

EXPLANATORY MEMORANDUM TO

The Rates (Small Business Hereditament Relief) (Amendment) Regulations (Northern Ireland) 2012

S.R. 2012 No. 106

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 31C of the Rates (Northern Ireland) Order 1977 and is subject to the negative resolution procedure.

2. Purpose

- 2.1. These Regulations provide for enhanced rate relief in respect of certain small business hereditaments for the period up to 31st March 2015.
- 2.2. Regulation 1 contains the citation and commencement provisions.
- 2.3. Regulation 2 provides for a new regulation 3 to be inserted into the Rates (Small Business Hereditament Relief) Regulations (Northern Ireland) 2010 ("the 2010 Regulations").
- 2.4. New regulation 3 provides for an additional category of relief which will see 20 per cent. relief provided on eligible premises with a net annual between £5,001 and £10,000.
- 2.5. The new regulation also amends the 2010 Regulations so that ratepayers that occupy multiple (more than three) premises of any size are not eligible for small business rate relief. Contiguous hereditaments which have a combined net annual value not exceeding £10,000 and are occupied by the same person are treated, for this purpose, as a single hereditament.
- 2.6. The changes will not affect relief for small post offices.

3. Background

- 3.1. Provision was made in the Rates (Amendment) Act (Northern Ireland) 2009 enabling a small business rate relief scheme to be introduced on 1st April 2010 by the 2010 Regulations.
- 3.2. In his speech on the draft budget in March 2011 the Finance Minister announced that he wished to seek views on changes to the rating of commercial properties, to help rebalance the system during a period of economic downturn through to recovery. This included extending the reach of the small business rate relief scheme, which is the subject of these regulations.

4. Consultation

- 4.1. The published proposals were subject to a 16 week consultation which commenced on 28th June 2011. The consultation paper was issued to a wide range of interested parties, placed on the Department's website and its publication was advertised in the local press. During the consultation

period the Finance Minister held a series of meetings with both large and small businesses and their representative organisations.

- 4.2. Consultation finished on Tuesday 18th October, with 70 written responses. of these 23 were from representative organisations and professional bodies, 22 from businesses, 16 from district councils and six from political representatives (including political parties). There were also responses from two public bodies and one ratepayer. The responses focused on the proposed expansion of the small business rate relief scheme and its funding through a large retail levy. Following this a consultation outcomes report was published on 9th November 2011, providing an overview of the issues raised during consultation.
- 4.3. The consultation paper and responses received as well as the outcomes report and way forward report, setting out final decisions, can be accessed at <http://www.dfpni.gov.uk/rating-review>.
- 4.4. A further targeted consultation was taken forward in relation to the multiples exclusion. The Department took on board the views expressed as part of that consultation during the drafting of these Regulations.

5. Equality Impact

- 5.1. For the expansion of the small business rate relief scheme the final impact assessment suggested that there should be no disproportionate impact (favourable or unfavourable) on any of the Section 75 subgroups.

6. Regulatory Impact

- 6.1. This found that the policy should not have an adverse impact on the number and range of suppliers or the ability of suppliers to compete and that it is most likely to have a positive effect on competition through assisting small businesses with their running costs.

7. Financial Implications

- 7.1. Around £6m is likely to be awarded in 2012/13 through the expanded small business rate relief scheme. Around £5m will be funded from a 15% levy on large retail properties valued at £500,000 or more.
- 7.2. It is intended that the shortfall between the levy and the expanded small business rate relief scheme (of around £1m per year) will be made up from regional rates revenue.
- 7.3. The multiples exclusion could also provide savings of up to £1m a year in total from both the current and expanded scheme (split fairly evenly between the two). The element of savings under the expanded scheme is factored into the above level of award noted at 7.1.

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. Regulation 5 of the 2010 Regulations states that Regulations 3 and 4 of those Regulations shall apply only to the extent that the reductions thereunder do not contravene a Community obligation.

- 9.2. This Rule replaces regulation 3 of the 2010 regulations and accordingly there are no EU implications associated with this Rule.

10. Parity or Replicatory Measure

- 10.1. Similar rate relief schemes exist in the rest of the UK and the Department took the decision on the recommendation of ERINI that the Northern Ireland scheme introduced through the 2010 Regulations should be based on the original Welsh scheme, the Non-Domestic Rating (Small Business Relief) (Wales) Order 2006 (S.I. 2006/3345 (W. 306)).
- 10.2. The Northern Ireland scheme, therefore, followed the structure of the original Welsh scheme with one level of relief for certain qualifying hereditaments and enhanced relief for post offices.
- 10.3. The changes made by these Amendment Regulations do not replicate provisions in the original Welsh scheme or in other UK rate relief schemes.

11. Additional Information

- 11.1. Not applicable.