Introduction

1. On 26 October 2015 the (then) Department of Finance and Personnel launched a public consultation seeking responses on a review of the non-domestic rating system i.e. commercial rates. The consultation lasted for a period of 12 weeks and formally ended in early February 2016, with 113 written responses being received.

2. The proposals outlined in this document however, are broader than the wide-ranging matters covered in that consultation. They include reforms to the system of domestic rates and small business rate relief.

3. The changes proposed for the domestic rating system are informed by a series of public consultations undertaken in 2012/2013 about domestic rates support; in particular the continued affordability of and necessity for the various exemptions and allowances in the context of significant funding reductions imposed by the British Government in 2013 for Housing Benefit ‘rate rebate’. Circumstances have not changed since then and the findings from that earlier consultation are still relevant.

4. Changes to Small Business Rate relief were also informed by the consultation associated with the full policy evaluation undertaken by the Economic Policy Unit at the University of Ulster, completed in December 2014. On the 21 March 2016, the Department also published a discussion paper examining potential alternatives to the current Small Business Rate Relief Scheme, generating 14 responses from representative groups within the business community.

5. There was also a full public consultation undertaken earlier this year on landlord liability in the domestic sector, covering, amongst other matters, the level of allowances and the Halls of Residence exemption.

6. Finally, changes proposed for empty property relief and hardship relief have been further informed by policy evaluations undertaken by this Department in 2009 and 2013 respectively.

7. It is this broader evidence base, along with ideas emerging from the new political mandate established in May 2016 that forms the basis of the proposals being presented in this paper. Indeed, this previous work has allowed the Department to present a favoured option, or preferred way forward, for many of the policy measures outlined in this paper.
8. Given the broad nature of the proposed reforms, this paper is set out in standalone sections for ease of reference, by subject area. This will allow groups and individual ratepayers to focus their attention on policy areas that are of most interest to them.

9. However, ratepayers must bear in mind that the rating system is unlike other systems of taxation. The total amount to be raised in any one year is decided in advance and remains fairly constant. That total is then divided up amongst individual ratepayers on the basis of the rating policy in place. So, every gain can be a loss for someone else and vice versa.

10. Consultations on rating policy tend to be dominated by those who may be directly affected but it is also important to gather the views and opinions of the wider body of ratepayers. For this reason, the Department welcomes views from organisations and individuals on the wider package.

11. If you require any further information about this consultation exercise you should contact Rating Policy Division on (028 9090 9325). The consultation paper can be made available, on request, in alternative languages and formats.

12. Should you wish to contact us by e-mail, any queries and consultation responses should be sent to: ratingpolicy.cfg@finance-ni.gov.uk.

Written responses to this consultation should be sent to:

Rating Policy Division
FinTru House
1 Cromac Avenue
Gasworks Business Park
BELFAST
BT7 2JA

13. The consultation period is 9 weeks, which affords another week due to the Christmas 2016 break. The final deadline for responses is 16th February 2017

Way forward

14. Virtually all the changes proposed in this paper require changes to legislation, to be approved by the NI Assembly. For this reason the earliest the measures can start to be introduced is the start of the financial year after next: 1 April 2018.
15. There are other reasons why these matters cannot be rushed through. Land and Property Services will need sufficient time to set up and prepare their systems and processes and of course, ratepayers need time to be made aware of those changes and given time to adjust. Furthermore, there are the responses of this consultation to consider, the Committee process to engage with, and Executive approval to secure for the overall package. Regulatory Impact Assessment work will be undertaken as required once the policies have been finalised.

16. Many of these measures can be brought in, in a few months, through changing Statutory Rules. These are pieces of subordinate legislation for which legislative powers already exist. Other reforms need new powers to be taken through the Assembly through Primary Legislation which takes longer and timings will be subject to timetabling by the Assembly. Rating legislation usually needs to be in place for 1st April in a given financial year to coincide with Turn of Year rates bills issuing.

17. For example, changes to Small Business Rate Relief and Empty Property Relief can be given effect by Statutory Rule, whereas Regional Rate Levy and changes to the treatment of charity shops will need new primary legislation.

18. In the meantime, for the financial year 2017/18, the current arrangements will continue and where necessary powers are being taken forward to extend reliefs, such as Small Business Rate Relief for another year. Although subject to the formal agreement of the Executive through the budget process, for the reasons stated above and to minimise impact on ratepayers there is little option but to proceed on this basis.

19. Finally, it is worth noting that the question of future non-domestic (i.e. commercial sector) rates revaluations has already been widely consulted upon in some detail and there is already a consensus of opinion on the issue. Therefore, this matter is not being further consulted on. A formal announcement will be made in the New Year.