



**Department of Finance**

**Reforming the Rating System**

**#Rates: Rethink**

**Spurring Economic Growth**

**Consultation Document**

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## **ANNEXES**

## Ministerial Foreword

Tá áthas orm na moltaí uailmhianacha seo a chur roimh an phobal agus tá mé ag súil le díospóireacht bhríomhar ar a bhfuil curtha chun tosaigh agam.

The package of measures set out in this paper will help us deliver a fitter and more acceptable rating system for the citizens and the businesses who contribute to the funding of our essential public services – helping us to build a modern, inclusive and exemplary society.

The changes I wish to take forward have fairness at their heart with everyone contributing according to their ability. They have three underlying objectives. Firstly to spread the burden wider, secondly, to be more discerning with the application of exemptions and allowances and finally to use the rating system as a lever of social and economic development.

The proposed measures include:

- ✓ A new £22m a year Rates Investment Scheme for smaller retail and hospitality business
- ✓ Piloting Business Empowerment Zones in two areas (Lower Newtownards and Lower Falls Roads)
- ✓ Increasing rates on empty commercial properties
- ✓ Charity shops to make a contribution
- ✓ Charging the highest value homes more
- ✓ Removing the early payment discount
- ✓ Reducing landlord allowances
- ✓ Student halls of residence to start paying rates
- ✓ A 3 year rates holiday for first residents of new energy efficient homes

This consultation will give everyone the opportunity for their voice to be heard on these important issues. It is taking place as early as possible in response to the enthusiastic response to the proposals put to the Assembly last month. I would strongly encourage people to respond to this consultation so that collectively, we can ensure that we have a rating system that is effective, fit for purpose and one that is responsive to both the views of ratepayers and the needs of our public finances in paying for our public services.

Soláthróidh an comhairliúchán deis labhartha do gach duine le go gcloisfí a dtuairimí maidir leis na saincheistanna tábhachtacha seo. Reáchtálfar é a luaithe agus is féidir mar gheall ar an fhreagra díograiseach a fuarthas ar na moltaí a cuireadh os comhair an Tionóil an mhí seo caite. Mholfainn go láidir do dhaoine freagra a thabhairt ar an chomhairliúchán seo, d'fhonn gur féidir linn a chinntiú go bhfuil córas rátála againn atá éifeachtach, oiriúnach don fheidhm agus a thagraíonn do thuairimí na n-íocóirí rátaí agus riachtanais ár n-airgeadas poiblí araon maidir le hÍoc as ár seirbhísí poiblí.

**Máirtín Ó Muilleoir MLA**  
**Minister of Finance**  
**December 2016**

## Introduction

1. On 26 October 2015 the (then) Department of Finance and Personnel launched a public consultation seeking responses on a review of the non-domestic rating system i.e. commercial rates. The consultation lasted for a period of 12 weeks and formally ended in early February 2016, with 113 written responses being received.
2. The proposals outlined in this document however, are broader than the wide-ranging matters covered in that consultation. They include reforms to the system of domestic rates and small business rate relief.
3. The changes proposed for the domestic rating system are informed by a series of public consultations undertaken in 2012/2013 about domestic rates support; in particular the continued affordability of and necessity for the various exemptions and allowances in the context of significant funding reductions imposed by the British Government in 2013 for Housing Benefit 'rate rebate'. Circumstances have not changed since then and the findings from that earlier consultation are still relevant.
4. Changes to Small Business Rate relief were also informed by the consultation associated with the full policy evaluation undertaken by the Economic Policy Unit at the University of Ulster, completed in December 2014. On the 21 March 2016, the Department also published a discussion paper examining potential alternatives to the current Small Business Rate Relief Scheme, generating 14 responses from representative groups within the business community.
5. There was also a full public consultation undertaken earlier this year on landlord liability in the domestic sector, covering, amongst other matters, the level of allowances and the Halls of Residence exemption.
6. Finally, changes proposed for empty property relief and hardship relief have been further informed by policy evaluations undertaken by this Department in 2009 and 2013 respectively.
7. It is this broader evidence base, along with ideas emerging from the new political mandate established in May 2016 that forms the basis of the proposals being presented in this paper. Indeed, this previous work has allowed the Department to present a favoured option, or preferred way forward, for many of the policy measures outlined in this paper.

## Layout of paper

8. Given the broad nature of the proposed reforms, this paper is set out in standalone sections for ease of reference, by subject area. This will allow groups and individual ratepayers to focus their attention on policy areas that are of most interest to them.
9. However, ratepayers must bear in mind that the rating system is unlike other systems of taxation. The total amount to be raised in any one year is decided in advance and remains fairly constant. That total is then divided up amongst individual ratepayers on the basis of the rating policy in place. So, every gain can be a loss for someone else and vice versa.
10. 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 wider package.
11. If you require any further information about this consultation exercise you should contact **Rating Policy Division** on **(028 9090 9325)**. The consultation paper can be made available, on request, in alternative languages and formats.
12. Should you wish to contact us by e-mail, any queries and consultation responses should be sent to: [ratingpolicy.cfg@finance-ni.gov.uk](mailto:ratingpolicy.cfg@finance-ni.gov.uk).

Written responses to this consultation should be sent to:

**Rating Policy Division**  
**FinTru House**  
**1 Cromac Avenue**  
**Gasworks Business Park**  
**BELFAST**  
**BT7 2JA**

13. The consultation period is 9 weeks, which affords another week due to the Christmas 2016 break. The final deadline for responses is **16<sup>th</sup> February 2017**

## Way forward

14. Virtually all the changes proposed in this paper require changes to legislation, to be approved by the NI Assembly. For this reason the earliest the measures can start to be introduced is the start of the financial year after next: 1 April 2018.

15. There are other reasons why these matters cannot be rushed through. Land and Property Services will need sufficient time to set up and prepare their systems and processes and of course, ratepayers need time to be made aware of those changes and given time to adjust. Furthermore, there are the responses of this consultation to consider, the Committee process to engage with, and Executive approval to secure for the overall package. Regulatory Impact Assessment work will be undertaken as required once the policies have been finalised.
16. Many of these measures can be brought in, in a few months, through changing Statutory Rules. These are pieces of subordinate legislation for which legislative powers already exist. Other reforms need new powers to be taken through the Assembly through Primary Legislation which takes longer and timings will be subject to timetabling by the Assembly. Rating legislation usually needs to be in place for 1st April in a given financial year to coincide with Turn of Year rates bills issuing.
17. For example, changes to Small Business Rate Relief and Empty Property Relief can be given effect by Statutory Rule, whereas Regional Rate Levy and changes to the treatment of charity shops will need new primary legislation.
18. In the meantime, for the financial year 2017/18, the current arrangements will continue and where necessary powers are being taken forward to extend reliefs, such as Small Business Rate Relief for another year. Although subject to the formal agreement of the Executive through the budget process, for the reasons stated above and to minimise impact on ratepayers there is little option but to proceed on this basis.
19. Finally, it is worth noting that the question of future non-domestic (i.e. commercial sector) rates revaluations has already been widely consulted upon in some detail and there is already a consensus of opinion on the issue. Therefore, this matter is not being further consulted on. A formal announcement will be made in the New Year.

## Part 1: Commercial Rates Reform

### Investment in Small Business

#### Background

20. The Small Business Rate Relief (SBRR) scheme was introduced in 2010 as a temporary measure to support small businesses at a time of economic downturn. Annually, some 26,000 properties receive relief under the scheme at a cost of around £18m. The level of relief provided varied depending on the NAV of a property. This is summarised in the following table:

Post Offices		Other non-domestic properties	
NAV	Level of Relief	NAV	Level of Relief
£9,000 or less	100%	£2,000 or less	50%
£9,001 - £12,000	50%	£2,001 - £5,000	25%
£12,001 - £15,000	20%	£5,001 - £15,000	20%

21. In order to assess its continuing relevance and effectiveness as a policy intervention, the Ulster University's Economic Policy Centre (UUEPC) was commissioned in 2014 to undertake an evaluation of the scheme. The report concluded that despite the scheme's popularity, it provided little economic benefit in terms of increased employment or additional investment. In essence awards were too low to affect behaviour and did not lead to any discernible investment outcome, for individual firms or the local economy. Consequently UUEPC recommended that the scheme should be phased out as economic conditions improve. In addition, it was recommended that if a replacement scheme was to be considered it should take a more targeted approach focusing on economic growth, to ensure value for money was maximised.
22. Following this, on 21 March 2016 the Department launched a discussion paper seeking views on alternatives to the Small Business Rate Relief Scheme. The discussion period lasted for 8 weeks and ended on 13 May 2016.
23. The discussion paper had a strong focus on examining whether Business Improvement Districts (BIDs) could be used as a means for applying rating measures in a more targeted way. However, while there was support for developing a more targeted scheme, there appeared to be less support for using BIDs as a means for targeting these resources. This was due to a variety of reasons such as the fact that BIDs are at an early stage of development here and a focus on such areas would also exclude many areas here, especially rural areas.

## Policy Proposal

24. The Department considers that the replacement for this scheme should have a sectoral focus, targeting resources specifically at the retail and hospitality sectors. It is considered that this will assist many small independent businesses in a more meaningful way and help to alleviate some of the pressures facing the high street in towns and villages throughout the region. It is also intended that this scheme will provide an economic boost to many businesses operating within the tourism sector.
25. In relation to the retail sector, evidence suggests that although the retail sector is the third largest industry group accounting for 9% of businesses, the sector has experienced the second largest decrease with 65 retail businesses closing since 2014<sup>1</sup>. Indeed according to this source, the retail sector is now 10% or 680 businesses smaller than in 2009. The declining nature of retail can also be evidenced by the fact that vacancy rates locally continue to be worse than Britain with the results from a recent survey suggesting that the shop vacancy rate was higher than anywhere in Britain at 14.5%.
26. In relation to the hospitality sector, it is considered that this sector forms a key part of our tourism product and consequently more should be done to assist this sector, (especially in areas outside of Belfast). Indeed tourism contributes significantly to the local economy; constituting almost seven percent of total GVA and supporting one in every 15 jobs across the region. However tourism still has potential to contribute further in the region and this is demonstrated most clearly with comparisons to other locations. Total tourism contributed to 6.6% of total GVA here in 2013, whereas the total tourism contribution for here and Britain equalled almost twice that share (11.4%).
27. Equally, our total tourism contribution to jobs was found to be five percentage points smaller than that of the share of here and Britain combined (6.5% compared to 11.7%). These patterns are also evident at the world level and show that our tourism sector has a great deal of potential remaining. Given that the prospects of the hospitality sector are linked with that of tourism, it is likely that the hospitality growth would be required to service further growth within tourism<sup>2</sup>.
28. Assisting the hospitality sector in this way may also help to alleviate at least some of the pressures experienced by the sector from having a reduced

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<sup>1</sup> DFE Inter Departmental Business Register

<sup>2</sup> Oxford Economics – Economic Impact Assessment of NI's Hospitality Sector



VAT rate of 9% for tourism related activities in the south of Ireland. VAT here is currently set at 20%, relatively high in comparison to a European average of 10.8% and the Southern Irish rate of 9%.

29. A further consideration is the reliance of retail and hospitality businesses on property, which is more location sensitive than other commercial sectors. This means that relatively speaking rates costs are likely to have a greater significance. Rate relief therefore should help stimulate enterprise in these sectors as well as maintain the viability of many small and marginal businesses.
30. Another factor is the issue of low pay. Retail and hospitality tend to be amongst the lowest paid sectors<sup>3</sup>. Tying rate relief to 'pay improvement' would help create the conditions to encourage employers to invest in employment and secure productivity gains in the process.
31. This policy proposal draws from suggestions made by the Northern Ireland Independent Retailers Association and Hospitality Ulster, in response to this year's (2016) discussion paper. However given ongoing financial pressures and the constraints that exist in raising revenue from other sectors of the rating system, it is considered that the budget for this scheme should be limited to around £22m a year. This level of resource is around £2m above the existing budget allocation of the current SBRR scheme but is regarded as affordable within the context of the overall package of rating reform.
32. This relief will target more resources at fewer businesses and represents a step increase in the level of support provided under the current SBRR scheme. This broadly aligns with the recommendations of the UUEPC evaluation i.e. more targeted support and focused on economic growth. Furthermore, one of the shortcomings identified for the current scheme is the low level of average award, which currently is around £700 a year; insufficient to stimulate investment in the business or increase employment . **The proposed scheme would seek to more than double average awards.**
33. Other issues with the current scheme include significant deadweight (many firms do not need the subsidy) and a total absence of any outcome based measures.

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<sup>3</sup> According to the Resolution Foundation Report – Low Pay Britain 2015 “*There are wide variations in the prevalence of low pay across industrial sectors, ranging from more than two-in-three (68 per cent) employees in the hotels and restaurants sector to just 2 per cent in the public administration and defence sector*” . While statistics published by the ONS cover here and Britain, the microdata in the report refers to Britain only, the position here is not expected to differ significantly.

34. To benefit from this proposed scheme, hospitality and retail businesses must apply for the rate relief online and submit details or receipts of expenditure incurred that demonstrates specific investment in e.g. new equipment, skills training or the employment of additional staff. In addition it is proposed that accreditation with the Living Wage Foundation<sup>4</sup> would provide sufficient justification for granting this relief. This will increase the number of employers paying the Living Wage, who can then display the 'Living Wage Employer Mark' accreditation badge, thus raising the profile of the Living Wage movement.
35. It is not envisaged that submitting an application will be an onerous process (a single page), however it should ensure that the relief broadly aligns with the additional investment needed to assist business growth. The minimum amount of investment necessary to make a business eligible for relief has to be decided but current thinking is that it will be pitched at a level below budget allocation over a proceeding period of a year or two. Perhaps relief could be granted where investment is demonstrated to be at least 50% of the eligible relief available. Whatever minimum level is decided upon it needs to be kept as simple as possible, for businesses who will have to apply and for Land and Property Services who will be managing the scheme.
36. As this policy is intended to 'stimulate' investment in cities, towns and villages it will be important to ensure that it is not regarded as an ongoing entitlement and eventually become capitalised into higher rents. Consequently it is proposed that the scheme will be operated for a period of three years before being phased out over a further two year period. An evaluation will then take place after this five-year period to judge the effectiveness of the policy.
37. There are a variety of ways in which this allowance can be allocated in terms of qualifying NAVs as well as the specific percentage level of relief awarded. The main policy consideration in relation to this issue will be to what extent resources should be targeted at higher NAV properties that are more likely to be located on the main high streets within our towns and villages. The Department is open to alternative views on what is considered to be the most appropriate, however it is suggested that the following two options represent the most appropriate framework for allocating the resources being set aside:

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<sup>4</sup> For more information visit: <http://www.livingwage.org.uk/>

### Option 1

NAV	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
<£10k	50%	50%	50%	40%	20%	0%
£10k-£15k	30%	30%	30%	20%	10%	0%
£15k-£25k	20%	20%	20%	15%	10%	0%

### Option 2

NAV	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
<£10k	40%	40%	40%	20%	10%	0%
£10k-£15k	35%	35%	35%	20%	10%	0%
£15k-£25k	30%	30%	30%	20%	10%	0%

38. The overall cost of these options is estimated to be around £22m. However the percentage relief that can be awarded within this budget figure will ultimately depend on what criteria will be used to determine entitlement i.e. how to define what is a retail or hospitality business.
39. Hospitality properties are relatively straightforward to define but the same cannot be said about retail. It is important to note, therefore, that a very liberal definition of retail will inevitably 'water down' the amount to relief that can be awarded within the scheme budget and if taken too far this will inevitably give rise to some of the shortcomings of the existing scheme, as explained above.
40. The data underlying the analysis in this paper is based on property descriptions used for compiling and maintaining the Rating Valuation List.; in essence, it covers buildings described as shops. Some properties occupied by business providing retail services may be described as shops but many will not. A key question in this consultation is where should the line be drawn?
41. At present it is thought that the list of properties in **Annex A** would represent the type of businesses that would be able to avail of relief under this scheme. However it should be noted that as with the previous SBRR scheme, it would be the intention to exclude those businesses that would operate in multiple locations (i.e. more than three).
42. Additionally, when considering those affected by the change from the current SBRR scheme to the new Retail and Hospitality scheme, it is estimated that approximately 45% of those businesses that currently qualify for SBRR will be eligible to apply for the new scheme. Furthermore, an analysis of those affected suggests that it will be mainly those properties occupying offices as well as stores and workshops/garages, with 75% of total properties affected occupying these primary property classes.

43. Claims that rate bills will double for some of those losing entitlement, fail to explain that 50% relief is only available to ratepayers occupying very low value properties, mostly small offices. There are around 4,500 of these getting 50% relief on an average gross rates bill of £750 a year.
44. Post Offices are currently awarded enhanced SBRR relief under a distinct provision within the legislation and it is considered that entitlement to this automatic relief should be maintained. Smaller Post offices have a valuable role to play in supporting local communities particularly in disadvantaged and rural areas (just over 70 percent of Post Offices are located in rural areas) and across the board in terms of delivering services to vulnerable people including the elderly and disabled.
45. It is also the view of the Department that Post Offices with a higher NAV should be eligible to apply for the new retail and hospitality scheme.

#### **Questions for Consultees**

- Do you agree that retail should be the subject of any SBRR Replacement scheme?
- Do you agree that hospitality should be the subject of any SBRR Replacement scheme?
- Will the policy proposal address the issue of helping to regenerate our towns and cities?
- What uses should be considered retail and hospitality (and what should be excluded)?
- Do you agree with the proposed conditions for entitlement?
- Should the balance of available relief be targeted at lower value or higher value properties?

## Small Business Empowerment Zones

### Policy Proposal

46. The Department wishes to undertake a pilot study to assess whether the rating system can be used to help regenerate areas that are suffering from disadvantage and decline. It is proposed that the two areas to benefit from this scheme should be located in Belfast as it is the region's largest urban area. This will centre upon two of Belfast's main arterial routes; the 180 properties located directly on the Lower Falls (the main road through the Gaeltacht Quarter development area) and 332 properties located on the Lower Newtownards Road (building on the EastSide Arts initiatives to encourage arts activities along this road/corridor). If successful the proposals can be rolled out to other areas including rural areas. Details of the properties earmarked to benefit from this scheme can be accessed using the following link:

<https://apps.spatialni.gov.uk/LPS/ProposedRatesEmpowermentZones/index.html>

47. It is proposed that all business ratepayers occupying premises within the defined areas, irrespective of NAV or description, will receive an automatic entitlement to 50% relief on their rates. Where an existing relief is more generous e.g. 100% non-domestic exemption, this will be maintained. Multiples are excluded from the current Small Business Rate Relief but there is a case for including them as the objective is to encourage investment in the pilot areas, providing EU State Aid rules allow.
48. It is also intended that this level of relief will remain in place for a period of 3 years from April 2018.
49. In order to incentivise the occupation of vacant properties, the parameters of the current Back in Business Scheme will also be enhanced to allow for 75% relief in year one followed by two years at 50% irrespective of when the property becomes occupied during the 3 year period of the pilot i.e. 2018/19 – 2020/21.
50. It should be noted that the intended reduction in Non-domestic vacant rate relief from 50% to 25% will also apply to these areas, as this measure is also intended to incentivise the occupation of vacant properties (see section on Empty Property Rates below).
51. It is envisaged that providing support in this way can provide the means for additional investment by businesses and assist with their retention and growth within the local area. This along with more generous support to

attract new businesses should help revitalise these areas and act as a spur to economic regeneration.

52. However, it is recognised that these measures on their own are unlikely to provide the step change that these areas need. Consequently it is envisaged that these proposals will complement and enhance the work and objectives of the Department for Communities and in particular the Belfast Regeneration Directorate. It is thought that this policy could dovetail with policies such as the Urban Development Grants and Revitalisation Programme. The Department is keen to explore more in relation to how partner agencies could help to maximise the benefits of this proposal and would welcome further discussions on this from interested parties as part of this consultation.
53. One of the main objectives for this scheme will be to reduce vacancy rates amongst the properties being targeted. Indeed, it is the Departments view that in terms of measureable outcomes, a reduction in the number of vacant properties by 50% is appropriate.
54. It is recognised that the potential exists for this scheme to generate economic deadweight as some of the behaviours that the policy is intended to incentivise may occur in the absence of any intervention e.g. existing business may continue to trade and invest without enhanced allowances. In addition, businesses may locate from other areas to take advantage of lower rates (with no overall net economic benefit, albeit with the possibility of a positive distributional effect). However it is important to note that this proposal is a pilot study that will test the impact of these effects and test the assumptions used to determine what the measures will mean in practice. Careful monitoring will be required to determine whether or not the scheme has been effective, including an evaluation of its impact in terms of business investment, retention and both positive and negative displacement effects. As part of this assessment it will be necessary to gauge the counterfactual: that is what would have happened anyway in the absence of the scheme.

### **Questions for Consultees**

- Do you agree with piloting empowerment zones in these two areas?
- Do you agree with the special measures proposed for the zones?
- Are there other ways in which the rating system should be used to help businesses in these areas?
- What partnership arrangements should be put in place in order to maximise the potential benefits of this proposal?
- What criteria should be used to judge the success of this proposal?

## Revitalising our High Streets

### Background

55. Current policy interventions in this area have been led by the former DSD and the Housing Executive as part of the “Living over the Shops” (LOTS) scheme or as it is often referred to as the “Town Centre Living Initiative Areas” (TCLIA) scheme.
56. The Department considers that a demand led stimulus through the rating system could prove effective in order to increase “city/town centre” living.
57. It is unlikely that the rating system could be used to provide any meaningful assistance with the capital costs of converting a property. An annual rating liability is likely to represent a small proportion of any capital costs and is unlikely to significantly influence investor behaviour. Furthermore, while a property is being converted developers are not usually liable for rates, so it is difficult to design a rates scheme that would generate a saving on the supply side.
58. It is therefore apparent that the main option to consider in relation to incentivising occupancy would be whether a full or partial exemption should be applied to an otherwise vacant property for a defined period once it becomes occupied. This could include for example vacant space above a shop that is currently not being put to domestic use.
59. This begs the question of whether it should be limited to properties that would require a change in use or whether domestic properties in city/town centres that are currently vacant should also be exempt. In principle, there would appear to be little reason to exclude accommodation that has been vacant for a defined period of time if the objective is to simply increase the number of people living within town centres. In practice, however, this would represent a much more ambitious policy than providing an incentive to convert. It is also a matter that would require alignment with wider housing policy and therefore not for this proposed scheme at this stage.

### Policy Proposal

60. It is the view of the Department that a 100% rates exemption should be applied to the first permanent resident of a converted property for a period of three years following its change of use from commercial to residential. It is intended that this will provide a sufficient incentive and make living in such locations a more attractive proposition for potential first time occupiers.



61. As the scheme is intended to stimulate demand for conversion, it is proposed that the relief is not transferrable should the first resident move within the 3 year period.
62. It is also proposed that the 12 month initial exemption period for new houses applies to conversions from commercial to residential properties, to ensure that builders undertaking this work speculatively do not pay 'empty home' rates for at least a year.

### **Questions for Consultees**

- Do you agree that the rating system should be used to incentivise behaviour?
- Do you agree that this proposal will help demand for these properties?
- Do you agree with limiting the incentive to the first occupier?
- What criteria should be used to judge the success of this proposal?

## Charity Shops

### Background

63. The Rates (Northern Ireland) 1977 Order is the main piece of legislation governing the rating system. Article 41 of that Order provides for the identification or distinguishment in the Valuation List of properties used for public, charitable or certain other purposes. This enables those properties to avail of a 100% exemption from paying rates. Retailing in itself is not generally regarded as a charitable activity. However, the provisions contained within Article 41 (5) also extend the exemption to properties that are used for the sale of goods donated to a charity.
64. Radical change is not being contemplated, insofar as the full rates exemption available to charities is concerned; the Department recognising that a fundamental 'regime change' would amount to taking with one hand and somehow giving back with the other. Modest reform, however, is proposed for the treatment of charity shops.
65. In Britain, charity shops are automatically entitled to an 80% exemption, with a further 20% reduction available at the discretion of the local authority. Increasingly, local authorities are not opting to exercise this discretion. There are no statistics available to confirm the exact position, nevertheless it is clear that many, if not most, charity shops in Britain are paying 20% business rates.
66. In the South of Ireland any property occupied by an organisation established for profit (including charity shops) will be liable for local authority rates, though it is understood that in practice some local authorities will waive liability.
67. If it was decided to make charity shops liable for rates on the same basis of other commercial undertakings i.e. 100% liable, it is estimated that this would generate around an additional £3 m a year<sup>5</sup> for government revenues or alternatively it could be used to reduce the overall rating burden by £3m for all non-domestic ratepayers. Similarly applying the 80% exemption used within Britain i.e. charity shops pay 20% rates, would see an increase in government revenues or a reduction in the rating burden of approximately £600k. This would equate to around £20 per week for a typical charity shop.

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<sup>5</sup> The £3m figure represents a best estimate of the "charity shop" element of the £5.5m total cost of the exemption for the shop, showroom, supermarket as well as retail warehouse and retail outlet property class.

## **Outcome of the Review of Non-Domestic Rating**

68. The 2015/16 consultation associated with the review of the non-domestic rating system revealed that there was no significant appetite for reducing the 100% exemption for bodies that occupy properties for public (i.e. public benefit) or charitable purposes. However, different views were expressed in relation to charities occupying premises for trading purposes i.e. charity shops.
69. There was a strong reaction from those associated with the charity sector in favour of maintaining the existing special treatment afforded to charity shops. This involved the Charity Retail Association launching the 'More than a Shop' campaign that included a petition signed by 18,500 people supporting no change being made to rate relief for charity shops. The main charities involved in the campaign also presented their case to the Finance Committee during the last mandate.
70. In essence, the main points being raised by charities related to the public, economic, and environmental benefits that charity shops deliver. Indeed, the point was made that any imposition of rates on charity shops would result in a direct reduction in the overall public benefit provided by charities i.e. it would be a tax on public benefit. In addition, charities stated that imposing rates would render many of their stores unviable, with the resulting impact on jobs, volunteering opportunities and environmental impact of more goods going to landfill.
71. The main arguments being presented in favour of changing policy are firstly, to move towards a situation in which everyone pays something in rates, a key theme that first emerged at the pre-consultation innovation lab that took in June 2015. Secondly, that charity shops are competing with rate paying retail businesses, are becoming increasingly commercial in their approach, and are both "growing in number" and "crowding out the High Street".

## **Policy Proposal**

72. As noted above, virtually all business organisations following the public consultation earlier this year thought that everyone should pay something. As matters stand, charity shops get the most generous treatment here compared to the rest of these islands.
73. However given the fact that many charity shops will have entered into long term rental agreements and will not have budgeted for any rates liability, it is proposed that existing charity shops continue to benefit from the 100% exemption until the next non-domestic revaluation, anticipated to be brought

into effect from April 2019. From this point on, it is the view of the Department that charity shops should incur a rating liability of up to 20% in order to satisfy the principle that ‘everyone should pay something’ and maintain a healthy mix in the high streets. Charities would still be expected to pay full rates pro rata on turnover related to goods that are bought in for re-sale.

74. There is also a related issue of charities occupying larger stores. The Department proposes capping relief for new charity shops, thereby discouraging charities occupying prime retail areas. It is proposed that the upper threshold for relief should be the same level of rateable value (NAV) which is planned for the retail and hospitality scheme: £25k. It would not prevent any charity shops getting relief but it would limit the amount of relief available for those choosing to occupy more valuable shops. Not only will this prevent encroachment but it will also serve to reduce relief on planned new charity superstores
75. Finally, in order to discourage landlords getting ‘any old charity’ into their property on a short term and over-holding basis as a means of avoiding empty property rates, the Department wishes to secure the power to make the landlord liable in these limited circumstances.

#### **Questions for Consultees**

- Should charity shops be asked to pay a relatively small contribution to rates revenue?
- Should exemption be capped for charity shops at £25,000 NAV? Do you agree with proposal to make commercial landlords liable for rates on short term lettings to charities?

## Empty Property Rates

### Background

76. The review of non-domestic rating set out the current policy on vacant property rating. It explained that once a non-domestic property becomes vacant, it will receive 100% exemption for the first three months of that vacant period. After this period has elapsed, the property owner will only have to pay 50% of the occupied rates liability. The policy was introduced in 2004 and at that time largely mirrored the arrangements that applied in Britain. Policy here was evaluated in 2009 and it was, decided to keep it at 50% for the time being in order to help property owners impacted by the economic recession.
77. Policy in Britain changed after 2008 and now owners of a vacant property there do not receive any relief beyond the first 3 months and incur the full 100% liability (90% in Scotland). The stated objectives for these changes were to increase:
- a. Competitiveness. Strengthening the incentive for owners to re-let or re-develop property that is empty will help to improve access to premises and so reduce business rents
  - b. Efficiency. Strengthening the incentive for owners to re-let or re-develop property that is empty will also encourage the efficient use of land and property. This will help to reduce the need for new development on green field sites, and to bring forward opportunities to re-develop brown field land for housing and business property.
  - c. Fairness. It does not make sense for other taxpayers to subsidise owners to keep properties empty. Reforms to empty property relief are intended to improve fairness in the tax treatment of owners of different classes of empty property by applying the same strong incentive to re-let or re-develop property to all owners, except in exceptional circumstances where more favourable tax treatment can be justified.
78. There are a series of exclusions that apply both here and in Britain and in these cases no rates are payable on empty commercial property.

79. The full cost associated with these is presented in the following table:

<b>Vacant Rating Sub Category</b>	<b>Cost £m</b>
Initial 3 month exemption	£2
The 50% relief	£25
Properties with an NAV < £2k	£4
Various Exemptions	£13
<b>Total Vacant Rating</b>	<b>£43</b>

80. Vacant property rating was a subject that generated a wide range of views during the non-domestic review. Although many respondents supported maintaining the status quo, a significant body of opinion hold the view that vacant property rating does not go far enough to encourage owners to get commercial property occupied or redeveloped.

### **Policy Proposal**

81. The Department holds the view that changes should be made to further incentivise the occupation of the many vacant properties. Although the objectives for the changes that occurred in Britain in 2008 are relevant here, the Department recognises that the circumstances that exist here are not the same and therefore a different approach is proposed. This is as follows:

- The initial 3 month 100% exemption should be ended and all vacant property irrespective of how long it has been vacant incur a rating liability of 75%, reducing relief from the current 50% to 25%.
- The current 100% vacant rating exemption for qualifying industrial hereditaments should be removed and factory buildings rated in a similar manner to all other vacant commercial property i.e. at 75%.

82. This latter category of property includes those that have been constructed or adapted in the course of a trade or business for one or more of the following purposes:

- a. The manufacture, repair or adaptation of goods or materials.
- b. The working or processing of minerals.
- c. The generation of electricity.

83. The Department recognises that there will be various reasons why these factories are lying vacant. This may include the fact that they are in 'hard to let' locations, are unsuitable for alternative purposes e.g. sub division/storage or have been abandoned for many years and are now

derelict. The Department considers that even in these circumstances, there is merit in applying a rating charge in order to encourage something to be done with these properties. The Department recognises that this may lead to a number of properties being demolished in order for them to be removed from the valuation list, however it should be noted that such sites, if not redeveloped, could fall within the framework of a derelict land levy that is currently being assessed by the Ulster University's Economic Policy Centre.

### **Questions for Consultees**

- Are there reasons as to why vacant property locally should be treated differently to other regions?
- Should a 75% charge apply here?
- Are there other reasons why empty factories should not incur a vacant rating charge?

## Mines

### Background

84. Schedule 11 of the Rates (Northern Ireland) 1977 Order includes details of all properties that are not to be considered rateable properties (known as hereditaments) for rating purposes. This includes mines that have been opened (including mines previously abandoned) for less than 7 years or that have been abandoned. This is a long standing exemption that has been in place since 1852. Within the relevant legislation, a mine is defined as:

***“an excavation or system of excavations made for the purpose of, or in connection with, the getting, wholly or substantially by means involving the employment of persons below ground, of minerals (whether in their natural state or in solution or suspension) or products of minerals.”***

85. Furthermore, mines are classified as industrial hereditaments under Schedule 2 of the Rates (Northern Ireland) 1977 Order and are entitled to 70% relief in the same way as other industrial hereditaments.
86. Locally, there are a small number of mining operations, with one mine currently undergoing exploratory/feasibility analysis that may be subject to a planning application in due course. In addition, around 20 Prospecting Licences have been issued by the Crown Estates as well as the Department for the Economy. These prospecting licences cover significant geographical areas and represent the speculative first stage of all potential future mining activity.

### Policy Proposal

87. Although the original intention of the exemption remains unclear, it is apparent that such an exemption would reduce the financial risk for those individuals or companies seeking to benefit financially from the rewards available from mining.
88. Consequently when deciding upon the continuing relevance of this relief, it will be necessary to consider whether the relief is potentially too generous in terms of revenue forgone or whether its removal would act as a barrier to entry for those firms seeking to develop and establish a new mining venture, with the associated opportunity cost in terms of jobs and economic development.



89. It is the view of the Department that there is no good reason why this exemption should remain, particularly given that mines are entitled to 70% industrial derating; an entitlement that cannot be removed as industrial derating rules cannot be changed in any way for fear of losing its special pre-accession status under State Aid rules.
90. Currently, mines that can be defined within the parameters of the 100% exemption i.e. a new mine less than 7 years old, would not make a direct contribution to local finances at either a District or Regional level. Consequently when trying, where possible, to apply the principle that everyone should pay something, there appears to be no good reason as to why this exemption should be maintained.
91. It is the intention of the Department that mines that have been abandoned (unless reopened) would not fall within the remit of this change and that only those mines that are considered to be commercially viable and are productive will be liable for a rating charge at the prevailing industrial de rated limit i.e. 30%. Exploratory mines may not be liable in any case, it will depend on a number of factors, notably the 'portability' of plant and machinery.

#### **Questions for Consultees**

- What are the implications for the mining sector of removing this relief?

## Halls of Residence

### Background

92. The Department has already consulted<sup>6</sup> on the issue of continuing with full rates exemption for university run halls of residence, given the recent growth in purpose built student accommodation that is under development at the moment.
93. This subject raises issues of need, equity and consistency of treatment under the rating system. The majority of students who live away from home are housed in private rented accommodation and already pay rates, as part of their rent. Furthermore, the new private operated developments will not normally be entitled to exemption either and this will throw into sharp relief the favourable treatment afforded to university run halls of residence.
94. 14 organisations responded to this issue in the consultation, with four in favour of the exemption continuing, seven against and three not clearly denoting a view for or against the exemption. Generally, those who wished to see the exemption continuing were concerned that its removal would result in increased costs for students. Mid & East Antrim Council commented:

***“Universities would be likely to pass on the cost to students, and whilst students may well indeed place demands on public services and should contribute to the cost of these services, there is a public interest in supporting our young people, where we can, through this stage of their education.”***

95. Those who wished to see the exemption discontinued commented on the inequality of excluding university run halls of residence whilst charging commercial landlords. Macfarlane & Smyth commented –

***“Universities are now run on a more commercial basis than before and the halls are in direct competition with other landlords. With the increasing commercialisation of universities and also with the increasing numbers of purpose built student accommodation blocks which may seek to avail of this exemption through university link ups, those landlords who must pay full rates are currently very unhappy at what they perceive to be unfair competition.”***

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<sup>6</sup> <https://www.finance-ni.gov.uk/articles/rates-liability-domestic-rental-properties>

96. Belfast City Council commented that the exemption is unfair to residents of Belfast as it resulted in a large proportion of occupiers making no contribution to local services. They also stated that another reason they were in favour of removing the exemption was that it

***“...would increase the tax base for the Council to help offset the additional costs incurred by the Council in providing services to new student accommodation developments in the city.”***

### **Policy Proposal**

97. The Department has carefully considered this issue, particularly in terms of the impact on our universities and the viability of developing new halls of residence. It has been decided to remove the Halls of Residence exemption to ensure consistent treatment across the student housing sector.
98. A crucial consideration in this is the fact that universities (and colleges) are, and only were ever, eligible for this relief under the statutory provision if the rates saving were passed onto the students. In other words, the incidence of the current tax concession is only intended for the benefit of this class of students, not the University.
99. Firstly, this means that in terms of financial impact on the universities, the removal of the exemption should be revenue neutral. The universities can increase their accommodation charges accordingly. Indeed, with many halls of residence housing significant numbers of first year overseas students, this ensures that all who benefit from local services contribute at least something towards the cost of provision.
100. Secondly, it represents an anomaly, because it singles out for special treatment only those students in halls of residence compared to all other students living away from home, who pay rates as part of their rent (or their ownership). This is an incongruous position to maintain within the rating system.
101. Finally, in terms of affecting the supply of new halls of residence, the sudden growth of purpose built student accommodation by private operators around Belfast does not indicate an oversupply of modern student accommodation.
102. The Department therefore intends to remove this exemption from April 2018.
103. The likely revenue gain is just under £1m a year.

### **Questions for Consultees**

- Do you agree that the current Halls of Residence exemption currently treats some students more favourably than others?
- Do you agree with the Department's assessment of this issue, following the earlier consultation this year?

## Hardship Relief

### Background

104. Hardship relief is a discretionary scheme introduced in 2005 and administered by Land and Property Services (LPS)<sup>7</sup>.
105. The numbers qualifying for relief since the scheme's inception have been extraordinarily low, at only 4 successful cases, out of almost 120 claims (including 23 appeals).
106. The Department did undertake an internal evaluation of the scheme in 2013 and notwithstanding concerns about its effectiveness to date the then Minister made the decision to keep it on the statute books in case of emergency.
107. Unsurprisingly, opinions were expressed during the main consultation earlier this year that the scheme has been ineffective. The Department accepts this, though has concerns that to relax the criteria would lead to either abuse of the system or could lead to 'moral hazard' where a party begins to take risks (e.g. does not take out insurance) because the impact could be absorbed through hardship relief. The Department also has concerns that significant relaxation could prove difficult to contain in terms of maintaining revenue for public services.
108. The scheme was originally set up to assist a business recover from temporary crisis, financial or otherwise. A crisis may be defined by the loss of trade resulting directly from the exceptional circumstances or the impact on business service provision resulting from the exceptional circumstances.
109. Exceptional circumstances will usually be:
  - a. External to the ratepayer;
  - b. Beyond normal business risk;
  - c. Unavoidable; and
  - d. Unforeseen.
110. As a general principle, external risk that would be covered either by commercial insurance or by the availability of compensation from public funding would not be considered 'exceptional circumstances' on the basis that an alternative means of assistance is already available. However, it may

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<sup>7</sup> see LPS factsheet:

[https://www.nibusinessinfo.co.uk/sites/default/files/LPS\\_HardshipReliefFactsheetandApplication\\_V1.0\\_18Sep2015.pdf](https://www.nibusinessinfo.co.uk/sites/default/files/LPS_HardshipReliefFactsheetandApplication_V1.0_18Sep2015.pdf)

be that such assistance may not be readily available particularly where the circumstances are sudden, e.g. in the case of severe flooding, and therefore Hardship Relief may therefore still be appropriate. Each case should be considered on its own merits.

111. While LPS need to take account of all of the evidence presented before reaching a decision, as a general principle the following circumstances are not considered as exceptional for the purposes of Hardship Relief:
  - i. A general market downturn.
  - ii. Strikes internal to a business.
  - iii. Non-domestic property becoming vacant and liable to the unoccupied rate.
  - iv. External market conditions.
  
112. External market conditions can include:
  - i. Energy costs.
  - ii. Insurance costs.
  - iii. Increased interest rates.
  - iv. Transportation costs.
  - v. Strength of Sterling in the European market.
  - vi. Increased competition elsewhere.
  
113. Applications for Hardship Relief need to be supported by evidence. Failure or declining to supply sufficient information will result in the application for relief being refused. Given that Hardship Relief is intended to provide assistance to enable a business to recover from temporary crisis some form of recovery plan will generally be required before rates can be remitted or reduced.
  
114. Evidence that will be required to support an application will vary from case to case, depending on the particular circumstances giving rise to the application. This may include a combination of the following:
  - a. A written statement of circumstances, signed by senior officers of the business or organisation, including details of those which have led to hardship and any social, economic, technological and environmental issues.
  - b. A written 'outline recovery' plan.
  - c. Evidence such as audited profit and loss accounts, copies of bank statements, the most recent Tax and Inland Revenue returns, details of assets.
  - d. Evidence of other publically funded financial assistance.
  - e. Evidence of any compensation, paid or payable.
  
115. Where an application for Hardship Relief has a wider impact on the locality, i.e. beyond the consequences to the business or organisation itself, District Councils may be asked by LPS to provide a view on the application. District

Councils do not, however, have any decision-making role in relation to applications for Hardship Relief.

116. The reason behind the extraordinary low number of successful applications is not entirely clear. However the following potential reasons were identified during the previous evaluation in 2013.
117. In recent years the majority of applications for hardship relief have cited the impact of the current economic situation, causing a general downturn in business, and other business factors or economic conditions, rather than exceptional circumstances.
118. It is for LPS to decide based on the available evidence, whether or not a business would suffer hardship if relief is not provided. In making this assessment evidence of potential closure may be a useful indicator.
119. LPS has also reported that many applications contain inadequate information in order to support an applicant's claim for a downturn in business and/or a persistent loss of trade, potentially forcing a business to close. Indeed, this issue of proving genuine hardship appears to be a common failing with applications.
120. Although LPS take action to follow-up the applications to request additional information, it has advised that applicants rarely provide the information requested, or fail to provide any evidence at all in support of the claim. Therefore, these applications did not meet Hardship Relief Scheme information criteria and are rejected.
121. There may be several reasons why application numbers were low for example:
  - a. It may be the case that the definition of 'exceptional circumstances' is too stringent or too ambiguous.
  - b. It could be possible that the cause of business hardship could be covered by another Government scheme or by the private insurance sector.
  - c. Businesses may lack knowledge of the availability and aim of the scheme, so those who would be eligible, because they are facing genuine hardship, are not applying.

## **Policy Proposal**

122. The Department is not convinced that the definition of the scheme in legislation should be changed but its administration could be refined. There may be merit in increasing awareness of the scheme and providing more support for claimants, particularly in submitting evidence and requiring applications to be processed within a fixed time period.

123. Such changes are unlikely to improve matters significantly. The Department considers that the problems may be more fundamental than that. Casting LPS in the role of sole decision maker may not have been the most appropriate and tenable arrangement to operate such a scheme. LPS is primarily a revenue collection organisation that operates in a highly regulated environment; it is not a business support organisation and perhaps not best placed to operate a discretionary relief scheme effectively and consistently.

#### **Questions for Consultees**

- Do you consider that hardship relief is necessary?
- If so, what changes are needed?
- What criteria should be used?
- Please provide views on how this can be done without duplicating the coverage provided by insurance?
- Do you think hardship support should be administered differently?



## **Sport and Recreation Relief**

### **Background**

124. Rating Legislation currently provides that there can be a reduction of rates on certain rateable properties used for sport and recreation purposes. The level of reduction in such cases is set at 80% of the normal rate. Ancillary social facilities, such as bars, restaurants, card rooms etc are, at present, fully rateable and can be disregarded from that reduction.
125. The rationale for this longstanding policy stems from the Lawrence Report of 1978 that recognised the wider benefits of encouraging fitness in the wider community, deeming it worthy of special treatment.
126. This section of the document looks at the issues of spectator facilities, and the application of what are known as “de minimis” rules when assessing the level of relief that will be provided to individual sports clubs with non-sporting facilities.

#### **(1) Spectator Stands**

127. Up until now spectator facilities have always been liable for rates. This is because they are not facilities used by those participating in the sport. Furthermore, in some cases they are potentially revenue generating and clubs can charge for admission.
128. This is mostly an issue for team based sports such as Gaelic football and soccer and many smaller clubs have expressed concerns in the two public consultations that took place earlier this year; firstly as part of the wider Review of Non Domestic Rating system and later during the consultation into enhanced relief for Community Amateur Sports Clubs.
129. The issue has been compounded by the erection of many new stands at smaller clubs, assisted through grants from various sources including lottery funding and by changes in valuation treatment following the recent Rates Revaluation.
130. Although LPS make some allowances for the fact that these stands do not add proportionate value (NAV) to the overall assessment of the club premises, this remains an affordability issue for smaller clubs in local grounds.

#### **(2) Wholly and mainly rules**

131. The wholly or mainly rules (known as the “de minimus” rules) are a separate, but related, consideration in the application of relief. These rules apply so that non-sporting areas can be disregarded entirely if they amount to less than 20% of the overall valuation assessment for the club. Likewise, the

rules will operate as a 'sports use top up' for apportioning between sporting areas and non-sporting areas, where the sporting area is greater than 50% but less than 80%.

132. The full wording of this "de minimis" provision is laid out in the legislative extract at **Annex B**, but it is of particular interest to the application of the Sport and Recreation Relief to golf clubs. This is an area where the existing de minimis provision can create an even wider disparity of treatment between privately owned (known as proprietary) clubs, and private members clubs.
133. Several submissions have been made to the Department and the Finance Committee in recent times highlighting the unfairness that can be created by this provision. An evidence session at the Finance Committee earlier this year can be accessed through the link below and lays out the issues succinctly.

<http://data.niassembly.gov.uk/HansardXml/committee-17686.pdf>

### **Policy Proposal**

134. These are two issues that the Department would like to address in any new legislation.
135. Firstly, making a distinction between local grounds and larger stadia in terms of charging rates on stands and other spectator facilities. The Department favours changing the legislation so that non income generating stands are deemed for rating purposes to be part of the sporting facility and therefore entitled to relief. Income generation can be defined as gate receipts, advertising revenue or direct sponsorship (of the facility concerned not the club).
136. The second issue relates to the fairness of the rating treatment of golf clubs. The Department takes the view that although de minimis provision was originally intended to simplify matters at an administrative level, it has inadvertently created unfairness in relation to private members clubs. This is because the grounds are so extensive in golf clubs, that they represent more than 80% of the value of the entire property, despite the fact that the social facilities may, in themselves, be substantial.
137. This presently applies to world famous golf clubs such as Royal Portrush and Royal County Down who receive 80% relief on their whole assessment including their social facilities.
138. The Department intends to change these rules in the near future and exclude golf clubs with extensive social facilities gaining this advantage. (It should be noted that the clubs concerned were not taking advantage, as such, the rules were simply applied as they exist.)

139. It should also be noted that some proprietary clubs also struggle to compete with municipal golf courses that can offer cheaper prices. This is because such courses are fully exempt from rates. The Department has concerns that this special treatment cannot be justified today, given that there is no longer an issue of under supply and access to the game. Although the issue was raised during the Business Rates Review consultation at the start of the year (2016), few commented on the matter. The Department therefore wishes to afford a further opportunity before the policy is changed.
140. The proposals outlined above address many of the anomalies within the current arrangements that were identified through two consultations earlier this year: on both the wider non domestic rates review and on the detail of enhanced rate relief for some HMRC registered Community Amateur Sports Clubs.
141. However, there may be a need for more fundamental change as sport has developed significantly since 1978 when the current entitlement rules were introduced. At that time relief was awarded at the rate of 65%, which was increased to 80% in 2005. A more thorough review may be needed now. For instance, the issue of addressing need.
142. To quote the 1978 Lawrence Committee Report on the subject: *“Rate relief is in effect a subsidy from public funds and should not be granted with complete disregard to the need of potential recipients. At the same time we do not think it desirable or practicable to make much of this point. Investigation of the financial position of a host of small organisations would be time consuming and expensive and in many cases inconclusive. It would simply not be worth doing”*.
143. That may well have been the case 40 years ago when relief was only 65%. However, the ‘privileged’ position of some private members golf clubs has been raised as an issue with both the Department and the previous Finance Committee by ratepayers, who operate privately owned clubs. The original policy of restricting relief to facilities operated by voluntary bodies may have been sensible at the time but as has been pointed out “these days some clubs operate on a much more commercial basis than in the past”. Department considers this to be worthy of further research and consideration. Accordingly, the Department intends to seek the advice of the policy competent Department, the Department for Communities, which has responsibility both for policy on sport and the registration of clubs.

#### **Questions for Consultees**

- Do you agree that spectator stands that do not generate income should be treated as part of the sport and recreation assessment?
- Do you think that the present “de minimis” criteria creates an unfair advantage to some clubs?

## Part 2: Domestic Rates Reform

### The Rates Cap

#### Background

144. Following reforms to the domestic rating system in 2007, a maximum capital value or ‘cap’ was introduced by Direct Rule Ministers, subsequent to the St Andrew’s Agreement. The Agreement outlined that,

*“In response to the strongly expressed views of many in the NI community, the British Government will introduce a cap on domestic rates under the new capital values system.”*

145. The Maximum Capital Value for rating purposes was initially set by Westminster at £500,000. It was in April 2009, after further review and consultation on the issue, that the newly elected Assembly reduced this to £400,000. Consequently the maximum rates bill (2016/17) for a property with a capital value of more than £400,000 is currently around £3,000 (this will vary depending on Council area) and is set to ensure that no ratepayer locally pays more than the average “highest band” Council Tax bill in England.<sup>8</sup> The latest data demonstrates that the cap results in revenue forgone of approximately £8m per year; split between regional revenue of £4.5m and district revenue of £3.5m.
146. In 2013 the Department undertook a preliminary consultation on the issue of the future of rate rebate currently paid through Housing Benefit. The published Consultation Report stated the following, which is relevant to this particular issue:

*“The majority of organisations who responded (7 organisations), particularly from the advice sector, were in favour of Option 1 / Sub-Option 1.1 within the report which was the retention, by and large of the existing rate rebate scheme, with the funding shortfall made up through savings in removing or reducing other rating support measures: the ‘top up’ low income rate relief scheme, or one or other of the targeted forms of non-means tested support, such as **Maximum Capital Value** [emphasis added], Lone Pensioner Allowance, Disabled Persons Allowance, etc.”*

147. As well as this general view emerging from the consultation, the removal or adjustment of the maximum capital value was favoured by both the Rural Community Network and Advice NI to help address the rate rebate shortfall, rather than continuing to pay for it out of public expenditure.

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<sup>8</sup> This does not include water charges which are charged separately from, and in addition to, the Council Tax in Britain.

148. The cap affects around 7,000 properties located within all local government districts. However the most affected areas are Belfast with 39% and Ards and North Down that has 28% of all capped properties. These two areas unsurprisingly also account for the largest proportion of revenue forgone totalling £5.95m or 75% of the £8m total

District Council Area	£400k - £500k	£500k - £600k	£600k - £700k	£700k - £800k	£800k - £900k	£900k - £1m	>£1m	Total
Antrim and Newtownabbey	88	35	12	6	0	1	0	142
Armagh, Banbridge and Craigavon	165	58	26	5	5	3	8	270
Belfast	1097	725	326	179	120	53	128	2628
Causeway Coast and Glens	129	61	18	9	5	3	3	228
Derry and Strabane	41	30	17	4	1	1	4	98
Fermanagh and Omagh	50	21	11	4	2	3	1	92
Lisburn and Castlereagh	462	167	53	35	22	8	6	753
Mid and East Antrim	64	28	9	4	6	1	2	114
Mid Ulster	80	29	15	3	4	5	6	142
Newry, Mourne and Down	204	90	40	13	11	6	11	375
Ards and North Down	840	426	239	105	69	49	120	1848
<b>Total</b>	3220	1670	766	367	245	133	289	6690

149. Consideration of policy around the cap will inevitably involve taking a view and striking a balance on a number of issues. Firstly, consideration should be given as to whether the capital value associated with a property accurately reflects an occupier's ability to pay. Whilst in most cases this may well be the case, there will undoubtedly be a number of situations where due to e.g. inheriting a property, etc. the individual concerned would best be described as being "asset rich and income poor" and thus be unable to easily afford a significant and permanent increase in their rates bill.
150. Such a scenario may be particularly applicable to pensioners who may have lived in the same house for all their life, and are now faced with a declining income – a situation that may be exacerbated if a spouse has passed away and it is a one person household. However, as set out below protections are in place for such households.
151. In addition to the income poor/asset rich issues arguments, it may also be considered unfair that someone should be paying e.g. three times the average rates bill, when they are unlikely to be receiving three times the average service provision from both local and central government. However like many taxes, rates are a contribution to the common good, not a payment for services received. Basing rates on receipt of services rather than property values would be a fundamental, and highly regressive, change in the rating system.

152. Other arguments can be made in relation to comparisons with GB. Currently the domestic cap of £400k results in a rates bill of around £3,000, which is in line with the highest council tax bill in GB. Therefore to move away from this level would be to depart from what is required for the most expensive properties in London and elsewhere.
153. Finally, there is the issue of the currency (in terms of being up to date) of the Valuation List, which is based on values prevalent in Jan 2005. It could be questioned whether these values represent the value of houses today and to remove or raise the cap, or otherwise charge significantly higher rates on those historic assessments, is unjust and inequitable. However it is unlikely that the cohort of properties being targeted will alter significantly post a domestic revaluation i.e. high value houses today tend to be the same properties that were high value back in 2005.

### Policy Proposal

154. It is the Departments view that the domestic rating system must, as far as is reasonable, apply the principle that everyone pays in direct proportion to the value of their home. The application of the current £400,000 cap means that those in houses with a higher value pay proportionately less than those in middle or lower value homes.
155. Removing the cap in its entirety would impact significantly on the bills of the ratepayers concerned with an average increase of around £1,000. Consequently it is proposed to apply a levy equivalent to the regional rate (0.4111p) to the capital value above the current cap of £400k. This mitigating measure will ensure that ratepayers will only have to pay the regional rate element of removing the cap, rather than both the regional and district rate elements. This additional increase to rate bills is illustrated using the following examples:

Capital Value	Current Cap	Element subject to levy	Regional Rate Levy <sup>9</sup>	Increase in Rates Bill
£405,000	£400,000	£5,000	£0.004111	£21
£500,000	£400,000	£100,000	£0.004111	£411
£1,000,000	£400,000	£600,000	£0.004111	£2,466
£2,500,000	£400,000	£2,100,000	£0.004111	£8,633

156. In addition, a further mitigating measure will be adopted in the form of a phased approach to introducing the levy. Indeed it is anticipated that the levy will be brought in over a two year period with 50% being applied in Year 1 (2018/19) before applying the full value in year 2 (2019/20). It is hoped that this measure will provide sufficient time for ratepayers to consider how best to arrange their finances in order to budget for this increased cost.
157. Another important protection for those low income households impacted under the scheme will be available under the Low Income Rate Relief

<sup>9</sup> Based on the 2016/17 Regional Rate. This is likely to increase in subsequent years.

scheme, a scheme that was specifically designed to help low income asset rich households impacted by high rates.

158. For those ratepayers of pensionable age, protection will be available provided household capital i.e. savings does not exceed £50,000. In relation to those of working age protection will be available provided savings do not exceed £16,000. Low income rate relief for working age households will be phased out with the introduction of Universal Credit (“UC”) and the abolition of housing benefit (currently due to commence in September 2017. It will be for the Executive to decide the funding level for the UC compatible rate rebate replacement scheme across the multi-year Budget.
159. For the “asset rich-income poor” pensioner living in the family home, the low-income scheme will survive the current cycle of welfare reform changes and the parameters remain relatively generous for this group (see **Annex C**).
160. This policy has been subject to an initial impact screening to determine whether there are any social, economic, environmental or sustainable development issues. A summary of the potential impacts is included in **Annex C**.
161. At this stage in the policy development process, the only potential impacts that have been identified are related to Equality i.e. whether the policy has the potential to impact on persons of a particular age or whether it will impact on individuals from a particular community background. Whether the policy is likely to impact disproportionately on rural areas has also been considered.
162. To enable us to complete or refine this assessment of our proposals, we are seeking views on the initial findings of the impact on equality issues through this consultation process. Taking account of this public consultation, the equality assessment (**Annex C**) and any subsequent amendments, (taking on board responses to this consultation) will be completed and taken into account prior to final decisions by Ministers.

### Questions for Consultees

- Do you agree that the capped system of domestic rates is unfair to the vast majority of ratepayers?
- Do respondents consider that sufficient mitigations are in place to assist low income households (particularly asset rich income poor pensioners) that will be affected by this policy?
- Do you think that additional safeguards need to be implemented in order to mitigate hardship caused by the proposal to lift the cap in respect of the regional rate element of the bill?

## Early Payment Discount

163. Article 30 of the Rates (Northern Ireland) Order 1977 (as amended) currently provides that the percentage discount to be applied for early payment of a domestic rates bill is 4%. Land and Property Services has previously noted that the discount acts as a disincentive to Direct Debit take-up and this view was confirmed by Ernst & Young who carried out a Strategic Assessment of Rate Collection and Recovery in 2013. That report recommended that early payment discount should be reduced or removed. In addition there is no benefit for the Executive of getting money in sooner rather than later in relation to the budget.

### Background

164. It was for similar reasons that discounts for prompt payment of Council Tax were withdrawn in Britain and have only been retained in a few English Council Areas - and these offer discounts of 2% or less and often require payment by 1st April, not the early May date that applies here.
165. Early payment discount costs the Executive around £5m per annum. The table below demonstrates the cost to the Executive over recent years:

<b>Year</b>	<b>Cost (£m)</b>
2011/12	£4.37
2012/13	£4.52
2013/14	£4.66
2014/15	£4.96
2015/16	£5.02 <sup>10</sup>

166. A reduction of 2 percentage points to a 2 per cent. discount would therefore save approximately £2.4m per annum.
167. While a reduction or removal of the discount will not be welcomed by ratepayers who benefit from it, it is the Department's assessment that this will not cause hardship, as ratepayers who can afford to pay their bill in one single payment at the beginning of the year tend to be 'the better off' in financial terms. 16% of households get the discount but in 'rateable value' terms, it is 23% of total value. This indicates that it is those living in higher value properties that tend to avail of the discount.

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<sup>10</sup> As per information held by RPD as at July 2015 – more up to date figures can be requested from LPS in due course.



168. A breakdown of the numbers is as follows :

<b>LGD2014</b>	<b>Domestic Discount Amount Total</b>	<b>Percentage of Occupancies Getting Domestic Discount</b>
Antrim and Newtownabbey	£359,811	15.4%
Ards and North Down	£554,415	16.4%
Armagh City, Banbridge and Craigavon	£549,645	16.5%
Belfast	£790,414	11.9%
Causeway Coast and Glens	£526,453	20.3%
Derry City and Strabane District Council	£302,258	12.7%
Fermanagh and Omagh	£355,507	21.6%
Lisburn and Castlereagh	£466,778	18.0%
Mid Ulster	£389,016	20.1%
Mid and East Antrim	£443,462	18.7%
Newry, Mourne and Down	£520,151	17.4%
<b>Totals</b>	<b>£5,257,909</b>	<b>16.4%</b>

### Policy Proposal

169. It is the Department's view that the removal of early payment discount will remove a major disincentive to take up of direct debit payment that should result in significant administrative savings for LPS. Consequently it is proposed that early payment discount should be reduced from 4% to 2% from 1st April 2018 prior to being abolished from 1st April 2019.

#### Questions for Consultees

- Do you agree with the Department's assessment that the Early Payment Discount is unnecessary and unaffordable?
- Do you agree that the policy should be phased out, before its removal?

## **Landlord Allowance**

### **Background**

170. The rating system here has its basis in the long established principle of occupier-based liability reflecting its origin as a charge for regional and local services. There is an underlying democratic accountability around the whole process, because occupiers have a vote.
171. The rented sector (particularly the private rented sector) has tended to be less settled and more mobile than owner occupiers, which makes it more difficult to collect rates. For this reason and for nearly the past 90 years, landlords in lower value properties have been required to collect rates from their tenants and are given allowances for managing this process.
172. A landlord who is made liable to pay rates to LPS under legislation is legally entitled to recoup that payment through the rent, where there is a tenancy agreement in place.
173. The allowance mechanism, through which a landlord receives a discount for rates if paid before a certain date, is intended to compensate a landlord for the risk of default and for any costs associated with collecting the relevant amounts. It is recognised however, that landlords will also already be collecting rents along with rates from their tenants and in many cases will receive a direct payment of Housing Benefit including an element for rates. Therefore a balance must be struck between any cost and any allowance.
174. There has historically been a lack of evidence on the additional costs actually incurred by landlords in undertaking this task. At the same time the total cost to the Department of landlord allowance across all sectors in 2014/15 was £10.7million.

### **Policy Proposal**

175. When the allowance was reduced to 10% in 2015 a number of landlord groups indicated that their costs outweighed the discount. The Landlords Association of Northern Ireland also commented on this issue during this year's consultation (2016), noting that many landlords appoint an agent who charges a fee.
176. There has been no reliable factual analysis provided to the Department on what cost this represents to the average landlord. Indeed, costs will vary significantly between landlords depending on the character and size of their property portfolio; which can range from student lettings to single family households and from one to hundreds of properties. The Department has to set the landlord allowance at a level to apply universally.
177. The Department is also mindful that the allowance is paid to landlords alongside the rent and in many cases the payment arrangement with LPS is

made through other means adding little additional cost to landlords in subsequent years.

178. There are also issues with the ongoing payment of an allowance to the Northern Ireland Housing Executive and Housing Associations - both these housing sectors have a high number of tenants receiving full and partial housing benefit. Those receiving full housing benefit will have their rates paid directly to LPS which will largely bypass the administrative systems of NIHE or the relevant housing association. In fact the Department's assessment is that actual collection costs for this sector are even lower than the private rented sector in terms of administrative issues.
179. NIHE received £3.9M in landlord allowance in 2014/15 and housing associations received £1.7M. The Department is considering the value for money of continuing to award the current level of landlord allowance to this sector. It will be undertaking further research to establish the wider funding implications of reducing it.
180. In the interim, and subject to any empirical evidence being provided to the contrary, **the Department will be taking legislative steps to reduce the compulsory and voluntary landlord allowance down to 5% with effect from April 2018.**

#### Questions for Consultees

- Do you agree with the proposal to reduce landlord allowances to 5%?
- What impact do you think this will have?
- Do you agree that the cut in allowance should be applied universally across all sectors?

## Energy efficient new homes

### Background

181. A scheme providing a rates holiday for new low and zero carbon homes was developed by the Department following an Executive Review of domestic rating in 2007. The policy aim was to encourage investment, and thereby improve the housing stock, which aligned with the Executive's wider commitment to promote sustainable development.
182. The scheme came into operation on 1st April 2010 and was funded centrally, resulting in no loss to district councils.
183. Full rate relief was provided for the first occupiers of newly-constructed homes which met the definitions of zero and low carbon set out in Regulations; up to five years relief for zero carbon and up to two years relief for low carbon. Only newly-constructed properties with a completion date on or after 1 April 2010 were eligible.
184. The scheme was time bound and was to close for applications on:
- 30 September 2013 for low carbon; and
  - 30 September 2016 for zero carbon, respectively.
185. The decision was taken to close the scheme early, with protections put in place for homes under construction, and funding redirected to the Green New Deal initiative. At that time it was argued that the Green New Deal provided the opportunity to deliver energy efficiency on a much grander scale than any rate relief scheme could ever achieve.<sup>11</sup>
186. During the lifetime of the rate relief scheme the first residents of 74 houses successfully obtained the relief; 63 low carbon and 11 zero carbon. The 11 residents of the zero carbon homes are still receiving full rate relief. For the majority of them the relief will come to an end in March 2017 and all 11 will be subject to full rates by July 2017.

### Policy Proposal

187. The Department wishes to re-introduce a similar scheme aimed at improving the energy efficiency of new homes. As with the previous scheme, it is intended that it will be restricted to owner-occupier (including co-ownership) with Regulations excluding social rented properties. This is because social sector landlords already build to high energy efficiency standards. Public properties including those owned by the Ministry of Defence will also be excluded. In addition it is planned that mixed commercial and residential properties will not fall within the scope of the scheme.

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<sup>11</sup> The Green New Deal was scaled back and the savings from the rates scheme were ultimately transferred to the (then) Department of Social Development for their boiler replacement scheme.

188. Previously, an assessment carried out by an accredited Energy Performance Certificate (“EPC”) assessor was required to determine whether a dwelling satisfied the criteria for a low or zero carbon home. If a property met the criteria a Zero or Low Carbon Certificate based on the zero carbon scheme certificates for stamp duty exemption (closed in 2015) (applied both here and in Britain) was issued along with the EPC.
189. However, priorities have changed and standards have evolved in the few years since the former scheme was in place, including significant enhancement of building regulations in this area. Nevertheless, current estimates suggest these standards still lie between 20% and 30% below the code for sustainable homes level 4 standard, which appears to have been the previous reference point for the old scheme.
190. The Department is in the process of commissioning a technical review of the additional build cost for appropriate standards of energy efficiency in order to assist with a value for money assessment of re-opening the scheme.
191. Options for determining a new standard include the use of on-construction Energy Performance Certificates or an uplift on the Target Emissions Rating required under building regulations. Assuming a new standard can be adopted (which can be readily assessed) and the scheme passes value for money tests, the Department intends to introduce a new scheme along similar lines to the old one, though perhaps only to one standard instead of the two that existed before. There may also need to be safeguards such as a cap (first come, first served basis) on preliminary approvals.
192. In order to avail of the relief, it is intended that an individual ratepayer will be required to make an application to Land and Property Services. Current thinking is that first occupants of newly-constructed energy efficient homes will be entitled to a 3 year domestic rates holiday, to help increase demand for new houses built to the required exceptional standard. If the person moves house within that period, the relief is withdrawn.

### **Questions for Consultees**

- Do you agree with the proposal to provide a rates incentive for newly built energy efficient homes?
- What are your views on an appropriate standard, reliable assessment and safeguards?
- Do you agree with limiting the incentive to the first occupier?
- What criteria should be used to judge the success of such a measure?

## **ANNEX A**

### **Investment in Small Business - Retail and Hospitality Business Qualifying through DCLG scheme**

#### **Hereditaments that are being used for the sale of goods to visiting members of the public:**

- Shops (such as: florist, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licence, chemists, newsagents, hardware stores, supermarkets, etc)
- Charity shops
- Opticians
- Post offices
- Furnishing shops/ display rooms (such as: carpet shops, double glazing, garage doors)
- Car/ caravan show rooms
- Second hand car lot
- Markets
- Petrol stations
- Garden centres
- Art galleries (where art is for sale/hire)

#### **Hereditaments that are being used for the provision of the following services to visiting members of the public:**

- Hair and beauty services (such as: hair dressers, nail bars, beauty salons, tanning shops, etc)
- Shoe repairs/ key cutting
- Travel agents
- Ticket offices e.g. for theatre
- Dry cleaners
- Launderettes
- PC/ TV/ domestic appliance repair
- Funeral directors
- Photo processing
- DVD/ video rentals
- Tool hire
- Car hire

#### **Hereditaments that are being used for the sale of food and/or drink to visiting members of the public:**

- Restaurants
- Takeaways
- Sandwich shops
- Coffee shops
- Pubs
- Bars

## **Properties not benefiting**

- Financial services (e.g. banks, building societies, cash points, bureau de change, payday lenders, betting shops, pawn brokers)
- Other services (e.g. estate agents, letting agents, employment agencies)
- Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors)
- Professional services (e.g. solicitors, accountants, insurance agents/ financial advisers, tutors)
- Post office sorting office

## **ANNEX B – Wording of “De Minimis” Provision in Article 44 of the Rates (Northern Ireland) Order 1977**

### **Apportionment of bar facilities and non-sporting areas**

Article 44 states that “*if only one or more than one part (but not the whole) of the hereditament is so used, the net annual value of the hereditament shall be apportioned by the Commissioner or the District Valuer between the part or parts of the hereditament used solely for the purposes of a prescribed recreation and the remainder of the hereditament.*”

*This is apportioned as follows:-*

- i. if the amount apportioned to the part or parts of the hereditament used solely for the purposes of a prescribed recreation is less than 20% of the net annual value, the hereditament shall be shown in the NAV list as having no part of its net annual value apportioned to that part or these parts;*
- ii. if the amount so apportioned is 20% or more, but less than 50%, of the net annual value, the apportionment shall be shown in the NAV list;*
- iii. if the amount so apportioned is 50% or more, but less than 80%, of the net annual value, that amount shall be increased by 20% thereof (and the amount apportioned to the remainder of the hereditament shall be reduced accordingly) and the apportionment as so adjusted shall be shown in the NAV list;*
- iv. if the amount so apportioned is 80% or more of the net annual value, the hereditament shall be shown in the NAV list as used solely for the purposes of a prescribed recreation.*

*References to “the hereditament” for the above purposes do not include any part of the hereditament which is used for the purposes of a private dwelling.*



## ANNEX C –Summary of Initial Impact Assessment for Rates Cap Proposals

Impact Assessment Appraisal	Full Assessment/Appraisal Required Yes/No	Reason
<b>Social Impacts</b>		
Crime	No	No impact identified
Community Safety & Victims	No	No impact identified
Equality	Yes	Potential impact on pensioners - All section 75 groups will be accessed
Health	No	No impact identified
Human Rights	No	No impact identified
Rural	Yes	Affects all council areas – (see breakdown by council area)
Social Inclusion	No	No impact identified
<b>Economic Impacts</b>		
Economic Appraisal	No	No additional spending (revenue generating)
Economic Assessment	No	Doesn't impact on the provision of goods or services
Regulatory	No	No impact on business (domestic premises only)
State Aid	No	No impact identified
<b>Environmental Impacts</b>		
Environmental	No	No impact identified
Strategic Environmental	No	No impact identified
<b>Sustainable Development Impact</b>		
	No	No impact identified

## **Examples of Mitigations – Rates Cap Proposals**

### **1. Low income rate relief scheme**

The purpose of the low income rate relief scheme, first introduced in April 2007, was to provide assistance to those low income households that are just beyond the thresholds for Housing Benefit or that are in receipt of partial Housing Benefit.

The scheme was introduced under direct rule in 2007 as part of the wider rating reforms. It was intended for an uncapped scheme and was specifically designed to address the progressive nature of the capital value system (before the cap was introduced as part of the 2006 St Andrews agreement).

It is based on the design of the Housing Benefit (Rate rebate) scheme but with one significant difference - the low income rate relief scheme is unique to this jurisdiction and the Executive can determine the various parameters within the scheme.

The Executive also funds the rate relief scheme. Application for relief is made using the existing Housing Benefit application form. In very basic terms the rate relief scheme can provide additional help to those who are:

- a. pensioners and have savings of less than £50,000;
- b. under pension age who have savings of less than £16,000;
- c. getting Housing Benefit for only part of the rate bill;
- d. just outside the income limit for receiving Housing Benefit.

### **Pensioner examples – extracted from RPD levy analysis**

#### **Example 1**

The following provides a simple example of the level of support that rate relief can provide for a pensioner couple living in a £700k house in Belfast. In this example with a joint income of £30k and savings of £41k, under the Minister's proposals they will receive relief of £1,900 off a £4,153 rate bill. On the £400K Cap they would currently receive £661 of relief. In both scenarios their rates bill remains at £2,260.

#### **Example 2**

The following provides a simple example of the level of support that rate relief can provide for a single pensioner living in a £1.5M house in Belfast. In this example with an income of £22k and savings of £50k, under the Minister's proposals he/she will receive relief of £5,913 off a £7,442 rate bill. On the £400K Cap they would currently receive £1,400 of relief. In both scenarios the rates bill remains at £1,529.

More detailed examples of how this will work in practice will be laid out within the Department's consultation proposals coming forward in the next few weeks.

## **2. Lone pensioner allowance**

The Lone Pensioner Allowance provides a 20% discount on rates if a person is a pensioner aged 70 or over, is living on their own (there are some exceptions to this) and is liable for rates.

This policy arose from the 2007 Executive Review of Rating. There was clear evidence that single pensioners are more likely to be in poverty than pensioner couples, particularly those in the higher age ranges. In light of this, and given the low take up of existing reliefs among pensioners, the Executive decided to introduce a rates discount for pensioners aged 70 and over who live alone.

## Equality Assessment Work - Rates Cap Proposals

### Background

Section 75 of the Northern Ireland Act 1998, which came into force on 1st January 2000, states:

*A public authority shall in carrying out its functions relating to Northern Ireland, have due regard to the need to promote equality of opportunity;*

- (a) between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;*
- (b) between men and women generally;*
- (c) between persons with a disability and persons without; and*
- (d) between persons with dependants and persons without.*

*Without prejudice to its obligations above, a public authority shall, in carrying out its functions relating to Northern Ireland, have regard to the desirability of promoting good relations between persons of different religious belief, political opinion or racial group.*

In line with commitments in its approved Equality Scheme, the Executive is committed to adhering to the principles of Section 75 of the Northern Ireland Act 1998 when reviewing and developing policy.

In order to assess the potential impact on Section 75 groups NISRA have been engaged to provide a dataset that matches available household characteristics to all domestic properties, specifying those that would be directly affected by this policy. A summary of these statistics is available on the following tables:

<b>Religion</b>	<b>Catholic</b>	<b>Protestant</b>	<b>Other</b>	<b>None</b>
All Households	42%	53%	1%	4%
Households Occupying >£400k property	34%	61%	2%	4%

<b>Marital Status</b>	<b>Single</b>	<b>Married/Civil Partnership</b>	<b>Separated</b>	<b>Divorced</b>	<b>Widowed</b>
All Households	24%	48%	7%	9%	12%
Households Occupying >£400k property	5%	80%	3%	4%	7%

<b>Ethnicity</b>	<b>White</b>	<b>Other</b>
All Households	98.7%	1.3%
Households Occupying >£400k property	98.4%	1.6%

<b>Gender</b>	<b>Males</b>	<b>Females</b>
All Households	58%	42%
Households Occupying >£400k property	74%	26%

	<b>Long-term health problem or disability</b>					
<b>Disability</b>	<b>Day-to-day activities limited a lot</b>	<b>Day-to-day activities limited a little</b>	<b>Day-to-day activities not limited</b>	<b>Day-to-day activities limited a lot: Aged 16-64 years</b>	<b>Day-to-day activities limited a little: Aged 16-64 years</b>	<b>Day-to-day activities not limited: Aged 16-64 years</b>
All Households	17%	12%	71%	8%	6%	61%
Households Occupying >£400k property	5%	8%	87%	2%	3%	70%

<b>Dependents</b>				<b>Married or in a registered same-sex civil partnership couple</b>			<b>Cohabiting couple</b>			<b>Lone parent</b>			
<b>Household Composition</b>	<b>Aged 65+ years</b>	<b>Other</b>	<b>All aged 65+ years</b>	<b>No children</b>	<b>Dependent children</b>	<b>All children non-dependent</b>	<b>No children</b>	<b>Dependent children</b>	<b>All children non-dependent</b>	<b>Dependent children</b>	<b>All children non-dependent</b>	<b>With dependent children</b>	<b>Other</b>
<b>All Households</b>	11%	17%	7%	10%	20%	8%	3%	2%	0%	9%	5%	3%	5%
<b>Households Occupying &gt;£400k property</b>	6%	5%	11%	15%	37%	13%	1%	1%	0%	3%	3%	3%	3%

<b>Age</b>	<b>Aged 29 and under</b>	<b>Aged 30 to 44</b>	<b>Age 45 to 49</b>	<b>Age 50 to 54</b>	<b>Age 55 to 59</b>	<b>Aged 60 to 64</b>	<b>Aged 65 to 74</b>	<b>Aged 75 to 84</b>	<b>Aged 85 to 89</b>	<b>Aged 90 and over</b>	<b>Mean age of HRPs</b>	<b>Median age of HRPs</b>
<b>All Households</b>	9%	28%	11%	10%	9%	8%	13%	9%	2%	1%	0%	0%
<b>Households Occupying &gt;£400k property</b>	1%	19%	15%	15%	12%	11%	15%	8%	2%	1%	1%	1%

The cap affects 7,000 properties located within all local government districts. However the most affected areas are Belfast with 39% and Ards and North Down that has 28% of all capped properties. These two areas unsurprisingly also account for the largest proportion of revenue forgone totalling £3.45m or 75% of the £4.5m total:

<b>Additional revenue broken down by council area (Levy) £m</b>	<b>Levy Revenue</b>
Antrim and Newtownabbey	£0.06
Armagh, Banbridge and Craigavon	£0.13
Belfast	£1.95
Causeway Coast and Glens	£0.11
Derry and Strabane	£0.06
Fermanagh and Omagh	£0.05
Lisburn and Castlereagh	£0.34
Mid and East Antrim	£0.06
Mid Ulster	£0.08
Newry, Mourne and Down	£0.21
Ards and North Down	£1.45
<b>Sub Total</b>	<b>£4.49m</b>

Table 1: Additional Regional Rate Revenue raised broken down by District Council area