# WRITTEN STATEMENT

# BY

# THE WELSH GOVERNMENT

|  |  |
| --- | --- |
| **TITLE**  | **Tackling fraud and avoidance of non-domestic rates in Wales** |
| **DATE**  | **16 October 2018** |
| **BY**  | **Mark Drakeford AM, Cabinet Secretary for Finance** |

In *Taking Wales Forward*, we set out our intention to create the conditions businesses and communities need to thrive. Non-domestic rates raise more than £1bn every year in Wales and help to fund the public services, which people and communities rely on.

We believe that non-domestic rates should be collected as effectively and as fairly as possible.

The overwhelming majority of ratepayers pay what is owed in full and on time – only a small minority avoid paying their fair share. Avoidance of non-domestic rates is to the detriment of local services, the wider community and other ratepayers. Evidence suggested between £10m and £20m of non-domestic rates revenue is lost every year as a result of avoidance – this is revenue, which could be making a valuable contribution to public services. Some methods of avoidance are very sophisticated in nature.

We consulted on a range of ideas to help tackle avoidance of non-domestic rates, earlier this year. Responses were received from a range of ratepayers, industry representatives and local authorities and the summary is being published today on the Welsh Government website.

https://beta.gov.wales/tackling-avoidance-non-domestic-rates-wales

I am today setting out the way forward, which will reduce the opportunities for rates avoidance and help organisations to investigate and challenge cases more effectively. These measures include:

* Exploring a new legal obligation on ratepayers to notify their local authority of a change in circumstances which would affect their rates bills;
* A new legal power for local authorities to request information from ratepayers and third parties to aid authorities in discharging the billing and collection function;
* A new legal power for local authorities to enter and inspect non-domestic properties (hereditaments) to verify information relevant to the billing function;
* Changes to the arrangements for empty property relief. This will include lengthening the period of temporary occupation, which leads to repeated cycles of relief, from 42 days to six months. We will also remove zero-rating on empty properties that when next in use it appears they may be used for a charitable purpose. We will provide local authorities with local discretion to grant zero‑rating in genuine cases where a charity needs to own or lease an empty building and not make use of it;
* Working with local authorities to publish a list of ratepayers in receipt of rates relief, subject to a list complying with General Data Protection Regulation;
* Working with local authorities to develop a share-gain approach – this will enable those local authorities which make efforts to maximise compliance to keep a percentage of the additional revenue collected, rather than it being paid into the central pool for redistribution.

Some of these measures will be included in the forthcoming Local Government and Elections (Wales) Bill 2019 and some will be delivered by amendments to the Non‑Domestic Rating (Unoccupied Property) (Wales) Regulations 2008. They will come into force from 1 April 2021, aligned with the implementation of the next rating list and revaluation exercise. This provides time for the Welsh Government to raise awareness of the changes with ratepayers and for local authorities and other bodies to prepare for the changes.

I have considered the issue of falsely claiming charitable status for the purpose of avoiding rates and other liabilities. These ratepayers are not genuine charities but are seeking to use charitable status to avoid paying rates. I have listened to the concerns of the sector and do not, at this stage, propose making any changes to the arrangements for mandatory and discretionary charitable relief in this context. However, I will work with local authorities, the third sector and the Charity Commission to explore what can be done to reduce the abuse of charitable status.

Over a longer timeframe, we will further develop proposals for a general anti-avoidance rule (GAAR) for non-domestic rates, which will require separate legislative provision – a similar provision exists for land transaction tax in the Land Transaction Tax and Anti-Avoidance of Devolved Taxes (Wales) Act. This will ensure the relevant authorities can challenge behaviour as avoidance methods adapt to future circumstances.

On issues outside the Welsh Government’s legislative competence, such as abuse of insolvency law, phoenix trading, business registration and charitable status, I will work closely with the relevant agencies and UK Government departments to bring about improvements.

This statement demonstrates my commitment to supporting the overwhelming majority of businesses in Wales which act with honesty and integrity in arranging their local tax affairs. It cannot be right that the efforts of the considerable majority, to abide by the rules and pay their dues, are undercut by a small minority intent on exploiting or abusing the system.