Halls of Residence

Background

1. The Department has already consulted\(^1\) on the issue of continuing with full rates exemption for university run halls of residence, given the recent growth in purpose built student accommodation that is under development at the moment.

2. This subject raises issues of need, equity and consistency of treatment under the rating system. The majority of students who live away from home are housed in private rented accommodation and already pay rates, as part of their rent. Furthermore, the new private operated developments will not normally be entitled to exemption either and this will throw into sharp relief the favourable treatment afforded to university run halls of residence.

3. 14 organisations responded to this issue in the consultation, with four in favour of the exemption continuing, seven against and three not clearly denoting a view for or against the exemption. Generally, those who wished to see the exemption continuing were concerned that its removal would result in increased costs for students. Mid & East Antrim Council commented:

   “Universities would be likely to pass on the cost to students, and whilst students may well indeed place demands on public services and should contribute to the cost of these services, there is a public interest in supporting our young people, where we can, through this stage of their education.”

4. Those who wished to see the exemption discontinued commented on the inequality of excluding university run halls of residence whilst charging commercial landlords. Macfarlane & Smyth commented –

   “Universities are now run on a more commercial basis than before and the halls are in direct competition with other landlords. With the increasing commercialisation of universities and also with the increasing numbers of purpose built student accommodation blocks which may seek to avail of this exemption through university link ups, those landlords who must pay full rates are currently very unhappy at what they perceive to be unfair competition.”

\(^1\) [https://www.finance-ni.gov.uk/articles/rates-liability-domestic-rental-properties](https://www.finance-ni.gov.uk/articles/rates-liability-domestic-rental-properties)
5. Belfast City Council commented that the exemption is unfair to residents of Belfast as it resulted in a large proportion of occupiers making no contribution to local services. They also stated that another reason they were in favour of removing the exemption was that it “...would increase the tax base for the Council to help offset the additional costs incurred by the Council in providing services to new student accommodation developments in the city.”

Policy Proposal

6. The Department has carefully considered this issue, particularly in terms of the impact on our universities and the viability of developing new halls of residence. It has been decided to remove the Halls of Residence exemption to ensure consistent treatment across the student housing sector.

7. A crucial consideration in this is the fact that universities (and colleges) are, and only were ever, eligible for this relief under the statutory provision if the rates saving were passed onto the students. In other words, the incidence of the current tax concession is only intended for the benefit of this class of students, not the University.

8. Firstly, this means that in terms of financial impact on the universities, the removal of the exemption should be revenue neutral. The universities can increase their accommodation charges accordingly. Indeed, with many halls of residence housing significant numbers of first year overseas students, this ensures that all who benefit from local services contribute at least something towards the cost of provision.

9. Secondly, it represents an anomaly, because it singles out for special treatment only those students in halls of residence compared to all other students living away from home, who pay rates as part of their rent (or their ownership). This is an incongruous position to maintain within the rating system.

10. Finally, in terms of affecting the supply of new halls of residence, the sudden growth of purpose built student accommodation by private operators around Belfast does not indicate an oversupply of modern student accommodation.

11. The Department therefore intends to remove this exemption from April 2018.

12. The likely revenue gain is just under £1m a year.
Questions for Consultees

- Do you agree that the current Halls of Residence exemption currently treats some students more favourably than others?
- Do you agree with the Department’s assessment of this issue, following the earlier consultation this year?