



WELSH GOVERNMENT CONSULTATION

Charitable rates relief for schools and hospitals in Wales

Introduction

In Taking Wales Forward and Prosperity for All, the Welsh Government committed to working with local government to develop a fair local taxation system that sustains funding for vital local services.

There are a number of ways in which WG are delivering on this commitment within the non-domestic rates system, including through targeted reliefs and measures to tackle avoidance of non-domestic rates.

The Welsh Government is committed to working closely with local authorities to improve the administration of the non-domestic rates system. WG are working together to improve efficiency and support the sustainability of local government

The WG when announcing their Budget for 2019-20, set out the intention to consult on charitable relief for private sector schools and hospitals, with a view to ensuring they are treated on an equal footing with their public sector counterparts.

As with most non-domestic properties, the majority of public sector schools and hospitals are required to pay non-domestic rates. In doing so, they make an important contribution to the funding for local services.

However, some private sector schools and hospitals benefit from charitable relief from rates. These schools and hospitals are also entitled to a range of other financial benefits that come with charitable status. They may also act commercially and raise revenue through fees and charges. WG do not deny them any of these advantages but it is appropriate to consider whether some institutions should make a contribution to the cost of local services by paying rates on the properties they occupy, as other service providers are expected to do. This consultation asks for views on this.

Current situation

The current business rate proposals identify that some organisations pay business rates and some do not depending upon their charitable status (or not). Business rates are not assessed depending upon the benefit to the society or public benefit provision but on the basis of a contribution towards local authority costs.

The Welsh Government is attempting to find a more level playing field for the Hospital and School providers.



Proposals

The proposals are fairly clear from the response to questions (suggested answers set out below). The full paper can be found at <https://gov.wales/charitable-rates-relief-schools-and-hospitals-wales>

Questions with suggested answers

Below are the questions asked about the proposed changes with a suggested answer?

Q	Questions	Suggested answer
1	<p>Q1 What are your views on whether or not the following types of bodies should be eligible for charitable relief for?</p> <p>i. Independent and private schools</p> <p>ii. Maintained and public sector schools</p> <p>iii. Private hospitals</p> <p>iv. Public hospitals</p>	<p>The main principle that the Association would apply is that rate relief should apply to all public funded and not for profit services should be exempt from rates. Rates should be payable on those services run by the private sector for profit. Taking this principle the following would apply to each example:</p> <p>i. Independent and private schools Those who are set up as not for profit organisations should receive relief, those for profit should pay business rates.</p> <p>ii. Maintained and public sector schools Schools in this category should receive rate relief.</p> <p>iii. Private hospitals Those who are set up as not for profit organisations should receive relief, those for profit should pay business rates.</p> <p>iv. Public hospitals Hospitals in this category should receive rate relief.</p>
2	<p>In your view, should private schools and hospitals which operate for the public benefit receive charitable relief or not? Please give reasons for your response.</p>	<p>The main principle that the Association would apply is that rate relief should apply to all public funded and not for profit services should be exempt from rates.</p> <p>On this basis charitable relief should apply if it is a not for profit organisation.</p> <p>The reason is that paying rates for an organisation that does not make a profit is a great burden. Often they receive grant aid from government and then pay it back through business rates albeit to different government sector.</p>



3	What principles do you think should be used to define whether institutions are operating for public benefit?	The association holds the view that all hospitals, care homes and schools are operating for the public benefit even if they are an organisation that makes a profit.
4	Do you think the current eligibility criteria for charitable relief should be changed? If so, how?	<p>Yes.</p> <p>Those premises which have a hospital or school planning use should have a NIL rateable value for the purposes of business rates.</p> <p>A change of use away from these two uses would attract business rates at a comparable rateable value.</p>
5	Should there be different criteria for charitable relief for different types of institutions?	The Association is of the view that relief should apply to all not for profit organisations in both the hospital and school sectors.
6	In your view, should particular types of schools or hospitals remain eligible for relief or not? Please give reasons for your response.	<p>The main principle that the Association would apply is that rate relief should apply to all public funded and not for profit services should be exempt from rates.</p> <p>On this basis charitable relief should apply if it is a not for profit organisation.</p> <p>The reason is that paying rates for an organisation that does not make a profit is a great burden. Often they receive grant aid from government and then pay it back through business rates albeit to different government sector.</p>
7	<p>The Welsh Government would like your views on the possible effects that reforming charitable relief could have on the Welsh language, specifically on:</p> <ul style="list-style-type: none"> i) opportunities for people to use Welsh; and ii) on treating the Welsh language no less favourably than English. 	<p>The Association cannot see why any changes in relief should affect the provisions for Welsh Language.</p> <p>The Association does not see the relevance of this question in relation to business rates.</p>



8	<p>Please also explain how you think charitable relief could be developed so as to have:</p> <p>i. 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</p> <p>ii. 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.</p>	<p>It could be made a condition of gaining such business rate reliefs that the organisations support the Welsh Government Welsh Language Policy.</p>
9	<p>Do you have any other views on charitable relief in relation to Welsh language considerations?</p>	<p>No.</p>
10	<p>What are your views on the possible impacts of changes to charitable relief on Children's Rights?</p>	<p>The Association does not feel that rate relief programmes would have any effect on children's rights.</p> <p>The only impact by gaining business rate relief is the amount of money organisations may have to implement such matters.</p>
11	<p>What do you think the Welsh Government could do to address any impacts on Children's Rights that might arise?</p>	<p>The Association does not feel this is relevant to the subject in this consultation.</p> <p>The only impact by gaining business rate relief is the amount of money organisations may have to implement such matters.</p>
12	<p>Are there other steps which you think could be taken to improve the fairness of charitable relief?</p>	<p>Yes.</p> <p>The principle of business rate relief should be fairly implemented over all sectors.</p> <ul style="list-style-type: none"> i) All not for profit organisations which are not for profit should not pay business rates and this should include Town and Community Councils. ii) Charities should only benefit from business rate relief if they do not compete with shops that do not have such relief (ie the sale of new goods). iii) There needs to be an urgent review of business rates over all properties which are fairer to all.



	<p>Continued...</p> <p>The Association recognises that giving more rate relief means less income from business rates. There must be another revenue stream that can be found to cover any shortfall.</p> <p>The current system of business rates based upon a rateable value which in turn is based upon rentable values is not fair or equitable with the retail sector taking the brunt each time when the services provided are often more onerous on other uses.</p> <p>One parameter which needs to be considered is if schools are offering bursaries and how this might be factored in.</p> <p>Any re-organisation of business rates for the hospital/school sector should take into account that there may also be a need for a re-alignment over other commercial sectors.</p>
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