

## Consultation on proposals for non-domestic rates differential multipliers

### Response by the Chartered Institute of Taxation

#### 1. About us

- 1.1. The CIOT is an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it – taxpayers, their advisers and the authorities. Our comments and recommendations on tax issues are made solely in order to achieve this aim; we are a non-party-political organisation.
- 1.2. The CIOT's work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.
- 1.3. The CIOT draws on our members' experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries.
- 1.4. Our members have the practising title of 'Chartered Tax Adviser' and the designatory letters 'CTA', to represent the leading tax qualification.
- 1.5. The CIOT's Business Rates Working Group consists of rating specialists and tax advisers including members in industry.

#### 2. Introduction

- 2.1. Currently, a single uniform multiplier is applied to all non-domestic properties in Wales, regardless of size or use.<sup>1</sup> The Welsh government is seeking views on proposals to introduce differential multipliers from 1 April 2026 using regulatory powers under the Local Government Finance (Wales) Act 2024. The proposals are for:

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<sup>1</sup> Differential multipliers apply in England, Scotland and Northern Ireland.

- a reduced retail multiplier for properties with a rateable value below £51,000 and which are identified as shops, kiosks or post offices by their description in the rating list;
- a higher multiplier on properties with a rateable value above £100,000 excluding specific properties occupied by the public sector based on their description in the rating list (such as hospitals, surgeries, colleges, libraries, courts, prisons, crematoria) to offset the revenue foregone by the lower retail multiplier.

2.2. The consultation notes that about 13,000 retail properties not currently receiving Small Business Rate Relief could benefit from the reduced rate. The higher rate would affect about 3,200 properties.

2.3. The policy aim is to address ‘the unique challenges faced by ‘bricks and mortar’ shops, not least through their exposure to competition from online retailers.’ The consultation paper notes that other options such as an online sales tax are outside the scope of devolved powers.

2.4. We do not generally comment on rates of tax (multipliers) as these are largely matters for government. We have not therefore commented on questions 1 or 3. However we comment on the proposed definitions and any potential unintended consequences at questions 2 and 4. Questions 5 and 6 concern the likely effect on the Welsh language; these questions are outside our remit.

2.5. Our stated objective for the tax systems include:

- A legislative process that translates policy intentions into statute accurately and effectively, without unintended consequences.
- Greater simplicity and clarity, so people can understand how much tax they should be paying and why.
- Greater certainty, so businesses and individuals can plan ahead with confidence.
- A fair balance between the powers of tax collectors and the rights of taxpayers (both represented and unrepresented).
- Responsive and competent tax administration, with a minimum of bureaucracy.

2.6. The Welsh government’s core tax principles are:

Welsh taxes should:

- raise revenue to fund public services as fairly as possible.
- deliver Welsh Government policy objectives.
- be clear, stable and simple.
- be developed through collaboration and involvement
- contribute directly to the Well-Being of Future Generations Act 2015 goal of creating a more equal Wales

3. **Question 2: Do you think the proposed definition for a retail multiplier would align with the policy intent?**  
**Question 4: Do you think the proposed definition for a higher multiplier would align with the policy intent?**

- 3.1. We recognise that a permanent lower multiplier for smaller retail properties ends uncertainty about what future level of relief may be available to the sector annually through temporary reliefs<sup>2</sup>. Temporary reliefs, even if often extended or repeated in a slightly different form, are not stable or certain. However uncertainty remains because the consultation does not specify the new multiplier rates. In order to help businesses budget accurately and to add certainty, we suggest the Welsh government might consider setting parameters for the lower and higher multipliers. The UK government has set parameters for the further lower and higher multipliers in England<sup>3</sup>. These are helpful in providing some certainty, clarity and stability.
- 3.2. However, adding two new multipliers also has further clear disadvantages.
- 3.3. Additional multipliers in part based on property use for the first time will add complexity to the business rates system for ratepayers and for local government in terms of valuation points and property use. Multiple rates make the system more difficult to understand for ratepayers. Billing authorities will need to attribute the new multipliers to relevant assessments in 2026/27 based on VOA descriptions. Where the descriptions are inaccurate, or in dispute, or valuations are close to a threshold, there is potential for an increase in appeals by ratepayers.
- 3.4. New multipliers based on rateable value thresholds also add new cliff edges to the current system. Cliff edges tend to give rise to disproportionate adverse and unintended consequences, potentially including:
- Added complexity because businesses need to consider the cliff edge thresholds;
  - Distorting economic and investment decisions at the margins;
  - A risk of avoidance in the form of artificial suppression of rateable value because of the large increase in the amount of tax payable as soon as the rateable value exceeds a threshold by as little as £1.
- 3.5. The higher multiplier for properties with a rateable value in excess of £100,000 is intended to fund the reduction in revenue from the new lower multiplier. The exclusion of specific property types occupied by public sector bodies makes sense in that the 'base' available to fund the lower multiplier is not potentially inflated by including occupiers that are publicly funded. We suggest consideration might be given to evaluating the administrative and transparency benefits of removing public buildings from the rating system altogether.
- 3.6. There is no mention of a mechanism for uprating the thresholds as rateable values increase. Static thresholds will bring properties above thresholds and subject to higher multipliers through 'fiscal drag' as rateable values increase. A commitment to review the thresholds at the point of revaluation, particularly if the new multiplier for rateable value of £100,000 or above is recording a surplus, would appear consistent with the Welsh government's tax principles.
- 3.7. The consultation does not mention any mechanism for evaluating the effect of the proposed new multipliers to ensure they achieve the policy intent. We think that it will be necessary to monitor the behavioural effects against the policy intent to ensure there are no unintended consequences such as discouraging anchor tenants in the high street. Is there any comparative analysis, for example from Scotland<sup>4</sup>, of the potential effect of the

<sup>2</sup> In 2025/26 under the Retail, Leisure and Hospitality Rates Relief scheme businesses are eligible for 40% relief capped at £110,000 per business across Wales.

<sup>3</sup> The large property multiplier cannot exceed the standard multiplier by more than 10p. The RHL multipliers cannot be more than 20p lower than the small business multiplier. [Non-Domestic Rating \(Multipliers and Private Schools\) Act 2025](#) amending the Local Government Finance Act 1988 Schedule 7 Part A1

<sup>4</sup> In Scotland there are three multipliers for properties with RV of up to £50,000, properties with RV £50,001 - £100,000 and properties with RV of over £100,000.

higher multiplier for properties with rateable value between £100,000 to £500,000? Will an impact assessment be produced for this measure?

- 3.8. The consultation estimates 13,000 properties will benefit from the reduced retail multiplier. This number is stated to be in addition to the 50,000 properties that attract full relief. It is therefore understood that full and tapered Small Business Rates Relief will remain in place. Please could this be confirmed.

**4. Acknowledgement of submission**

- 4.1. We would be grateful if you could acknowledge safe receipt of this submission, and ensure that the Chartered Institute of Taxation is included in the List of Respondents when any outcome of the consultation is published.

The Chartered Institute of Taxation

11 August 2025