

Peck, Frank ORCID: <https://orcid.org/0000-0003-1976-154X> , Parry, Simon, Mulvey, Gail ORCID: <https://orcid.org/0000-0003-0894-3065> , Jackson, Keith, Cabras, Ignazio and Jackson, Jacqueline (2014) The role and significance of rates relief for supporting businesses in Wales. *Environment and Planning C: Government and Policy*, 32 (6). pp. 982-999.

Downloaded from: <http://insight.cumbria.ac.uk/id/eprint/1709/>

Usage of any items from the University of Cumbria's institutional repository 'Insight' must conform to the following fair usage guidelines.

Any item and its associated metadata held in the University of Cumbria's institutional repository Insight (unless stated otherwise on the metadata record) may be copied, displayed or performed, and stored in line with the JISC fair dealing guidelines (available [here](#)) for educational and not-for-profit activities

provided that

- the authors, title and full bibliographic details of the item are cited clearly when any part of the work is referred to verbally or in the written form
 - a hyperlink/URL to the original Insight record of that item is included in any citations of the work
- the content is not changed in any way
- all files required for usage of the item are kept together with the main item file.

You may not

- sell any part of an item
- refer to any part of an item without citation
- amend any item or contextualise it in a way that will impugn the creator's reputation
- remove or alter the copyright statement on an item.

The full policy can be found [here](#).

Alternatively contact the University of Cumbria Repository Editor by emailing insight@cumbria.ac.uk.

TITLE The role and significance of rates relief for supporting businesses in Wales

Lead Author:

Frank Peck, Cumbria Business School, University of Cumbria, Fusehill St., Carlisle, Cumbria CA1 2HH Tel. 01228 616016 Email: Frank.Peck@cumbria.ac.uk

Co-Authors:

Simon Parry, Newcastle University Business School, 5 Barrack Road, Newcastle upon Tyne, NE1 4SE Tel. 0191 2081548 Email: simon.parry@ncl.ac.uk

Gail Mulvey, Cumbria Business School, University of Cumbria, Fusehill St., Carlisle, Cumbria CA1 2HH Tel. 01228 616316 Email: Gail.Mulvey@cumbria.ac.uk

Keith Jackson, Cumbria Business School, University of Cumbria, Fusehill St., Carlisle, Cumbria CA1 2HH Tel. 01228 616211 Email: Keith.Jackson@cumbria.ac.uk

Ignazio Cabras, Lecturer, The York Management School, University of York, York YO10 5GD Tel. 01904 325343 Email: ignazio.cabras@york.ac.uk

Jacqui Jackson, Lancaster University Management School Lancaster, LA1 4YX Tel. 01524 510710 Email: j.jackson@lancaster.ac.uk

Abstract:

This paper reports on a study which seeks to evaluate the role of small business rates relief as a means of government support for small businesses, both in terms of the financial benefit for recipient businesses and the symbolic significance of rates relief as a form of state support for the small business community in general. In doing so, the paper engages with the theoretical debate regarding the effectiveness and targeting of support to small businesses and how best to achieve this. The paper is based upon a survey of 391 small business receiving rates relief in Wales. The study contributes to the literature by filling a gap in our knowledge of business perception of the impact of rates relief and identifying some of the positive and negative aspects of such support mechanisms.

Key words: Business perception; Rates Relief; Wales; Micro-Businesses; Targeting; Business Support

Wordcount: 6,260

Acknowledgements

An earlier version of this paper was presented at the Institute for Small Business and Entrepreneurship (ISBE) Conference held in Sheffield 9th-10th November 2011. The authors are grateful to comments and feedback given by participants at this event. Research reported in this article was funded by the Welsh Assembly Government. Thanks are due to members of the Project Steering Group, the Welsh Local Authorities and the businesses that took part in the survey.

1. Introduction

This paper seeks to examine small business rates relief within the broader context of government support for small businesses, and to assess its role and effectiveness as a mechanism of support. The paper differs from previous studies in that it is not concerned purely with the financial impact of rates relief, but rather with the broader social and symbolic significance of rates relief as a mechanism of government intervention. There is already a broad base of literature which looks at the economic impact of property tax and property tax reliefs and this literature is considered as part of the study. However, our aim is to take a broader and more holistic view which goes beyond the immediate financial impact of rates relief to examine factors such as the impact on local rural communities and the psychological impact upon small business managers who receive rates relief.

Tax-based mechanisms are widely used by governments as part of the package for providing support to small businesses (Baldock, 1998). In the UK, rates relief has been used extensively, not only as a national scheme, but also as a component of area-based interventions such as Enterprise Zones (Potter and Moore, 2000) and Business Improvement Districts (Cook, 2008). In the USA, property tax abatement schemes have been widely used at a state level as a means of encouraging private sector economic development (Dalehite *et al.* 2005).

Due to current austerity measures in the public sector, resources for business support at a local level have been reduced dramatically and as a consequence it can be argued that national mechanisms for supporting businesses have assumed greater significance. National governments are anxious to demonstrate continued commitment to the provision of support to small businesses while simultaneously they recognise the need to meet “value for money” criteria. This paper arises from research conducted for the Welsh Assembly Government into the benefits of the small business rates relief scheme (SBRR) for Wales.

The role and significance of rates relief for supporting businesses in Wales

This paper is structured as follows: firstly, we examine the existing literature on property taxation and property tax reliefs and evaluate the findings within this literature. We highlight some of the issues arising from previous studies and thereby establish the rationale for a study which takes a broader holistic view. Secondly, we set out the context of the current study which is based upon business perception of the Welsh small business rates relief scheme. Following this the methodology of the study is explained and the results are presented. Finally, we discuss the significance of the findings and draw conclusions from the study.

2. Rates relief as a mechanism for business support

2.1. Rates relief within context

Support for the Small and Medium-sized Enterprise (SME) sector derives from the widely recognised economic and social significance of such businesses. Few would question that engagement with the business sector is an important part of national government policy (HM Treasury, 2010). This engagement takes many forms, which can be divided into the two broad areas of regulation and intervention (Mason, 2009), and can be understood in terms of a desire to achieve some sort of behavioural change in the small business, usually one of increased investment, development and increased employment (McGuinness and Hart, 2004). Therefore, if the aim of engagement is to change the behaviour of small businesses, it is important to understand the behavioural responses of small businesses to government regulation and intervention. If such involvement has a psychological impact upon the small business manager, then change may occur even if there is little real financial benefit to the business arising out of government intervention.

Although the need to support the SME sector is widely recognised, there is still a great deal of uncertainty as to how this is best achieved. Unfortunately it is an area of policy-making that is still under researched (Mason, 2009). The dilemma for the public sector is in ensuring that any support that it gives is equitable, practical and accessible. The challenge for

The role and significance of rates relief for supporting businesses in Wales

policymakers is to design interventions that have the desired effects in supporting target businesses while avoiding unintended negative consequences. Equally important is the efficient targeting of support and the avoidance of deadweight and displacement cost (Sloan and Chittenden, 2006). Understanding the ways in which schemes impact upon different types of businesses and localities therefore becomes important if intervention is intended to encourage growth (Smallbone et al., 2002), support certain industries (Wyld et al., 2010), economic regions (Potter and Moore, 2000), or support rural communities (Smallbone et al., 2003).

2.2. Impacts of Rates Relief Schemes on Business finance

There is an extensive literature examining the economic impact of property taxes and much of this literature is concerned with the extent to which property taxes are capitalised into property prices. The capitalisation argument, as developed by Oates (1969) is that, *ceteris paribus*, differences in property prices exactly equal the present value of variations in local services and expected tax liabilities. As applied to the context of rates relief, this means that a fall in property taxes resulting from a rates relief scheme will result in higher property prices which will ultimately push up property costs such as rent or mortgages such that there is no real financial benefit to the business receiving rates relief.

However, there is disagreement in the literature as to the extent to which this capitalisation occurs (Palmon and Smith, 1998a). Furthermore, there are differing theories that disagree on the mechanisms at play and who ultimately bears the economic cost of property tax (Zodrow, 2001). Despite over 40 years of theorisation and empirical modelling of tax capitalisation, there is still a lack of consensus as to the extent to which it takes place. Wales and Wiens (1974), Chinloy (1978) and Gronberg (1979) find little significant capitalisation. Edel and Sclar (1974), Gustely (1976), King (1977), Rosen and Fullerton (1977), Richardson and Thalheimer (1981), de Bartolome and Rosenthal (1999), Oktem and Huang (2011) and Stadelmann and Billon (2012) report varying degrees of partial capitalisation. Oates (1973),

The role and significance of rates relief for supporting businesses in Wales

Church (1974) and Reinhard (1981) report full or over-capitalisation. Yinger et al. (1988) not only find very low levels of capitalisation but also suggest that those estimates of previous studies are overstated. As a result of the variations in findings of these earlier studies, more recent work on capitalisation has focused largely upon refinement of the economic models used to account for the impact of other variables. For example, Palamon and Smith (1998b) attempt to separate out the impact of variations in public services from the impact of variations in taxes. Hoyt (1999) and Brassington (2001) look at the impact of community size upon the level of capitalisation. Oktem and Huang (2011) examined the impact of market imperfections on the degree of capitalisation; Stadelmann and Billon (2012) looked at the impact of the supply of property upon the level of capitalisation.

Whilst this ongoing debate on capitalisation is an extremely important one, within the broader context of government support for business, the above discussed studies leave a number of important questions unanswered. In particular, three important points mean that there is still a need for more research into the impact of business rates relief. Firstly, most of the studies referred to above have been focused on residential property tax and in fact relatively few studies have been undertaken which look at commercial property taxes. Secondly, within the context of government tax relief schemes, the question of the degree of capitalisation is less pressing. The concern of policymakers who are setting business property tax levels lies with the broader impact upon levels of investment, employment and, in times of economic difficulty, business survival. Thirdly, while recognising the fact that such reliefs may well be capitalised into property prices and rentals, the case for retaining such schemes does not depend solely on modelling of the net financial benefits that accrue to businesses. This is because the costs of withdrawing or downgrading reliefs will fall directly on businesses, at least in the short term. Attempts to alter Rates Relief schemes therefore has political significance as businesses perceive such instruments as indicators of government support for the business community. There are therefore likely to be significant social and political externalities associated with changes to rates relief schemes.

2.3. Wider impacts of Business rates relief

Despite the arguments regarding capitalisation, rate relief is still a popular and widely used mechanism for business support by governments (Wolkoff, 1985). This may be partly due to the easier administration and control of such a direct intervention. But also indirect support through business advice and third parties can be costly for government and has had questionable success (Bennett, 2008). On the other hand, tax-based mechanisms are widely seen by governments as an effective means of supporting businesses. Research conducted at an international level appears to show that, other things being equal, those countries that keep rules and regulations to a minimum and offer tax and other financial incentives tend to have better performance in terms of new business development. These studies also show that excessive taxation can be an obstacle to entrepreneurship (Fogel, 2001).

Wolkoff (1985) in a study which looks at the use of property tax abatements to encourage economic development in the USA suggests that the success of any tax incentive programme will depend upon the impact of the incentive upon firm behaviour. In the present study, we consider whether this impact on behaviour can arise out of the social or psychological benefits of incentives rather than purely out of economic benefits. Previous research has indicated that tax is both a priority and an emotive issue for small business owners. For instance, a survey of 3,530 small business owners conducted in the USA in 2008 found that tax issues, including property tax, were among the most commonly reported problems worrying small business owners (National Federation of Independent Businesses, 2008). The question of the impact of rates relief therefore is wider than the immediate economic cost to the business.

Previous research also draws attention to the fact that different types of tax relief can produce different effects on businesses. So, while reducing the tax burden might be viewed as desirable in itself, opportunities to exercise beneficial influences on the ways that

The role and significance of rates relief for supporting businesses in Wales

businesses operate can be missed if there is lack of clarity as to what the intervention is aiming to achieve. This can be illustrated with reference to research on financial incentives designed to stimulate research & development and levels of new firm formation. A recent study based on businesses in Quebec found that tax credits are preferable to a level based tax incentive in stimulating business expenditure on research & development (Baghana and Mohnen, 2009). The impact of tax incentives on levels of entrepreneurial activity has also been examined. In a study conducted in the USA in 2006, it was shown that various tax incentives (the study covered income tax, capital gains tax, corporate tax and state taxes) appeared to have a significant effect on self-employment but were ineffective in generating meaningful changes in levels of entrepreneurial activity (Donald and Mohsin, 2006).

2.4. The use of rates relief in practice

There is general evidence that public subsidies and tax reduction schemes benefit small businesses by lowering costs and easing cash flows (Soufani, 2003; Belso Martinez, 2009). However, there is little research specifically on the impact of nondomestic property tax. There are summaries and updates on property valuation (Hudson, 2005) and articles that refer to the role of rate relief as part of a mix of measures to support businesses within UK Enterprise Zones (Potter and Moore, 2000) and more recently in Business Improvement Districts (Cook, 2008).

There is also general comment on the significance of business rates as a fixed cost over which small businesses have no control (Laramie and Mair, 1993). This has implications for the impact that rate relief may have on small businesses. As a fixed cost, rates can be a particular burden in economically difficult times when shrinking revenues can squeeze profitability. Rate relief can therefore be viewed as an intervention that is particularly relevant in situations where businesses experience very tight profit margins.

The role and significance of rates relief for supporting businesses in Wales

However, very little research has been undertaken to evaluate the impact of rate relief schemes, and that which is available predates the existing schemes under examination in this paper. The findings from these studies may perhaps hold useful lessons. Damania (1986) noted that the impact of non-domestic property taxes upon geographical variations in business activities is fairly unclear and evidence is contradictory. Various statistical analysis of the relationship between business rates and regional employment performance, for instance, produce conflicting results which generated a debate as to how these impacts can best be measured and assessed.

While less satisfactory as an approach, it is possible to infer the potential impacts of rate relief by examining studies of other specific tax interventions. As an example, a recent study based in Chile attempted to assess the impact of corporate tax rates (a direct cost) upon the demand for capital and labour. The study found that cutting tax rates had little impact on labour demand in small businesses. Rather, it tended simply to reduce the demand for capital (Rodrigo and Felipe, 2010).

Logically, we can argue that if firms treat business rates as an overhead cost, reductions in business rates are unlikely to translate, for example, into increased employment (i.e. increases in wage costs). Even if rates were seen as a direct cost there is still no guarantee that a cut would stimulate employment. On the other hand, there is evidence from UK enterprise zones that tax incentives, alongside other measures, can contribute towards the attraction of inward investors and increases in employment with a high proportion of new local jobs (Potter and Moore, 2000).

The role and significance of rates relief for supporting businesses in Wales

As regards the likely variation in the impacts of rate relief on different types of business, there is little hard evidence available to support hypotheses. Intuitively, it is quite likely that the relative importance of rate relief will vary between types and sizes of business and between business locations. An important dimension of this study will therefore be an assessment of the relative burden of non-domestic rates on different types and size of business and to evaluate the relative impact that the Non-Domestic Rate Relief (NDRR) scheme has on different groups.

There is also evidence that threshold levels in financial interventions can often create unintended negative consequences. This is likely to be an issue for small business rate relief schemes which are threshold based. This can be seen in studies of the effects of VAT thresholds which suggest that such thresholds are a barrier to sales growth, employment generation and investment (Chittenden et al., 1999). More recent studies support this conclusion, providing evidence that firms can be proactive in managing their activities to stay below threshold levels (Onji, 2009; Parry, 2010). It might be expected that similar behaviour would be found in relation to threshold based rates relief schemes.

The preliminary conclusion from the literature reported above is that little research has been conducted previously on the impact of rates relief on business and this probably reflects the belief that rate relief *on its own* represents a relatively small amount of money for the vast majority of businesses. To illustrate this point, Baldock (1998) looked at small business land and premises support schemes implemented through an urban support programme in London throughout the 1980s. The study concluded that where the level of support represented a very small amount of funding for a business the impact was marginal. Small amounts of financial support did not appear to have changed the patterns of sectoral performance for the small businesses involved. It was also suggested that more selective targeting of businesses to support would represent more effective use of funding. The study

The role and significance of rates relief for supporting businesses in Wales

also concluded that individual support mechanisms are more effective if done as part of a more co-ordinated and overall integrated local economic policy.

There are, however, exceptions to this generalisation. Research on 30 firms involved in the Scottish NDRR scheme in 2004 suggests that the small amount of relief available would have some tangible effects on micro and new business. In their conclusions, the researchers recommended that future research covers a much broader number of businesses (Scottish Government, 2004). The Scottish research is supported by case study evidence from the Scottish FSB. Three examples are used to demonstrate how it is possible for NDRR to contribute towards setting up a new business, allowing an SME to invest in new equipment and enabled a micro business, set up in 2009, to employ its first member of staff (Federation of Small Businesses, 2009).

3. The Welsh context

3.1. Origins of the Welsh small business rates relief scheme

The present Small Business Rates Relief Scheme (SBRR) operated by the Welsh Government was introduced in 2010 as a result of its commitment in the One Wales agreement (Labour Party Wales and Plaid Cymru, 2007) “to enhance the business rates relief scheme, within the context of more effective support for businesses” (p.14). Initially the scheme covered 37,000 businesses and reports suggest that this expanded to cover over 45,000 businesses. Expansion of the scheme has included, for instance increasing the upper thresholds for relief (Labour Matters, 2009) following concerns raised by the Federation of Small Businesses (FBS) and the Wales Tourism Alliance (WTA).

The role and significance of rates relief for supporting businesses in Wales

While the rationale was clearly to provide financial support for small businesses in Wales, the expansion of the scheme was clearly influenced by government's desire to be seen to be listening to businesses and representing their interests. For instance, the raising of thresholds in 2009 was accompanied by a statement from Local Government Minister Carl Sargeant that government has "listened to the concerns of the Federation of Small Businesses (FSB) and the Wales Tourism Alliance. They have told me that they would welcome an increase in the upper thresholds for small business rates relief.' (Morning Advertiser, 2009). There are also strong references to community interests that extend beyond individual businesses. The scheme currently covers all types of small business, but makes specific reference to particular types of activity that have an important role in supporting local communities including post offices, child care, credit unions, small retail outlets, petrol stations and public houses.

A further influence on these developments concerns comparisons with support provided across the border in England. Welsh Ministers were keen to demonstrate that the level of support provided by the Welsh Government for small business in Wales matched or exceeded that provided in England. In this context, the Local Government Minister, Carl Sargeant, stated that the new Welsh NDRR scheme would mean that 'Around half of small businesses in Wales will pay no business rates for the year from 1 October 2010 and roughly 20% more will see their business rates significantly reduced.' (BBC, 2010).

Commentary surrounding the evolution of the Welsh Small Business Rates Relief Scheme since 2007 therefore highlights the fact that the expansion of the scheme reflected multiple objectives of government including responding to political lobbying from business groups, providing support for Welsh communities as well as being seen to support small businesses in Wales.

3.2. SMEs in Wales and the costs of SBRR

The current economic downturn has revived long-standing questions about the significance of SMEs for regional employment and output (Mason and Brown, 2011; Neumark, Wall and Zhang 2011). In the UK as whole, micro (0-9) and small businesses (10-49) combined currently account for 45.6 percent of total employment. The figure for Wales is slightly higher (47.8%) where businesses in these size bands account for 11.5 million workers (Table 1). The importance of micro and small businesses also varies across sectors nationally (see Table 2) and there are some differences in the context of Wales. Small businesses contribute a higher proportion of employment compared to the UK in agriculture, construction and the service sector in general. On the other hand, the proportion of employment in small businesses in manufacturing is relatively low (24.9) compared to the UK average (32.9%).

Table 1: Employment in Wales by Business Size in 2011

Business size	UK		Wales	
	Count	% of Total	Count	% of Total
<i>All size bands</i>	25,203,400	100.0	998,800	100.0
<i>Micro (0-9)</i>	7,917,500	31.4	331,400	33.2
<i>Small (10-49)</i>	3,577,200	14.2	146,300	14.6
<i>Medium (50-249)</i>	3,161,500	12.5	123,600	12.4
<i>Large (250+)</i>	10,547,200	41.8	397,600	39.8

Source: Inter-Departmental Business Register (IDBR) data accessed at www.statswales.wales.gov.uk

Table 2: Employment by size of business and sector, 2011

Category	Wales total employment	Employment in small businesses (0-49)	% employment in small businesses in Wales	% employment in small businesses in UK
<i>All industries</i>	998,800	477,700	47.8	45.6
<i>Agriculture</i>	32,000	31,300	97.8	90.1
<i>Production</i>	156,800	39,100	24.9	32.9
<i>Construction</i>	85,100	67,900	79.8	76.4
<i>Wholesale, retail, transport, hotels, food & communication</i>	355,000	155,300	43.7	39.2
<i>Financial and business services</i>	181,900	84,700	46.6	42.9
<i>Private sector health and education</i>	135,700	61,300	45.2	45.2
<i>Other services</i>	52,400	37,900	72.3	65.6

Source: Source: Inter-Departmental Business Register (IDBR) data accessed at www.statswales.wales.gov.uk

The enhancement of SBRR by the Welsh Assembly since 2010 suggests that the Welsh Assembly is committed to a more inclusive approach to small business support rather than attempting to concentrate resources on high growth firms. The costs of providing a broad base of support through this mechanism is not insignificant. In 2011-12 the total for transitional, mandatory and discretionary rates relief amounted to £160,014,000 or 15.4% of the rates bill of £1,037,259,000.¹ There has been discussion concerning the cost-effectiveness of this level of support. In terms of the issues addressed in this paper, it is pertinent to note that the Business Rates Wales Review (2012)² concluded that while evidence indicates that variations in business rates have negligible impacts on the wider economy, “some sectors of the economy are suffering at the present time and there are other factors to consider such as the wider effect of retail closures in Welsh high streets which have social as well as economic consequences.” (p. 11). It was also noted that “rates tend to form a higher proportion of total operating costs for smaller businesses. Evidence

¹ <http://statswales1.wales.gov.uk/TableViewer/tableView.aspx>

² Business Rates Wales Review: Incentivising Growth, Business rates Task and Finnish Group May 2012, see <http://wales.gov.uk/docs/det/publications/120612businessratesreviewen.pdf>

The role and significance of rates relief for supporting businesses in Wales

from some SME representative organisations indicates that the level of rates remain a major concern for SMEs.”

These comments indicate that providing support for struggling businesses in the current economic climate is considered to be legitimate justification for this level of lost rates revenue. In this regard, it is relevant to note that the Welsh Government also supports schemes that are directed more towards a targeted number of high growth firms including the JEREMIE (Joint European Resources for Micro to Medium Enterprises) fund which has invested over £80 million over two years supporting 390 businesses across Wales. Other schemes include a an SME investment fund jointly funded by Barclays Bank with a capital value of £40m which will run for four years, a new Micro Business Fund with a capital value of £6m and a Life Sciences Investment Fund which provides dedicated equity funding for life sciences businesses located in Wales.³ These comparisons serve to illustrate the significance of SBRR relative to other business support schemes and the importance attached to SBRR as a broad-based approach to business support by the Welsh Government.

4. Methodology

A survey of businesses in receipt of rates relief in Wales was conducted during 2010. The purpose of the survey was to examine variations in the financial sensitivity of businesses to local rates and the importance of rates relief to their current sustainability through recession. The survey was also designed to explore the attitudes of businesses and to provide an understanding of the wider political sensitivities surrounding business rates relief. The survey generated 391 responses from small businesses. Various issues were followed up using in-depth interviews with 15 businesses.

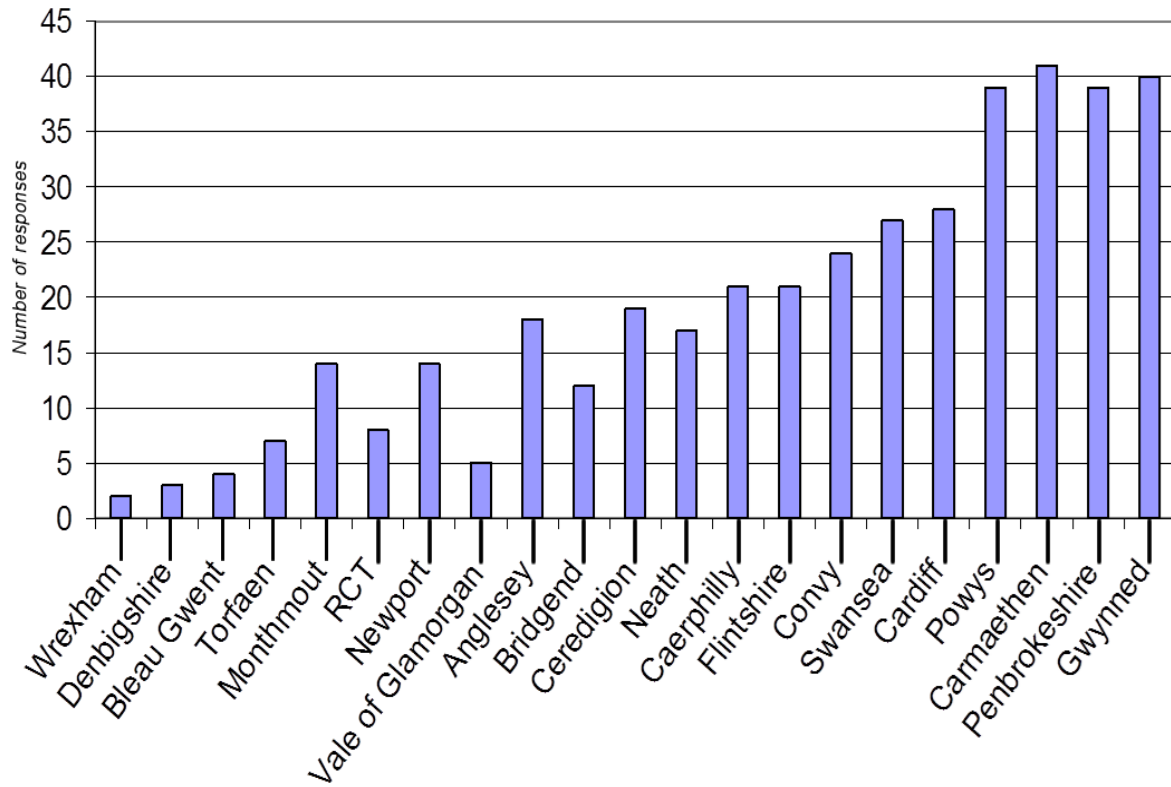
³ <http://wales.gov.uk/docs/caecd/publications/120522fullwiiipeng.pdf> Wales Infrastructure Investment Plan for Growth and Jobs (2012 p114)

The role and significance of rates relief for supporting businesses in Wales

An attempt was made to generate a sample return that broadly reflected the types of businesses in receipt of rates relief. To achieve this, the authors compiled data related to SBRR's recipients in 15 Welsh Local Authorities involving nearly 29,000 observations. Questionnaires were posted to a random sample of 2,400 addresses. These were extracted from the total dataset in proportion to the distribution of businesses across the different local authority areas. Through repeat mailings, it was possible to generate a "quota" sample of 391 business replies based on geographical area. Figure 1 shows the distribution of questionnaire respondents across the local authority areas.

The responses also cover a cross section of SMEs by sector and by number of employees (see Figure 2). The retail and wholesale and accommodation and catering sectors accounted for the largest number of businesses with 0-1 employees (34.5 per cent and 31.0 per cent, respectively, of total businesses with 0-1 employees) whilst the manufacturing, storage and distribution sector accounted for the largest number of businesses with over 21 employees (45.5 per cent of total businesses with over 21 employees). Predictably, over two-thirds (76.9%) of respondents were microbusinesses employing 5 or less people and only 6.9% employ more than ten people.

Figure 1 Questionnaire Responses by Authority



A high percentage of the responses were from established businesses (Figure 3). Fifty per cent of businesses from all sectors had been established for over 10 years, with 83 per cent of the retail sector established for over 10 years. The least established sector responding was manufacturing with 28.9 per cent of this sector established between 0 and 5 years.

Figure 2 Sectors by number of employees

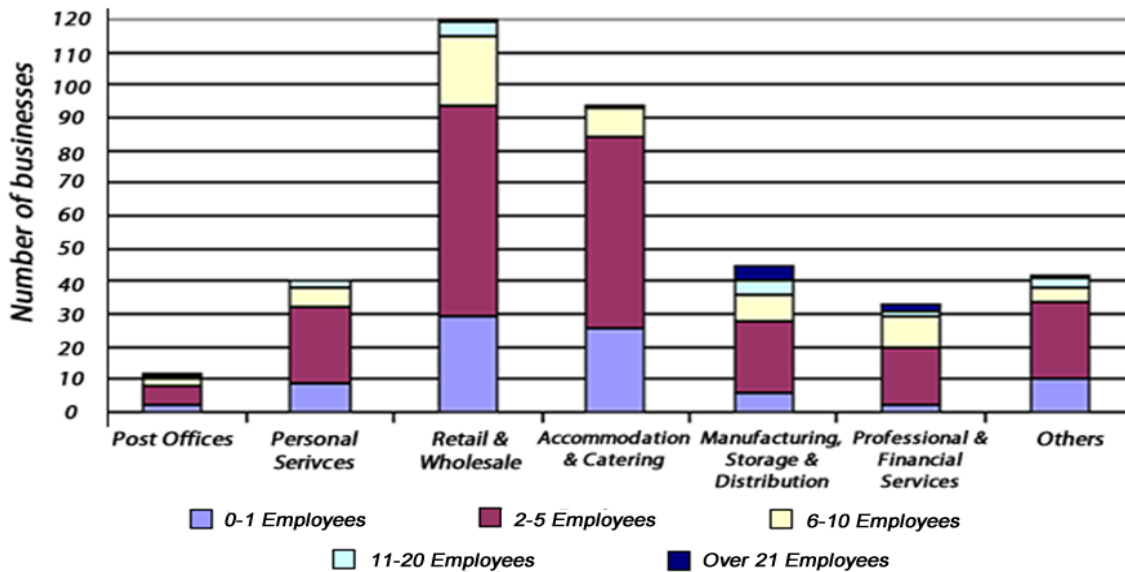
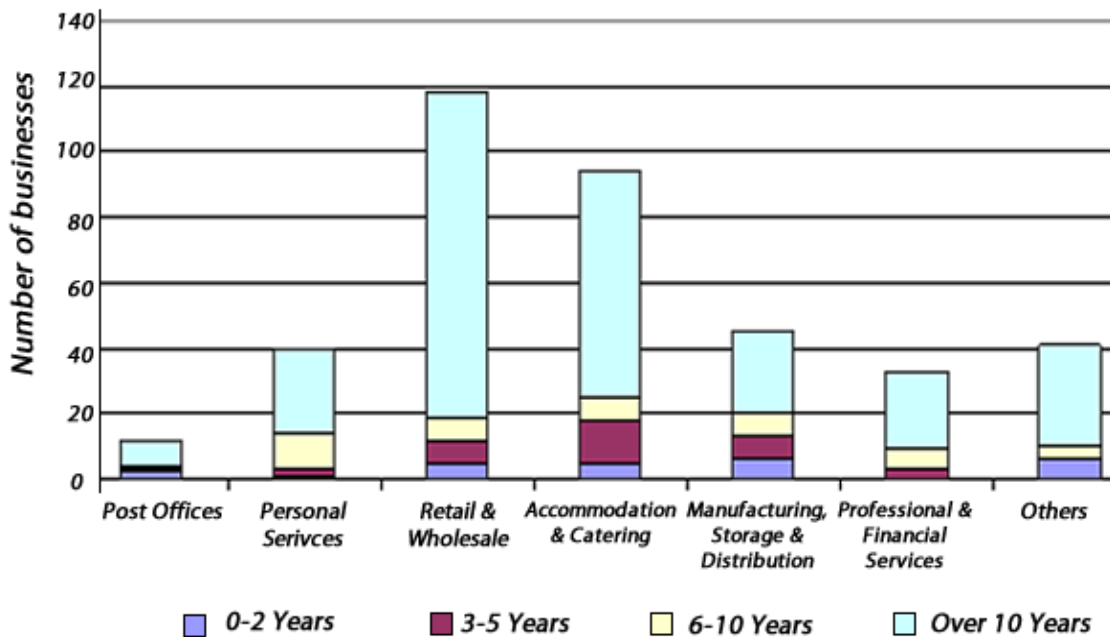


Figure 3: Sectors by age of business



5. Findings

5.1. Significance of rates payments in relation to turnover and business costs

In order to assess the potential sensitivity of businesses to receipt of rates relief, respondents were asked to indicate the significance of rates payments in relation to turnover and business costs. The replies indicate that the financial significance of rates payments varies widely. At one extreme, rates represent less than 2 per cent of turnover for some businesses (41.5 per cent of replies) while at the other end of the spectrum, there are as many respondents claiming that rates account for over 10 per cent of turnover (18 per cent of replies) (see Table 3). This diversity is also reflected in assessment of rates as a percentage of business costs. There are 78 businesses (26.6%) that indicate that rates account for less than 2 per cent of total costs but an equal number (also numbering 78) claim that they currently account for over ten percent (Table 4).

The significance of rates as a proportion of turnover and also business costs also varies systematically with size of business as measured by employment. Rates amount to over ten percent of turnover for a third of all businesses in the smallest size category (0-1 employees) and for 22% of businesses with 5 or fewer employees. A similar pattern exists in relation to proportion of business costs. Rates actually account for over ten percent of business costs for nearly one third of all businesses with 5 or fewer employees. These findings tend to confirm the expectation that businesses in the smallest size bands will be particularly sensitive to the availability of rates relief.

Table 3: Rates as a percentage of turnover

		Rates as a percentage of turnover				
Business size		0-2%	3-5%	6-9%	10%	Total
0-1 employees	Count	11	15	12	19	57
	% within category	19.3%	26.3%	21.1%	33.3%	100.0%
2-5 employees	Count	65	53	19	30	167
	% within category	38.9%	31.7%	11.4%	18.0%	100.0%
6-10 employees	Count	29	12	1	3	45
	% within category	64.4%	26.7%	2.2%	6.7%	100.0%
11-20 employees	Count	10	3	1	1	15
	% within category	66.7%	20.0%	6.7%	6.7%	100.0%
More than 21 employees	Count	7	1	2	0	10
	% within category	70.0%	10.0%	20.0%	.0%	100.0%
Total	Count	122	84	35	53	294
	% within category	41.5%	28.6%	11.9%	18.0%	100.0%

*Spearman's correlation: -0.347*** (level of significance at 0.01)*

Table 4: Rates as a percentage of business costs

		Rates as a percentage of cost of business				
Business size		0-2%	3-5%	6-9%	10%+	Total
0-1 employees	Count	10	8	13	27	58
	% within category	17.2%	13.8%	22.4%	46.6%	100.0%
2-5 employees	Count	37	59	27	42	165
	% within category	22.4%	35.8%	16.4%	25.5%	100.0%
6-10 employees	Count	18	18	4	5	45
	% within category	40.0%	40.0%	8.9%	11.1%	100.0%
11-20 employees	Count	7	5	1	2	15
	% within category	46.7%	33.3%	6.7%	13.3%	100.0%
More than 21 employees	Count	6	1	1	2	10
	% within category	60.0%	10.0%	10.0%	20.0%	100.0%
Total	Count	78	91	46	78	293
	% within category	26.6%	31.1%	15.7%	26.6%	100.0%

*Spearman's correlation: -0.309*** (level of significance at 0.01)*

Significance of rates relief for business survival

Respondents were asked to indicate whether rates relief had been a significant contributor to business survival in the past 12 months. While some stated that rates relief had little effect upon survivability (38%), a considerable minority of respondents (79 or 22.2%) claimed that receipt of this relief has been “very significant” for remaining in business. Although the association is less strong, generally higher proportions of businesses in the smaller categories regard relief as “very significant” for survival (Table 5). Businesses were also asked to indicate whether rates relief had influenced any of their business decisions in the past 12 months. Around half of respondents claimed that this had been influential (Table 6). Taken together, these replies appear to suggest that rates relief not only impacts upon very small businesses operating within very tight margins but also has an influence on the operations of other slightly larger businesses.

Table 5: Significance of rates relief for business survival

		<i>Has the receipt of rate relief been a significant factor in your remaining in business over the last 12 months?</i>			
Business size		Not Significant	Significant	Very Significant	Total
0-1 employees	<i>Count</i>	30	29	16	75
	<i>% within category</i>	40.0%	38.7%	21.3%	100.0%
2-5 employees	<i>Count</i>	67	80	53	200
	<i>% within category</i>	33.5%	40.0%	26.5%	100.0%
6-10 employees	<i>Count</i>	24	22	8	54
	<i>% within category</i>	44.4%	40.7%	14.8%	100.0%
11-20 employees	<i>Count</i>	10	5	1	16
	<i>% within category</i>	62.5%	31.3%	6.3%	100.0%
More than 21 employees	<i>Count</i>	5	5	1	11
	<i>% within category</i>	45.5%	45.5%	9.1%	100.0%
Total	<i>Count</i>	136	141	79	356
	<i>% within category</i>	38.2%	39.6%	22.2%	100.0%

Spearman's correlation: -0.082 (p-value=0.122)

Table 6: Impact of rates relief on business decisions

		<i>Has rate relief affected any of your business decisions in the last 12 months?</i>		
Business size		No	Yes	Total
0-1 employees	<i>Count</i>	38	34	72
	<i>% within category</i>	52.8%	47.2%	100.0%
2-5 employees	<i>Count</i>	90	107	197
	<i>% within category</i>	45.7%	54.3%	100.0%
6-10 employees	<i>Count</i>	26	28	54
	<i>% within category</i>	48.1%	51.9%	100.0%
11-20 employees	<i>Count</i>	10	4	14
	<i>% within category</i>	71.4%	28.6%	100.0%
More than 21 employees	<i>Count</i>	7	3	10
	<i>% within category</i>	70.0%	30.0%	100.0%
Total	<i>Count</i>	171	176	347
	<i>% within category</i>	49.3%	50.7%	100.0%

Spearman's correlation: -0.28 (p-value=0.605)

5.3 Variations in the significance of business rates by industry type

Tables 7 and 8 show how the significance of rates in turnover and in total cost varies across different sectors. Compared to average, a much higher proportion of businesses in “accommodation and catering” and “personal services” have indicated that rates account for a high proportion of turnover and total business costs. By comparison, businesses where rates costs are only a small proportion of total cost (under 2 per cent) are over-represented in “manufacturing” and “professional and financial services” (as well as post offices that are eligible for 100 per cent rates relief). There is also some variation by sector in terms of the significance of rates relief for business survival (Table 9) though these differences are not

The role and significance of rates relief for supporting businesses in Wales

strong. Even so, rates relief appears to be a more widespread factor for business survival for providers of accommodation and catering services in particular.

Table 7: Rates as a percentage of turnover by sector

Type of business		Rates as a percentage of turnover				
		0-2%	3-5%	6-9%	10%	Total
Post Office	Count	6	3	0	0	9
	% within category	66.7%	33.3%	.0%	.0%	100.0%
Personal Services	Count	5	11	5	6	27
	% within category	18.5%	40.7%	18.5%	22.2%	100.0%
Retail and wholesale	Count	46	24	4	16	90
	% within category	51.1%	26.7%	4.4%	17.8%	100.0%
Accommodation and catering	Count	7	30	18	19	74
	% within category	9.5%	40.5%	24.3%	25.7%	100.0%
Manufacturing, storage and distribution	Count	23	5	5	5	38
	% within category	60.5%	13.2%	13.2%	13.2%	100.0%
Professional and financial services	Count	19	7	1	0	27
	% within category	70.4%	25.9%	3.7%	.0%	100.0%
Others	Count	16	5	2	8	31
	% within category	51.6%	16.1%	6.5%	25.8%	100.0%
Total	Count	122	85	35	54	296
	% within category	41.2%	28.7%	11.8%	18.2%	100.0%

Pearson Chi-square 73.9*** (P-value=0.000)

Table 8: Rates as a percentage of business costs by sector

Type of business		Rates as a percentage of business costs				
		0-2%	3-5%	6-9%	10%	Total
Post Office	Count	6	3	0	1	10
	% within category	60.0%	30.0%	.0%	10.0%	100.0%
Personal Services	Count	5	10	3	11	29
	% within category	17.2%	34.5%	10.3%	37.9%	100.0%
Retail and wholesale	Count	23	31	12	20	86
	% within category	26.7%	36.0%	14.0%	23.3%	100.0%
Accommodation and catering	Count	5	21	22	25	73
	% within category	6.8%	28.8%	30.1%	34.2%	100.0%
Manufacturing, storage and distribution	Count	15	9	3	10	37
	% within category	40.5%	24.3%	8.1%	27.0%	100.0%
Professional and financial services	Count	12	8	3	3	26
	% within category	46.2%	30.8%	11.5%	11.5%	100.0%
Others	Count	12	9	3	10	34
	% within category	35.3%	26.5%	8.8%	29.4%	100.0%
Total	Count	78	91	46	80	295
	% within category	26.4%	30.8%	15.6%	27.1%	100.0%

Pearson Chi-square 46.4*** (P-value=0.000)

Table 9: Significance of rates relief for business survival by sector

Type of business		Survival significance		
		Not Significant	Significant	Total
Post Office	Count	6	6	12
	% within category	50.0%	50.0%	100.0%
Personal Services	Count	15	22	37
	% within category	40.5%	59.5%	100.0%
Retail and wholesale	Count	40	68	108
	% within category	37.0%	63.0%	100.0%
Accommodation and catering	Count	26	67	93
	% within category	28.0%	72.0%	100.0%
Manufacturing, storage and distribution	Count	16	24	40
	% within category	40.0%	60.0%	100.0%
Professional and financial services	Count	17	13	30
	% within category	56.7%	43.3%	100.0%
Others	Count	15	21	36
	% within category	41.7%	58.3%	100.0%
Total	Count	135	221	356
	% within category	37.9%	62.1%	100.0%

Pearson Chi-square 9.576*** (P-value=0.000)

5.4 Attitudes of owners towards rates relief as a mechanism of state support for small businesses

Business owners were provided with opportunities to express their views about rates relief as a form of business support through open questions in the questionnaire. The level of response to these questions was much more extensive and detailed than is customary for questionnaires of this type, reflecting perhaps the current difficult trading conditions for many businesses and, as will be seen below, the strength of feeling in the business community towards local property tax. To give maximum scope to express opinion, respondents were asked to say what rates relief meant to their business. Responses were grouped into a number of categories that broadly reflect two dimensions; first, variations in the financial significance of rates relief for business sustainability; and secondly, the extent to which rates

The role and significance of rates relief for supporting businesses in Wales

relief has significance beyond any financial benefit as an indicator of government commitment to providing support for small businesses.

Many microbusinesses clearly operate on very tight margins and the economic downturn has led to significant financial difficulties. Typical responses in this category include:

“In the current economic climate, it has been vital to minimise our overheads. Without rates relief we would probably have considered selling the business.”

“In the last 12 months it has been crucial for us to remain in business”

“Would close without it and are still near to closure since the reduction in relief from 50% to 25%”

“Just about makes the business profitable”

“Helps to keep overheads manageable – but only just”

For some small businesses, rates relief is clearly perceived to be significant enough to have an influence on financial stability. For other businesses, however, the economic downturn has placed downward pressure on existing employment. In this context, rates relief was viewed as a financial contribution towards the retention of employees including part-time and casual workers. Rates relief:

“keeps people in a job”.

“It means we can employ more staff to help with the workload”

It means “the difference between employing staff or losing staff”

“It enables us to use casual staff for a specific task”

“It has enabled us to avoid redundancy in the present difficult economic conditions”

The role and significance of rates relief for supporting businesses in Wales

At the other end of the spectrum, however, as our data analysis demonstrates, rates relief is an insignificant contribution towards business performance. The amount, for some businesses, is “*too small to make a difference*” and therefore “*has very little effect*”. Rates relief therefore means “*nothing*” or “*not a lot*” to many of these business owners.

While many respondents noted the financial importance of rates relief, others drew attention to the significance of rates relief in a wider political context. The comments of many indicated that the relief scheme is regarded as a statement by government of its commitment to supporting businesses. It is not just about finance. As one respondent stated, it tells us that “*Government is thinking about us*”.

Not only is it financially positive but the gesture made by the government to small businesses in the form of the scheme has a positive effect on attitude and motivation.

...makes us feel that our local authority and Assembly government value the presence of small businesses like ours on the high streets.

.....also regarded as an emotional support, someone at County Hall cares about small businesses!

Some of these replies added some useful context to these arguments. Many small businesses, for instance, view rates relief as an expression of government’s understanding of the threat posed to Welsh-owner small businesses by the entry of large multiples into Wales particularly in the retailing sector:

“Helps Welsh independents”

The role and significance of rates relief for supporting businesses in Wales

“It is very important and helps where larger competitors can bully you out of business, anything to keep the smaller independent trader going is a good thing.”

“Many small businesses are struggling while big businesses are getting large incentives eg. Tesco (Fishguard)...”

“Helps to compete with bigger shops”

Finally, issues were raised by many businesses concerning the principle of supporting business through offering relief on taxation and rates in particular. Some respondents reacted to questions concerning relief by commenting on the tax itself. This suggests that many businesses consider that local business rates are too high in the first place and this tends to influence their attitudes towards rates relief. Some respondents held negative views of rates relief for this reason:

“It is small relief. Rates payments loom large still.”

“A mild but significant reduction in the outgoings under the heading of ‘useless overheads”

“Relief’ at having one less bill to pay”

“To bring the rates down to an acceptable level, for a small business”

“The amount of relief is miniscule. The extent of rates we pay is extensive and is crippling businesses like ours.”

“Rate relief helps but the basic business rate has gone up enormously for the business. The system is flawed. Small businesses are being over-taxed and high business rates do not help the local economy”

6. Conclusions and Implications

This study has examined rates relief within the broader context of government intervention measures aimed at supporting small businesses. The study has sought to evaluate small business rates relief both in terms of the financial benefit for recipient businesses and the symbolic significance of rates relief as a form of state support for the small business community in general. In doing so, the paper engages with the theoretical debate regarding the effectiveness and targeting of support to small businesses and how best to achieve that. The study contributes to the literature by filling a gap in our knowledge of the impact of rates relief and identifying some of the positive and some of the negative aspects of such support mechanisms. In particular, the paper adds to previous understanding of non-domestic rate relief by identifying the relative importance of rates relief between different types and sizes of business.

The survey findings indicate that rates relief is a significant benefit for many small businesses. The evidence also suggests that in the current economic climate, even quite small financial benefits derived from rates relief have been significant in contributing towards the survival and continuity of many small businesses. The data shows that this is particularly the case for businesses employing five or fewer people and for small accommodation providers in the tourism sector. Our findings support those previous studies which suggest that there is a benefit to small businesses in lowering costs and easing cash flows, particularly for those businesses where rates are fixed cost over which the business has no control (Laramie and Mair, 1993). Where these businesses are located in small rural communities, our study found that their survival and continuity has a wider social impact in terms of local employment and local services.

The findings also show, however, that rates relief represents a relatively unimportant form of financial support for some beneficiaries. This raises issues of targeting relief to where it has the highest impact and how that can be done with equity and without negative

The role and significance of rates relief for supporting businesses in Wales

consequences to competitive environments. It also, particularly in times of tightened government spending, raises questions about the most efficient form of that spending. Rates relief must be seen as one tool of intervention among many available.

The lack of clarity found in previous statistical studies looking at the impact of nondomestic property taxes upon geographical variations in business activities (c.f. Damania, 1986) can be explained by the wide range of financial impact found in this study. If business rates are of marginal financial importance to some businesses but of critical importance to others then the impact on, for example employment, will inevitably be a mixed picture.

The study also found that even when the direct financial impact of rates relief was minimal, there could be a positive psychological impact., Strong views were held concerning the importance of rates relief as an indication of support for the business community in the present economic circumstances. Rates relief therefore appears to have symbolic significance. This is an important finding for central and local government policymakers. The direct nature of rates relief support makes it clear to recipients that such support is coming from government, in a way which is not so evident in other more indirect means of small business support.

Studies previously referred to in this paper have pointed to some negative consequences of such intervention (c.f. Chittenden et al., 1999; Onji, 2009; Parry, 2010). This study suggests that a further negative consequence is the way in which rates relief draws attention to the actual levels of local taxation. Replies to the open questions in this survey show that rates relief is also a rather controversial form of business support in that relief from rates tends to draw attention to the payment of this particular tax which is regarded as excessive by many businesses in relation to the local services that are provided.

Although focused on Wales, the findings of this study have wider implications in terms of our understanding of the impact of rates relief as a mechanism of government financial support. These findings suggest that while rates relief has financial significance for some types of

The role and significance of rates relief for supporting businesses in Wales

business, it has a much wider effect as a demonstration of State support for the business community. In these terms, withdrawal or scaling back on resources available for rates relief could be damaging for relations between business and government. These arguments are germane also to current plans for the UK Government to set up Enterprise Zones within England that include tax breaks alongside reduced planning restrictions and investment in "superfast" broadband. Our findings suggest that the offer of business rates discounts may be significant for some small businesses but perhaps not sufficient to prompt relocation without other measures in place.

References

- Baghana R, Mohnen P, 2009, "Effectiveness of R and D tax incentives in small and large enterprises in Quebec" *Small Business Economics*, **33**(1) 91-107
- Baldock R, 1998, "10 years of the urban programme 1981-91: the impact and implications of its assistance to small businesses" *Urban Studies* **35**(11) 2063-83.
- de Bartolome C A M, Rosenthal S S, 1999, "Property Tax Capitalisation in a Model with Tax-Deferred Assets, Standard Deductions, and the Taxation of Nominal Interest" *Review of Economics and Statistics* **81**(1) 85-95.
- Belso Martinez J A, 2009, "Entrepreneurship policies and new business performance and growth: an empirical analysis based on manufacturing industries" *Environment and Planning C: Government and Policy* **27** 195-215
- Bennett R, 2008 "SME Policy Support in Britain since the 1990s: What Have We Learnt?" *Environment and Planning C: Government and Policy* **26** 375-397
- Brassington D M, 2001, "Capitalisation and Community Size" *Journal of Urban Economics* **50** 385-395.
- Chinloy P T, 1978, "Effective Property Taxes and Tax capitalization" *Canadian Journal of Economics* **11** 740-750.
- Chittenden F, Poutziouris P, Michaelas N, Watts T, 1999 "Taxation and Small Firms: Creating Incentives for the Reinvestment of Profits" *Environment and Planning C: Government and Policy* **17** 271-286
- Church A M, 1974, "Capitalization of the Effective Property Tax Rate on Single Family Residences." *National Tax Journal* **27** 113-122.
- Coffman R B, 1993, "Tax Abatements and Rent Seeking" *Urban Studies* **30**(3)
- Cook I R, 2008, "Mobilising urban policies: the policy transfer of US business improvement districts in England and Wales" *Urban Studies* **45**(4) 773-95
- Cunningham R, 2009, "Companies get help with business rates," *International Tax Review* May, **20**(4)
- Dalehite E G, Mikesell J L, Zorn C K, 2005, "Variation in Property Tax Abatement Programs among States" *Economic Development Quarterly* **19**(2) 157-173.
- Damania D, 1986 "The impact of nondomestic property taxes on employment: a comment" *Urban Studies* **23** 413-418
- Donald B, Mohsin M, 2006, "Tax policy and entrepreneurship: new timeseries evidence" *Small Business Economics* **26**(5) 409-425
- Edel M and Sclar E, 1974, "Taxes, Spending and Property Values: Supply Adjustment in a Tiebout-Oates Model" *Journal of Political Economy* **82** 941-954.
- Federation of Small Businesses, 2009, "FSB in Scotland: Small Firms Welcome Full Introduction of Business Rates Cut – April 2009." Available from: <http://www.fsb.org.uk/News.aspx?loc=scotland&rec=5174>
- Fogel G, 2001 " An Analysis of Entrepreneurial Environment and Enterprise Development in Hungary" *Journal of Small Business Management* **39**(1) 103-109.
- Gronberg T J, 1979, "The Interaction of markets in Housing and Local Public Goods: A Simultaneous Equations Approach" *Southern Economics Journal* **46** 445-459.

The role and significance of rates relief for supporting businesses in Wales

- Gustely R D, 1976, "Local Taxes, Expenditures and Urban Housing: A Reassessment of the Evidence." *Southern Economics Journal* **42** 659-665.
- Hudson D, 2005, "Issues in business rates and revaluation 2005" *Journal of Retail and Leisure Property* July **4**(3) 207-218
- HM Treasury, 2010, "Budget 2010 Securing the recovery Economic and Fiscal Strategy Report and Financial Statement and Budget Report – March 2010" Ch.4, p.53. Available from: <http://media.ft.com/cms/edb5d37c-3749-11df-b542-00144feabdc0.pdf>
- Hoyt W H, 1999, "Leviathan, Local Government Expenditures, and Capitalization" *Regional Science and Urban Economics* **29** 155-171.
- King A T, 1973, *Property Taxes, Amenities, and Residential land Values*. Cambridge, Mass.: Ballinger.
- Labour Matters, 2009, "Ann Jones welcomes more relief for Welsh firms" Nov. 2009. Available from: <http://www.labourmatters.com/welsh-labour/ann-jones-welcomes-more-relief-for-welsh-firms>
- Labour Party Wales and Plaid Cymru 2007, "One Wales: A progressive agenda for the government of Wales: An agreement between the Labour and Plaid Cymru Groups in the National Assembly" 27th June 2007
- Laramie A J, Mair D, 1993, "The incidence of business rates: a post-Keynesian approach" *Review of Political Economy* **5**(1) 55-72
- Mason C, 2009 "Policy As a Focus for Small Business Research" *Environment and Planning C: Government and Policy* **27** 191 - 194.
- Mason C and Brown R 2011, "Creating good public policy to support high-growth firms" *Small Business Economics*, Published online 27th September
- McGuinness S, Hart M, 2004 "Mixing the Grand Cocktail: Towards an Understanding of the Outcomes of Financial Support to Small Firms " *Environment and Planning C: Government and Policy* **22** 841 -- 857.
- National Federation of Independent Businesses (2008) "Small business problems and priorities survey". Available at: <http://www.nfsb.com>.
- Neumark D, Wall B and Zhang J (2011) "Do small businesses create more jobs? New evidence from the United States from a National Establishment Time Series" *Review of Economics and Statistics* Vol 93 (1) 16-29.
- Oates W E, 1969, "The Effects of Property Taxes and Local Public Spending on Property Values: An Empirical Study of Tax Capitalisation and the Tiebout Hypothesis" *Journal of Political Economy* **77** 957-971.
- Oates W E, 1973, "The Effects of Property Taxes and Local Public Spending on Property Values: A Reply and Yet Further Results" *Journal of Political Economy* **81** 1004-1008.
- Oktem M, Huang J C, 2011, "Property Tax Shifting under Imperfect Competition" *Applied Economics* **43** 139-152.
- Onji K, 2009, "The response of firms to eligibility thresholds: evidence from the Japanese value added tax," *Journal of Public Economics* **93**(5/6) 766-775
- Palmon O, Smith B, 1998a, "New Evidence on Property Tax Capitalisation. *The Journal of Political Economy* **106**(5) 1099-1111.
- Palmon O, Smith B, 1998b, "A New Approach for Identifying the Parameters of a Tax Capitalisation Model" *Journal of Urban Economics* **44**(2) 299-360.

The role and significance of rates relief for supporting businesses in Wales

- Parry S N, 2010, "Smalltalk: Rhetoric of control as a barrier to growth in artisan micro-firms" *International Small Business Journal* **28(4)** 378–397.
- Potter J, Moore B, 2000, "UK enterprise zones and the attraction of inward investment," *Urban studies* **37(8)** 1279-1311.
- Reinhard R M, 1981, "Estimating Property Tax Capitalization: A Further Comment." *Journal of Political Economy* **89** 1251-1260.
- Richardson D H and Thalheimer R, 1981, "Measuring the Extent of Property tax Capitalization for Single Family Residences." *Southern Economics Journal* **47** 674-689.
- Rodrigo C A, Felipe L, 2010, "Corporate taxes and the demand for labour and capital in developing countries" *Small Business Economics* **34(2)** 187-201.
- Rosen H S and Fullerton D J, 1977, "A Note on Local Tax rates, Public Benefit Levels, and Property Values" *Journal of Political Economy* **85** 433-440.
- Scottish Government, 2004, "Evaluation of the Impact and Effectiveness of the Small Business Rates Relief Scheme" Dec 08, 2004. Available from: <http://www.scotland.gov.uk/Publications/2004/12/20357/47854>
- Sloan B, Chittenden F, 2006 " Fiscal Policy and Self-Employment: Targeting Business Growth " *when* 24 83 -- 98.
- Smallbone D, Baldock R, Burgess S, 2002 "Targeted Support for High-Growth Start-Ups: Some Policy Issues " *Environment and Planning C: Government and Policy* **21** 95-209
- Smallbone D, Baldock R, North D, 2003 "Policy support for small firms in rural areas: the English experience" *Environment and Planning C: Government and Policy* **21** 825 - 841.
- Soufani K, 2003 "Small Business Growth and Tax Policy in Canada -- a Theoretical Model " *Environment and Planning C: Government and Policy* **21** 567-578.
- Stadelmann D, Billon S, 2012, "Capitalisation of Fiscal Variables and the Land Scarcity" *Urban Studies* **49(7)** 1571-1594.
- Tsoodle, L J, Turner, T M, 2008, "property taxes and residential rents" *Real Estate Economics* **36(1)** 63-80.
- Wales T J and Weins E G, 1974, "Capitalization of Residential Property Taxes: An Empirical Study" *Review of Economic Statistics* **56(3)** 329-333.
- Wolkoff M J, 1985, "Chasing a Dream: the Use of Tax Abatement Is to Spur Urban Economic Development" *Urban Studies* **22** 305-315.
- Wolkoff M J, 1993, "Tax Abatements and Rent Seeking: a Reply" *Urban Studies* **30(3)** 599-602.
- Wyld J, Pugh G, Tyrrall D, 2010 " Evaluating the Impact of Progressive Beer Duty on Small Breweries: a Case Study of Tax Breaks to Promote SMEs " *Environment and Planning C: Government and Policy* **28** 225 -- 240.
- Yinger J, Bloom H S, Borsch-Supan A and Ladd H F, 1988, *Property Taxes and House Values: The Theory and Estimation of Intra-jurisdictional Property Tax Capitalization*. San Diego: Academic Press.
- Zodrow G R, 2001, "The Property Tax As a Capital Tax: a Room with Three Views", *National Tax Journal* **54(1)** 139-156.