

Appendix 1: Draft responses to questions

Question 1

1. Do you have any general comments on the preferred approach presented in this paper? (Specific questions are posed later in this paper)

Response

The council welcomes the relief offered to small businesses through this proposal. The council has concerns about the potential impact on the city's rates base as 29 of the 77 retailers are based in Belfast.

Question 2

2. Do you agree that the proposed large retail levy should be used to provide additional help to small businesses?

Response

It is true that most stores would continue to operate under the levy and would be affected only in the sense that their profitability would be reduced by the amount of the levy. It is only a slight simplification to say that the 77 stores to be affected by the proposed retail levy comprise supermarkets (and B&Q) on the one hand and the large city centre stores of Belfast on the other hand. The business model of large store chains, as described to us by the principal chains affected is that each store is a cost and profit centre and stands or falls by the contribution it makes to the group as a whole: a store pushed into loss by a levy averaging around £85,000 per store may not be retained by the group on the grounds that the chain could 'afford' to pay the £85,000. A review of publically available documentation shows that the parent companies of several of the stores are in significant financial difficulty; and one chain at least has a recent record of closing stores in marginal locations. If the levy tipped even one major Belfast store over the edge into closure, this would have a major impact on the part of the city affected, and would we suggest have a greater adverse impact on the economy than any benefits from the business relief.

The levy may also impede investment. Smaller retail outlets, restaurants, and chain supermarkets are very important, but it is the High Street stores that define Belfast as a major retail centre within the UK. The shopping centre of Belfast offers a service to the whole of Northern Ireland, and to visitors from elsewhere. It has a good selection of the British and Irish chain stores, and of course of smaller and specialist shops of all kinds. But it has, for instance, no branch of John Lewis, still less of Selfridges or Harvey Nicholls. It is clearly desirable for Belfast to step-up its retail offer and the levy may impede efforts to do this.

Question 3

3. What are your views on the preferred approach of an average 20% levy (against the overall rates bill) on high value retail premises?

Response

We have summarised above our concerns about the levy. The lower the rate, however, the weaker are the immediate practical objections and therefore if it is to be implemented it should be implemented at the lowest possible rate. We would reiterate that this view has no implications for the support that ought to be extended to small businesses, which should be considered separately from the question of the levy.

Question 4

4. Do you have any views on the alternatives to a fixed percentage retail levy?

Response

Scope of the proposed levy

A levy on all large properties should be considered. We note that there are 260 properties with a net annual value exceeding £500,000, of which 77 are 'large retail'. On a pro rata basis, we suppose that the required levy would be 6% rather than 20% if levied on all 260 premises rather than on large retail only.

The consultation paper notes that a further 20% of properties are electricity or gas company premises or banks, hotels and call centres etc. The only argument in the paper against their being subject to the levy is that of mobility. It seems doubtful to us that the occupiers of many of these premises are truly mobile or that of those that may be mobile, many would actually move. The occupiers of the remaining 50% of premises are described as '*public bodies, receive public funding etc*'. The argument against their inclusion amounts to a claim that their inclusion would simply recycle public money. Even if this claim is true, there is a case for including these premises: their inclusion would articulate what is in a sense the real cost of providing the relevant services, including an appropriate contribution to the goals of the small business rate relief. But it is unclear from the description what types of entity fall within the description. Many bodies in receipt of public funds are at arm's length from the core of the public sector and may receive a substantial amount or even the majority of their funding other than through the public sector (eg through fees or user charges).

In Scotland a new "public health levy" on major retailers has been proposed as part of an effort to alleviate cuts to Scotland's local authorities. Large retailers that sell alcohol and tobacco will have to pay a business rates supplement from April 2012. The levy will be applied through a business rates supplement on premises with a rateable value above £300,000 that sell tobacco and alcohol.

Banding

We agree with your suggestion that banding the levy so that the largest premises paid more would lead to undue complication.

Question 5

5. *What are your views on a levy being applied selectively, for example confined to supermarkets or properties outside of town centres?*

Response

One option which could be considered is a new "public health levy". Large retailers that sell alcohol and tobacco would have to pay a business rates supplement. The levy would be applied through a business rates supplement on premises with a rateable value above £300,000 that sell tobacco and alcohol. This scheme has already been introduced in Scotland.

Question 6

6. *Have you any other views on the issues covered in this section?*

Response

No

Question 7

7. *Would you agree with the proposal to extend the small business rate relief scheme for three years, as a temporary downturn measure?*

Response

We appreciate the need to support small businesses. We note that the businesses to be assisted by the proposed new tranche of relief are not the very smallest: they may perhaps be described as the smaller medium-sized businesses. The relief of some £700 that they will each receive on average would, doubtless, be welcome. We would also encourage further research to be carried

out on the market failures that face small businesses in Northern Ireland so that a targeted approach could be developed which aims, by ameliorating market failure, to achieve effective economic impact.

Question 8

8. *Would you agree with the proposal to fund this through the imposition of a rates levy on the highest value retail properties?*

Response

We have already stated concerns about the levy in our response to question 2.

Question 9

9. *If not, how should this be funded?*

Response

A 6% levy on all properties with an NAV greater than £500,000 would reduce the risk of chain closures in Belfast city centre.

Question 10

10. *What are your views on the proposal to extend the reach of the existing scheme rather than provide additional relief to current recipients of small business rate relief?*

Response

A view on this matter needs to be informed by research. We would suggest that there is some risk in a scheme that provides, by way of relief, small sums to a large number of businesses, rather than a more targeted programme, and this consideration would point towards raising the existing relief rather than extending relief to a greater number of businesses, but we would reiterate that the approach should be based on research evidence.

Question 11

11. *Do you agree that 20% relief should be provided to eligible premises with an NAV of £5,001 - £10,000?*

Response

Again we have no strong view. Given the general approach, we have no reason to suggest, say, that the relief should be 15%, but provided to a wider NAV range, or 25% but provided to a narrower range.

Question 12

12. *Do you agree that the relief should be applied to all non-domestic premises (with some limited exclusions) regardless of use?*

Response

Yes. Uniformity is to be preferred unless there are strong countervailing reasons

Question 13

13. *What are your views on the small business retail relief option, taking account of the issues associated with this option?*

Response

On the whole, we consider that a restriction of the proposed relief to a particular industry is inappropriate.

Question 14

14. *Do you have any views on the general issues raised in this section?*

Response

No.

Question 15

15. Are there any other matters that you think should be considered?

Response

No

Question 16

16. Do you agree with the proposal and the suggested approach?

Response

Yes. We believe strongly that where it is not, for the moment, possible to use retail premises for business purposes, it should at least be possible to make them attractive without losing rate relief.

Question 17

17. Do you have any views on the issues raised in this section?

Response

None apart from than those in responses to other questions

Question 18

18. Is the scope of the suggested categories of use sufficient to meet the policy objectives?

Response

We believe so; however, there is scope for clarification. We have been impressed by displays such as those in central Sheffield by art students exhibiting their work in vacant shop premises. The crucial point is 'animation' of city centres, bringing them back to life by allowing the widest possible range of displays in empty shops whilst maintaining the principle of 'no commercial use'.

Question 19

19. Have you any views on how this should operate?

Response

The consultation document makes clear that this question relates to the physical depth of permitted displays or similar criteria. We would comment simply that the operating criteria should not impede attainment of the objective. In case of doubt, the criteria should be generously drawn.

Question 20

20. Have you any views on the type of activities that should be excluded?

Response

The exclusions suggested in the consultation document seem appropriate

Question 21

21. Do you have any views on the issues raised in this section?

Response

We agree with the general approach of clarifying and standardizing practice in Northern Ireland. We note that the consultation document says that there will be '*...no real change to the operational practice that is already in place.*' We should appreciate confirmation that this is indeed the case and that the process described in the consultation document will not, perhaps inadvertently, lead to

substantial changes in the relative rate burdens faced by businesses of different types or in different areas.