These notes refer to the Rates (Amendment) Act (Northern Ireland) 2009 (c.8) which received Royal Assent on 3 November 2009

Rates (Amendment) Act (Northern Ireland) 2009

EXPLANATORY NOTES

OPTIONS CONSIDERED

22. On the return of devolution the Executive undertook a comprehensive review of the domestic rating system, aimed at making it more acceptable and taking account of the concerns that had been expressed by ratepayers. This included options for change that could be brought forward in the short to medium term and included measures relating to both the tax base and reliefs. Consideration was given to:

- a single pensioner discount;
- reducing the maximum capital value;
- the levying of a minimum rates payment;
- the rating of empty homes;
- retargeting the rate relief scheme;
- revising the scheme providing assistance to those engaged in full time education and training;
- introducing a rates deferment scheme for owner occupier pensioners;
- reprofiling the transitional relief scheme; and
- revising the early payment discount.

23. In addition, consideration was also given to longer term measures that could be introduced, that would require major legislative change. These included consideration of:

Alternative or supplementary taxes

- a local income tax;
- a derelict property and brownfield site tax; and
- land value tax;

Modification of the capital value system:

- applying a graduated tax rate to different levels of value;
- introducing a single person discount;
- broadening the disabled persons allowance scheme;
- applying circuit breakers for particular groups;
- providing a discount for owner occupiers; and
- extending the discount for farmhouses.

24. On the non domestic side revaluations are meant to take place periodically. The last one was in 2003 for Northern Ireland (2005 for GB). One change that occurred in GB in 2005 was to change the way the former public utilities, such as electricity, docks and railways, were treated for rating purposes. This involved removing from legislation the precise means of valuing these undertakings, so that they are assessed in the same way as other comparable businesses. It is necessary for Northern Ireland to do likewise for the next Northern Ireland revaluation, recently postponed to April 2011. Failure to do so could attract criticism from the EU in terms of preferential treatment for Northern Ireland businesses.

25. On industrial derating the option of doing nothing would result in the rating liability for manufacturing premises moving from 30% to 100% in April 2011. The provision included in the legislation provides flexibility for the Assembly to decide at which level (including 100%) the liability should be set at in subsequent years.

26. The enabling provision for a small business rate relief scheme is the result of a detailed economic appraisal of the alternatives which emerged following the report from the Economic Research Institute of Northern Ireland into the need for a small business rate relief scheme for Northern Ireland. Among the alternatives considered were a rural rate relief scheme, a scheme to support urban regeneration, and a scheme to boost productivity in the small business sector.