

Explanatory Memorandum to the Non-Domestic Rating (Value of Differential Multipliers) (Wales) Regulations 2026

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 (Value of Differential Multipliers) (Wales) Regulations 2026. I am satisfied that the benefits justify the likely costs.

Mark Drakeford MS
Cabinet Secretary for Finance and Welsh Language
20 January 2026

PART 1: EXPLANATORY MEMORANDUM

Description

1. The Non-Domestic Rating (Value of Differential Multipliers) (Wales) Regulations 2026 (the Regulations) prescribe the values of the differential multipliers applicable to relevant non-domestic hereditaments (units of property with a rating assessment) in Wales from 1 April 2026. The Regulations specify numbers used to calculate the retail multiplier and the higher multiplier, as a proportion of the standard multiplier (the calculation of which is not affected by the Regulations).

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

2. None.

Legislative background

3. Part A2 of Schedule 7 to the Local Government Finance Act 1988 (“the 1988 Act”) makes provision about non-domestic rating multipliers in Wales. Paragraph A16 of Schedule 7 enables 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. The Non-Domestic Rating (Description of Differential Multipliers) (Wales) Regulations 2025 (the 2025 Regulations) enable a retail multiplier and a higher multiplier to be given effect, by specifying the hereditaments to which they will apply from 1 April 2026.
4. Paragraph A16(1) of Schedule 7 prescribes the formula $M \times N$ for the calculation of differential multipliers, where “M” is the non-domestic rating multiplier calculated for the chargeable financial year under paragraph A14 or A15 of Schedule 7 (the standard multiplier) and “N” is a number prescribed by the Welsh Ministers in regulations. As 2026-27 is a revaluation year, the standard multiplier has been calculated under paragraph A14 of Schedule 7.
5. In accordance with section 143A(5)(m) of the 1988 Act, the Regulations are subject to the Senedd approval procedure.

Purpose and intended effect of the legislation

6. The Regulations give effect to the differential multipliers enabled by the 2025 Regulations, by specifying the values of “N” used to calculate the retail and higher multipliers as a proportion of the standard multiplier for a chargeable financial year. The standard multiplier (“M”) of 0.502 calculated for 2026-27 is not affected by the Regulations.
7. For the purpose of calculating the retail multiplier (described by regulation 3 of the 2025 Regulations), “N” is specified as 0.697. This has the effect of setting

the retail multiplier 30.3% below the standard multiplier. For the 2026-27 chargeable financial year, the resulting retail multiplier is 0.350 (0.502×0.697).

8. For the purpose of calculating the higher multiplier (described by regulations 4 and 5 of the 2025 Regulations), “N” is specified as 1.026. This has the effect of setting the higher multiplier 2.6% above the standard multiplier. For the 2026-27 chargeable financial year, the resulting higher multiplier is 0.515 (0.502×1.026).
9. The Regulations apply to the calculation of differential multipliers for chargeable financial years beginning on or after 1 April 2026.

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 multiplier applicable to all hereditaments and not give effect to the retail or higher multipliers which have been enabled. No legislation would be required.
- **Option 2 – Legislate to give effect to the retail multiplier.** This option would give effect to a lower retail multiplier and adjust the calculation of the standard multiplier to offset the foregone revenue.
- **Option 3 – Legislate to give effect to the retail and higher multipliers (make the Regulations).** This option would give effect to a lower retail multiplier and a higher multiplier without any adjustment to the standard multiplier.

12. An RIA setting out the qualitative costs and benefits of these options was [published](#) in respect of the 2025 Regulations. This RIA builds on the previous assessment by exemplifying the quantitative costs and benefits.

Costs and benefits

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

13. There are no costs associated with option 1, which is the baseline scenario. A single multiplier would continue to apply to all hereditaments in the tax-base, calculated as 0.502 for 2026-27.

14. While this would avoid adding complexity to the non-domestic rates system, it would also be likely to cause confusion among stakeholders, as announcements and enabling steps related to options 2 or 3 have already been made. Small to medium sized retailers would not benefit from the policy approach previously confirmed following consultation.

Option 2 – Legislate to give effect to a retail multiplier

15. This option would give effect to a lower retail multiplier for small to medium sized retailers. It is estimated that ratepayers for around 14,500 hereditaments would benefit from the lower retail multiplier.

16. The lower retail multiplier would be set at a value of 0.350. As the higher multiplier would not be given effect under this option, it would instead be necessary to adjust the standard multiplier from its default value of 0.502 to 0.510. This would ensure that the introduction of the retail multiplier does not reduce total non-domestic rates revenue for local public services.

17. Hereditaments subject to the retail multiplier would attract liabilities 30.3% lower than they would be under option 1. The value of the financial benefit to an individual ratepayer would be proportionate to their liability, based on the rateable value of the hereditament and whether they are eligible for any reliefs. For example, the benefit in 2026-27 would be £7,600 for a hereditament with a rateable value of £50,000 which is not subject to any reliefs.

$$\text{Option 1: } £50,000 \times 0.502 = £25,100$$

$$\text{Option 2: } £50,000 \times 0.350 = £17,500$$

$$\text{Benefit: } £25,100 - £17,500 = £7,600$$

18. This benefit would be lower for hereditaments which are smaller (by value) or attract reliefs. Some ratepayers will occupy more than one eligible hereditament. The estimated total value to all beneficiaries would be approximately £20m in 2026-27.
19. The estimated number of hereditaments which would be subject to benefits of different amounts are summarised below (Table 1). These estimates are based on the difference in liability between the retail multiplier and the standard multiplier which would otherwise apply under option 1. To enable these estimates, some broad assumptions have been made about eligibility for Small Business Rates Relief and Charitable Relief.

Table 1: Estimated benefits to ratepayers on the retail multiplier

Liability reductions due to retail multiplier	Number of hereditaments
<£500	4,500
£500 - £999	2,800
£1,000 - £1,999	3,100
£2,000 - £2,999	2,100
£3,000 - £3,999	900
£4,000 - £4,999	500
£5,000 - £5,999	300
£6,000 - £6,999	200
£7,000 - £7,999	100

20. All other hereditaments would be subject to the standard multiplier, adjusted to be 1.6% higher than it would otherwise be under option 1. The value of the financial cost to an individual ratepayer would be proportionate to their liability. For example, the cost in 2026-27 would be £400 for a hereditament with a rateable value of £50,000 which is not subject to any reliefs.

$$\text{Option 1: } £50,000 \times 0.502 = £25,100$$

$$\text{Option 2: } £50,000 \times 0.510 = £25,500$$

$$\text{Cost: } £25,500 - £25,100 = £400$$

21. This cost would be lower for smaller (by value) hereditaments and higher for larger hereditaments, subject to any reliefs which also apply. Ratepayers for all hereditaments subject to the standard multiplier, including small businesses which do not benefit from the retail multiplier, would face modest additional costs (unless they receive full relief).
22. For hereditaments with rateable values over £100,000, liabilities under this option would be greater than for option 1 (but lower than for option 3). For example, the cost in 2026-27 would be £808 for a hereditament with a rateable value of £101,000 which is not subject to any reliefs.
- Option 1:* £101,000 x 0.502 = £50,702
- Option 2:* £101,000 x 0.510 = £51,510
- Cost:* £51,510 - £50,702 = £808
23. This cost would be higher for larger (by value) hereditaments. Some ratepayers will occupy more than one hereditament which would be subject to the standard multiplier.
24. The estimated number of hereditaments which would be subject to the increased standard multiplier are summarised below (Table 2). These estimates are based on the increased liability which would arise from a standard multiplier of 0.510, compared with the default level under option 1 (0.502). To enable these estimates, some broad assumptions have been made about eligibility for Small Business Rates Relief and Charitable Relief.

Table 2: Estimated increased costs to ratepayers on the standard multiplier

Liability increases due to a higher standard multiplier	Number of hereditaments
<£500	57,500
£500 - £999	3,800
£1,000 - £1,999	1,900
£2,000 - £2,999	700
£3,000 - £3,999	300
£4,000 - £4,999	100
£5,000 - £5,999	<100
£6,000 - £6,999	<100
£7,000 - £7,999	<100
£7,000 - £8,999	<100
≥£10,000	200

25. There will 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). The Welsh Government will provide an additional £15,000 to each local authority, totalling £330,000, to cover administrative costs associated with the implementation of new policy changes to support ratepayers in 2026-27.

Option 3 – Legislate to give effect to a retail multiplier and a higher multiplier (make the Regulations)

26. The benefits to eligible ratepayers of a lower retail multiplier, set at 0.350, would be the same as for option 2. Instead of adjusting the standard multiplier to maintain overall revenue, around 3,700 hereditaments would be subject to a higher multiplier. There would be no impact on ratepayers for hereditaments subject to the standard multiplier. A summary of the Welsh Government's Integrated Impact Assessment in respect of this option was [published](#) on 7 October, following the consultation on the policy proposals.

27. To ensure that the introduction of differential multipliers does not reduce total non-domestic rates revenue for local public services, it would be necessary to set the higher multiplier at 0.515 to offset the estimated total benefit of £20m provided by the retail multiplier. This would be 2.6% higher than the standard multiplier (for this option or option 1), but only 1% higher than the standard multiplier they would be subject to under option 2.

28. The financial cost to an individual ratepayer would be proportionate to their liability, based on the rateable value of the hereditament and whether they are eligible for any reliefs. For example, the cost in 2026-27 would be £1,313 compared with option 1, or £505 compared with option 2, for a hereditament with a rateable value of £101,000 which is not subject to any reliefs.

Option 1: £101,000 x 0.502 = £50,702

Option 2: £101,000 x 0.510 = £51,510

Option 3: £101,000 x 0.515 = £52,015

Cost: £52,015 - £50,702 = £1,313 (*compared with option 1*)

Cost: £52,015 - £51,515 = £505 (*compared with option 2*)

29. This cost would be higher for hereditaments which are larger (by value). Some ratepayers will occupy more than one hereditament which would be subject to the higher multiplier.

30. The estimated number of hereditaments which would be subject to costs of different amounts are summarised below (Table 3). These estimates are based on the additional gross liability (i.e. assuming no reliefs apply) which would arise from a higher multiplier of 0.515, compared with the standard multiplier which would otherwise apply under option 1 (0.502) or option 2 (0.510). For ratepayers eligible for transitional relief following the 2026 revaluation, these costs will be phased in over two years.

Table 3: Estimated increased costs to ratepayers on the higher multiplier

Liability increases due to higher multiplier	Number of hereditaments	
	Compared with option 1	Compared with option 2
<£1,000	0	2,000
£1,000 - £1,999	1,400	1,000
£2,000 - £2,999	900	300
£3,000 - £3,999	400	100
£4,000 - £4,999	300	100
£5,000 - £6,999	200	<100
£7,000 - £9,999	100	<100
≥£10,000	300	<100

Note: total numbers of hereditaments do not sum to 3,700 due to rounding to the nearest 100.

31. There will 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). The Welsh Government will provide an additional £15,000 to each local authority, totalling £330,000, to cover administrative costs associated with the implementation of new policy changes to support ratepayers in 2026-27.

Option selection

32. 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. On balance, the benefit of reducing the standard multiplier as much as possible for the majority of ratepayers is considered to outweigh the impact of a marginal supplement on a higher multiplier for large businesses.
33. Option 3 is, therefore, the preferred option. It reflects the approach announced by the Welsh Government on 3 December 2025.

Duties

34. **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.
35. **UNCRC.** No particular impact on the rights of children has been identified.
36. **Welsh language.** No effect on the opportunities to use the Welsh language or the equal treatment of the language has been identified.
37. **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.

38. **Voluntary sector.** Occupiers of non-domestic hereditaments in the voluntary sector are subject to non-domestic rates. 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 Welsh Government provides mandatory 80% charitable relief, which may be topped up by the local authority, limiting the scale of the benefits and costs of differential multipliers.
39. **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 Valuation Office Agency (VOA) and are subject to an established right of appeal. 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 Welsh Government will monitor volumes of appeals working with the VOA and the Valuation Tribunal for Wales.
40. **Competition assessment.** A competition filter test has been applied to the Regulations. The Regulations are unlikely to have a significant detrimental effect on competition.
41. **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.