

Delivering a Tax Cut for Small Businesses and a new Small Business Rate Relief Scheme for Wales

Response from CAMRA, the Campaign for Real Ale

13th October 2017



**CAMPAIGN
FOR
REAL ALE**

1. Executive summary

1.1. Thank you for the opportunity to respond to this consultation. CAMRA, the Campaign for Real Ale, is a UK-wide consumer group with more than 4,500 members in Wales and acts as the independent voice for real ale drinkers and pub goers. Our vision is to have quality real ale and thriving pubs in every community.

1.2. Small Business Rate Relief is vital to many pubs across Wales, which are small businesses burdened with other taxes such as VAT, beer duty, employment taxes and other pub-specific regulatory costs. Pubs are also vital community facilities which contribute positively to society and culture in Wales.

1.3. CAMRA welcomes the efforts by the Welsh Government to improve the Small Business Rate Relief Scheme, and is calling for the following improvements to help support pubs across Wales:

- Not to take forward the proposal to introduce a new business rates multiplier as this would result in further increases in bills for pubs with rateable values above the threshold, who already have large rates bills.
- Take forward Option 3 as the preferred approach for the new Small Business Rate Relief Scheme, to allow a maximum number of pubs to benefit from rate relief.

1.4. Additionally, CAMRA is calling on the Welsh Government to consider the following measures to rectify the inadequacies of the business rates system which have been further exacerbated by the recent business rates revaluation:

- Conduct a root and branch review of the business rates system.
- Introduce a permanent pub-specific rate relief to prevent the avoidable loss of community pubs until this review can be carried out.

2. The value of pubs to society

2.1. Pubs play an essential role in bringing communities together and supporting personal wellbeing, and they are also a key contributor to the Welsh economy. The beer and pub sector in Wales supports 45,057 jobs and contributes £836 million to the economy annually.

2.2. Pubs are also vital community assets, especially in rural areas. The sense of community which pubs provide is vital in preventing social isolation. Research by the Campaign to End Loneliness found that 52% of over 65s surveyed stated that having someone to sit with helped to ease feelings of loneliness, while 35% said that eating with someone helped.

2.3. CAMRA maintains that pubs are the best environment in which to drink alcohol, as both the sale and consumption of alcohol is supervised in a social setting. The 'Friends on Tap' Report commissioned by CAMRA from Oxford University and found that people who identify as having a 'local' pub have more close friends and feel more engaged with their



local community. The report recommends that Government should consider extending business rate reliefs to more pubs to help reduce their costs.

3. Alignment with Welsh Government strategy

3.1. The contribution of pubs to the wellbeing of society has been outlined above, and this community value means that supporting pubs through favourable taxation regimes aligns with the Welsh Government's wellbeing goals as set out in the Wellbeing of Future Generations Act 2015 and, in particular, the goals to deliver a healthier Wales and a Wales of cohesive communities.

3.2. 'Taking Wales Forward' also recognises the importance of pubs as community assets and pledges to:

"Work with communities to protect local facilities that bring people together, including pubs, libraries, museums, arts centres and leisure centres"

3.3. Welsh planning policy also supports the retention of pubs due to their community value. However in order for the protections within the planning system to work, pubs must be supported through economic policy to keep them open and trading. Therefore the extension of rate relief to more pubs will further the aims of planning policy by helping to keep pubs viable and delivering the associated benefits to communities.

3.4. To support the delivery of these wider Welsh Government objectives, as noted as a parameter in paragraph 3.12 of the consultation document, CAMRA would welcome the consideration of a pub-specific rate relief in Wales as part of this ongoing review of business rates in Wales.

4. Impact of the business rates revaluation

4.1. The recent business rates revaluation has had a devastating impact on a number of valued community pubs in Wales.

4.2. While CAMRA recognises that the revaluation has resulted in reduced rateable values or no change for the majority of pubs (and recent efforts made by the Welsh Government to reduce the impact of the revaluation through transitional relief and high street relief), three in ten pubs have experienced an increase in their business rates and the sector as a whole is still unfairly taxed.

4.3. Furthermore, as outlined above, the benefit that pubs provide to local communities, and the alignment of this benefit with the objectives of the Welsh Government present a case to ensure that relief is provided to as many pubs as possible.

4.4. Case study

- 4.4.1. Jon Bassett runs a small pub company of five pubs based in Newport and Cardiff.

"In Newport Town Centre where we have two pubs we were performing very well until the opening of Friars Walk shopping centre in Nov 2015. This has had a drastic effect on both of our pubs. Then in April 2017 we had a mind boggling 83% increase in business rates in the two sites meaning an additional £20k per annum. Prior to that we were breaking even now we are relying on our other businesses to support our Newport sites which in turn could jeopardise our whole business which employs approximately 100 people.

We have a crazy situation where we have a pub next door which takes around the same us and pays no rates where we pay £400 a week. I believe we should both be paying nothing.

There is another pub which probably takes twice as much as our pub and pays £200 in comparison to our £400 per week. Then there is another pub that probably takes at least three times more than ours that the valuer somehow believes takes the same as ours. Added to this of course is Sky & BT costs which although are currently linked to the 2010 valuation also put a massive strain on us.

These costs are not sustainable and if it goes pop there won't be any going back. The Government need to listen and act now!"

5. **Options for a new permanent SBRR scheme in Wales from 2018**

5.1. Split level multipliers

- 5.1.1. The introduction of a higher multiplier for businesses with larger rateable values would have negative consequences for pubs that have been hit the hardest in the revaluation. This would result in further increases in bills for those whose rateable values have already increased by large amounts, and add further to the risk of pub closures - currently at two per week.

5.2. Treatment of larger businesses occupying multiple small properties

- 5.2.1. CAMRA accepts that State Aid limits may restrict the amount of relief that can be paid to larger companies.
- 5.2.2. CAMRA supports the retention where possible of the current system whereby relief is applied automatically by billing authorities without the need for applications.

5.3. Current and future exceptions

- 5.3.1. CAMRA is supportive of the current list of exceptions for the Small Business Rate Relief Scheme.

5.4. Providing more assistance to small businesses

5.4.1. CAMRA would like to see an approach that provides relief to as many ratepayers as possible. The vast majority of pubs in Wales are small businesses and should be able to benefit from some form of relief, in recognition of the important facility they provide for communities.

5.4.2. CAMRA would prefer to see Option 3 taken forward for the new Small Business Rate Relief Scheme - increasing the lower threshold to £8,000 and increasing the upper threshold to £13,000. This will extend the provision and level of relief to the most pubs possible within the parameters of the proposed options, and would have a minimal impact on the taper so that support would not be withdrawn at high levels for every £1 increase in rateable value.

6. **A permanent, pub-specific business rate relief**

6.1. CAMRA is calling on the Welsh Government to review the business rates system, as the impacts of the revaluation have exposed serious problems with the current valuation process and threatened the viability of many businesses.

6.2. A root and branch review of the business rates system is needed. An option for addressing this would be looking at how online sales are taxed. Business is increasingly being conducted online, a trend which shifts the business rates burden towards property based business, and specifically pubs.

6.3. While the transitional relief scheme and high street rate relief are providing welcome temporary relief to pubs, due to the unique and excessive tax burden placed upon pubs by the UK's taxation system, a permanent rate relief is needed in Wales, and should be introduced as soon as possible until a review of the system can be carried out.

7. **Contact**

7.1. For further information please contact CAMRA:

Ellen Hudspith, Policy & Research Officer - ellen.hudspith@camra.org.uk
Phone - 01727 337 851