

## **Explanatory Memorandum to the Non-Domestic Rating (Description of Differential Multipliers) (Wales) Regulations 2025**

This Explanatory Memorandum has been prepared by the Non-Domestic Rates Policy and Reform Division and is laid before Senedd Cymru in conjunction with the above subordinate legislation and in accordance with Standing Order 27.1.

### **Cabinet Secretary's Declaration**

In my view, this Explanatory Memorandum gives a fair and reasonable view of the expected impact of the Non-Domestic Rating (Description of Differential Multipliers) (Wales) Regulations 2025. I am satisfied that the benefits justify the likely costs.

**Mark Drakeford MS**  
**Cabinet Secretary for Finance and Welsh Language**  
**7 October 2025**

## **PART 1: EXPLANATORY MEMORANDUM**

### **Description**

1. The Non-Domestic Rating (Description of Differential Multipliers) (Wales) Regulations 2025 (“the Regulations”) specify the descriptions of hereditaments (units of property with a rating assessment) within the non-domestic rates tax-base to which differential multipliers will apply from 1 April 2026. The Regulations enable a lower retail multiplier for specified descriptions of hereditaments with a rateable value of less than £51,000 and a higher multiplier for hereditaments with a rateable value of more than £100,000 (subject to some exclusions) to be given effect.

### **Matters of special interest to the Legislation, Justice and Constitution Committee**

2. None.

### **Legislative background**

3. Schedule 7 to the Local Government Finance Act 1988 (“the 1988 Act”) makes provision about non-domestic rating multipliers. Subject to paragraph A16(4)(a) and (c) of Schedule 7, paragraph A16(1), and (5) of that schedule enable the Welsh Ministers to make regulations prescribing differential multipliers based on the rateable value of hereditaments on a local or central rating list, and the description of hereditaments on a local list.
4. In accordance with section 143A(5)(m) of the 1988 Act, the Regulations are subject to the draft affirmative procedure.

### **Purpose and intended effect of the legislation**

5. The purpose of the Regulations is to specify the hereditaments within the non-domestic rates tax-base which will be subject to a lower retail or higher multiplier. A lower retail multiplier is intended to enable the non-domestic rates system to be re-balanced in favour of small to medium sized shops, recognising the unique challenges they face, not least through their exposure to competition from online retailers. A higher multiplier is intended to enable a modest amount of additional revenue to be levied on high value hereditaments, to help offset that which would be forgone through the retail multiplier.
6. The Regulations give effect to the descriptions of retail and higher multipliers, but do not prescribe the values of those multipliers. Separate regulations made under paragraph A16(3) of Schedule 7 to the 1988 Act prescribe the values of those multipliers.
7. Regulation 3 specifies the hereditaments on a local rating list to which the retail multiplier will apply, by reference to their rateable value (below £51,000) and description (covering shops, kiosks, post offices and pharmacies). The specified descriptions have been selected because they are applied to target

hereditament types which are wholly or mainly used for the sale of goods to visiting members of the public. These descriptions cover nearly 95% of all retail shops, but intentionally exclude large shops, department stores, hypermarkets and superstores. Descriptions of hereditaments which are wholly or mainly used for the sale of services (e.g. banks, betting shops and salons) or food and drink for consumption on the premises (e.g. cafes, pubs and restaurants) are also intentionally excluded.

8. Regulation 4 specifies the hereditaments on a local rating list to which the higher multiplier will apply, by reference to their rateable value (above £100,000). Hereditaments with a description specified in regulation 4 are excluded from the application of the higher multiplier. The specified descriptions have been selected because they relate to hereditaments primarily occupied by public sector bodies or other institutions which are largely sustained by public funding models. It is not possible to exclude more generic hereditament types (e.g. offices) where they are occupied by public services, based on their descriptions in a rating list.
9. Regulation 5 specifies the rateable value (above £100,000) shown on the central rating list to which the higher multiplier will apply. The central rating list does not contain any hereditaments of the types intended for exclusion from the application of the higher multiplier.

## **Consultation**

10. A [consultation](#) on proposals to introduce differential multipliers took place from 21 May to 12 August 2025. The consultation received 172 responses from a range of stakeholders, including businesses, individuals, local authorities, sector representatives, professional bodies, rating agents and academics. A [summary of responses](#) was published on 7 October 2025.

## PART 2: REGULATORY IMPACT ASSESSMENT

### Options

11. This Regulatory Impact Assessment (“RIA”) presents three options in relation to defining differential multipliers. The options considered are as follows:

- **Option 1 – Retain a standard multiplier only (do nothing).** This option would retain a single standard multiplier applicable to all hereditaments and not prescribe any differential multipliers. No legislation would be required.
- **Option 2 – Legislate to define a retail multiplier.** This option would enable a lower retail multiplier to be introduced, alongside the existing standard multiplier.
- **Option 3 – Legislate to define a retail multiplier and a higher multiplier (make the Regulations).** This option would enable a lower retail multiplier and a higher multiplier to be introduced, alongside the existing standard multiplier.

### Costs and benefits

#### **Option 1 – Retain a standard multiplier only (do nothing)**

12. There are no costs associated with option 1. A single multiplier would continue to apply to the whole tax-base. This would ensure clarity for ratepayers (as all hereditaments would be subject to the same multiplier) and avoid adding complexity to the non-domestic rates system.

13. Doing nothing would represent an opportunity cost, in not delivering the Welsh Government’s policy objective to re-balance the non-domestic rates system in favour of small to medium sized retail shops. This would do nothing to address the impact of the unique challenges faced by ‘bricks and mortar’ retail shops, through their exposure to competition from online retailers.

14. The total space required by retail shops within the non-domestic rates tax-base is large, but each property serves a localised market. In contrast, online retailers have a relatively modest, efficient and low-cost physical footprint, in the context of the national or international scale and reach of their business. This imbalance would not be addressed.

#### **Option 2 – Legislate to define a retail multiplier**

15. There are no direct costs or benefits associated with option 2 until later decisions are taken about the setting of all multipliers. This option would enable the introduction of a lower retail multiplier for small to medium sized retailers. It is estimated that ratepayers for around 13,000 hereditaments would benefit from the lower retail multiplier.

16. The value of that benefit will depend on the level at which the lower retail multiplier is set relative to the standard multiplier, to achieve the primary positive impact of reduced non-domestic rates liabilities for small to medium sized retailers, in line with the intention to re-balance the system. This will enable savings for eligible retailers, which may help reduce pressures from financial overheads, meet other costs and enable investment in their business, supporting the ongoing viability and sustainability of the sector.
17. The introduction of a lower retail multiplier may also enable wider indirect positive economic impacts of the policy. The maintenance of a viable retail sector will help to sustain the local economies and employment opportunities it supports. Other sectors of the high street economy would also be expected to benefit indirectly, through the visitor footfall supported by the retail sector.
18. There may also be positive impacts for some disadvantaged areas and people, including those affected by digital exclusion, who are particularly reliant on access to local shops. In Wales, 7% of adults are not online, which is higher than the UK average and disproportionately affects certain groups (older people, disabled people, people with long-term health conditions, people with lower educational attainment and socio-economic disadvantage, rural communities and people who do not use English as their first language).
19. Only defining a lower retail multiplier would limit the future options available to give effect to it in a revenue neutral manner, compared with option 3. Unless additional funding was available, the revenue forgone through a lower retail multiplier could only be offset by setting the standard multiplier for the remainder of the tax-base at a marginally higher level than would otherwise occur. This would be the primary negative impact of this option, although a marginal supplement on the standard multiplier would be sufficient to support a lower retail multiplier.
20. The scale of benefit to ratepayers subject to the lower retail multiplier and associated additional cost to ratepayers subject to the standard multiplier would depend on the levels at which both multipliers are set. This would be subject to future decisions and regulations to prescribe the values of both multipliers.
21. There may be modest administrative costs for local authorities to implement differential multipliers, as part of their responsibility for the administration of non-domestic rates (e.g. billing software updates). Enabling a lower retail multiplier only, resulting in two multipliers, would minimise the increased complexity within the non-domestic rates system compared with option 3.
22. As a lower retail multiplier would be applied based on the rateable values and descriptions of hereditaments in a rating list, some ratepayers who do not benefit may propose that the Valuation Office Agency ("VOA") alters the rating list so that they become eligible. If the VOA decides not to alter the list, the ratepayer may appeal to the Valuation Tribunal for Wales ("VTW"). There are existing routes of appeal with associated administrative costs for the VOA and VTW. There is a possibility that appeals may increase, but precise volumes are

not possible to predict and are expected to remain within the bounds of existing annual variations overall. The VTW and the work of the VOA in relation to Wales are funded by the Welsh Government and any costs would not be expected to impact existing budgets.

***Option 3 – Legislate to define a retail multiplier and a higher multiplier (make the Regulations)***

23. There are no direct costs or benefits associated with option 3 until later decisions are taken about the setting of all multipliers. The positive impacts enabled by the introduction of a lower retail multiplier would be the same as for option 2. In addition, ratepayers for around 3,200 hereditaments would be subject to higher multiplier. This would enable ratepayers subject to the standard multiplier to benefit from modestly lower liabilities than they would otherwise incur under option 2.
24. Defining a higher multiplier would leave open the future option to give effect to the lower retail multiplier in a revenue neutral manner, while reducing or eliminating any impact on the level of the standard multiplier. The primary negative impact of this option would be non-domestic rates liabilities which are marginally higher than they otherwise would be for hereditaments subject to the higher multiplier, compared with option 2, to offset the revenue foregone through the lower retail multiplier. It is anticipated that a marginal supplement on the higher multiplier would be sufficient to support a lower retail multiplier.
25. The scale of benefit to ratepayers subject to the lower retail multiplier and associated additional costs to ratepayers subject to the higher multiplier would depend on the levels at which a lower retail and a higher multiplier are set. This would be subject to future decisions and regulations to prescribe the values of the three multipliers.
26. The potential administrative impacts for billing authorities, the VOA and the VTW would be similar to option 2 (although additional appeals could arise in respect of hereditaments subject to a higher multiplier). In providing for two additional multipliers, resulting in three in total, the additional complexity in the non-domestic rates system would be increased.

**Option selection**

27. Option 1 would not deliver on the Welsh Government's policy intent to rebalance the non-domestic rates system in favour of small to medium sized retailers. Either of options 2 or 3 could enable the policy objective to be achieved in a revenue neutral manner. While the standard multiplier could be adjusted to offset the revenue foregone through the lower retail multiplier under option 2, the opportunity for some or all of that revenue to be raised from a higher multiplier would be enabled by option 3.
28. Option 3 is, therefore, the preferred option. It reflects the approach announced by the Welsh Government on 7 October 2025. Decisions on the setting of the

multipliers will be taken as part of the Welsh Government's budget setting for 2026-27 and a further RIA will accompany the related regulations.

## Duties

29. **Well-being of Future Generations (Wales) Act 2015.** Supporting a strong retail sector, which is integral to vibrant and sustainable high streets and town centres, will contribute towards the wellbeing goal of a prosperous Wales. The benefits for disadvantaged areas and people, through sustained access to local shops, will also contribute to the well-being goals of a more equal Wales and a Wales of cohesive communities.
30. **UNCRC.** No particular impact on the rights of children has been identified.
31. **Welsh language.** No effect on the opportunities to use the Welsh language or the equal treatment of the language has been identified.
32. **Equalities.** There may be positive impacts for some disadvantaged areas and people, including those affected by digital exclusion who are particularly reliant on access to local shops. In Wales, 7% of adults are not online, which is higher than the UK average and disproportionately affects certain groups with protected characteristics (as determined by the Equality Act 2010). These include, older people, disabled people, people with long-term health conditions, people with lower educational attainment and socio-economic disadvantage, rural communities and people who do not use English as their first language.
33. **Voluntary sector.** Occupiers of non-domestic hereditaments in the voluntary sector are subject to non-domestic rates. The Welsh Government provides mandatory 80% charitable relief, which may be topped up by the local authority. Around 800 charity shops will benefit from the lower retail multiplier, whilst around 250 hereditaments occupied by charities will be subject to the higher multiplier. The scale of impact will depend on the levels at which multipliers are set and will be limited by the continued provision of charitable relief.
34. **Justice.** Differential multipliers will be applied based on the rateable value of a hereditament and its description on the non-domestic rating list. Both aspects are determined by the independent VOA and have an established right of appeal. There is possibility that appeals may increase, but precise volumes are not possible to predict and are expected to remain within the bounds of existing annual variations overall. The Welsh Government will monitor volumes of appeals working with the VOA and the VTW.
35. **Competition assessment.** A competition filter test has been applied to the Regulations. The Regulations are unlikely to have a significant detrimental effect on competition.
36. **Post-implementation review.** Data on non-domestic rates will continue to be received from local authorities and the VOA on an annual basis. This will enable the Welsh Government to monitor the number of hereditaments subject

to either the lower retail multiplier or the higher multiplier, as well as their contribution to overall non-domestic rates revenue. This information will be used to inform the maintenance of differential multipliers, as part of the annual setting of all multipliers.