



Subject:	Business Rates Review
Date:	22 nd January 2016
Reporting Officer:	Ronan Cregan, Deputy Chief Executive and Director of Finance and Resources
Contact Officer:	Mark McBride, Head of Finance and Performance

Is this report restricted?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Is the decision eligible for Call-in?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

1.0	Purpose of Report or Summary of main Issues
1.1	This report provides a draft Council response to the Department of Finance and Personnel's consultation paper on the " <i>Review of Northern Ireland's Non-Domestic Rating System.</i> " (Appendix 1) The consultation period ends on the 25 January 2016.
2.0	Recommendations
2.1	Members are asked to: <ul style="list-style-type: none">• Agree the draft Council response provided at Appendix 2.
3.0	Main report
3.1	Review of the Business Rates System <p>In November 2013 the then Finance Minister, Simon Hamilton, announced to the Assembly his intention to undertake a full review of the non-domestic taxation system. It was intended that this would commence once the non-domestic revaluation had bedded in and would consider whether the current system is fit for purpose and whether there are alternative ways of raising revenue from those who do business in Northern Ireland.</p>

3.2	In May 2015 Minister Foster announced to the Assembly her intention to proceed and in June 2015 the review was initiated with an Innovation Lab (or policy symposium) attended by a broad range of interest groups, business organisations, the voluntary sector, local government, academia and professional bodies.
3.3	In October 2015 the Department of Finance and Personnel published a consultation paper on the review which focuses on the current system of non-domestic taxation i.e. business rates, but also considers and welcomes views on any alternative system which could be used to replace or supplement part of the revenue currently from the business sector through the rating system.
3.4	Overview of the Consultation Paper
3.5	<p>Key Principles of the Review: The consultation paper set out key principles under which the suitability of alternatives or potential changes to the existing system will be considered. These key principles are that the system should be:</p> <ul style="list-style-type: none"> • Revenue Neutral • Efficient and Cost Effective • Certain and Simple • Flexible • Equitable and Fair
3.6	<p>The consultation asks a number of questions in relation to the review. These cover areas such as:</p> <ul style="list-style-type: none"> • the key principles of the review • the frequency of Non Domestic Revaluations • whether criteria / priorities should be applied to existing and future rate relief / exemption • the review of current rate reliefs exemptions • whether the rating system should be used to pursue economic development objectives • whether district councils should take on powers for granting reliefs • whether district councils should be able to strike separate domestic and non domestic rates • whether the system should tax the owner rather than the occupier of non domestic properties • whether there should be a derelict land tax

	<ul style="list-style-type: none"> • whether public sector organisations should pay rates • whether other forms of local tax should be pursued
3.7	<p>A key area of the Council's response is the use of the non-domestic rating system as an economic regeneration tool. The response recommends that this should ideally involve a combined central and local government package of measures to support regeneration, especially in city centre areas. With relief subject to a proven business case, sectors to target could include hotel developments, Grade A office space development or retail developments and the redevelopment of vacant properties or derelict land.</p>
3.8	<p>In response to the frequency of re-evaluations it is the Council's proposal that increasing the frequency of re-evaluations (3 yearly) would help ensure rateable values are better aligned to passing rents and the local economy and potentially reduce the number of appeals. More frequent revaluations would generally result in a more acceptable change to rate poundage levels; thereby giving rateable occupiers a greater degree of certainty.</p>
3.9	<p>We also agree with the principle of a derelict land tax as an incentive for owners of such sites to bring them back into use. As well as encouraging investment and better use of assets this approach, when combined with the introduction of corporation tax, should help mitigate the risk of land-banking.</p> <p>.</p>
3.10	<p>A full copy of the Council's response is attached at Appendix 2.</p> <p><u>Financial and Resource Implications</u></p>
3.11	<p>District rate income represents 75% of the Council's total income.</p> <p><u>Equality or Good Relations Implications</u></p>
3.12	<p>None.</p>
4.0	<p>Appendices – Documents Attached</p>
4.1	<p>Appendix 1: Draft consultation document</p> <p>Appendix 2: Draft Council response to the consultation questions</p>