

## **EXPLANATORY MEMORANDUM TO**

### **The Rates (Owners Allowances) Order (Northern Ireland) 2015**

#### **S.R. 2015 No. 46**

#### **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 22(4) to (4D) of the Rates (Northern Ireland) Order 1977 ("the 1977 Order") and is subject to the affirmative resolution procedure.

#### **2. Purpose**

- 2.1. The Rule changes the amount of the allowances applicable under Article 20 and Article 21 of the 1977 Order.
- 2.2. Article 1 contains the citation and commencement provisions.
- 2.3. Article 2 provides for 10 per cent. to be substituted for the percentage mentioned in Article 20 of the 1977 Order.
- 2.4. Article 3 provides for 10 per cent. to be substituted for the percentage mentioned in Article 21 of the 1977 Order.
- 2.5. Article 4 substitutes 10 per cent. for any allowance in an existing agreement made under Article 21 of the 1977 Order between the Department and a person or body other than a housing association or the Northern Ireland Housing Executive.
- 2.6. Article 5 makes consequential revocations.

#### **3. Background**

- 3.1. Under Article 20 of the 1977 Order a landlord (owner) of a hereditament (i.e. a property) is automatically responsible for the payment of rates on their rental property instead of the occupier, where certain criteria are met. Landlords (owners) responsible for rates payments under those mandatory provisions currently receive an allowance of 7.5 per cent. provided payment is made before 30 September or within one month of billing whichever is the later. This Order increases that allowance to 10 per cent.
- 3.2. Under Article 21(1) of the 1977 Order the owner of any hereditament the rent of which becomes payable or is collected at intervals shorter than quarterly may by agreement with the Department undertake to pay the rates chargeable in respect of the hereditament whether it is occupied or not. The Department may agree, where the owner so undertakes and pays over to the Department on or before the date or dates specified in the agreement the amounts payable by him thereunder, to make an allowance not exceeding 12.5 per cent. This Order reduces that maximum allowance to 10 per cent.

- 3.3. This Order also substitutes 10 per cent. for any allowance in an existing agreement made under Article 21 of the 1977 Order between the Department and a person or body other than a housing association or the Northern Ireland Housing Executive. Article 21 agreements with those bodies already provide for a 10 per cent. allowance.

#### **4. Consultation**

- 4.1. A consultation to review rates liability for the landlord sector closed on 28 June 2013. The consultation proposed changes to the rules governing landlord liability to provide clarity. The current rules had proved to be complicated to administer and difficult for both landlords and their tenants to understand.
- 4.2. The responses received revealed a wide spectrum of views. The Department has decided that despite the lack of consensus from respondents the minor changes to improve understanding of the rules surrounding landlord liability should be made.
- 4.3. This Statutory Rule implements one of those changes which relates to the standardisation of landlord allowances to 10 per cent. Changes which simplify the criteria for compulsory owner liability were made through the Financial Provisions Act (Northern Ireland) 2014. Both sets of changes will come into operation on 1 April 2015.

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

- 5.1. An integrated impact assessment relating to the general principle of standardising the landlord allowance was carried out by the Department as part of the consultation process. This focused on changes to the compulsory landlord allowance under Article 20, as Article 21 allowance is a voluntary arrangement.
- 5.2. For the majority of the Section 75 sub groups, there was no significant difference between the groups of wards with a higher than average representation of Article 20 properties, and those with a lower representation. Those with a Protestant Community Background are significantly under-represented in the above average group, while those with a Catholic Community Background are significantly over-represented. The changes to Article 20, which will be beneficial, may therefore have more of an impact on those with a Catholic community background.

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

- 6.1. No Regulatory Impact Assessment was considered necessary in relation to this Statutory Rule. The Rule standardises the level of allowance awarded in accordance with Articles 20 and 21 it does not alter the rates liability for any business. Instead it adjusts the level of collection allowance permitted by the Department. Any reduction in that allowance pertains to a voluntary arrangement between a landlord and the Department.

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

- 7.1. The consultation proposals noted that the standardisation of landlord allowances is likely to result in a modest net saving. However any savings

would be split fairly evenly between the Executive and district councils and are dependent upon the levels of landlords volunteering for payment of rates in any given year.

**8. Section 24 of the Northern Ireland Act 1998**

8.1. It is the view of the Department that this Order is compatible with section 24 of the Northern Ireland Act 1998.

**9. EU Implications**

9.1. Not applicable.

**10. Parity or Replicatory Measure**

10.1. Not applicable.

**11. Additional Information**

11.1. Not applicable.