GAAR) is common within taxation systems and can take a variety of forms. In the UK, HMRC operates an anti-abuse rule, the Scottish Government has a GAAR for its devolved taxes and one specific to NDR, and the Welsh Revenue Authority oversees a GAAR for the devolved taxes in Wales (Land Transaction Tax and Landfill Disposals Tax).

The Welsh Government proposes to introduce a GAAR for NDR, to enable us to respond to and counteract avoidance behaviours. The general principles and definitions of avoidance behaviours are similar to those applicable in Scotland and for the devolved taxes in Wales. It is intended that these approaches will be used as a basis for developing a GAAR for NDR in Wales, providing legislative clarity about the Welsh Government's ability to tackle avoidance.

### **Anti-avoidance regulations**

The proposed GAAR is intended to enable the Welsh Government to make regulations with the purpose of addressing NDR avoidance, including behaviours that are not currently used or known about, but may emerge or be identified in future. Anti-avoidance regulations would seek to prevent or minimise advantages arising from NDR avoidance arrangements that are artificial. It is proposed that these parameters are set out and defined in law.

An advantage would be defined as including: avoidance of a possible assessment, remission, relief (or increased relief), repayment (or increased repayment), and deferral of a payment or advancement of a repayment. In determining whether an anti-avoidance arrangement has resulted in an advantage, it is intended that consideration be given to the amount of NDR that would otherwise have been payable.

An arrangement (or series of arrangements) would be defined as an avoidance arrangement if it would be reasonable to conclude that obtaining an advantage is the main purpose (or one of the main purposes) of it. An arrangement may include any of an agreement, transaction, undertaking, action or event, understanding, promise, or grant, whether legally enforceable or not. The advantage conferred by the arrangement would be considered to benefit the ratepayer.

An arrangement would be considered to be artificial if it is not a reasonable course of action or lacks economic or commercial substance. In determining whether an arrangement is a reasonable course of action, consideration would be given as to whether it is consistent with the policy and legislative framework for NDR or intended to exploit any shortcomings within them.

Economic or commercial substance occurs in situations where, apart from the reducing of tax liability, there is a risk, a change in value, or a timing consideration

associated with the arrangement. Where none of these matters occur, but tax liability is reduced, this may be identified as an arrangement intended to avoid the tax. Examples of circumstances which could mean an arrangement lacks economic or commercial substance include, but are not limited to:

- it is carried out in a manner which would not normally be employed in reasonable business conduct;
- the legal characterisation of the steps within it is inconsistent with the legal substance of the arrangements as a whole;
- it includes elements which have the effect of offsetting or cancelling each other,
- transactions within it are circular in nature; and
- it results in an advantage that is not reflected in the business risks undertaken.

The proposed GAAR is intended to enable the Welsh Government to make regulations to counteract NDR avoidance. It is intended that regulations could provide for measures such as prescribing a civil penalty regime and conferring powers on local authorities to operate anti-avoidance measures, as part of their role in administering NDR, if appropriate.

The development of specific measures under the proposed GAAR would be subject to further consultation.

### **Questions about improvements to valuation and rating list administration**

When responding to the consultation questions, please include reasons for your answers and any supporting evidence.

#### **Question 13**

Do you have any views on proposals to ensure that changes in economic factors, market conditions or changes in the general level of rents are addressed through more frequent revaluations, rather than as material changes of circumstances between revaluations?

#### **Question 14**

Do you think the proposed changes to completion notice procedures will help to ensure all relevant properties are listed for NDR in a timely manner?

#### **Question 15**

Do you have any views on proposals to improve administration of the central rating list?

#### **Question 16**

Do you have any views on proposals for a general anti-avoidance rule for NDR in principle?

#### **Question 17**

Do you think local authorities should have more powers to enable them to counteract NDR avoidance effectively?

## Other approaches to raising local taxes

This section seeks views on taking a different approach to local taxation and the options for longer-term change which are being explored by the Welsh Government.

### **Local land value tax**

While the proposals outlined in this consultation focus on changes to NDR in the short and medium-term, options for more fundamental reform remain priorities for longer-term consideration.

In February 2021, the Welsh Government published the report [Reforming Local Government Finance in Wales: Summary of Findings](#). Alongside reforms to council tax, this comprehensive report explored how the NDR system could be improved, considered changes to the current tax, and looked at the potential for a more fundamental shift towards a local land value tax.

We are continuing to explore the potential for a local land value tax as a replacement for NDR and council tax, building on Bangor University's detailed [technical assessment](#). That assessment, while at a very early stage of the thinking, represented the most detailed work to date considering a local land value tax specifically for Wales, using Welsh data about land valuation.

Over the next four years we will build on the findings from that report, drawing on a wide range of expertise, to develop a clear understanding of what a local land value tax could look like for Wales and how it could work in practice. This analysis will include a roadmap for potential implementation. Any proposals we formulate about the design or implementation of a local land value tax would be the subject of detailed consultation.

### **Questions about other approaches to raising local taxes**

When responding to the consultation questions, please include reasons for your answers and any supporting evidence.

#### **Question 18**

What are your views on taking an alternative approach, such as a local land value tax, to raising local taxes, over the longer-term?

# Consultation questions

When responding to the consultation questions, please include reasons for your answers and any supporting evidence.

## **Questions about enabling more frequent revaluations**

### **Question 1**

Do you agree revaluations should occur at least every three years in future, to maintain fairness in the system by ensuring valuations are updated more often to reflect changing economic conditions? What are your reasons for your answer?

### **Question 2**

Do you think revaluations should occur more frequently than every three years? If so, how often would you suggest?

### **Question 3**

Do you think the gap between the antecedent valuation date and the revaluation taking effect should be less than two years, if possible, in future?

### **Question 4**

Do you have any views on the proposals to create a duty on ratepayers to inform the VOA if certain information relating to the hereditament changes, and the new duty to provide annual confirmation, support more frequent revaluation and the maintenance of accurate rating lists?

### **Question 5**

Do you have any views on the proposals for a proportionate compliance regime to support the duty to provide information? In particular, do you consider the proposed penalties to be fair and proportionate?

### **Question 6**

Do the proposed timescales provide ratepayers with enough time to meet their obligations? If not, under what circumstances would this not be possible?

## **Questions about providing reliefs and exemptions**

### **Question 7**

Do you have any views on the proposal to undertake a review of relief schemes and any views on how their effectiveness should be considered? What factors should a review take into account?

### **Question 8**

Do you have any views on our proposals to enable the Welsh Government to amend, remove and create new statutory reliefs by secondary legislation to align to policy priorities?

**Question 9**

Do you have any views on the proposal for the Welsh Government to have greater flexibility to provide for exemptions by secondary legislation, to align to policy priorities?

**Question 10**

What is your view on the proposal to give local authorities greater flexibility to award retrospective discretionary relief?

**Questions about varying the multiplier****Question 11**

What is your view on proposals to provide the Welsh Government with the ability to vary the multiplier for properties of different use, rateable value and geographical location, to align to policy priorities?

**Question 12**

Do you have any other suggestions for parameters that could be considered in varying the multiplier?

**Questions about improvements to valuation and rating list administration****Question 13**

Do you have any views on proposals to ensure that changes in economic factors, market conditions or changes in the general level of rents are addressed through more frequent revaluations, rather than as material changes of circumstances between revaluations?

**Question 14**

Do you think the proposed changes to completion notice procedures will help to ensure all relevant properties are listed for NDR in a timely manner?

**Question 15**

Do you have any views on proposals to improve administration of the central rating list?

**Question 16**

Do you have any views on proposals for a general anti-avoidance rule for NDR in principle?

**Question 17**

Do you think local authorities should have more powers to enable them to counteract NDR avoidance effectively?

**Questions about other approaches to raising local taxes****Question 18**

What are your views on taking an alternative approach, such as a local land value tax, to raising local taxes, over the longer-term?

## **Questions about other aspects of NDR reform**

### **Question 19**

We have asked a number of specific questions about the reform of NDR. If you have any related points which we have not specifically addressed or if you wish to comment on other aspects of NDR reform, please use this space to record your comments.

## **Questions about the Welsh language**

'A Wales of vibrant culture and thriving Welsh language' is one of seven well-being goals in the Well-being of Future Generations (Wales) Act 2015. The Welsh Government recognises the importance of Welsh-medium education, and is working towards the aim of a million Welsh speakers by 2050.

Comments are invited about the effects (whether positive or adverse) which our proposals for NDR reform may have on opportunities for persons to use the Welsh language and on treating the Welsh language no less favourably than the English language.

### **Question 20**

The Welsh Government would like your views on the effects these proposals would have on the Welsh language, specifically on:

1. opportunities for people to use Welsh; and
2. on treating the Welsh language no less favourably than English.

### **Question 21**

Please also explain how you believe the proposals could be formulated or changed so as to have:

1. positive effects or increased positive effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language; and
2. no adverse effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.

## **Next steps**

This consultation will be open for 12 weeks. Following the end of the consultation, the responses will be considered and next steps confirmed in due course.