

# Public Document Pack

**Democratic Services Section  
Legal and Civic Services Department  
Belfast City Council  
City Hall  
Belfast  
BT1 5GS**



**Belfast  
City Council**

25th September, 2019

## **STRATEGIC POLICY AND RESOURCES COMMITTEE - BRIEFING SESSION**

Dear Alderman/Councillor,

The above-named Committee will meet in the Lavery Room - City Hall on Friday, 27th September, 2019 at 9.30 am, for the transaction of the business noted below.

You are requested to attend.

Yours faithfully,

SUZANNE WYLIE

Chief Executive

### **AGENDA:**

1. **Review of Business Rates - Mr A Bronte, Director of Rating Policy (Pages 1 - 34)**

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<b>Subject:</b>	Briefing Note on Business Rates consultation
<b>Date:</b>	27 September 2019
<b>Reporting Officer:</b>	Ronan Cregan, Deputy Chief Executive and Director of Finance and Resources
<b>Contact Officer:</b>	Trevor Wallace, Head of Finance

<b>1.0</b>	<b>Purpose of Report</b>
	To provide members with a briefing note in relation to the Business Rate Public consultation to be undertaken by the Department of Finance
<b>2.0</b>	<b>Main report</b>
	<p>The Department of Finance have announced plans to undertake a full and comprehensive review of business rates in Northern Ireland. This review was launched on 16 September with responses due by 11 November (8 weeks). A similar review was undertaken by Kenneth Barclay in Scotland over a period of one year (2016-17) which produced 30 recommendations.</p> <p>The consultation questions for which DoF are looking responses are listed below:</p> <ol style="list-style-type: none"> <li>1) <u>How can revenues from district and regional rates be raised in a way that is fair and equitable and without placing an unacceptable burden on business ratepayers?</u></li> <li>2) <u>What ways can be found to widen the tax base that could facilitate a lower level of business rates?</u></li> <li>3) <u>How can a fair distribution between district rates and regional rates be sustained?</u></li> <li>4) <u>How can a fair distribution between non-domestic and domestic rates be sustained?</u></li> <li>5) <u>What reliefs and supports are necessary and might be introduced, changed or ended, targeted in line with Executive priorities and recognising ability to pay?</u></li> </ol>

6) What alternative tax options should be considered to complement or partially replace property based non-domestic rates to allow for lower levels of revenue from business rates?

These are very wide and significant questions and will require careful consideration before providing a detailed response. However, as the consultation period ends on 11 November, this response would need to go to Strategic Policy and Resources committee on 25 October (4 weeks) for ratification at November's Council.

In order to ensure a full and proper response is provided to the consultation it would be reasonable to request an extension to the deadline.

Attached to this briefing note are

Business Rates Public Consultation factsheet  
2019 Review of Business Rates Terms of Reference  
SP&R report on Reforming the Rating system 20 January 2017  
Appendix 2 to January 2017 SP&R Report - Draft Council responses to consultation

### **Background Information**

Belfast City Council currently gets revenue income from Fees & Charges, Grants and Rates (both domestic and non-domestic).

The District Rate makes up 44% of the Rates bill, with the rest, 56%, being the regional rate.

Approximately 78% of our income comes from the District Rate, of which 64% comes from Non-domestic (Business) Rates, and 36% from Domestic Rates.

SP&R committee in January 2017 had agreed a response to the then "Reforming the Rating System, Rates: Rethink, Spurring Economic Growth", a summary of the council's position is listed below.

#### **1) Investment in Small Business**

##### **Policy Proposal**

- Replace existing SBRR Scheme
- Target retail and Hospitality
- Proposed criteria attached as Annex A
- £22m commitment
- Should double average awards
- Two options for allocating relief, one slightly favours lower NAV's

##### **Existing Council Position**

- Support current SBRR replacement
- New scheme should have focus on New Strat-Ups and Expanding SME's

## **2) Small Business Empowerment Zones**

### **Policy Proposal**

- Two Pilot Zones
  - Lower Falls
  - Lower Newtownards Road
- Zone reliefs to be in place for 3 years.
- Automatic 50% relief within Zone regardless of NAV (unless already receiving higher)
- Back in Business Scheme (occupation of vacant properties) enhanced. 75% Yr1 Relief and 50% years 2 and 3.

### **Existing Council Position**

- New proposal. No existing position.

## **3) Revitalising our High Streets**

### **Policy Proposal**

- Based on LOTS and Town Centre Living.
- 100% rates exemption for converted property.
- Exemption not transferrable.

### **Existing Council Position**

- Support revitalising High Streets, but City Centre Regeneration requires more than conversion intervention.
- Targeted business case based relief for new city centre developments required e.g. Grade A Office, Accommodation and Hotels

## **4) Charity Shops**

### **Policy Proposals**

- Charity shops should pay 20% rates (currently exempt).
- Upper threshold for relief £25k (same as SBRR Replacement Proposals)

### **Existing Council Position**

- Charity shops should pay some rates.

## **5) Non-Domestic Empty Property Relief**

### **Policy Proposals**

- End current 3 month 100% vacancy exemption.
- Reduce the current relief from 50% to 25%.

### **Existing Council Position**

- Support retention of the 3 month 100% exemption to encourage City Centre Regeneration.
- Support reducing relief from 50% to 25% after 3 months to more align with Britain. N.B. Relief would still be more favourable than Britain. (England Nil after 3 months, Scotland 10% after 3 months)

	<p><b>6) <u>Mines</u></b></p> <ul style="list-style-type: none"> <li>• Not applicable</li> </ul> <p><b>7) <u>Halls of Residence</u></b></p> <p><b>Policy Proposal</b></p> <ul style="list-style-type: none"> <li>• Remove existing 100% exemption for University Halls of Residence</li> </ul> <p><b>Existing Council Position</b></p> <ul style="list-style-type: none"> <li>• Strong support for removal of exemption.</li> <li>• New student accommodation in Belfast is an important outcome of the City Centre Regeneration Strategy and Growing the Rate Base.</li> <li>• Current exemption unfair on those students in private accommodation who pay rates and citizens who pay for services which will be required for new accommodation.</li> </ul> <p><b>8) <u>Hardship Relief</u></b></p> <p><b>Policy Proposal</b></p> <ul style="list-style-type: none"> <li>• Review Definition of the Scheme.</li> <li>• Widen the decision making beyond LPS.</li> </ul> <p><b>Existing Council Position</b></p> <ul style="list-style-type: none"> <li>• No current position.</li> </ul> <p><b>9) <u>Sports &amp; Recreation Relief</u></b></p> <p><b>Policy Proposal</b></p> <ul style="list-style-type: none"> <li>• Include spectator stands that do not generate income in sports and recreation assessment.</li> <li>• Non sporting areas currently disregarded if less than 20%. Proposal to review “de minimus” to remove Golf Club anomaly i.e. Golf Course and Club House combines.</li> </ul> <p><b>Existing Council Position</b></p> <ul style="list-style-type: none"> <li>• No existing position, but general principle of fairness would support reviewing the de minimus.</li> </ul>
<b>4.0</b>	<b>Appendices – Documents Attached</b>
	<p>Business Rates Public Consultation factsheet  2019 Review of Business Rates Terms of Reference  SP&amp;R report on Reforming the Rating system 20 January 2017  Appendix 2 to January 2017 SP&amp;R Report - Draft Council responses to consultation</p>

# Business Rates Public Consultation



## In May 2019, the Department of Finance announced plans to undertake a full and comprehensive review of business rates in Northern Ireland.

It is of strategic importance for government to ensure that the business rating system is fit for purpose in order to fund Northern Ireland's key services, both at regional and district level. The system, together with the suite of support measures, need to be positioned to respond to changing marketplaces and local economic conditions, and should align with wider government strategy to promote economic growth right across Northern Ireland.

This Review will evaluate the current position and make recommendations as to how the business rates system can be effective and fair, while still ensuring that overall, the same amount of revenue is available.

## The Department of Finance is seeking views on business rates and specifically on the following questions:

- How can revenues from district and regional rates be raised in a way that is fair and equitable and without placing an unacceptable burden on business ratepayers?
- What ways can be found to widen the tax base that could facilitate a lower level of business rates?
- How can a fair distribution between district rates and regional rates be sustained?
- How can a fair distribution between non-domestic and domestic rates be sustained?
- What reliefs and supports are necessary and might be introduced, changed or ended, targeted in line with Executive priorities and recognising ability to pay?
- What alternative taxation options should be considered to complement or partially replace property based non-domestic rates and to allow for lower levels of revenue from business rates?



This consultation paper applies to Northern Ireland only.

The Terms of Reference for this Review and other supporting material can be found at [www.finance-ni.gov.uk/consultations/business-rates](http://www.finance-ni.gov.uk/consultations/business-rates).

## Send us your views

**We invite responses by 11 November 2019.**

Email responses should be sent to: [RatingPolicy@finance-ni.gov.uk](mailto:RatingPolicy@finance-ni.gov.uk)

Paper responses to:

Rating Policy Division,  
Department of Finance,  
Lanyon Plaza,  
7 Lanyon Place  
Town Parks  
BELFAST  
BT1 3LP

**We will publish all responses on the Department of Finance website, unless confidentiality is requested, and subject to checking for any defamatory material.**







# 2019 Review of Business Rates Terms of Reference



Land &  
Property  
Services  
Seirbhísí  
Talún &  
Maoinne



Department of

**Finance**

An Roinn

**Airgeadais**

[www.finance-nl.gov.uk](http://www.finance-nl.gov.uk)



# Contents

Overview of current non-domestic rating system	2
Scope of the Review	4
Conduct of the Review and projected timetable	6
Consultation & engagement with key stakeholders	7
Consideration of options	8
Annex A	9



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# Overview of current non-domestic rating system

1. There are two different rates levied in Northern Ireland: a domestic rate for residential properties and a business rate for non-domestic properties. Business rates are a property tax that is usually levied on the occupier, although in the case of vacant property it is levied at a lower rate on the person entitled to possession (usually the owner). Gross charges (before any reliefs) are levied in accordance with, and in direct proportion to, a property's assessed rental value (also known as Net Annual Value or "NAV"). From 1 April 2015 values reflect the rental value of the property as at 1 April 2013. A Non-Domestic Revaluation is underway that will set revised values as at 1 April 2018 that will form the basis of the rates billed from 1 April 2020 onwards.
2. The total revenue raised through both domestic and non-domestic rates within Northern Ireland is approximately £1.33 billion, with approximately 50% of this being funded by non-domestic rating. This is used to fund both local District Council services as well as regional services delivered by the Northern Ireland Executive such as education, health and roads. Regional Rate revenue provides approximately 6% of the Northern Ireland Executive's public spending. District Rate revenue provides some 70% - 75% of the income of District Councils. In general the District Rate is approximately 40% of a non-domestic rate bill. A high level breakdown of total rating revenue raised in 2018/19 is provided in the following table:

Source	Revenue
District	£590m
Regional	£744m
Total	£1.334bn

3. A system of exemptions and reliefs operates within the non-domestic rating system. The purpose of these reliefs is to reduce the overall rating burden for particular types of property based on criteria agreed by Ministers that relate to various policy objectives. The reliefs and exemptions result in either less revenue being available for both District and Regional services or higher rates for everyone else as the rate burden is redistributed. A description of each relief is available in Annex A and the total value of all non-domestic reliefs is shown in the following table.

Relief	Value
Exempt (e.g. charities)	£96.2m
Industrial De-rating	£62.9m
Vacant	£41.7m
Small Business Rate Relief*	£19.9m
Residential Homes Rate Relief	£9.8m
Sport & Recreation Relief **	£4.9m
Freight & Transport Relief	£2.1m
<b>Total Value</b>	<b>£237.5m</b>

\* Includes enhanced Post Office relief

\*\* Includes Community Amateur Sports Clubs

4. The rating system in Northern Ireland is a separate local tax with no direct links to similar taxation systems in England, Scotland or Wales. In relation to business rates there is harmonisation across the UK in relation to valuation procedure and practice, as far as legislation permits. The systems of reliefs and exemptions are similar in their policy intent, but different in the specifics of how they operate in practice. When business rate reliefs in England are enhanced, Northern Ireland, and other devolved administrations, receive equivalent funding from Westminster often known as ‘Barnett consequentials’; however, such funding is un-hypothecated. This means that local Ministers must decide how such monies are allocated. In the absence of Ministers and with no legislative Assembly, the current systems of reliefs and exemptions cannot be changed.
5. The domestic rating system in Northern Ireland was reformed in 2007, and is based on 2005 capital values. Council Tax operates in GB with values in England based on 1991 levels. Council Tax is a banded system and is regressive in nature, whereas the reformed system of domestic rates in Northern Ireland is progressive and also fairer, being based on much more modern and individual values.

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# Scope of the Review

1. A number of key principles to underpin the direction of any review were identified by an Innovation Lab conducted in 2015, namely that the resultant system after a review should have the following features:-
  - Simplicity;
  - Predictability;
  - Certainty;
  - Be hard to evade; and
  - Be easy to collect.
2. These features align well with generally accepted requirements for local tax:-
  - The distribution of the tax burden should be equitable and includes the incidence of the tax;
  - The revenue yield should be adequate and the tax structure should not threaten overall fiscal targets (revenue neutrality is a working assumption but this will not bind decision makers; whatever system emerges will need to be scalable);
  - There should be minimum interference with economic decisions in otherwise efficient markets; unless this is in pursuit of a wider strategy; and
  - The system should permit fair and non-arbitrary administration, should be understandable to the ratepayer or taxpayer, and administration and compliance costs should be minimised as far as possible.
3. The parameters for this Review are as follows:-
  - Whatever options or proposals are explored must result in similar levels of revenue being raised overall for the NI Executive and local government as by the current rating system;
  - It should seek to explore the possibilities of widening the tax base and lowering the tax rate (poundage);
  - It will not seek to abolish non-domestic rates - a substantial portion of the revenue will continue to be raised from a tax that is levied against the value of property;

- 
- It will examine alternative taxation options that may complement or perhaps partially replace non-domestic rates;
  - It will consider how non-domestic rating aligns with the outcomes of the Programme for Government and the strategic objectives of relevant economic, social and environment policies;
  - It will consider equity within the rating system and whether it can be made fairer and more closely linked to ability to pay. This will include an examination of all existing reliefs and exemptions to determine whether they remain appropriate and balanced between domestic and non-domestic rates at district and regional level;
  - It will examine the UK government's policy proposals in relation to 'Making Tax Digital' which is a key part of the government's plans to make it easier for individuals and businesses to get their tax right. These future proposals, where they relate to business rates, will be considered;
  - It will examine aspects of the domestic rating system and how it operates in relation to the non-domestic system; and
  - It will examine policies and processes for raising local revenue operating nationally and internationally.

# Conduct of the Review and projected timetable

1. The key stages and target completion dates are set out in the table below:

Key Stages	Projected Timetable
Review announced	9 May 2019
Innovation Lab on town and city centre regeneration	2 and 3 July 2019
Undertake initial research	June to August 2019
Announce details to open Consultation period	16 September 2019
Undertake Public Consultation	8 weeks - 16 September to 11 November 2019
Business Rates Review Team to attend stakeholder events to discuss Consultation and listen to debate and feedback. Attend further business rates specific Innovation Labs.	August to November 2019
Consider Consultation responses	November 2019 / January 2020
Consider how emerging recommendations could be reflected in proposals for the 2020/21 Regional Rate	December 2019 / January 2020
Publish Consultation report	Spring 2020

Note: Revaluation 2020 will result in a new valuation list being released in draft by the end of November 2019 and a new list will come into effect on 1 April 2020. This is separate from the Business Rates Review.



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# Consultation and engagement with key stakeholders

1. A number of questions have been developed to be put to Public Consultation. These take account of known constraints, including financial, legal constraints and state aid requirements.
2. The Terms of Reference will be placed in the Assembly Library.
3. The Department throughout the review process will engage with key stakeholders. The Business Rates Review Team will attend stakeholder events throughout Northern Ireland, respond to invitations, and engage in business rates specific Innovation Labs during the Consultation period. Precise locations of Labs to be finalised, but plans are to include Derry/Londonderry, Newry and other locations as considered necessary. Given the level of collective knowledge now contained within the initial Innovation Lab held in July 2019, it may be the case that this group could be reconvened at a later date as a sounding board to develop precise options. The group has already expressed a willingness to help in his regard.

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# Consideration of options

1. All options that will be presented will also be fully costed so that the full resource implications of any change will be known. Furthermore, an integrated impact assessment will be carried out, which can be updated as and when further impacts become known.
2. Options will be judged in terms of their suitability against principles and criteria set out above.
3. When the Review is completed, the outcome and recommendations will be presented to the Executive and decisions sought as appropriate.

# ANNEX A

## Description of principal non-domestic reliefs

Relief	Description
<b>Charitable Exemption</b>	<p>If a property is, occupied and used for public benefit or for charitable purposes, which includes formally constituted trusts for: -</p> <ul style="list-style-type: none"> <li>• the advancement of religion;</li> <li>• the advancement of education;</li> <li>• the relief of poverty; and</li> <li>• other purposes beneficial to the community,</li> </ul> <p>it is exempt from rates. However, this only applies if the organisation occupying the property is not established or conducted for profit, and that the use of the premises directly facilitates the charitable objectives e.g. a church, that is held by trustees whose main objects are, the advancement of religion, and the church building is used in connection with these objects.</p> <p>The use of the premises for recreation or other leisure time occupation may also be considered to be charitable if the facilities are provided in the interests of social welfare and are for the public benefit.</p> <p>The use of premises as a charity shop will attract exemption if the charity sells goods that are wholly donated; however, if they also sell bought in goods the valuation of the property will be apportioned between the two uses.</p>

Relief	Description
<p><b>Industrial De-rating</b></p>	<p>To qualify for de-rating a property has to be, technically, a ‘factory’ which is defined in the Factories Act legislation as a property which is mainly used for activities that: -</p> <ul style="list-style-type: none"> <li>• involve a physical article;</li> <li>• which must be made, altered or adapted for sale;</li> <li>• the work must be done by the way of trade or for purposes of gain; and</li> <li>• manual labour must be employed in the activity.</li> </ul> <p>Even if a property technically a factory, industrial de-rating will not apply if the primary use of the premises is for: -</p> <ul style="list-style-type: none"> <li>• The purpose of a retail shop;</li> <li>• The purpose of a distributive wholesale business;</li> <li>• The purpose of storage;</li> <li>• The purpose of public supply undertaking;</li> <li>• Any purposes which are held to be not those of a factory.</li> </ul> <p>Whilst it was originally intended to phase out industrial de-rating by 2011; following a further review of rating policy initiated by the Assembly it was decided to cap liability at the current level of 30%.</p>

Relief	Description
<b>Vacant</b>	<p>Where a commercial property is vacant, empty premises relief of 50% of the occupied rate will be applied.</p> <p>Where exclusions apply no vacant rating charge is levied.</p>
<b>Small Business Rate Relief</b>	<p>The Small Business Rate Relief Scheme aims to support the growth and sustainability of small businesses in Northern Ireland, by providing some small business owners with rate relief. Subject to the eligibility criteria for the scheme: -</p> <ul style="list-style-type: none"> <li>• Business properties with a net annual value of up to £2,000 receive a reduction of 50%.</li> <li>• Business properties with a net annual value of more than £2,000 but not more than £5,000 receive 25% relief.</li> <li>• Business properties with a net annual value between £5,001 and £15,000 will receive 20% relief.</li> </ul> <p>There is no application procedure for the Small Business Rate Relief, as Land &amp; Property Services apply relief automatically to all businesses that qualify.</p>
<b>Residential Homes Rate Relief</b>	<p>The occupiers of the following types of property are entitled to a 100% reduction in the rates payable providing they are used wholly or mainly for one or more of the following purpose: -</p> <ul style="list-style-type: none"> <li>• The provision of residential accommodation for the care of persons suffering from illness or the after-care of persons who have been suffering from illness.</li> <li>• The provision of facilities for training or keeping suitable occupied persons suffering from illness or persons who have been suffering from illness.</li> <li>• The provision of such accommodation or facilities as are mentioned above for disabled persons not falling within that sub-paragraph.</li> <li>• The provision of personal social services for disabled persons.</li> <li>• The provision of facilities under section 15 of the Disabled Persons (Employment) Act (Northern Ireland) 1945.</li> </ul> <p>Application for relief must be made to Land &amp; Property Services.</p>

Relief	Description
<b>Sport and Recreation Relief</b>	<p>Rate relief is available for premises that meet all of the following criteria: -</p> <ul style="list-style-type: none"> <li>• occupied for the purpose of a prescribed recreation;</li> <li>• occupied by a not-for-profit club or society; and</li> <li>• the club or society does not employ any person to engage in any recreation for reward.</li> </ul> <p>Rate relief is provided at a reduction of the normal rate by 80% due on qualifying facilities. In other words, that part of the property which is used solely for the recreation. Areas not used solely for the prescribed recreation are excluded from the relief.</p> <p>Where Community Amateur Sports Clubs (CASCs) do not have a full licence to sell alcohol, the maximum relief available on qualifying Sport &amp; Recreation areas within the club premises is enhanced from 80% to 100%.</p>
<b>Freight and Transport Relief</b>	<p>The occupiers of properties occupied for the purpose of freight transport receive 75% relief from rates. The Department reviewed this relief and it was considered that as the overall sum involved is relatively modest, and that any increase may be substantially passed on into the wider economy, it was decided to retain the level of relief at 75%.</p>



**The Business Rates Review Team will consider requests to produce this document in other languages or in alternative formats - Braille, audio, large print or as a PDF document.**

**If you require the document in these or other formats please contact us at [RatingPolicy@finance-ni.gov.uk](mailto:RatingPolicy@finance-ni.gov.uk) or telephone 0300 200 7801**



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<b>Subject:</b>	Reforming the Rating System - Rates: Rethink Consultation
<b>Date:</b>	20 January 2017
<b>Reporting Officer:</b>	Ronan Cregan, Deputy Chief Executive and Director of Finance and Resources
<b>Contact Officer:</b>	Mark McBride, Head of Finance and Performance

<b>Is this report restricted?</b>	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
<b>Is the decision eligible for Call-in?</b>	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

<b>1.0</b>	<b>Purpose of Report or Summary of main Issues</b>
1.1	This report provides a draft Council response to the Department of Finance consultation paper on “Reforming the Rating System, Rates: Rethink, Spurring Economic Growth”  The consultation paper was issued on the 16 December 2016 and the consultation period ends on the 16 February 2017.
<b>2.0</b>	<b>Recommendations</b>
2.1	The Committee is asked to; <ul style="list-style-type: none"> <li>• Agree the draft Council response included as Appendix 2.</li> </ul>
<b>3.0</b>	<b>Main report</b>
	<b>Review of the Business Rates System</b>
3.1	In November 2015 the (then) Department of Finance and personnel launched a public consultation seeking responses to a review of the non-domestic rating system. The Strategic Policy and Resources Committee agreed a response to this major consultation, together with a further consultation in March 2016 on the Review of rate liability in the Domestic Rental Sector.
3.2	The current consultation document “Rates: Rethink” (Appendix 1) further develops and broadens the issues previously considered and makes policy proposals which aim to deliver a fitter and more acceptable rating system for citizens and businesses and which spur economic growth.

	<b>Overview of the Consultation Paper</b>
3.3	<p>The consultation paper includes the following proposed measures:</p> <ul style="list-style-type: none"> <li>• A new £22m a year Rates Investment Scheme for smaller retail and hospitality business.</li> <li>• Piloting Business Empowerment Zones in two areas (Lower Newtownards Road and Lower Falls Road).</li> <li>• Increasing rates on empty commercial premises.</li> <li>• Charity shops to make a contribution.</li> <li>• Charging the highest value homes more.</li> <li>• Removing the early payment discount.</li> <li>• Reducing landlord allowances.</li> <li>• Student halls of residence to start paying rates.</li> <li>• A 3 year rates holiday for first residents of new energy efficient homes.</li> </ul>
3.4	The following paragraphs provide a brief summary of the policy proposals in each area and the proposed Council response as detailed in Appendix 2.
	<b>Investment in Small Business</b>
3.5	Proposal to replace the existing Small Business Rates Relief Scheme (SBRR) with a new scheme targeting retail and hospitality. A commitment to provide £22m to fund the scheme which should double average awards. The proposals include two options for allocating relief, one of which favours lower Net Annual Values (NAV's)
3.6	The Council has previously responded supporting the replacement of the SBRR Scheme with a scheme which would include a focus on new start-ups and expanding SME's.
	<b>Small Business Empowerment Zones</b>
3.7	Proposal for two pilot Zones (Lower Falls and Lower Newtownards Road). Zone reliefs to be in place for 3 years, with automatic 50% relief within zone regardless of NAV (unless already receiving higher) and Back in Business Scheme (occupation of vacant properties) to be enhanced (75% Yr1 Relief and 50% years 2 and 3)
3.8	The Council is not in a position to comment on the specific proposals as the financial implications in relation to the potential rates income losses and whether local government will be reimbursed for additional reliefs is unknown.
	<b>Revitalising our High Streets</b>
3.9	Proposal based on Living over the Shops (LOTS) and Town Centre Living initiatives. Proposed 100% rates exemption for converted property, with exemption not transferrable.
3.10	The Council has previously responded in support of revitalising High Streets, but emphasised that interventions to encourage city centre living should include the wider

	private rented sector and not just for converted properties. City Centre Regeneration also requires the flexibility for temporary targeted business case relief for developments such as Grade A office accommodation and hotels.
	<b>Charity Shops</b>
3.11	Proposals that charity shops should pay 20% rates (currently exempt) and that an upper threshold for relief of NAV £25k (same as SBRR Replacement Proposals) should be applied to discourage charities occupying prime retail sites and to reduce relief on planned new charity superstores.
3.12	The Council has responded previously with the view that charity shops should pay some rates.
	<b>Non-Domestic Empty Property Relief</b>
3.13	Proposals to end the current 3 month 100% vacancy exemption and to reduce the current relief from 50% to 25%.
3.14	The Council would strongly object to the removal of the 3 month 100% exemption as this could have a negative impact on city centre development projects. The council would support the reduction in relief after the 3 month period from 50% to 25% to more align with Britain. N.B. Relief would still be more favourable than in England Nil after 3 months, Scotland 10% after 3 months.
	<b>Halls of Residence</b>
3.15	Proposal to remove existing 100% exemption for University Halls of Residence.
3.16	The Council has already argued for this exemption to be removed as it is unfair to those students in private accommodation who pay rates and citizens who pay for services which will be required for new accommodation. New student accommodation in Belfast is an important outcome of the City Centre Regeneration Strategy and Growing the Rate Base.
	<b>Hardship Relief</b>
3.17	Proposal to review the definition of the scheme and widen the decision making beyond LPS.
3.18	The Council would support a review of the definition and the input of local government.
	<b>Sports &amp; Recreation Relief</b>
3.19	Proposal to include spectator stands that do not generate income in sports and recreation assessment. Also proposal to review the non sporting area 20% disregard "de minimus" anomaly.
3.20	On a principle of fairness the Council would support the spectator stands and de minimus proposals.
	<b>Domestic Rates Cap</b>
3.21	Proposal to remove the existing Domestic Capital Value Rates Cap of £400,000 for the

	regional rate element of the rates bill.
3.22	Responses to be considered by individual political parties, however if any change is made it should benefit local government and not just central government.
	<b>Early Payment Discount</b>
3.23	Proposal to remove existing 4% domestic rates discount for up-front payment.
3.24	The Council currently incur a loss of 45% (district rate element) of the 4% discount, with no benefit, as rates payments are made to the Council based on 1/12 <sup>th</sup> of estimated income.
	<b>Landlord Allowance</b>
3.25	Proposal to reduce the current allowance from 10% to 5%. This applies to Landlords who are responsible for paying rates (rather than tenant) i.e. Mandatory if Capital value under £150,000 or Voluntary option by the Landlord. This includes Social Landlords e.g. NIHE. Reduce current 10% allowance to 5%.
3.26	Council position is that allowance should remain. The Council would support a reduction in the allowance, although there is no information available on the likely impact of voluntary registrations of allowance being reduced.
	<b>Energy Efficient New Homes</b>
3.27	Proposal for a 3 year domestic rates holiday for first occupants of newly constructed energy efficient homes.
3.28	The proposal is supported.
3.29	<b><u>Financial &amp; Resource Implications</u></b> There are no finance implications at this point.
3.30	<b><u>Equality or Good Relations Implications</u></b> There are no Equality or Good Relations Implications at this point.
<b>4.0</b>	<b>Appendices – Documents Attached</b>
	Appendix 1: Rates: Rethink Consultation Document Appendix 2: Draft Council response to the consultation questions

## RATES RETHINK CONSULTATION – BELFAST CITY COUNCIL DRAFT RESPONSE

Belfast City Council welcomes the consultation document “Reforming the Rating System #Rates – Rethink Spurring Economic Growth”. It considers many of the issues that have interested the Council in the delivery of its services. Each individual question is answered as the consultation request however the following general comments on rate reform we believe are worthy of attention as you take the process forward.

Belfast City Council supports the majority of the proposed reforms and believes they will help the regeneration and revitalisation of Belfast. There are some aspects of the proposals which will inhibit this process and they are highlighted in the following paragraphs. However these negatives are vastly outweighed by the positives.

### **Commercial Rates Reform - Reform of the Small Business Rate Relief (SBRR)**

In general Belfast City Council supports the replacement of SBRR to support the strategic development of businesses but would prefer if this was targeted to new start-ups and expanding SME's. However the Council recognises the importance of the retail and hospitality sectors to the economy and the range of small businesses which it is proposed will be classified as retail or hospitality. In addition potential exists to consider how the scheme should be targeted towards those sectors expected to deliver higher economic growth and productivity returns, as a means of maximising the economic benefit of the SBRR scheme.

### **Investment in Small Business**

<b>Question</b>	<b>BCC Response</b>
Do you agree that retail should be the subject of any SBRR Replacement scheme?	<p>Yes, any scheme should be available to all who satisfy the criteria. Any scheme should emphasise the need to stimulate retail activity and there should be an incentive which is linked to other rating matters to encourage participation in a vibrant small business community. Additionally whilst retail is a key sector within the city consideration should be given as to how SBRR can be used as a tool to maximise economic growth.</p> <p>It is the Council's view that any replacement scheme should have a focus on new start-ups and expanding SME's providing relief for a defined period. Consideration should also be given to targeting key growth sectors expected to significantly contribute towards economic growth of the city such as knowledge economy, creative industries, business and financial services etc.</p>
Do you agree that hospitality should be the subject of any SBRR Replacement scheme?	<p>Yes, any scheme should be available to all who satisfy the criteria. The hospitality industry is an important element of small business activity and should be actively encouraged to participate in a retail community. It is particularly important that this sector is supported because it has a wider role in relation to the revitalisation of the high street. It is the Council's view that any replacement scheme should have a focus on new start-ups and expanding SME's providing relief for a defined period. As above whilst hospitality is a key sector within the city consideration should also be given to targeting key sectors expected to significantly contribute towards economic growth of the city such as knowledge economy, creative industries, business and financial services etc.</p>
Will the policy proposal address	Yes, any measure that enables businesses to survive and

the issue of helping to regenerate our towns and cities?	prosper in the current period of uncertainty should be applauded. As stated above, small business rate relief scheme should be treated as an investment in the sector and should be looked at in conjunction with other incentives to maintain employment and stimulate business activity particularly in the high street. Small businesses also have a major role to play in maintaining a vibrant street scene. However as stated previously whilst the retail and hospitality sectors are key sectors consideration should be given to supporting sectoral growth for those industries expected to contribute most significantly to economic growth and productivity improvements. While small businesses play a vital role in our towns and cities, City Centre Regeneration requires major developments which would fall outside the scope of this relief. This requires a combined central and local government package of measure to support regeneration. This type of relief should be subject to proven business cases, which prohibits relief where displacement of existing ratepayers occurs. Sectors to target could include hotel developments, Grade A office space development and the redevelopment of vacant properties or derelict land.
What uses should be considered retail and hospitality (and what should be excluded)?	All uses should benefit from the scheme and we agree with the listings in Annex A. We believe they are comprehensive and with the proper application of the power should play a major role in encouraging small business activity.
Do you agree with the proposed conditions for entitlement	Yes if these are the sole range of criteria rules available. As a living wage employer the Council would particularly support the reference to accreditation with the Living Wage Foundation. There is also an opportunity to expand the parameters of the scheme and base it on ability to pay and thus helping those businesses which do not have any easy path to success.
Should the balance of available relief be targeted at lower value or higher value properties?	It is difficult for the Council to respond to this question without analysis of the impact of relief proposals on the small business community in the City.

### Small Business Empowerment Zones

The Council support the targeting of specific zones and the focusing of regeneration activity to support the economy, stimulate job creation and boost growth in the rate base. The innovative idea of small business empowerment zones would therefore be supported in principle by the Council as would the use of pilot areas to test the business case for such zones. The Council is not however in a position to comment on the specific proposals in the consultation as the financial implications in relation to the potential level of losses of rates income and whether local government will be reimbursed for additional reliefs provided thought the scheme is unknown.

Question	BCC Response
Do you agree with piloting empowerment zones in these two areas?	See above
Do you agree with the special measures proposed for the	See above

zones?	
Are there other ways in which the rating system should be used to help business in these areas?	Yes, other features of the rating system; such as hardship relief and empty rate exclusions should be available to assist in the development of the empowerment zones.
What partnership arrangements should be out in place in order to maximise the potential benefits of this proposal?	It is important that business organisations are in partnership with local authority in which the empowerment zone is located. These schemes should be part of the normal consultation process which encourages regeneration of any particular area.
What criteria should be used to judge the success of this proposal?	It should be judged by the number of created and sustainable businesses within the empowerment zone.

### Revitalising our High Streets

Question	BCC Response
Do you agree that the rating system should be used to incentivise behaviour?	<p>Belfast City Council views the rating system as part of the tools which can help incentivise city centre development. As stated previously the rating system could be utilised to foster entrepreneurship and accelerate the growth of key sectors. While we would support the proposal for converted properties, we also believe that revitalising our high streets requires the targeting of key developments such as hotels and Grade A office space as aligned to local needs and the development of the private rented sector in the City Centre.</p> <p>Additionally to support economic growth potential exists to utilise the rates system to incentivise investment including FDI activity. We would view the 100% exemption for three years as being excessive and that partial relief should apply. As in the issue with Empowerment Zones clarity needs to be given as to how this relief will be financed i.e. will this be a loss of income to local government? The economic impact of the proposed Empowerment Zones should be analysed on completion of the pilots to determine the impact of such an approach at a citywide level.</p>
Do you agree that this proposal will help demand for these properties?	We have no evidence to comment on this proposal either way; however we are certain that investment in the street scene is an essential element of revitalising the high street. We believe that any scheme that encourages the use of vacant property should be supported. We recognise that the high street is changing and that it is reverting back to a mixed approach of retail, other business sector uses and residential needs to be recognised. However it is important that any conversions to residential use blend into the street scene and do not create a pattern of occupation that appears to be disjointed.

Do you agree with limiting the incentive to the first occupier?	No. We believe that relief should be transferrable within the three year period in order to create stability and maintain a viable street scene.
What criteria should be used to judge the success of this proposal?	The criteria should be vacancy rates and sustainability and economic growth.

### Charity Shops

Question	BCC Response
Should charity shops be asked to pay a relatively small contribution to rates revenue?	BCC believes that charity shops should make a small contribution to rates revenue. An amount of 20% as in Britain would be reasonable.
Should exemption be capped at £25,000 NAV? Do you agree with the proposal to make commercial landlords liable for rates on short term Do you agree that this proposal will help demand for these properties?	Yes.

### Empty Property Rates

Question	BCC Response
Are there reasons as to why vacant property locally should be treated differently to other regions?	Yes, the Belfast is going through a significant period of change that is likely to last several years. During this period of change there will be new and altered buildings which will be available on the market. During the marketing period landlords should still be able to benefit from the 100% relief for the initial period of vacancy in order to support any efforts to find tenants. Removal of this relief is not supported by the Council and would damage efforts to achieve timely lettings.
Should a 75% charge apply here?	BCC would support a 75% charge as outlined, provided this was applied after the first 3 months of 100% relief. This 25% relief level would reflect local market conditions by providing a more favourable level of relief than Britain e.g. England Nil, Scotland 10%.
Are there other reasons why empty factories should not incur a vacant rating charge?	A full review of all excluded properties should take place. The Council believe that all properties, including empty factories, should pay a charge after the initial three month 100% vacancy relief period.



## Mines

Question	BCC Response
What are the implications for the mining sector of removing this relief?	No comment.

## Halls of Residence

Question	BCC Response
Do you agree that the current Halls of Residence exemption currently treats some students more favourably than others?	Yes. The Council's response to the earlier consultation on this issue highlighted the Council's belief that the current exemption is unfair to the students who reside in the general private sector in Belfast because those students are charged rates in with their rent and the large majority of them do not have access to rate rebate. It is therefore reasonable to put forward the equitable argument for removing the exemption from rating for premises used as student accommodation which is provided by certain educational establishments.
Do you agree with the Department's assessment of this issue, following the earlier consultation this year?	Yes the Council supports removal of the exemption. As stated in the Council's previous response, the Council believes that the current exemption is also unfair to all residents in Belfast that a proportion of occupiers make no contribution to local services irrespective of their personal financial circumstances. The removal of the exemption would also increase the overall 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.

## Hardship Relief

Question	BCC Response
Do you consider that hardship relief is necessary?	Yes we do consider that hardship relief is necessary.
If so, what changes are needed?	There needs to be increased signposting of the scheme to increase its awareness.
What criteria should be used?	There needs to be a reconsideration of the definition of exceptional circumstances to take account of local impact.
Please provide views on how this can be done without duplicating the coverage provided by insurance?	Insurance is event driven, hardship has a much wider criteria. Any hardship scheme should always have regard to any likely income from alternative sources, these will include; insurance awards, damages awarded by any court, and any other source of "one off" revenue. Any hardship decision should be built around a clear data and circumstance evidence.

Do you think hardship support should be administered differently?	Must have local authority input into the decision making.

### Sports and Recreation Relief

Question	BCC Response
Do you agree that spectator stands that do not generate income should be treated as part of the sport and recreation assessment?	Yes, and therefore entitled to relief.
Do you think that the present “de minimis” criteria creates an unfair advantage to some clubs?	Yes and we think that these anomalies should be removed

### Domestic Rates Reform: The Rates Cap - Political Response

Question	BCC Response
Do you agree that the capped system of domestic rates is unfair to the vast majority of ratepayers?	
Do respondents consider that sufficient mitigations are in place to assist low income households (particularly asset rich income poor pensioners) that will be affected by this policy?	
Do you think that additional safeguards need to be implemented in order to mitigate hardship caused by the proposal to lift the cap in respect of the regional rate element of the bill?	<p>There are other issues that require consideration in relation to the rates cap:</p> <ol style="list-style-type: none"> <li>1. Why is the proposal to lift the cap in respect of the regional rate element only, and</li> <li>2. Why does the current proposal allocate all additional income raised through this levy to central government rather than apportion on a pro rate basis to central and local government in keeping with other income raised through the rating process?</li> </ol>

## Early Payment Discount

Question	BCC Response
Do you agree with the Department's assessment that the Early Payment Discount is unnecessary and unaffordable?	Yes.
Do you agree that the policy should be phased out, before its removal?	No, the policy should be abolished with immediate effect.

## Landlord Allowance

Question	BCC Response
Do you agree with the proposal to reduce landlord allowances to 5%?	The Council would not favour removing the allowance but would support a reduction to 5%.
What impact do you think this will have?	There is no information available as whether a reduced allowance figure would be adequate to compensate landlords. Some landlords will make tenants liable and collection will be more difficult.
Do you agree that the cut in allowance should be applied universally across all sectors?	The information available is inadequate for the Council to come to a view on this.

## Energy Efficient New Homes

Question	BCC Response
Do you agree with the proposal to provide a rates incentive for newly built energy efficient homes?	Yes.
What are your views on an appropriate standard, reliable assessment and safeguards?	There are now statutory measurement of the energy efficiency in dwellings. These rules should be sufficient to make any scheme viable.
Do you agree with limiting the incentive to the first occupier?	Yes.
What criteria should be used to judge the success of such a measure?	The criteria should be the number of new low carbon and zero carbon homes developed.

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