Land & Property Services
Seirbhísí Talún agus Maoine

Department of Finance
An Roinn Airgeadais
www.finance-ni.gov.uk

Consultation Paper

Non-Domestic Rating Measures

November 2023

Contents

Foreword

Overview of the current non-domestic rating system

The rating system in Northern Ireland is a devolved tax with no direct links to similar taxation systems in England, Scotland or Wales. There are two different rates levied in Northern Ireland: a domestic rate for residential properties and a non-domestic rate for businesses.

The total revenue raised last year through both domestic and non-domestic rates within Northern Ireland is approximately £1.37 billion, with about 55% of this being funded by non-domestic rating. This is used to pay for 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 alone provides approximately 4% of the Northern Ireland Executive's public spending. A high level breakdown of total rating revenue raised in 2022/23 is provided in the following table:

Source	Revenue
Non-domestic sector	£773M
Domestic sector	£603M
Total	£1.37Bn

Non-domestic rates are a property tax that is usually levied on the occupier, in direct proportion to a property's assessed rental value (also known as Net Annual Value or "NAV"). From 1 April 2023 the NAV reflects the rental value of the property as at 1 October 2021.

Land & Property Services (LPS), within the Department of Finance, administers the rates system and has little discretion in doing so as everything is governed by legislation or case law, some of which goes back over 100 years. Rates paid by households and businesses make a vital contribution to funding the public services delivered by the Executive and District Councils in Northern Ireland.

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. Reliefs, allowances, and exemptions are the main means through which the rating system can be used as a tool of social, economic and environmental policy. Those differences have developed over many years because of different policies and priorities set by the Northern Ireland Executive at various points in time.

Providing any rate relief to the business sector means either foregoing revenue or charging other ratepayers more. An exemption or relief is often viewed from the perspective of who it benefits, but there is a cost, as every pound raised through the rating system in Northern Ireland is a resource to help pay for hospitals, schools, and other essential regional services.

There have been detailed policy reviews of the rating system in Northern Ireland, most recently in 2016 and 2019. These reviews consulted on the options for changing the various reliefs, exemptions, and allowances for both domestic and non-domestic rates, but have not resulted in any substantive changes to the rating system other than to implement more frequent non-domestic General Revaluations. The most recent comprehensive review of Business Rating, the report for which was completed just prior to the Covid-19 pandemic, can be accessed at the following link.

Business Rates Public Consultation | Department of Finance (finance-ni.gov.uk)

Executive summary

In September 2023 the Secretary of State, Rt Hon Chris Heaton-Harris, directed Northern Ireland Departments to undertake a consultation exercise on revenue raising measures.

The Department of Finance is seeking views on 7 rates proposals: 4 in the non-domestic sector, and 3 in the domestic sector. It will be a matter for an incoming Executive to decide on which, if any, measures are taken forward.

The proposals are presented in such a way as to highlight a means of identifying and maximising revenue through the removal of rate support, discounts and allowances. As such they highlight the fastest and quickest means of realising the revenue gain to address the budget shortfalls facing central government. It is recognised within the Department of Finance that further consultative and policy work will need to be done should such measures proceed to implementation, particularly in relation to the further analysis of any impacts and mitigation measures that may accompany that implementation or that have been brought to the Department's attention during the consultation process.

It is important therefore that the Department garners as wide a range of stakeholder views as possible, including views on the wider impact of the proposals, so that future policy development in this area is fully informed.

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 package of revenue raising proposals taken as a whole. Views are also invited in relation to additional revenue raising proposals, which may include the removal or reduction of any other rate support measures.

The financial context of this exercise is presented in the following link.

Financial context for revenue raising consultations | Department of Finance (finance-ni.gov.uk)

The key stages and target completion dates are:

Key stage	Date
Direction from SoS	20 Sept 2023
Launch consultation	7 November 2023
Stakeholder engagement	7 November + 14 weeks
Close consultation	13 February 2024
Publish consultation report	w/c 18 March 2024

Structure of the consultation

There are FOUR NON-DOMESTIC rating measures being consulted on:

Part 1
Removal of Industrial Derating from the rating system.

Part 2
Removal of Non-Domestic Vacant Rate (NDVR) relief of 50% from the rating system.

Part 3
Removal of Freight Transport relief from the rating system.

Part 4
Removal of the student Halls of Residence exemption from the rating system.

Further resources

For more general information about the rating system in Northern Ireland, the following document may be useful:

A guide to rates
[A guide to rates | Department of Finance (finance-ni.gov.uk)]

About this consultation

Who can respond to this consultation?

The Department of Finance, acting on direction from the Northern Ireland Office, is seeking views on these proposals from all interested parties, individuals and groups from across Northern Ireland on the matters covered by this consultation.

Purpose of this consultation

The proposals set out here will have a direct impact on many peoples' lives. The Department of Finance recognises the need to keep the public informed on such important matters and to allow people the opportunity to comment on the policy proposals.

This consultation therefore invites people to answer a number of questions in relation to these revenue raising measures. The questions are posed throughout the document. A complete list of questions can also be found at the end of the consultation document at page 21.

Scope of the consultation

The consultation applies to all of Northern Ireland whether a member of the public, a business, organisations or professional bodies.

Duration of the consultation

The consultation will run for 14 weeks, it closes to responses on 13 February 2024.

How to respond to this consultation

You can respond to this consultation online through the link to Citizen Space.
NI Direct - Citizen Space

You can also send your consultation responses to:

Revenue Raising Consultation
Land & Property Services
Department of Finance
Lanyon Plaza
7 Lanyon Place
Belfast, BT1 3LP

When responding, please state whether you are doing so as an individual, or representing the views of an organisation. If you are responding on behalf of an organisation, please make it clear who the organisation represents and, where applicable, how the views of members were assembled. We will acknowledge your response.

The consultation document will be available in other formats upon request. You can email any queries to: **revenueraising@finance-ni.gov.uk**

Associated documents

There are two DoF consultation documents available to you, one on domestic rating measures, and this one on non-domestic measures. Also, associated draft impact screening assessments have been made available on the consultation website.

See **Department of Finance (finance-ni.gov.uk)** for all related papers, which can also be obtained in hardcopy on request, using the contact details above.

How we consult

Consultation principles

- consultation must be at a time when proposals are still at a formative stage;
- the proposer must give sufficient reasons for any proposal to permit intelligent consideration and response;
- consultation is only part of a process of engagement;
- adequate time must be given for consideration and response; and
- government responses should be published in a timely fashion.

Confidentiality

Your rights

Under the Data Protection legislation, you have the right:

- to be informed of the personal data held about you and to access it;
- to require us to rectify inaccuracies in that data;
- to (in certain circumstances) object to or restrict processing;
- for (in certain circumstances) your data to be 'erased';
- to (in certain circumstances) data portability; and
- to lodge a complaint with the Information Commissioner's Office (ICO) who is our independent regulator for data protection.

Responses to consultations are likely to be made public, on the internet or in a report. If you would prefer your response to remain anonymous, please tell us.

DoF Privacy Notice

The DoF Privacy Notice, explaining how we use your personal data, can be viewed at:
Department of Finance Privacy Notice | Department of Finance (finance-ni.gov.uk)

CONSULTATION

Part One

Removal of Industrial Derating from the rating system

Industrial Derating awards a 70% reduction to the normal rate liability for property deemed to be used for manufacturing purposes. Areas within a factory which are not used for manufacturing (such as offices) do not benefit from the relief. The application of Industrial Derating is subject to strict interpretation of the Rates (Northern Ireland) Order 1977 and caselaw established by the Lands Tribunal.

The relief is awarded to around 4,500 manufacturing properties, half of which are located in four council areas: Armagh City, Banbridge and Craigavon, Belfast, Mid Ulster and Newry, Mourne & Down.

The relief has a projected cost in 2023/24 of £71.5M. The cost of the relief is paid for entirely by the NI Executive, through revenue foregone from the Regional Rate, and annual Derating Grant payments to compensate district councils for the loss to their district rate revenue.

Parity

Removal of Industrial Derating will bring the position in Northern Ireland into line with rating policy in all other parts of the UK, where Industrial Derating was phased out in 1963 (in England and Wales) and 1995 (in Scotland).

Further information

Industrial Derating | nibusinessinfo.co.uk

Interaction with other support measures

If the policy were introduced, then there would be a corresponding reduction in the Derating Grant for district councils to reflect removal of the relief. The Derating Grant is paid to councils by the Department for Communities.

In non-domestic rating, a property may not benefit from both Derating and Small Business Rates Relief. If this measure were implemented, properties with a rateable value of up to £15,000, in respect of which Industrial Derating currently applies, would become eligible for Small Business Rate Relief. This would increase the cost of the Small Business Rates Relief by approximately £2 million.

CONSULTATION QUESTIONS

Q1 **Should Industrial Derating be removed?**

Q2 **What, in your view, would be the impact of removing this support?**

Click to answer questions

Impact screening

The Departmental initial Draft Impact Assessment screening exercises have determined that there will be further impact assessment requirements in relation to two areas for this proposal, namely economic assessment and regulatory impact assessment. Evidence from consultees is sought on these two areas, and impacts more generally, to fully inform Policy making in this area.

CONSULTATION

Part Two

Removal of Non-Domestic Vacant Rate (NDVR) relief of 50% from the rating system

When non-domestic property belonging to a prescribed class becomes vacant, rates are not payable for three months from either the date it becomes vacant or the date LPS determines as a 'Completion Day'.

After that, rates liability is set at 50% of the normal "occupied" rate. The 50% level is set out in primary legislation. This proposal is to remove the 50% reduction so that the full occupied rate is charged for these properties, as it is for vacant domestic property. There are currently around 4,700 non-domestic properties in receipt of the relief, 45% of which are located within three council areas: Armagh City, Banbridge and Craigavon, Belfast and Newry, Mourne & Down.

This relief has a projected cost of £19.7M in 2023/24. The cost is shared, approx 50/50, by the Northern Ireland Executive and district councils.

Parity

Removal of 50% NDVR relief, to increase liability to 100% of the occupied rate, will bring the position in Northern Ireland into line with rating policy in all other parts of the UK.

Further information

Non-Domestic Vacant Rating | nibusinessinfo.co.uk

Interaction with other support measures

If the policy was introduced then there would be a corresponding notional increase in the level of revenue associated with the excluded NDVR categories of property / ratepayer, e.g. listed buildings, insolvency, etc. This is because rather than receiving an exclusion from a 50% liability, they would instead receive an exclusion from a 100% liability. This does not affect the estimated increased level of revenue assessed.

CONSULTATION QUESTIONS

Q3 **Should Non-Domestic Vacant Rating relief be removed?**

Q4 **What, in your view, would be the impact of removing this support?**

Click to answer questions

Impact screening

The Departmental initial Draft Impact Assessment screening exercises have determined that there will be further impact assessment requirements in relation to two areas for this proposal, namely economic assessment and regulatory impact assessment. Evidence from consultees is sought on these two areas, and impacts more generally, to fully inform policy making in this area.

Part Three

Removal of Freight Transport relief from the rating system

Freight Transport relief is a long-standing measure within the Northern Ireland rating system. It provides 75% rate relief to premises that are occupied for the purpose of handling and shipment of goods that are neither owned by, nor intended for the use of, the operator.

Freight Transport relief is awarded to 17 properties that are mainly associated with harbours and ferry terminals. It has a projected 2023/24 cost of £2.32M. It is paid for entirely by the NI Executive, through revenue foregone from the Regional Rate loss and annual Derating Grant payments to compensate district councils for the loss to their district rate revenue.

Parity

Removal of Freight Transport Relief will bring the position in Northern Ireland into line with rating policy in all other parts of the UK where Freight Transport relief is not available.

Interaction with other support measures

If the policy was introduced, then there would be a corresponding reduction in the Derating Grant for councils to reflect removal of the relief. The Derating Grant is paid to councils by the Department for Communities.

CONSULTATION QUESTIONS

Q5 Should Freight Transport relief be removed?

Q6 What, in your view, would be the impact of removing this support?

Click to answer questions

Impact screening

The Departmental initial Draft Impact Assessment screening exercises have determined that there will be further impact assessment requirements in relation to two areas for this proposal, namely economic assessment and regulatory impact assessment. Evidence from consultees is sought on these two areas and impacts more generally to fully inform policy making in this area.

Part Four

Removal of the student Halls of Residence exemption from the rating system

Under current NI rating law properties occupied by the two universities here are fully rateable. Although the universities themselves are fully rateable, the 17 halls of residence connected with the universities are currently fully exempt from rates.

- 14 are owned or managed by eligible institutions (i.e., a university or higher education institution).
- 3 are privately operated under appointment by an eligible institution.

There are also Purpose Built Student Accommodation (PBSA) buildings which are occupied by private organisations but these are not eligible for exemption. In recent years there have been calls from the operators of those buildings for parity with those that are exempt.

The proposal to remove exemption would ensure consistency of treatment between university and college-owned halls of residence (which currently receive an exemption) and new Purpose Built Student Accommodation (which is not eligible for exemption).

The exemption has a cost of just over £2M in revenue foregone. The cost is shared by the Northern Ireland Executive and district councils.

Parity

Because our rating systems are different the arrangements in Northern Ireland and Great Britain cannot be directly compared. In England, Scotland and Wales, full-time students are exempt from paying Council Tax whilst living away from home, including in halls of residence and purpose-built student accommodation.

Interaction with other support measures

If the policy was introduced there may be merit in considering if some or all of the savings were used to increase other forms of support within the domestic or non-domestic rating systems.

CONSULTATION QUESTIONS

Q7 **Should exemption for Halls of Residence owned or managed by universities and colleges be removed?**

Q8 **What, in your view, would be the impact of removing this support?**

Click to answer questions

Impact screening

The Departmental initial Draft Impact Assessment screening exercise has been conducted in respect of this proposal and has currently screened this proposal out in respect of any further Impact Assessment requirements. Evidence of any wider impacts will however be assessed should consultees wish to provide this to the Department to inform policy making in this area.

List of consultation questions

Removal of Industrial Derating from the rating system

Q1 Should Industrial Derating be removed?

Q2 What, in your view, would be the impact of removing this support?

Removal of Non-Domestic Vacant Rate (NDVR) relief of 50% from the rating system

Q3 Should Non-Domestic Vacant Rating relief be removed?

Q4 What, in your view, would be the impact of removing this support?

Removal of Freight Transport relief from the rating system

Q5 Should Freight Transport relief be removed?

Q6 What, in your view, would be the impact of removing this support?

Removal of the student Halls of Residence exemption from the rating system

Q7 Should exemption for Halls of Residence owned or managed by universities and colleges be removed?

Q8 What, in your view, would be the impact of removing this support?

Click to answer questions

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