

EXPLANATORY MEMORANDUM TO

The Rates (Industrial Hereditaments) (Specified Percentage) Order (Northern Ireland) 2011

S.R. 2011 No. 73

1. Introduction

- 1.1. This Explanatory Memorandum has been prepared by the Department of Finance and Personnel ("the Department") to accompany the Statutory Rule (details above) which is laid before the Northern Ireland Assembly.
- 1.2. The Statutory Rule is made under Article 17(2) of, and paragraph 4(2) of Schedule 7, to the Rates (Northern Ireland) Order 1977 (S.I. 1977/2157 (N.I. 28)) and is subject to the affirmative resolution procedure.

2. Purpose

- 2.1. This Order provides that rates should be chargeable on the basis of 30 per cent. of the net annual value of an industrial property used wholly for industrial purposes.
- 2.2. Where an industrial property is used partly for industrial purposes, rates shall be chargeable on 30 per cent. of the part of the net annual value which has been apportioned to the use of the property for industrial purposes (in addition to the rates chargeable for the part of the property used for other purposes).
- 2.3. It is the view of the Executive that liability shall remain at 30 per cent. for the four year budget period, that is the rating years 2011/12 to 2014/15. The level of future liability will be reviewed prior to the end of 2014/15.
- 2.4. Article 1 contains the citation, commencement and interpretation provisions.
- 2.5. Article 2 provides that the specified percentage, at which rates shall be chargeable on industrial property, shall be 30 per cent.

3. Background

- 3.1. In April 2007 the Economic Research Institute (ERINI) completed an independent study into the effectiveness and impact of the direct rule policy to phase out industrial derating.
- 3.2. Informed by this study and following the return of the devolved institutions the then Finance Minister announced his intention to hold manufacturing rates at 30 per cent. (70 per cent. relief) for the Comprehensive Spending Review period through to 31st March 2011.
- 3.3. New powers were taken through the Rates (Amendment) Act (Northern Ireland) 2009, approved by the Executive, so that subordinate legislation could either extend the period for the existing 70 per cent. relief, or vary the percentage.

4. Consultation

- 4.1. The continuation of industrial derating at a level of 70 per cent. (30 per cent. liability) was consulted upon in the context of the draft Budget 2010.

5. Equality Impact

- 5.1. This Rule serves to set the percentage liability applicable under the legislation at 30 per cent.
- 5.2. Given that this is an extension of the Department's current legislative and policy position a further EQIA is considered unnecessary.

6. Regulatory Impact

- 6.1. A Regulatory Impact Assessment is not considered necessary for this adjustment as the original decision to set manufacturing rates at 30 per cent. was already the subject of such an assessment. This Rule merely extends this position. Furthermore, the wider policy was the subject of a formal review during 2007 which involved a thorough assessment of impact.

7. Financial Implications

- 7.1. In not rating the manufacturing sector at the same level as other business sectors around £30m - £31m in regional rates revenue would be foregone over each of the next four years of the budget period (with 30 per cent. liability).
- 7.2. In addition, there is the annual cost of the derating grant provided by DOE, which compensates district councils for the loss of district rate revenue and would be in the region of £24m - £26m per annum over the next four years.

8. Section 24 of the Northern Ireland Act 1998

- 8.1. It is the view of the Department that these Regulations are compatible with section 24 of the Northern Ireland Act 1998.

9. EU Implications

- 9.1. The Statutory Rule does not introduce any change in policy, given that it extends the existing legislative position. Industrial derating is a long-established pre-accession aid and as such is considered compatible with State Aid Regulations. The continued capping of industrial rates at 30 per cent. is not considered to be notifiable.

10. Parity or Replicatory Measure

- 10.1. There is no corresponding Great Britain legislation.

11. Additional Information

- 11.1. Not applicable.