

**Review of
Northern Ireland's
Non-Domestic
Rating System**

**Consultation Report
February 2016**

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Introduction

1. On 26th October 2015 the Department of Finance and Personnel launched a public consultation seeking responses on a review of Northern Ireland's Non Domestic Rating system. The consultation lasted for a period of 12 weeks, and formally ended on 25th January 2016.
2. The review was initiated by publishing details of the consultation on the DFP website, which was further advertised by placing three public notices within local newspapers. Details of the consultation were also emailed to a wide range of consultees including all MLAs, representative bodies from the business, voluntary and community sectors, as well as other interested parties.
3. During the consultation period, DFP officials were also invited to attend a number of meetings and seminars to help explain some of the issues in more detail. A full list of these is provided in Annex A.
4. A total of 113 written responses have been received. Full details of these are available on the DFP website¹. The following table gives a breakdown of the type of organisations that responded:

Charity	32	Education	6
Business	10	Property Rating	6
Local Government	11	Hospitality	4
Freight/Transport	8	Utilities	4
Retail	8	Agricultural	3
Other	7	Manufacturing	3
Social	7	Political	3
Landlord	1	Total	113

5. Given the significant number of responses received on certain issues, responses have been grouped and summarised by sector. The report also highlights some alternative or 'outlier' positions and includes some viewpoints not related to the main questions that were asked within the consultation document. Where direct quotes or particular organisations have been referenced, these have been randomly chosen to illustrate the general point being made.
6. This consultation report has also been subject to an independent validation exercise by the Ulster University's Economic Policy Centre (UUEPC). This exercise was something that was recommended by the Innovation Lab held in June 2015, which was a forum of stakeholders established at outset of the review in order to help establish guiding principles.
7. UUEPC reported the following on 3rd March:

¹ <https://www.dfpni.gov.uk/publications/review-non-domestic-rating-system-consultation-responses>

“Following a review of both the written submissions and the Consultation Report drafted by DFP, it is the view of the UUEPC that the Consultation Report reasonably reflects the comments received in the written submissions”.

Principles of rating system & revaluations

8. The consultation report suggested that any system of raising revenue locally should adhere to the following principles:
 - Revenue Neutral, Efficient & Cost Effective, Certain & Simple, Flexible and provide for Equity/Fairness
9. Of those that considered this issue, there was broad support for these principles. In addition, many responses from the business community thought that there should be greater transparency and accountability in relation to how rates bills are calculated. It was thought that this would increase the equity and acceptability of the rating system, as it would enable ratepayers to verify the basis upon which their assessment had been made and allow for comparison with other similar ratepayers. This was a view expressed by (amongst others) Ballymena traders, NI Cooperative as well as the NI Chamber of Commerce etc.
10. The National Union of Students (NUS-USI) thought that ‘ability to pay’ should be a key principle of local taxation policy. The Ulster Unionist Party, Londonderry Chamber of Commerce (CoC) and Manufacturing NI thought that Economic Development should be a key factor and there was also support from Energia and the NI Renewable Group for having for environmental considerations as a guiding principle.
11. There was clear support amongst consultees for having more frequent revaluations. As can be seen from the table below, of the 46 respondents that considered this issue, 45 were in favour of having more frequent revaluations, with only one response from the Fair Rates Campaign suggesting that more frequent revaluations would not improve the current system. It is also clear that 38% favoured having a revaluation every 3 years with a further 30% considering that this should take place every 3 – 5 years. The analysis also demonstrates that there was a clear 68% majority in favour of writing this into legislation. Full details of the analysis are as follows:

	Number	%		Number	%
More frequent	4	9%	Legislation	32	68%
3 years	18	38%	no legislation	2	4%
5 years	8	17%	No view	13	28%
3-5 (max) years	14	30%			
2 years	1	2%			
Annual	1	2%			
No	1	2%			
Total	47		Total	47	

Views on current system of reliefs

Non Domestic Exemption (Charitable Relief)

This relief provides a 100% exemption for a property occupied by a charity (or organisation not established for profit) for purposes that directly facilitate its aims. The annual cost of revenue forgone with this exemption is approximately £87m.

12. Of the 39 organisations from the charitable sector that responded to the consultation, there was unanimous support for there being no change to the 100% non-domestic exemption. The main argument being presented was that charities exist for public benefit and that any revenue being allocated for rates, would represent a direct reduction in the overall level of public benefit. This was also one of the main points being made by the many charities that attended the rating review seminar held at the Northern Ireland Centre for Voluntary Action's (NICVA) headquarters on 8th of December.
13. Indeed, by way of example, Action Cancer suggested that a 20% rates bill would result in a reduction of 320 breast screenings and 2 early cancer detections. Other charities e.g. Ulster Wildlife suggested that charities can use their resources to leverage additional resources e.g. volunteer support, which serves to deliver "a highly cost effective solution".
14. Maintaining a 100% charitable rating exemption was also supported by both NICVA and the Charity Law Association. NICVA suggested that "at a time when charities are continuing to receive less and less public funding there is a real risk that the additional burden of a rates bill could force many charities to close". The Charity Law Association suggested that "the viability of many charities would be questioned if a 100% rate exemption was introduced (*sic*²) particularly those which operate on low margins".
15. Representation was also made by Queen's University, University of Ulster and Stranmillis College in respect of their treatment under Schedule 13 of the Rates (Northern Ireland) Order 1977. This legislation excludes these organisations from benefiting from the charitable exemption despite the fact that similar organisations benefit from charitable relief in other parts of the UK. As noted in Technical Annex (F5) to the main consultation document, the original rationale for excluding these as well as some other specific properties was to bolster each District Councils tax base.
16. Whilst a number of other respondents suggested that all reliefs should be reviewed (and perhaps be subject to a business case) there was virtually no support for changing the status quo in relation to charitable rate relief. However, a broader range of views was expressed when considering the issue of charity shops and those charities that compete with commercial interests. This is considered within the following section:

Non domestic exemption for charity shops

17. As noted above, the charity sector was unanimous in requesting no change to the current 100% rate relief. This included those areas where charities appear to compete

² removed

with commercial interests e.g. charity shops, with the public benefit argument being made to support this position i.e. charity shops exist to generate revenue that is used for public benefit. These points were also reinforced by NICVA at the seminar hosted by Chambre, Federation of Small Business (FSB) and the Northern Ireland Local Government Association (NILGA) at the Riddell Hall on 12 January.

18. It was also suggested by Action Cancer that charity shops provide a useful function within the community in that not only do they raise revenue, but also provide employment, prevent goods going to landfill and offer many volunteering opportunities, often for individuals with learning difficulties.
19. The Charity Retail Association submitted evidence to suggest that “Every year the charity retail sector raises around £10.5m for good causes in Northern Ireland including tackling poverty, funding leading medical research and running local hospices”. Furthermore, it stated that the overall “value of this relief to charity shops is only £2.8m” or 3% of the total £87m of charitable relief.
20. Of all the other non-charity respondents, around 30% offered a view on the issue, with most suggesting that it might be possible for charities to contribute in a limited way towards the overall rating burden. The response from the Northern Ireland Independent Retail Traders Association (NIIRTA) thought that charities should pay 25%³. The FSB supported a reduction or tapering of relief, arguing that the exemption can price “small companies out of prime real estate”. They also made the point that private businesses help support the local community through e.g. sponsorship and their taxes contribute towards the Treasury’s £17.6m of support to the charitable sector.
21. The Confederation of British Industry (CBI) suggested that the principal of “everyone should pay something” should be applied and that charitable relief should be reduced to 80% in line with the rest of the UK. The NI Cooperative was also supportive of capping charitable relief and stated that it had been approached by charities seeking to take over its properties, subject to it making a donation based on the resultant savings it would make on its rates bill. The Cooperative stated that this approach was unwelcome that that it had never acquiesced with such a proposal.
22. Local government also responded with NILGA stating that “charities should pay some rates, based on ability to pay, in a similar manner to the system in place in England, (80% exemption) pro rate based on annual accounts”. Similar views were expressed by Derry City and Strabane, Belfast City Council (BCC), Mid Ulster, whilst Ards and North Down suggested that only those charities renting the “most expensive” retail units should make a contribution. Mid and East Antrim Council suggested that “the proliferation of charity shops on our local high streets has been identified as a growing problem” and thought that relief should only be offered to charities in proportion to their turnover.

³ This was caveated by stating that this new income should be redeployed to support the extension of the Empty Premises Rate Relief Scheme.

Industrial De-rating

Industrial de-rating provides 70% relief to manufacturing businesses i.e. factories. It costs approximately £58m per year in revenue forgone.

23. Of all responses received, only 39 offered a view in relation to the continuation of industrial de rating. Of these only the NUS-USI and the Ulster University's school of the Built Environment supported its abolition. The NUS-USI thought that the revenue forgone should be used to fund third level education and the Ulster University thought that it was unlikely to be cost effective and represent value for money given its view that the relief would only represent a small proportion of total overheads to a limited number of businesses that would be the main beneficiaries.
24. Twenty eight respondents thought that industrial de rating should continue. However some of the responses from Local Government suggested that there should be a longer term ambition to remove it e.g. the response from Derry City and Strabane Council stated "we do not believe that this is the right time to change the approach to this relief, but proposes that a review would be required further to any reduction in corporation tax. Any review should be carried out within the developing context of the introduction of corporation tax, the national living wage and other general employer costs".
25. Manufacturing NI was strongly in support of maintaining the 70% relief stating "the loss of industrial derating would have a significant detrimental impact on manufacturing and subsequently manufacturing's contribution to the economy and jobs throughout Northern Ireland". This point was reinforced by comments made at the Chambre seminar by the CEO of Manufacturing NI when he stated "it (derating) has given manufacturers a competitive advantage over the UK, which needs to continue in the long term".
26. The remaining 8 responses thought that industrial de rating should be reviewed along with all other reliefs before deciding on its future. This was a view shared by NIRC, Boots and the NI Cooperative amongst others.

Freight & Transport

The Freight & Transport exemption provides 75% relief for properties associated with the handling and shipment of goods. The associated revenue forgone is approximately £2m per annum

27. There were specific responses made to support the retention of Freight & Transport relief from Belfast Harbour, the Harbour Users Group, Stenna Line, NI Ports Committee, Belfast Shipping Agents as well as Londonderry Ports. Other direct responses were received from Barnett Silos, Hall Silos as well as the NI Grain Trade.
28. The general view was that the removal of freight transport relief would be to the detriment of all NI business as it would lead to an increase in transport operating costs, which would have to be passed onto customers. This would be specifically detrimental to agriculture and manufacturing, which relies on transport operators for most their inputs and outputs.

29. It was also suggested that this relief is necessary to help mitigate the cost of N. Ireland being on the periphery of the main European markets. Furthermore Belfast Harbour stated that there is “intense ferry competition” on the Irish Sea with difficult trading conditions and low operating margins.

Sport & Recreation

Sport & Recreation relief of 80% is available to amateur sport and physical recreation facilities. Its annual cost in terms of revenue forgone is approximately £4.3m.

30. Of the 30 respondents that considered this issue the vast majority were in support of retaining sport & recreation relief at 80%. Indeed a few organisations e.g. Charity Law Association and Sinn Fein thought that it could be increased further to 100%. Mid Ulster Council took a similar position stating that it “strongly advocates the retention and extension of the current relief for district council facilities to 100%”.
31. Sport NI stated that “the Board (Sport NI) would like to see alignment of CASC’s in Northern Ireland with the rest of the UK: mandatory rate relief at 80% and a discretionary 20% rate relief provided to amateur sports clubs (determined by local authorities in Great Britain), which factors in organisations with social facilities”.
32. The CBI thought that sporting activities that benefited from the relief and engaged in commercial competition with the private sector should be treated differently. Whilst it was recognised that this would increase the complexity of the relief “this measure would ensure that both charitable and sports & recreational organisations do not continue to enjoy an unfair commercial advantage”.
33. There was no clear consensus view expressed on the issue of whether to disregard social facility apportionment i.e. providing sport and recreation relief of 80% to social facilities provided they are no more than 20% of the total NAV of the hereditament. Nevertheless, local government did seem to favour the policy being ended with NILGA and Ards and North Down Council both of the view that it would be sensible to remove it (Ards & North Down thought social facilities should be rated based on turnover). Derry City and Strabane also thought that this practice should end given the substantial social facilities e.g. linked to golf courses that can gain an exemption. Mid and East Antrim Council recognised the issues of fairness that this creates for similar business in the local area and recommend that it be removed.
34. The Ulster Unionist Party as well as Belfast City Council thought that there should be no change, whilst the Institute of Revenue Rating and Valuation (IRRV) thought that it should remain as it could not see any reason to change it.

Vacant property rating & empty premises relief

Vacant property relief applies to vacant properties for the first three months at 100%, and 50% thereafter. The annual cost of this relief (which also includes other specific exemptions) is £44m per year. Empty premises relief results in a 50% discount in the first year for a property that is occupied after having been vacant for more than a year. Its annual cost in terms of revenue forgone is approximately £400k.

35. Of all reliefs, both vacant rating and empty premises relief received the most comments with just under half of all respondents offering a view. Although responses were mixed and offered a range of opinions, it was apparent that most responses supported the status quo of 100% relief for the first 3 months with 50% rates being levied thereafter.
36. Indeed, organisations such as Omagh Enterprise, Portadown CoC as well as Londonderry CoC supported the retention of vacant rating at 50% arguing that it provides sufficient balance between helping landlords and incentivising occupation at a time when there are still significant vacancy rates. This view was supported by the Ballymena BID that stated “the current system will assist in mitigating the effect of the current economic climate. However, we feel that this relief must be monitored to ensure that it is meeting the outcome of decreasing empty property levels, at least in line with UK vacancy rates”.
37. There were a number of diverse opinions expressed in relation to how it could be modified. The Irish Credit Unions thought that “serious consideration should be given to applying similar rates as those in GB” where owners are charged 100% for vacant rates. It was thought that this would help widen the tax base and help to ease the burden on everyone else. The CBI thought that it should be capped for 2 years before reverting to the full liability. Sinn Fein suggested that vacant properties should be subject to a 100% exemption for the first 3 months, a 50% exemption for the next 3 months and zero relief thereafter. The rationale for this was that “vacancies are a social and commercial blight and it is important to ensure that the property is brought to the market in a reasonable timeframe”.
38. In addition, NIIRTA suggested that vacant property rates should be increased from 50% on a graduated basis of 10% per year with the extra income invested in a Capital Allowance Rate Relief Scheme. The FSB suggested that the relief be cut to 10% with the savings being used to pay for an expansion of the empty shops rates concession as well as to provide additional relief for small businesses.
39. Local government was broadly supportive of the continuation of vacant rating with only Ards and North Down suggesting that a graded approach be used to exit from the relief “as we are starting to recover from the recession”. However it should be noted that for those councils supporting the status quo, some members had reservations given the loss this represents to district council revenue and the strong incentive that is needed to re-occupy some vacant premises.
40. Most respondents were broadly supportive of retaining the current system of empty shops rates concessions. However both the Ballymena CoC and Ballymena Business Improvement District (BID) thought that the qualifying period should be reduced to 6 months with the period of relief being extended for 24 months (with the second year qualifying at a reduced rate) in order to help support new businesses.
41. Similarly, both NIIRTA and the FSB thought that the scheme could be improved by reducing the qualifying period from 12 to 6 months, with the FSB suggesting that it

“would incentivise reoccupation of properties at a quicker pace than the current system does”.

42. Most respondents were in favour of maintaining the current list of Non Domestic Vacant Rating (NDVR) exemptions as specified in the Rates (Unoccupied Hereditaments) Regulations (Northern Ireland) 2011. Of those that specifically considered the issue, only Belfast City Council and IRRV suggested that they be reviewed.

Residential Homes

Full rate relief (100%) is available for residential homes. Its annual cost in terms of revenue forgone is approximately £8.3m per year.

43. Despite no residential (domiciliary) care home organisations responding to the consultation, of the 18 responses that did directly address this issue, the vast majority supported the continuation of this rate relief.
44. Arguments put forward for its retention included the view that there was an ongoing need for more residential care, and that more help was needed with the increasing cost pressures that the sector was facing. Most respondents, including local government were broadly supportive of maintaining the status quo, although Belfast City Council did suggest the relief be subject to a “rigorous” review to include an examination of where the relief actually goes. In addition Belfast City Council was not convinced that the award of the relief is “necessary to encourage the provision of this accommodation in the private sector”. Belfast City Council also took the view that there was merit in limiting the relief to charitable providers.
45. Other responses received from the CBI and the Northern Ireland Federation of Housing Associations (NIFHAs) recognised that the introduction of the National Living Wage would be an issue for the sector and may influence the continuing need for the relief.

Rural ATMs & Hardship Relief

Rate relief for ATMs in rural areas is currently available at 100% and costs just over £200k per year in revenue forgone. Hardship relief is available to help businesses recover from a temporary crisis. However it is only ever used in exceptional circumstances.

46. Most respondents were supportive of full rate relief for rural ATMs. The general view was that it is important for people living in rural areas to be able to access cash and any incentive to assist with this provision was welcome. Responses also recognised the role that this relief played in supporting expenditure in rural businesses.
47. The NI Cooperative however, thought that a distinction should be made between free to use ATMs and those which charge the public to withdraw money, as it was suggested that ATMs that charge, fund their own operation from fees or rental income from the provider.

48. Fermanagh & Omagh District Council thought that the ATM relief should also apply to units within shops rather than just stand alone units. Londonderry CoC noted that the rural ATM scheme was due to expire in March 2016 and that “it may be opportune to consider a greater contribution from the banks”, whilst the Irish League of Credit Unions outlined its disappointment of not being able to avail of a similar relief despite its position in helping to assist in money withdrawal in many rural locations.
49. The IRRV thought that the scheme should be administered through the local democratic process as part of the local authorities’ duty in relation to economic regeneration. Furthermore it thought that the ATM exemption should become a permanent feature of the rating exemptions.
50. Most respondents were broadly supportive of the hardship fund. However NIIRTA suggested that it should be reformed to “ensure it is easier for businesses to claim in the event of flooding or disruption, as a result of major road works or public realm changes”.

Aligning rating system to economic strategy

51. Although only considered by about one fifth of respondents, most thought that there was some merit in using the rating system to pursue economic objectives. However some organisations noted concerns around the proposal e.g. NI Co-op worried that only certain (non-food/retail) sectors of the economy would benefit and that such an approach had the potential to become politicised. In addition, the Rating Surveyors Association thought that any tax system that works coherently would automatically encourage growth and investment and already be aligned with economic development objectives. Rather, they considered that the focus should be on reducing the overall burden of the tax.
52. Belfast City Council supported the idea and thought that there should be a “combined central and local government package of measures offered to support regeneration, especially in city centre areas”. Furthermore, BCC thought that relief should only be granted subject to a proven business case and provide help to sectors such as hotel developments, Grade A office & retail developments and the redevelopment of vacant properties or derelict land.
53. Manufacturing NI stated that it “would like to see a greater emphasis on the pursuit of economic development aims”. This would include continuation of derating, depressing the rate poundage and seeing local councils focusing on rating policy to support business and geographic areas.
54. Queens University stated that the system can be used as an economic development tool, but “it must be carefully considered and should not duplicate the efforts of InvestNI or other government departments”.
55. The CBI suggested that all reliefs and exemptions should be aligned to the economic priorities of the Executive and subject to informed economic research to ensure that they represent value for money. With this in mind, the CBI stated “a number of rate reliefs, schemes and rates exemptions need to be reconsidered”. However they also

noted that any reform should be phased in over a number of years to enable organisations affect to adequately prepare.

Additional powers for District Councils

56. There was a mixed response in relation to the issue of District Councils being given additional powers in relation to the rating system. Some organisations such as the FSB, NIIRTA and the CoC were cautiously supportive, with NIIRTA suggesting that DFP should examine ways to give the eleven councils flexibility with rate relief to target urban dereliction and for support packages for new Foreign Direct Investment. Indeed, given concerns in this regard, the need for more detail and further research in relation to the issue was a common theme amongst the councils with Mid Ulster, Omagh & Fermanagh, Ards & North down, Antrim & Newtownabbey, Armagh, Banbridge & Craigavon and Belfast City Council all suggesting that more information was required.
57. This view was reinforced by NILGA, which stated “more detail would be required as to how such reliefs would operate in practice”. In addition, NILGA included details of its discussion with members at the rating review seminar held at Oxford Island and noted that “concern was expressed in relation to the additional burden on councils and who would pay for extended reliefs”. NILGA also suggested that there would be a need for checks and balances should such powers be made available given the potential political issues involved. Furthermore, concern was expressed at the potential inconsistencies of approach that could develop across different council areas and that some councils would be able to afford greater reliefs than others, potentially exacerbating current gaps between richer and poorer councils.
58. Mid and East Antrim Council were more cautious and although recognised that there may be advantages in being able to grant reliefs, it was thought that this should only be carried out in conjunction with central government and apply on a similar basis to all 11 councils in order ensure a fair and equitable taxation system.
59. The IRRV believed that Councils’ General Power of Competence could be used to facilitate economic development at a local level. The IRRV stated that “specific reliefs could be given to classes of property to meet local economic objectives under this approach”.
60. There was also a cautious response from local government in relation to the issue of giving councils the power to set separate domestic and non-domestic rates. Whilst responses were broadly supportive some e.g. Antrim & Newtownabbey thought that further analysis of the issue was required. A similar opinion was expressed by Belfast City Council who thought that the issue should be kept under review and with limited growth in the tax base there would be little divergence between the rates at present. The response from NILGA recommended that in future, “growth/conversion factors should not be mandatory, but rather should be a guide only, thus allowing councils greater flexibility to set rates according to locally developed priorities.
61. All local government organisations strongly supported retention of the de rating grant.

Aligning rating system with an ability to pay

62. The consultation sought to better understand if ratepayers thought that the NAV method of assessment reflected an ability to pay and whether there were any alternative systems that could be introduced to assist in this regard.
63. There was a fairly mixed response to this issue with some organisations e.g. The Rating Surveyor's Association, Charity Law Association and Manufacturing NI all suggesting that using NAVs is a reasonable method of assessment, as it is simple to understand and should be reflective of market evidence for rental values. In addition the Ulster University stated "A business's rates bill is directly geared to the rental value of the property, therefore there has to be a reasonable relationship to the ability to pay, provided, of course, that the NAVs are as current as possible".
64. Others thought that the system was unfair as it took no account of the underlying profitability of the occupying business. Organisations supporting this view included the FSB, which stated "there is widespread feeling among the business community that NDR is unfair in being so unresponsive to business conditions and revenues. The tax, being unrelated to business turnover or profit, has become a greater burden in times of recession and slow growth, particular on small business." In addition the CoC provided evidence from a survey of its members stating that 61% of its membership does not agree that a rate bill based on a property's NAV/rental value is a fair reflection of the occupying business's ability to pay.
65. Although no detailed proposals relating to alternatives that would better reflect an ability to pay, some organisations e.g. Ballymena Traders, Omagh Chamber of Commerce as well as Mid Ulster Council thought that some method linked to turnover would be best. In addition, the CoC recommended that in the medium to longer term more research should be undertaken to examine the potential to incorporate some measure of ability to pay into the rating system focusing on indicators such as profitability and turnover.
66. The FSB suggested something similar with a suggestion to introduce a "turnover allowance". Although research on this was ongoing, the FSB suggested that this would work by giving small firms with a turnover of less than £260k a £12k allowance in relation to their rateable value. In addition CIPFA stated that consideration should be given a multi base business tax system to include both a property and payroll/employee numbers element.
67. Other responses recognised the difficulties of aligning rates bills to parameters such as turnover or profit. The response from the Fair Rates Campaign stated that whilst the rating system doesn't reflect an ability to pay, any alternative would be difficult to police "since large businesses are able to hide profits". Furthermore Fermanagh & Omagh DC thought that moving to a system to reflect ability to pay could be impractical to operate. Both Belfast City Council and the Royal Institution of Chartered Surveyors (RICS), reflected the viewpoint that property taxes are recognised as being an important component of the wider basket of taxes that a government needs.

68. The consultation responses also revealed no desire to change the basis of assessment from the occupier to the owner. The vast majority of responses received on this issue suggested that there should be no change as the current system is understood and well established. The response from the IRRV supported this viewpoint and outlined the difficulties with such an approach e.g. how to define the owner and legal complexities given established case law relates to rateable occupation.
69. There was also substantial support for retaining the NAV method of valuation as opposed to using capital value. Arguments put forward to support this viewpoint included those from the Agricultural Valuers as well as the IRRV that thought one of the biggest problems would be lack of available evidence on which to base capital values. The Rating Surveyors Association also thought that maintaining consistency with the NAV approach used in GB would be advantageous. However, The Ulster University thought that the issue merited further research to examine the distributive impacts. This was a similar position to the Ulster Unionist Party that also thought the idea merited further research.

Widening the property tax base

70. Although no clear consensus view emerged in relation to how the tax base could be widened, most suggestions in this regard focused on issues around online sales, Land Value Tax and Derelict land.
71. NIIRTA suggested that on-line retailing “has and will continue to have huge implications for the sector” outlining that online sales were expected to account for 22% of all retail sales in 2018 compared to just 13% in 2012. Similar views were also expressed by traders at the seminar to discuss the rates review held in Cookstown.
72. The Rating Surveyors Association suggested that “an online tax and how it accords with the more traditional bricks and mortar approach to which we are more familiar is an important consideration”. Portadown CoC stated “we believe this would be positive for business as it would mean a fair playing ground for all... (although)...we would not have any precise ideas on implementation”. NIRC thought that any proposal for an online tax would have to be consulted upon in its own right.
73. The Association of Town and City Management (ATCM) also strongly supported the idea of increasing taxes on online activities by stating “ATCM recommends that the Northern Ireland Executive modernises the business tax system, reducing the liability of commercial employment-sustaining property and offsetting this by capturing revenue from new and emerging digital economic activities”.
74. The FSB recognised the importance of tackling this issue at a UK level by stating “While NI Businesses are concerned with this competition, we are of the view that an online sales tax needs to be wider than NI and therefore considered at a wider level (Westminster/Europe)”.

75. There were a limited number of responses suggesting that the issue of a LVT be examined in more detail. These included NICVA⁴, Chartered Institute of Public Finance Accountants (CIPFA), the CoC as well as the Ulster University, who so no merit in it as a full replacement for business rates but in an adapted form could supplement rates by including development land and derelict sites. However the response received from Mid Ulster Council was less supportive suggesting that “MUDC does not feel that the exploration of LVT is the best use of DFP resources at this time”. In addition, the FSB stated “at this time, in the absence of an NI feasibility study, we are of the view that there is unlikely to be any real gain”.
76. Support for the further investigation of a derelict land tax was received from the Ulster Unionists, Londonderry CoC as well as Sinn Fein. Indeed Sinn Fein thought that the exclusion of derelict land and brown field sites from rates encouraged land banking and created a disincentive to develop. Furthermore, whilst valuations based on highest and best use would impose a high holding cost it was recognised that it would also present technical difficulties. The FSB also supported the principle that land and brown-field sites should not be allowed to lie derelict and unused, but recognised the difficulties outlined in the consultation document.
77. The Northern Ireland Federation of Housing Associations was less supportive of a derelict land tax. It noted that such a proposal was likely to significantly increase its costs to an unacceptable level when trying to build additional homes. Consequently it stated that “if a tax on derelict land were to be introduced, land that has been purchased by a housing association for the development of new social and affordable homes in line with its charitable purpose should be exempt”.

Additional Comments on the Rating System

78. Some additional points raised by consultees that were not in direct response to the questions being asked included:
79. Hospitality Ulster has requested that the Northern Ireland Assembly recognise the special economic significance of the NI hospitality and tourism industry by introducing a rate relief scheme to address its unique challenges and support the economic growth of tourism across the province.
80. Ulster wildlife noted the problem of having to pay rates on a property that they were developing with the intention of using for charitable purposes. They argue that since they are a charity this is unfair.
81. Omagh Enterprise considers that collecting less rates from businesses should be an option. Similarly Boots want to see a reduction in the poundage along with a more responsive system.
82. Claire Hanna SDLP – Argues for one district rate poundage. Suggests that any street with occupancy of less than 50% should be exempt from rates. Advocates a rates

⁴ NICVA also made reference to a report they carried out on the issue that can be accessed using the following link: <http://www.nicva.org/resource/land-value-tax-northern-ireland>

holiday for loss making businesses and rates waived for vacant property were reasonable attempts have been made to lease it.

83. Equine Council for NI (and other equine related organisations) want parity with GB where there is an abatement of £4200 from the rateable value for stud farms. In ROI stud farms pay no rates.
84. RICs propose to have rate relief for new build or upgraded office development for a set temporary period or until full occupancy is reached. RHM Commercial want to abolish rates for new developments
85. CBI favours a full valuation of all exempted property including agricultural land.
86. Early Years state that the sector needs help and would favour rate relief for all providers.
87. Credit Unions want specific relief to recognise the important role played in the development of the social economy, the regeneration of communities and in helping to achieve a more financially inclusive society.
88. NI Chamber of Commerce has proposed the creation of a Business Rates Forum to meet on a bi-annual basis to discuss issues around the business rating system. This would be in addition to a cross DETI/DFP working group to promote economic development through the rating system.
89. Sinn Fein suggest that rate relief could be used to promote a sustainable approach to energy use and generation e.g. relief to incentivise investment in the energy efficiency of buildings or the generation of renewable energy.
90. NILGA – Would like to see LPS being more accountable to local government for its collection performance along with costs levied on councils for write-offs, collection and other matters.
91. Tesco have requested that Ministers rule out any future rates levies which unfairly target retailers such as their previous policy of a large retail levy.
92. Aside from the main issues consulted upon, NIIRTA have requested:
 - a. Grace period before property improvements are reflected in NAV
 - b. Increase in SBRR NAV threshold from £15k to £18k
 - c. Capital Allowance rate relief scheme
 - d. Rural retail rate relief scheme
 - e. Green Energy Rate Relief

Next Steps for the Review

93. Any significant change emerging from this review will eventually need new primary legislation. Therefore, as the current Assembly mandate will end in March, it will be for the next Executive to take forward any significant changes.

94. This will provide the new Executive with an opportunity to better align the rating system and system of reliefs/exemptions with their main policy priorities.
95. The DFP Committee has been briefed already on the main review findings and provided with a copy of this report. Further briefing will take place over the coming months and the Committee's views will be taken into account before options are formally presented to Ministers for decision. Any changes that are radical or contentious will need further research, impact assessment work and additional consultation before being presented for decision.
96. Further information on next steps and any decisions taken by the Executive will be published on Rating Policy Division's website⁵ as and when it becomes available.

⁵ <https://www.dfpni.gov.uk/articles/review-non-domestic-rating-system>

Annex A - List of Meetings attended by Officials during the consultation period

Date	Organisation	Type of Meeting
19 October 2015	NIIRTA	One to one meeting
27 October 2015	Belfast Chamber	One to one meeting
29 October 2015	Hospitality Ulster	One to one meeting
9 November 2015	NI Manufacturing	One to one meeting
10 November	Federation of Small Business	Full meeting
17 November 2015	Advice NI	One to one meeting
18 November 2015	RICS	Seminar
7 December 2015	Quarry Products Association	One to one meeting
8 December 2015	NICVA	Seminar
11 December 2015	NILGA	Seminar
18 December 2015	Association of Local Government Finance Officers	Seminar
11 January 2016	Local Enterprise Agencies	Seminar
11 January 2016	SDLP	One to one meeting
12 January 2016	Federation of Small Business	Seminar
14 January 2016	NIIRTA/Ballymena Traders (organised by Sinn Fein)	Seminar
18 January 2016	Northern Ireland Retail Consortium	One to one meeting
19 January 2016	Northern Ireland Federation of Housing Associations	Seminar
21 January 2016	Sinn Fein	One to one meeting
25 January 2016	Londonderry Rotary	Seminar
29 January 2016	NIIRTA/Mid Ulster Traders (organised by Sinn Fein)	Seminar