



Land &  
Property  
Services  
Seirbhísí  
Talún agus  
Maoinne



Department of  
**Finance**  
An Roinn  
**Airgeadais**  
[www.finance-ni.gov.uk](http://www.finance-ni.gov.uk)

# Consultation Paper Domestic Rating Measures

November 2023



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# Foreword

## Overview of the current domestic rating system

The rating system in Northern Ireland is a devolved tax with no direct links to similar taxation systems in England, Scotland or Wales. There are two different rates levied in Northern Ireland: a domestic rate for residential properties and a non-domestic rate for businesses.

The total revenue raised through both domestic and non-domestic rates within Northern Ireland is approximately £1.37 billion, with approximately 45% of this being funded by domestic rating. This is used to pay for both local district council services as well as regional services delivered by the Northern Ireland Executive such as education, health and roads.

Regional Rate revenue alone provides approximately 4% of the Northern Ireland Executive's public spending. A high level breakdown of total rating revenue raised in 2022/23 is provided in the following table:

Source	Revenue
Non-domestic sector	£773M
Domestic sector	£603M
Total	£1.37Bn

In Northern Ireland each domestic property has an individual capital value (CV) assessed, and ratepayers are charged rates based on these assessed values. The CV reflects the value of the property as at 1 January 2005, that is, the valuation date. To ensure the rate burden is distributed fairly, new property being valued for rates purposes is also valued at 1 January 2005 levels.

Land & Property Services (LPS), within the Department of Finance, administers the rates system and has little discretion in doing so as everything is governed by legislation or case law, some of which goes back over 100 years. Rates paid by households and businesses make a vital contribution to funding the public services delivered by the Executive and District Councils in Northern Ireland.

There is harmonisation across the UK in relation to valuation practice and procedure for business rates, as far as legislation permits. However, the domestic rating system in Northern Ireland is unique compared to the rest of the United Kingdom where Council Tax, a banded valuation system of property taxation, is used and where households also pay additional, separate charges for water and sewerage.

The systems of reliefs and exemptions are similar in their policy intent, but different in the specifics of how they operate in practice. Reliefs, allowances, and exemptions are the main means through which the rating system can be used as a tool of social, economic and environmental policy. Those differences have developed over many years because of different policies and priorities set by the Northern Ireland Executive at various points in time.

Providing any rate relief means either foregoing revenue or charging other ratepayers more. An exemption or relief is often viewed from the perspective of who it benefits, but there is a real cost, as every pound raised through the rating system in Northern Ireland stays here as a resource to help pay for hospitals, schools, and other essential regional services.

There have been detailed policy reviews of the rating system in Northern Ireland, most recently in 2016 and 2019. These reviews consulted on the options for changing the various reliefs, exemptions, and allowances for both domestic and non-domestic rates, but have not resulted in any substantive changes to the rating system other than to implement more frequent non-domestic General Revaluations. The most recent comprehensive review of Business Rating, the report for which was completed just prior to the Covid-19 pandemic, can be accessed at the following link.

**[Business Rates Public Consultation | Department of Finance \(finance-ni.gov.uk\)](#)**

# Executive summary

In September 2023 the Secretary of State, Rt Hon Chris Heaton-Harris, directed Northern Ireland Departments to undertake a consultation exercise on revenue raising measures.

The Department of Finance is seeking views on 7 rates proposals: 4 in the non-domestic sector, and 3 in the domestic sector. It will be a matter for an incoming Executive to decide on which, if any, measures are taken forward.

The proposals are presented in such a way as to highlight a means of identifying and maximising revenue through the removal of rate support, discounts and allowances. As such they highlight the fastest and quickest means of realising the revenue gain to address the budget shortfalls facing central government. It is recognised within the Department of Finance that further consultative and policy work will need to be done should such measures proceed to implementation, particularly in relation to the further analysis of any impacts and mitigation measures that may accompany that implementation or that have been brought to the Department's attention during the consultation process.

It is important therefore that the Department garners as wide a range of stakeholder views as possible, including views on the wider impact of the proposals, so that future policy development in this area is fully informed.

Consultations on rating policy tend to be dominated by those who may be directly affected but it is also important to gather the views and opinions of the wider body of ratepayers. For this reason, the Department welcomes views from organisations and individuals on the package of revenue raising proposals taken as a whole. Views are also invited in relation to additional revenue raising proposals, which may include the removal or reduction of any other rate support measures.

The financial context of this exercise is presented in the following link.

[Financial context for revenue raising consultations | Department of Finance \(finance-ni.gov.uk\)](https://finance-ni.gov.uk/financial-context-for-revenue-raising-consultations)

## The key stages and target completion dates are:

Key stage	Date
Direction from SoS	20 September 2023
Launch consultation	7 November 2023
Stakeholder engagement	7 November + 14 weeks
Close consultation	13 February 2024
Publish consultation report	w/c 18 March 2024

# Structure of the consultation

There are **THREE DOMESTIC** rating measures being consulted on:

## Part 1

Removal of the maximum capital value cap (“the cap” or “max cap”) from the rating system.

## Part 2

Removal of the early payment discount from the rating system.

## Part 3

Removal of the landlord allowance from the rating system.

## Further resources

For more general information about the rating system in Northern Ireland, the following document may be useful:

### **A guide to rates**

**[A guide to rates | Department of Finance \(finance-ni.gov.uk\)](#)**

# About this consultation

## Who can respond to this consultation?

The Department of Finance, acting on direction from the Northern Ireland Office, is seeking views on these proposals from all interested parties, individuals and groups from across Northern Ireland on the matters covered by this consultation.

## Purpose of this consultation

The proposals set out here will have a direct impact on many peoples' lives. The Department of Finance recognises the need to keep the public informed on such important matters and to allow people the opportunity to comment on the policy proposals.

This consultation therefore invites people to answer a number of questions in relation to these revenue raising measures. The questions are posed throughout the document. A complete list of questions can also be found at the end of the consultation document at page 17.

## Scope of the consultation

The consultation applies to all of Northern Ireland whether a member of the public, a business, organisations or professional bodies.

## Duration of the consultation

The consultation will run for 14 weeks, it closes to responses on 13 February 2024.

## How to respond to this consultation

You can respond to this consultation online through the link to Citizen Space.

[NI Direct - Citizen Space](#)

You can also send your consultation responses to:

Revenue Raising Consultation  
Land & Property Services  
Department of Finance  
Lanyon Plaza  
7 Lanyon Place  
Belfast, BT1 3LP

When responding, please state whether you are doing so as an individual, or representing the views of an organisation. If you are responding on behalf of an organisation, please make it clear who the organisation represents and, where applicable, how the views of members were assembled. We will acknowledge your response.

The consultation document will be available in other formats upon request. You can email any queries to: [revenueaising@finance-ni.gov.uk](mailto:revenueaising@finance-ni.gov.uk)

## Associated documents

There are two DoF consultation documents available to you, this one on domestic rating measures and one on non-domestic rating measures. Also, associated draft impact screening assessments have been made available on the consultation website.

See [Department of Finance \(finance-ni.gov.uk\)](http://finance-ni.gov.uk) for all related papers, which can also be obtained in hardcopy on request, using the contact details above.

# How we consult

## Consultation principles

- consultation must be at a time when proposals are still at a formative stage;
- the proposer must give sufficient reasons for any proposal to permit intelligent consideration and response;
- consultation is only part of a process of engagement;
- adequate time must be given for consideration and response; and
- government responses should be published in a timely fashion.

## Confidentiality

### Your rights

Under the Data Protection legislation, you have the right:

- to be informed of the personal data held about you and to access it;
- to require us to rectify inaccuracies in that data;
- to (in certain circumstances) object to or restrict processing;
- for (in certain circumstances) your data to be ‘erased’;
- to (in certain circumstances) data portability; and
- to lodge a complaint with the Information Commissioner’s Office (ICO) who is our independent regulator for data protection.

Responses to consultations are likely to be made public, on the internet or in a report. If you would prefer your response to remain anonymous, please tell us.

## DoF Privacy Notice

The DoF Privacy Notice, explaining how we use your personal data, can be viewed at: [Department of Finance Privacy Notice | Department of Finance \(finance-ni.gov.uk\)](#)



# Part One

Removal of the maximum capital value cap (“the cap” or “max cap”) from the rating system

Domestic rate bills are calculated based on, among other things, the capital value of the property. LPS assesses capital values at a given date, currently 1 January 2005. Occupiers of domestic property with an assessed capital value of more than £400,000 are billed for rates as if the property was valued at £400,000.

The cap has a projected 2023/24 cost – in terms of revenue foregone – of approximately £11M, of which £5.4M is a cost to the NI Executive. It applies to around 7,900 domestic properties in Northern Ireland.

The majority (65%) of the domestic properties which benefit from the cap are located in the Ards & North Down and Belfast council areas. The properties in these two council areas account for 74% of the cost of the relief.

## Parity

There is no direct parity with the position in other parts of the UK as they have Council Tax rather than domestic rates. Council Tax uses a banded value system: with 8 bands in England and Scotland, and 9 bands in Wales. In Northern Ireland domestic rates are assessed on individual discrete property values. The Council Tax banding system has the effect of putting in place a cap as every property in the highest band, regardless of what it is worth, pays the same amount of Council Tax.

When it was introduced, the rationale for the cap was to ensure that no ratepayer in Northern Ireland would pay more than the average highest band Council Tax bill in England. Currently, the highest domestic rate bill in Northern Ireland is a maximum £4,219; the highest Council Tax bill in Great Britain is a maximum £5,090<sup>1</sup>.

## Further information

[Valuation of domestic properties for rates | nidirect](#)

[How rate bills are calculated | nidirect](#)

<sup>1</sup>Band I Council Tax bill in Blaenau Gwent, Wales.

## Interaction with other support measures

There may be an increase in lone pensioner allowances, or disabled persons allowances, as well as means tested support for those ratepayers in the “asset rich, income poor” cohort of ratepayers. The Low-Income Rate Relief scheme was implemented as a top-up to Housing Benefit in anticipation of a capital value system of rating with no maximum capital value. Housing Benefit and Low-Income Rate Relief are being phased out for working age welfare claimants and replaced by Universal Credit and a new Rate Rebate scheme.

Housing Benefit and Low-Income Rate Relief are still available to pensioners who are not in receipt of Universal Credit.

## CONSULTATION QUESTIONS

Q1

Should the maximum capital value cap be removed?

Q2

What, in your view, would be the impact of removing this support?

[Click to answer questions](#) 

## Impact screening

A Departmental initial Draft Impact Assessment screening exercise has determined that there will be further impact assessment requirements in relation to one area for this proposal, namely rural impact assessment. Evidence from consultees is sought on this area to inform this work.



# Part Two

Removal of early payment  
discount from the rating system

If domestic ratepayers make payment in full, in a single amount, by a date specified on the rate bill, then a discount of 4% is applied to the rate bill.

This is a longstanding feature of the domestic rating system which was put in place to encourage ratepayers to pay in a single amount early in the rating year as this was administratively less complex and less expensive than managing installments. Over the years, payment by Direct Debit, which is the most efficient method of collection, has become a more popular payment method among ratepayers. In 2022/23, over 158,000 ratepayers (approximately 20%) availed of the early payment discount.

The projected cost in 2023/24 is £7.9M. It is paid for entirely by the NI Executive. The cost of this discount fluctuates from year to year, depending on how many ratepayers take advantage of it.

## Parity

There is no equivalent discount in the other parts of the UK which have Council Tax and do not offer early payment discounts.

## Further information

[Rates discount deadline approaching | nidirect](#)

## Interaction with other support measures

There is no interaction with other support measures. The early payment discount is applied after any other allowances which the ratepayer may be entitled to. The early payment discount has no bearing on the underlying tax regime.

## CONSULTATION QUESTIONS

Q3

Should the early payment discount be removed?

Q4

What, in your view, would be the impact of removing this support?

[Click to answer questions](#) 

## Impact screening

A Departmental initial Draft Impact Assessment screening exercise has been conducted in respect of this proposal and has currently screened this proposal out in respect of any further Impact Assessment requirements. Evidence of any wider impacts will however be assessed should consultees wish to provide this to the Department to inform policy making in this area.



# Part Three

Removal of landlord allowance  
from the rating system

Landlords who are either responsible, or volunteer, for rates liability for property they rent out can receive an allowance if the full amount is paid by 30th September each year.

Since 2015, this allowance has been 10% for both voluntary and compulsory landlord liability. Landlords who pay rates in respect of more than 210,000 properties received the allowance in 2022/23. In this context 'landlords' includes those organisations which manage the entire social housing sector.

The landlord allowance has a projected 2023/24 cost of approximately £14.2M, of which £7.5M is funded by the NI Executive. The remainder is paid for by district councils. The cost of this allowance fluctuates year to year.

## Parity

There is no equivalent discount in the other parts of the UK which have Council Tax and there is no landlord allowance within that system.

## Further information

[Request Landlord Article 21 rating allowance | nidirect](#)

## Interaction with other support measures

There is no interaction with other support measures. The landlord allowance has no bearing on the underlying tax regime.

## CONSULTATION QUESTIONS

**Q5** Should the landlord allowance of 10% be removed?

**Q6** What, in your view, would be the impact of removing this support?

[Click to answer questions](#) 

## Impact screening

A Departmental initial Draft Impact Assessment screening exercise has been conducted in respect of this proposal and has currently screened this proposal out in respect of any further Impact Assessment requirements. Evidence of any wider impacts will however be assessed should consultees wish to provide this to the Department to inform policy making in this area.

# List of consultation questions

## Removal of the maximum capital value cap (“the cap” or “max cap”) from the rating system



**Q1** Should the maximum capital value cap be removed?



**Q2** What, in your view, would be the impact of removing this support?

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## Removal of early payment discount from the rating system



**Q3** Should the early payment discount be removed?



**Q4** What, in your view, would be the impact of removing this support?

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## Removal of landlord allowance from the rating system



**Q5** Should the landlord allowance of 10% be removed?



**Q6** What, in your view, would be the impact of removing this support?

[Click to answer questions](#) 



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