

## **EXPLANATORY MEMORANDUM TO**

### **Rates (Small Business Hereditament Relief) (Amendment) Regulations (Northern Ireland) 2013**

**S.R. 2013 No. 46**

#### **1. Introduction**

- 1.1. This Explanatory Memorandum has been prepared by the Department of Finance and Personnel 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 (S.I. 1977/2157 (N.I. 28) ("the 1977 Order") and is subject to the negative resolution procedure.

#### **2. Purpose**

- 2.1. These Regulations amend the Rates (Small Business Hereditament Relief) Regulations (Northern Ireland) 2010 ("the 2010 Regulations") to provide -
  - (a) for enhanced rate relief in respect of certain small business hereditaments for the period up to 31 March 2015; and
  - (b) that there be no small business hereditament relief in respect of a hereditament where a ratepayer receives sport and recreation relief, industrial relief or freight transport relief in respect of a hereditament.
- 2.2. Regulation 1 contains the citation and commencement provisions.
- 2.3. Regulation 2 amends the 2010 Regulations.
- 2.4. Paragraph (2) of regulation 2 inserts a definition of "prescribed recreation" into regulation 2 of the 2010 Regulations.
- 2.5. Paragraph (3) of regulation 2 amends the 2010 Regulations by raising the upper limit for the 20 per cent. relief category from £10,000 to £15,000.
- 2.6. Paragraph (4) of regulation 2 amends the Schedule to the 2010 Regulations to provide that there shall be no small business hereditament relief in respect of a hereditament where a ratepayer receives sport and recreation relief, industrial relief or freight transport relief in respect of it.

#### **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.
- 3.2. Following a 2011 Commercial Rating Consultation, the scheme was expanded to provide a 20% reduction in the rates for small business hereditaments with a NAV of between £5,001 and £10,000. It was also decided to exclude ratepayers with multiple properties from the scheme. The increase in NAV threshold was partly funded by the introduction of a large retail levy.

- 3.3. The Minister also announced that he would review the scheme at the earliest opportunity to ensure that the relief was being targeted at those businesses most in need.

#### **4. Consultation**

- 4.1. An in-year review of the scheme was announced on 16 July 2012 inviting comment on improvement of the current scheme and the recycling of any savings that could be secured through better targeting with a view to increasing the upper NAV threshold for entitlement. Following the review it was decided that no small business hereditament relief would be awarded where a ratepayer receives sport and recreation relief, industrial relief or freight transport relief in respect of it.
- 4.2. Subsequently the Executive also announced a £200m Jobs and Economy Initiative which was to include further funding for the Small Business Rate Relief Scheme.
- 4.3. As a result of this funding and the savings made through the exclusion of ratepayers receiving double relief, it was decided to increase the NAV threshold to £15,000.

#### **5. Equality Impact**

- 5.1. The Department considers that there should be no disproportionate impact (favourable or unfavourable) on any of the Section 75 subgroups.

#### **6. Regulatory Impact**

- 6.1. The Department takes the view that in overall terms the scheme continues to have a positive impact on small businesses. Due to the automated nature of the scheme the amendments made by the rule add no additional cost to businesses in receipt of the relief.

#### **7. Financial Implications**

- 7.1. Around £36m will be awarded over the next two years to eligible ratepayers; £26m to those currently eligible and £10m to those who will be brought in under the expanded scheme.
- 7.2. The scheme will be part funded from the savings made through the removal of ratepayers with multiple premises and those receiving double reliefs from the scheme. The Executive has pledged further funding for the scheme through the Jobs and Economy Initiative.

#### **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 2010 Regulations provide that the reductions under the scheme apply only to the extent that they do not contravene the State aid rules of the European Community. The relief is being granted as de minimis aid in line with Commission Regulation (EC) No. 1998/2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid.

- 9.2. There is currently a ceiling of 200,000 euros on the total de minimis aid that can be granted to any one business undertaking in the UK from all public sources over a rolling 3 year period.
- 9.3. The removal of ratepayers with multiple premises in 2012/13 serves to reduce the likelihood of any breaches.

#### **10. Parity or Replicatory Measure**

- 10.1. Similar rate relief schemes exist in the rest of the UK.
- 10.2. The Northern Ireland scheme follows the structure of the original Welsh scheme introduced in April 2007, with one level of relief for certain qualifying hereditaments and enhanced relief for post offices.

#### **11. Additional Information**

- 11.1. Not applicable.