



REVIEW OF RATING POLICY

RATE RELIEFS FOR BUSINESS IN NORTHERN IRELAND

A POLICY PAPER

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Department of
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Personnel**

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FOREWORD BY IAN PEARSON MP
Parliamentary Under- Secretary of State

The main aim of the Review of Rating Policy is to reform a system that was seen as being out of date, unfair and incapable of supporting, on a sound and equitable basis, the important commitments made in the Programme for Government.

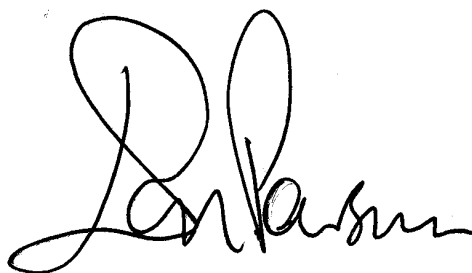
We have already made significant changes with the introduction of the rating of unoccupied non-domestic property (except for empty factory buildings) from 1 April 2004 and the phasing out of industrial derating over a long period beginning in April 2005. Later this year we are introducing assistance, through the rating system, to provide relief for businesses that suffer hardship due to exceptional circumstances.

The Government is committed however to look at all aspects of rating policy and as such I am extending the review into other areas of business reliefs. Although there were widely varying views expressed on the need for and the degree of change in these areas during the main public consultation exercise in 2002 there was, however, general agreement that any reform of the existing exemptions or relief from rate liability should be consistent with Government policy aims and should complement other support measures.

This Policy Paper continues the process of reform and now takes forward a range of issues affecting the non-domestic sector. It considers the case for Small Business Rate Relief, farm diversification relief, relief for the equine industry, freight transport, quarry relief and relief for Automated Teller Machines (ATM's). It also raises the issue of Business Improvement Districts (BIDs), which in the future may require use of the rating system as a mechanism for collecting additional business contributions for local regeneration initiatives.

The Government is aware of the need to strike a reasonable balance in applying reliefs, between providing effective incentives to the business community and minimising the cost to other ratepayers, businesses and indeed householders. To do otherwise would reduce the money that would be available through the rating system to invest in public services and infrastructure within Northern Ireland. This money is needed to build and to sustain a modern economy, which is the best way of creating the right environment for business success.

This Policy Paper therefore presents an opportunity for all interested parties to express views on the Government's proposals and to contribute to the policy decision process on the future treatment of these issues.

A handwritten signature in black ink, appearing to read 'Ian Pearson', written in a cursive style.

IAN PEARSON MP

EXECUTIVE SUMMARY

Background

The Northern Ireland Executive initiated a comprehensive Review of Rating Policy in 2000 because the existing rating system was considered to be out of date, unfair and incapable of supporting commitments made in the Executive's Programme for Government.

As part of the Review process a main public consultation was launched in 2002 and this resulted in widely varying views on the need for change. There was, however, general agreement on the point that any reform of business reliefs should be consistent with Government policy aims and should complement other support measures.

This policy paper addresses a number of areas and focuses mainly on the business and rural sectors. These include the case for providing relief for small businesses, farm diversification relief, relief for the equine sector, banking facilities in rural areas, the quarry industry and freight transport relief. Details of all of the areas in the Policy Paper are covered below, some of which originated during the Review in 2000 and others have arisen since that time as a result of the consultation process. The Policy Paper considers, where appropriate, whether the approach taken in the rest of the United Kingdom to these potential reliefs is appropriate for Northern Ireland's particular needs.

An initial Integrated Impact Assessment has been carried out and further details are published on the Review website – www.nics.gov.uk/ratingpolicy/

Reliefs for Small Businesses

The rationale for introducing a small business rate relief lies in its potential for encouraging growth among new and small businesses that was recognised in the Programme for Government. Relieving the burden of rates on these firms could help ensure their survival and encourage their development. There is evidence that rates are a higher percentage of overheads for smaller firms¹ and therefore there may be some justification for providing relief for small businesses.

¹ The Impact of Rates on Business - DOE (GB) 1995.

There is concern, however, that this may be too indiscriminate an instrument. Rateable values (i.e. Net Annual Values or NAVs) are not necessarily a satisfactory identifier as not all low value properties are occupied by small businesses and it would be necessary to apply additional criteria to target the genuine small business.

The Government is not proposing to introduce a scheme at this time but it will keep this option under review. In coming to this decision the Government took into consideration two main factors, i.e. the cost to other ratepayers and the fact that the effectiveness of the scheme in operation in Scotland from 2003 has not yet been proven. It will however continue to monitor further progress on the scheme in operation in Scotland and in England (where it is to be introduced in April 2005) and will reconsider the case in twelve months time for introducing such a scheme in Northern Ireland.

Farm Diversification

The Government considers that the introduction of farm diversification relief in Northern Ireland would provide a further incentive to lessen the dependency on agriculture by reducing economic barriers to essential restructuring.

A farm diversification rate relief scheme was introduced in England and Wales in 2001. This provided rate relief for a five-year period to all new small non-agricultural enterprises on farms, including small scale tourist accommodation, farm shops, mail order businesses, offices, craft shops or workshops, storage, caravan parking, light industry and leisure activities including, those involving horses. The Government proposes to adopt a similar scheme for Northern Ireland.

Relief for the Equine Industry

Tied in with farm diversification is the issue of special relief for the equine industry. The Government intends to examine the case for providing selective reliefs to this sector, once a cohesive strategy is in place for dealing with its particular needs.

In the meantime, however, there is one sector within the industry on which an immediate decision can be made and that is relief for properties used for the breeding and rearing of horses or ponies (i.e. stud farms). These properties benefit

from relief from rates in Great Britain and in the Republic of Ireland. The Government considers that introducing relief for stud farms along the lines of that which applies in the rest of the United Kingdom would provide an incentive, at relatively modest cost, to encourage the development of this industry, which could be a very important growth area within Northern Ireland's rural economy.

Relief for banking facilities in rural areas (Automated Teller Machines or ATMs)

In Great Britain ATMs in rural areas are in the process of being exempted from rates. The Government believes that, in Northern Ireland, there is a strong case for granting exemption for ATMs that do not charge customers in rural areas, as a means of sustaining or encouraging this particular service.

Relief for the Quarry Industry

The Government intends to introduce a rate relief scheme to promote environmental good practice in the quarry industry, as part of an incentive based scheme to raise standards, reward compliance and align with Northern Ireland policy on aggregates levy. It proposes a series of exemptions or rebates from rating for specific buildings or constructions erected to reduce environmental impact.

Freight Transport Relief

Occupiers of freight transport properties are entitled to 75% rate relief and therefore pay rates at 25% of the full rate. The relief was introduced throughout the United Kingdom in 1929 (along with industrial derating) but was removed in Great Britain in 1963. It survives in Northern Ireland and today applies to publicly funded and private sector transport undertakers. It is granted on the condition that it is passed on to industry by lower freight charges and to qualify for Freight Transport derating, the use of the facilities must involve the handling and shipment of goods that are neither owned by nor intended for the use of the operator. The Government considers that now is not the time to add to the costs of industry in Northern Ireland and proposes to retain this relief for a further period.

Business Improvement Districts (BIDs).

BIDS are not associated with business rate relief (rather they involve a rate levy) but they are intended to help business regeneration and the rating system may have an important part to play in their future implementation.

BIDS are being introduced in other parts of the United Kingdom as a tool of regeneration and economic development. They are local initiatives, which involve a partnership between local councils and local businesses, intended to improve the business environment in a specified area. They may be funded, in whole or in part, by an additional levy on the non-domestic rates subject to a majority vote by the various businesses within the area concerned.

The Government intends to take an enabling power in rating legislation to allow the rating system to be used as a billing, collection and recovery mechanism for BIDs or similar local regeneration initiatives. Its implementation would depend, of course, on appropriate legislation to allow BIDs to be established in the first place.

SUMMARY OF THE GOVERNMENTS PROPOSALS

In summary the Government proposes:

- To review the rationale for the introduction of a Small Business Rate Relief scheme in Northern Ireland in twelve months time but not to introduce a scheme at this point;
- To introduce a Farm Diversification Relief scheme along the lines operating in Great Britain;
- To introduce relief for Stud Farms along the lines operating in Great Britain but not to provide further reliefs for the equine industry until a cohesive strategy is in place and a case has been made based on evidence of need;
- To provide exemption to encourage the growth of automated teller machines (ATMs) in rural areas;
- To provide relief for quarry operators who undertake environmental improvement works;
- To retain Freight Transport Relief at its current level for the time being;
- To allow the rating system to be used in the future as a billing, collection and recovery mechanism for Business Improvement Districts or similar local regeneration initiatives.

SECTION 1 - BACKGROUND TO REFORM AND GENERAL CONSIDERATIONS

The need for reform

1. The Northern Ireland Executive initiated a comprehensive Review of Rating Policy in 2000. This Review was commissioned initially because the existing rating system was considered to be out of date, unfair and incapable of supporting commitments made in the Executive's Programme for Government. The effectiveness, relevance and value for money of the range of reliefs has never been questioned or reviewed until now.
2. Businesses pay rates according to the value of the premises they occupy, the average bill in 2004/2005 was £7,410. Business premises of the same value attract very similar rate bills here and in the rest of the United Kingdom. A major disparity in the Non-Domestic sector, however, is in the range of reliefs available in Northern Ireland when compared to the rest of the United Kingdom. This paper addresses many of these disparities and considers whether the approach taken in the rest of the United Kingdom is appropriate for Northern Ireland's particular needs.

Industrial derating and rating of vacant property

3. From 1 April 2005 the manufacturing industry will begin to pay rates for the first time since 1983 (when that sector had a 25% liability). The legislation² is in place to gradually remove industrial derating, which began in 1929. The reasons for the removal of industrial derating were that it was a blanket relief that benefited firms whether it was needed or not and it was not linked in any way to any of the Government's strategic objectives for long-term economic growth and regeneration. The same legislation also removed the exemption for vacant non-domestic property (except for empty factory buildings) and introduced an enabling power for hardship relief.

² The Rates (Northern Ireland) Order 1977 – [S.I. 1977 No. 2157 (N.I. 28)]

Hardship relief

4. Legislation³ was passed during 2004 to introduce hardship relief and this was widely consulted upon during autumn of that year. There was wide support for the introduction of a hardship relief scheme and work is continuing to draft regulations that will provide a detailed framework within which the scheme will operate.

5. The broad parameters for the Hardship Rate Relief Scheme are:

- The relief will be granted only in respect of rates payable on non-domestic property;
- It will be available to all business sectors;
- The relief will be discretionary, i.e. it will be examined on a case by case basis;
- The circumstances that give rise to a request from a ratepayer for relief have to be 'exceptional';
- The relief may be given only where a ratepayer would otherwise suffer hardship;
- Relief is intended to be a temporary measure to help a business which may face closure to continue trading; and
- The Scheme will provide for full abatement of rates during the period of hardship.

Other reliefs

6. The agricultural sector does not pay rates, as has been the case for many years in the rest of the United Kingdom (and also the Republic of Ireland) and in 2002 the then Northern Ireland Executive decided that this position should continue. The Government does not propose, therefore, to take this issue further.

7. There are existing exemptions also for charitable, educational, sporting and other such uses and the Government's proposals in these areas

³ The Rates Amendment (Northern Ireland) Order 2004 [S.I. 2004 No. 703 (N.I. 4)]

were published in a separate Policy Paper on 28 February 2005 (see Section 6 of this Paper for the address of the website).

8. A full list of the current legislation relating to non-domestic reliefs and exemptions in Northern Ireland is attached as Annex 1.

General Considerations

9. Reliefs and exemptions are the main means through which the revenue system can be used as a tool of social, economic and environmental policy. Reduction or removal of the requirement to pay a tax can be used to provide incentives to particular types of activity.

10. This is important to policy areas such as social welfare, economic development, urban regeneration and rural development. The reliefs provide an indirect intervention that needs to take a fairly simple form, otherwise there would be difficulty in administering highly complex sets of criteria for relief. It is often the case, therefore, that reliefs are not well targeted on where the benefit can have the maximum direct effect.

11. There is, of course, pressure from many quarters to provide relief. Blanket derating of broad sectors of the business economy, notably industry, freight transport and agriculture, means forgoing revenue in a way that may not be the most effective means of encouraging economic prosperity. It is important to recognise that whatever system is adopted it is essentially businesses and householders that contribute to the cost of public sector services and any (further) reduction in the number of ratepayers may undermine the system, by:

- Passing the burden onto a smaller group of people and/or reducing expenditure on services;
- Complicating the system; and
- Accelerating pressure for further reliefs from the less favoured groups that pay more.

Outcome of earlier consultation

12. There may be merit therefore in considering how reliefs could be targeted to specific client groups. From the main public consultation (launched by the Northern Ireland Executive in 2002) there were widely varying views on the need for change. There was, however, general agreement on the point that any reform of business reliefs should be consistent with Government policy aims and should complement other support measures.

13. In particular there has been pressure to introduce some new business reliefs, targeted on:

- Small businesses;
- Businesses in disadvantaged areas;
- Businesses in rural areas;
- Businesses in historic town centres;
- Start up firms in growth sectors;
- Community businesses;
- Commercial equestrian centres;
- Hotels, catering facilities and licensed premises;
- Hardship.

Criteria for considering reliefs

14. The Government has considered the case for extending reliefs to businesses in these and other areas. Key considerations in looking at new reliefs included:

- The extent to which the relief proposals align with the broader policy issues in Northern Ireland;
- The exchequer implications of relief. There is an opportunity cost associated with each relief and exemption, i.e. blanket derating means forgoing revenue that could be used in a more effective way to encourage economic prosperity;

- The impact on other ratepayers;
- Repercussive issues where granting relief to one group creates pressure for further reliefs;
- The extent to which existing financial relief is available from other sources of public funding which may be a better way of targeting relief;
- Whether the market is delivering an efficient outcome without Government intervention (in this case providing a relief);
- Whether such intervention produces ‘net additionality’, i.e. it adds to the productive capacity of the economy in terms of increased employment or productivity. In making such an assessment, account should be taken of ‘deadweight’ (outcomes that would have occurred without intervention) and displacement (the benefits of relief are offset by reductions of output or employment elsewhere);
- Equality impact;
- Distributional or equity issues including parity with Great Britain;
- The impact on disadvantaged or deprived areas;
- The effect on rural areas;
- Environmental considerations;
- Ease of administration and compliance costs for business; and
- The transparency and comprehension of the rating system. A series of reliefs may complicate the system and weaken its transparency.

15. While every area identified at paragraph 13 above has not been addressed specifically in the Policy Paper, most are evaluated in some way by the range of reliefs considered and the supporting impact assessments.

16. The exceptions to this are providing relief for businesses in historic town centres and for the ‘hospitality’ sector. The Government’s assessment is that while there may be individual businesses that may merit relief from rates, the case for providing blanket relief for these particular business locations or sectors is not justified. Furthermore, there is a risk that it will cause significant market distortions and create an unwarranted competitive advantage for some businesses.

17. To some extent the same could be said of elements of the policy proposals set out in this paper. A key difference, however, is that the relief proposals

described in the following sections align with the broader policy initiatives in Northern Ireland, (see paragraph 12 above) or they are found elsewhere in the United Kingdom.

SECTION 2 - SMALL BUSINESS RATE RELIEF (SBRR)

BACKGROUND

SBRR in Scotland and England

18. SBRR has operated in Scotland since April 2003 and is due to be implemented in England from April 2005. The Office of the Deputy Prime Minister (ODPM) has recently conducted research⁴ in England on a survey of small business and rate relief in advance of the implementation date. It identifies issues around the propensity or inclination of businesses to claim the relief, which sectors are likely to benefit (35% retail, manufacturing 15%, financial services etc 12%, hotels and restaurants 10%, others 28%) and the likely numbers involved, estimated costs (redistributed revenue) and benefits to individual firms.

Consultation responses on SBRR in Northern Ireland

19. The Consultation Paper on the Review of Rating Policy in Northern Ireland in May 2002 included a question on whether there was a need for rate relief for small businesses in Northern Ireland. Responses were both in favour of and against the provision of such a relief.
20. The Federation of Small Businesses (FSB) strongly supported the implementation of SBRR because of the increased rate burden on small business compared to larger businesses.
21. Other respondents were not so supportive with the Confederation of British Industry (CBI) seeing it as too blunt an instrument for which no substantive case could be made and believing that more effective measures were available. The Northern Ireland Public Sector Alliance agreed that such a measure could not be targeted effectively and that any assistance should be channelled through schemes run by Invest Northern Ireland. The

⁴ ODPM - Survey Of Small Businesses And Rate Relief December 2004

Irish Congress of Trade Unions also questioned the validity of introducing SBRR.

22. Some respondents referred to the social economy sector⁵ and the need to support community owned businesses given that these enterprises (which must have a social, community or ethical purpose), operate using a commercial business model. Examples of businesses in this sector include community businesses credit unions, housing associations, etc.
23. Their needs differ from the private business sector but they are significant providers of goods and services and they may compete in the same market. In looking at small business relief for this particular sector, whilst it is important that that social economy undertakings do not have a competitive advantage it is equally important that this group is not disadvantaged in comparison to the private sector when considering potential rate relief.

Rationale

24. HM Treasury has laid down the rationale for any Government intervention in the economy as two fold: the achievement of economic objectives by addressing inefficiencies in the operation of markets and institutions or the achievement of an equity objective, such as the regeneration of deprived areas⁶. The case for providing SBRR scheme would seem to rest more on equity grounds rather than significant market failures.

POLICY CONSIDERATIONS

Reasons for and against introducing SBRR to Northern Ireland

25. The reasons for introducing SBRR to Northern Ireland are:

⁵ Some of these social economy businesses are entitled to charitable status and this issue is considered further in a separate Policy Paper on Charitable Exemptions and Reliefs available on the rating policy website: www.nics.gov.uk/ratingpolicy/

⁶ See HM Treasury Green Book, 2003

- The small business sector is very important to Northern Ireland and the objective to support the small business sector in Northern Ireland was emphasised in the Programme for Government of 2002/2003. The Inter-Departmental Business Register (IDBR) indicates that over 94% of the firms in Northern Ireland employ 25 people or less;
- Rates represent a higher proportion of costs for small businesses than for large ones and so place a greater burden on them – a problem identified in a Department of the Environment (GB) research paper in 1995⁷;
- A rate relief scheme would deliver support to the small business sector, directly and relatively easily;
- Such relief could apply across market sectors;
- Introducing it in Northern Ireland would bring about parity with England and Scotland;
- A SBRR scheme could help fulfil the objectives of the Rural Rate Relief Schemes, currently in operation in Scotland and England, in that it could assist many businesses located in rural areas of Northern Ireland;
- Rate relief for small businesses would reduce business start-up costs, which may lead to higher survival rates for these start-ups. (However, the DTZ Peda report 'Evaluation of the Impact and Effectiveness of the Small Business Rate Relief Scheme' commissioned by the Scottish Executive did not support the survival effect; the survey concluded that the benefits of SBRR were marginal in Scotland).

26. The reasons against introducing SBRR in Northern Ireland are:

- Northern Ireland has a markedly different business size profile compared to Scotland and England, which places a disproportionate

⁷ The Impact of 'Rates and Businesses', IFF Research Ltd for the Department of the Environment 1995

burden on the subsidising larger business sector (for details see the separate Integrated Impact Assessment (IIA⁸)).

- The current phasing out of industrial derating may affect many large firms and to add a supplementary rate (as noted above to reduce the rate burden on small firms) could cause hardship.
- Small businesses tend to rent their premises and there is evidence that the benefit of SBRR will ultimately benefit landlords more than the businesses themselves through higher rents. This problem has been acknowledged in the consultation paper published by the ODPM⁹ where it pledged to monitor the impact of the scheme for the existence of this effect.
- A scheme may carry a lot of deadweight¹⁰, in that it does not differentiate between small businesses that need the rate relief and those that do not.
- The implementation of SBRR on the basis of rateable value (i.e. NAVs) (as is the case with the Great Britain schemes) assumes that the rental value of the property is a good indicator of size. This could lead to a situation where certain businesses, that are defined as small under EC definitions of labour or turnover¹¹ but require large property space, are not eligible for the scheme. Indeed, such businesses may actually end up subsidising the scheme.
- The non-domestic rating system is based on the rental value of a property. It can be argued that rental value is a reasonable indicator of ability to pay and the system can be said to already operate in a proportionate way. (Rent is a residual expense and generally businesses locate to where they can afford.)
- The scheme will be administratively expensive to operate, as it cannot be awarded automatically. The scheme proposed for England and the one implemented in Scotland are application based because the claimant

⁸ www.nics.gov.uk/ratingpolicy/

⁹ Small Business Rate Relief Scheme: Consultation; ODPM London; August 2004.

¹⁰ Defined in Green Book guidance as 'Expenditure to promote a desired activity that would in fact have occurred without the expenditure.'

¹¹ EU definitions for SME's (2003) stand at 50 employees or less or turnover of €10m or less.

must verify that the property in question is the business's sole premises. The cost of administering a case has proved difficult to establish but is expected to be in the region of £10 to £20 per case.

- The state aid implications of SBRR are subject to the 'de minimis' levels that set the limit of relief that can be administered within a region to €100,000 over a rolling three-year period.
- It may act as a disincentive to growth if a firm needs to move to larger premises as they increase in size.
- Invest NI already runs and support a number of programmes that are specifically designed to aid small and medium sized enterprises (SMEs). These programmes invest in trade, capability, growth, knowledge, local economic development, business start-ups and research, design and technology. They range from advice and training to loans and grants, either area or region specific. There are approximately 33 Invest NI supported programmes targeted at SMEs in Northern Ireland and many others programmes which are available to all business or certain business types regardless of size.

Options for SBRR

27. The following options have been examined:

- Option 1 - Do nothing;
- Option 2 - Provide a scheme along the lines of the Scottish Model;
- Option 3 - Provide a scheme along the lines of the English Model;
- Option 4 - Provide a scheme based on Enterprise Areas in Northern Ireland, using the Scottish model;
- Option 5 - Apply the scheme to deprived or disadvantaged areas, i.e. 'Enterprise Areas', with rate relief at 50% to all hereditaments¹² below

¹² Property which is or may become liable to a rate, being a unit of such property which is, or would fall to be, shown as a separate item in the valuation list.

£10,000 NAV but excluding hereditaments above £25,000 in Enterprise Areas from any subsidising charge on the poundage.

Fuller details on these options are available in the IIA.

28. Likely (re-distributive) savings to small business, under each option, are as follows:

Summary Table of the Financial Impacts of the Options for Small Business Rate Relief Scheme

Option	Option Description	Total burden redistributed (£m)	Rate support to individual firm (£)	Supplementary rate applied to subsidising businesses (p)
1	Do nothing	Base case	Base case	Base case
2	Scottish model	13.5	384	1.62
3	English model	21.0	601	2.29
4	Scottish model in disadvantaged areas	6.8	385	0.82
5	As option 4 but single relief rate and excluding disadvantaged areas from supplementing the scheme	14.5	818	3.34

The main points on each option are summarised in the table below.

A Summary of the Costs and Benefits of options for Small Business Rate Relief

Options	Costs	Benefits
Option 1 Do Nothing	This option would have no administrative cost impact. Small businesses would continue to pay a higher percentage of outgoings on rates	The larger firms would benefit by not subsidising a scheme
Option 2 Adopt a Small Business Rate Relief based on the Scottish Model	Administration costs high as it is an application based system The increased rate poundage on the higher NAV hereditaments may contribute to hardship	The rate burden is removed from the small business groups that own low NAV hereditaments
Option 3 Adopt a Small Business Rate Relief based on the English Model	As in option 2 above	The rate burden is removed from the small business groups that own low NAV hereditaments
Option 4 Adopt a Scheme targeted at Enterprise Areas with the Scottish Bands applied	As in option 2 above	The rate burden is removed from the small business groups that own low NAV hereditaments The targeted relief at deprived wards means the level of deadweight is reduced The targeted relief leads to a reduced amount of relief that is needed to be subsidised
Option 5 Adopt a Scheme targeted at Enterprise Areas at 50% Relief excluding Enterprise Area hereditaments from subsidising	The removal of Enterprise Area hereditaments from the subsidising group means that the remaining group will have to pay an increased poundage to supplement or subsidise the scheme.	The rate burden is removed from the small business groups that own or rent low NAV hereditaments The targeted relief at deprived wards means the level of deadweight is reduced The removal of the Enterprise Area hereditaments from the subsidising group increases the attractiveness of these areas to potential firms

THE GOVERNMENT'S PREFERRED APPROACH

29. Following examination of the various options, the Government has reservations about the effectiveness of SBRR, the main reasons being that:

- Northern Ireland does not have the same scale of big business found in England and Scotland and which is necessary to fund the schemes there (it is notable that Wales is not proceeding with a SBRR scheme);
- Evidence from Scotland (a study undertaken by economic consultants DTZ Pineda – see the separate IIA for details) concluded that the SBRR scheme was not effective as the relief was too thinly spread, it added a major complication to the rating system and take up is low;
- The current phasing out of industrial derating may affect many large firms and to add a supplementary rate (as noted above to reduce the rate burden on small firms) could cause hardship.

30. For reasons of avoiding displacement, (the degree to which a promoted activity will be offset by a reduction in activity elsewhere) the Government does not favour a scheme that focuses on new enterprises, unless there is specific targeting to fulfil a particular policy aim (such as Farm Diversification, which is discussed below in sub-section 3.2).

31. A variation on the above options would be to exclude the retail sector in such a scheme, which would remove some deadweight and displacement and thus not affect output or employment. However, given that a SBRR scheme can only be justified in the first place on social, equity and parity grounds rather than purely economic grounds it would be difficult to exclude this sector, particularly in the context of targeting a scheme in disadvantaged areas where access to retail services is likely to be an issue.

32. The Government is of the view that the advantages of a SBRR scheme are significantly outweighed by the disadvantages and therefore it does not propose to introduce such a scheme at this time. It will however monitor developments on the scheme in operation in Scotland and in England (where it is to be introduced in April 2005) and proposes, in twelve months, to review the case for introducing such a scheme in Northern Ireland.

SECTION 3 – RURAL BUSINESS RELIEFS

SUB-SECTION 3.1 - RURAL RATE RELIEF

BACKGROUND

The position in Great Britain

33. Certain types of business in rural settlements, with a population below 3000 may qualify for mandatory rate relief of 50%. Businesses that qualify for this relief are the sole general store and the sole post office in the village, provided it has a rateable value of up to £6000; any food shop with a rateable value of up to £6000; and the sole pub and the sole petrol station in the settlement provided it has a rateable value of up to £9000. Where a business meets these conditions, a council may grant a further 50% relief and there are no rates to pay.
34. A council may decide to give up to 100% relief to any other business in such a rural village, with a rateable value of up to £12,000, if it is satisfied that the business is of benefit to the community and having regard to the interests of its council tax payers. A council may use this provision to grant 100% relief to any business, which was excluded from the mandatory arrangements referred to above solely because the rateable value is above the prescribed limits. Newsagents and Convenience stores in rural settlements are also granted 100% relief under these provisions.
35. For the purpose of granting relief premises must be situated in 'rural settlements'. A council must compile and review a Rural Settlement List for each financial year, which shows the areas of the district where relief can apply.
36. The cost of the mandatory element of the scheme is effectively met by charging all ratepayers a higher business rate. The discretionary element is effectively met by charging all council tax payers in that council area a higher Council tax rate.

The position in Northern Ireland

37. The Northern Ireland Executive considered the issue of Rural Rate Relief in 2002. Northern Ireland already has the legislative power to introduce a similar scheme to the one that operates in Great Britain. However there is evidence that this may not be a good way of sustaining rural services in Northern Ireland because of the very different pattern of settlement in rural areas compared to Great Britain.
38. Preliminary results of the EQIA and New TSN were at worst unfavourable and at best neutral (though with a high likelihood of adverse differential effects occurring at local level). As required under EQIA and New TSN guidelines, the Department of Finance and Personnel had therefore to consider alternative policies or programmes that might better achieve the promotion of equality of opportunity and the reduction of inequalities.
39. Research into the effectiveness of the scheme indicated that the impact of the scheme would be markedly different from that intended or assumed by reference to the scheme in England. The main reason was that the pattern of settlement in Northern Ireland is very different from England. In general, England has many rural villages which fit well with the terms of the scheme whereas Northern Ireland has a much more dispersed pattern of settlement. The result was that few rural properties in Northern Ireland fitted within the terms of the primary legislation, that is, within an identifiable rural settlement. This led to serious doubts as to the scheme's ability to provide assistance where needed most, and to provide a cost effective means of sustaining rural services. Initial research indicated that, at most, 29% of all post offices would qualify for relief – the remainder were located outside the rural settlement.
40. Likewise, isolated small shops were unlikely to benefit, as they also were found to be mostly situated in locations outside the rural settlements that were being targeted.
41. Finally, the cost of the scheme in terms of revenue foregone was tentatively estimated at between £4-£5 million. If funded, as intended, through distribution among all Non-Domestic ratepayers, this would give rise to a Regional and District Non-Domestic rate increase of the order of 2 to 3%, assuming the total

revenue yield to be static. This was considered to be too high a price to pay against a doubtful outcome in terms of sustaining rural services.

THE GOVERNMENTS PREFERRED APPROACH

42. The Government agrees with this general assessment and does not intend to overturn the decision of the Northern Ireland Executive to suspend implementation of this particular scheme. It does, however, recognise the need to arrest the decline in community services and the communities served by them and the following sections outline a range of measures that would help support the rural economy in different ways.

SUB-SECTION 3.2 – FARM DIVERSIFICATION RELIEF

BACKGROUND

43. Farm diversification issues gained prominence as a result of undertakings given by the Prime Minister at the Downing Street Agriculture Summit “*An Action Plan for Farming*” on 30 March 2000. These included commitments to revise planning guidance to give encouragement to diversification and consult publicly on proposals to extend rate relief to other enterprises linked to farm premises, which resulted in the Farm Diversification Schemes introduced in Great Britain (see paragraph 46 below).
44. Farm Diversification was raised in the Executive’s 2002 Consultation Paper and there was some support for its introduction.

The Ulster Farmers’ Union

‘Government Departments need to work closer together as DARD is encouraging diversification to sustain rural communities’.

The British Horse Society

‘Rate relief on diversification should include agricultural premises converted for letting to other businesses’.

‘Diversification to the detriment of equestrian businesses would not be a sensible way forward’.

45. Agricultural land and buildings are exempt from rates but are rateable where non-agricultural activities take place on farms. Farmers who wish to diversify their activities are, therefore, faced with paying rates when any part of their property changes from agricultural to non-agricultural use.

Position in Great Britain

46. A farm diversification rate relief scheme was introduced in England and Wales in 2001. This provided rate relief for a five-year period to all

new small non-agricultural enterprises on farms. Scotland has since introduced a similar scheme.

47. These schemes allow a 50% mandatory rate relief scheme for land and buildings used for non-agricultural purposes on what had been agricultural land and buildings. Local authorities were given a discretionary power to increase the relief to 100% where they felt the changed use of the property would be of benefit to the wider local community. The relief is granted in respect of property with a rateable value of less than £6,000 - which would be roughly equivalent to an NAV of around £7,000 in Northern Ireland under the current 2003 Valuation List.

POLICY CONSIDERATIONS

48. The introduction of farm diversification relief in Northern Ireland would provide a further incentive to reduce dependency on agriculture by reducing economic barriers to essential restructuring.
49. The type of activities involved that might be eligible for the new rate relief include small scale tourist accommodation, farm shops, mail order businesses, offices, craft shops or workshops, storage, caravan parking, light industry and leisure activities including those involving horses. One of the concerns that Government has is that such a scheme would cause displacement. For example, farmers diversifying into horse-related activities would have an unfair advantage over established enterprises in a partly saturated market.
50. However, there would be major difficulties in containing the scheme if it were to be extended to established businesses, though a focus on new enterprises would still cause some displacement.

Cost

51. Costs will depend on the number and value of the properties that become eligible for the relief. This in turn depends on the extent to which farmers diversify during the life of the scheme. (Based on evidence from Great Britain,

DARD would estimate a possible take up of about 1,500 new enterprises over the next five years).

52. For illustration if 10% of all farmers in Northern Ireland establish a new enterprise at the upper end of the size threshold, the cost of the scheme, in terms of revenue foregone, is likely to be £5.4m per annum. In practice, most eligible properties will be below the upper size threshold and at this level of take up would represent a maximum (20% would cost double this amount and so on).

THE GOVERNMENT'S PREFERRED APPROACH

53. The Government proposes to adopt a similar scheme for Northern Ireland, as was introduced in the rest of the United Kingdom around the year 2000. Like the Great Britain schemes' it is proposed that the new scheme in Northern Ireland will be:

- Targeted at new small enterprises, subject to a £7,000 NAV ceiling;
- Available to farmers themselves and their immediate families (living in the farm house);
- Available for a fixed five-year period running from the day the legislation comes into operation.

54. By time limiting it in this way it will ensure that this is not going to be an ongoing subsidy and it also should encourage take up and ease of administration. Unlike the Great Britain schemes, the Government does not propose to introduce a local authority discretionary element at this time but will leave this aspect of a scheme to a local administration to decide, when the Review of Public Administration has been implemented and new structures of local government have been established.

55. Variations on these proposals could include a different time limit (say 3 years instead of 5), a higher NAV limit and extending a scheme to include properties made available for letting to other businesses (thus sustaining rural areas, supplementing farm incomes, though not providing an incentive for skills transfer).

SUB-SECTION 3.3 – RELIEF FOR THE EQUINE SECTOR

BACKGROUND

56. Tied in with farm diversification is the issue of special relief for the equine industry.
57. The Department of Agriculture and Rural Development's (DARD) 'Vision' document published in 2001 brought to the fore some longstanding policy issues, arising from a comparison of the taxation regimes for the industry in Northern Ireland and the Republic of Ireland and including the pursuit, in the longer term, of the re-designation of the horse as an agricultural animal. One major effect would be that stables and the like would be considered as agricultural or livestock buildings and therefore not rateable hereditaments.
58. This re-designation of the horse would require primary legislation to amend the relevant provision in the Agriculture Act (Northern Ireland) 1949¹³. This may present difficulties, as there would have to be agreement on a national policy before proceeding with any amendment, as the current designation of the horse applies United Kingdom wide.
59. The Government intends only to examine the case for providing selective reliefs to this sector and leave the wider issues for consideration at a later date.
60. A report, 'Research on the Equine Industry in Northern Ireland', commissioned by DARD, is due for completion within a few weeks. One of a wide of range of recommendations is that there should be financial incentives, tax and rate reliefs, to stimulate the growth of this sector in Northern Ireland. Further work will be required by DARD in working with the industry to develop a cohesive strategy to achieve this aim.
61. It is understood however that the draft Report indicates some in the equine industry consider that '*public funding for the equine industry has not always been directed to the areas of greatest need*'. Furthermore it is recognised that

¹³ (C. 2)

'the advantages and disadvantages of applying different rates and promoting tax incentives need to be thoroughly assessed and investigated. This could be a lengthy process'. As such, the Government does not intend to proceed at this particular point in time and will await development of a cohesive strategy before considering targeted reliefs for this sector, which, anyway, would be subject to an economic case being made on evidence of need.

Stud Farms

62. There is one important part of the equine sector in which reform can be considered now and that is the subject of Stud Farms. The research study points to the position in the Republic of Ireland, where *'there are no rates levied on equine facilities, if used for breeding...The local industry feels that it is unfairly disadvantaged...'*
63. Properties used for the breeding and rearing of horses or ponies (i.e. stud farms), which are linked to agricultural land or buildings benefit from relief from rates in Great Britain. This partial relief was originally introduced in England and Wales on 4 January 1990 and in Scotland on 20 January 1990 as a response to horse and pony breeders representations for an extension of the exemption from rating for buildings used for keeping and breeding livestock that had been introduced in 1988.
64. The relief provisions provide that where agricultural land and buildings are partly used for the breeding and rearing of horses the NAV is reduced by either the amount of the NAV used exclusively for that purpose or by a specified amount whichever is the smaller amount. In England and Scotland this amount is £3,000 NAV and £2,500 in Wales. This legislation does not extend to Northern Ireland and it would therefore be opportune to consider whether there is a case for the introduction of such a relief here.
65. There are around 100 stud farms in Northern Ireland listed in 'The Irish Field Directory', although there may be many more. The administrative costs, and the cost of revenue foregone, will depend therefore on whatever future definition of stud farm is approved following consideration by DARD.

66. The Government considers that relief for stud farms would provide an incentive, at relatively modest cost, to encourage the development of this industry, which could be a very important growth area within Northern Ireland's rural economy.

THE GOVERNMENT'S PREFERRED APPROACH

67. The Government proposes that:

- The issue of the re-designation of the horse as an agricultural animal is left for a future devolved administration;
- Relief for Stud Farms along the lines of that which has operated in England, Wales and Scotland since 1990 should be introduced; and
- No commitment is made to providing further reliefs for the equine industry until a cohesive strategy is in place and a case has been made based on evidence of need.

SUB-SECTION 3.4 –AUTOMATED TELLER MACHINES (ATMs) IN RURAL AREAS

BACKGROUND

68. ATMs, which are not located in banking premises, are entered in the Valuation List. The machine itself is not rateable and what is valued is the location, comprising the site and the structure in which the machine is housed. NAVs range from £1,700 to £7,000, depending on location and value is based on the number of transactions occurring.

69. In Great Britain, ATMs in rural areas are in the process of being exempted from rates. Northern Ireland does not have a Rural Rate Relief Scheme (RRRS), although the enabling legislation is on the Northern Ireland statute books (see paragraphs 33 to 42 above). It was never implemented because the analysis showed that such a village based scheme would not have the desired effect of sustaining rural services in Northern Ireland because of our more dispersed settlement pattern, which could also have given rise to equality issues.

THE GOVERNMENTS PREFERRED APPROACH

70. The Scheme, as introduced in Great Britain, extends well beyond rural shops and post offices (the original target properties). There is potential in Northern Ireland, however, to grant exemption for ATMs in rural areas, as a means of sustaining or encouraging this particular service outside a broader RRRS, without giving rise to the problem effects identified above.

71. Costs are likely to be minimal (less than £100,000 in rates foregone) and cost of administration insignificant. All that would be required would be for the applicant to confirm that the ATM did not form part of bank or building society property. It is also proposed that, unlike the position in Great Britain, only ATMs that do not charge customers would be entitled to exemption.

SUB-SECTION 3.5 – ENVIRONMENTAL WORKS ASSOCIATED WITH QUARRIES

BACKGROUND

72. During consultation with the quarry industry, the issue of the rating system discouraging companies from carrying out environmental improvement works was raised.
73. The introduction of an allowance in the rating assessments of quarries has been examined, with the intention of promoting environmental good practice and being part of an incentive based scheme to raise standards and reward compliance. A series of rate exemptions or rebates has been considered for specific buildings or constructions erected to reduce environmental impact such as conveyor covers, enclosed crushing plants, oil tank bunds and lean-to structures to reduce dust emissions.
74. The industry is involved already with DOE in drawing up an environmental Code of Good Practice and Compliance Scheme. Companies that sign up to the code and are compliant with it would be entitled to a reduction in the aggregates levy.

POLICY CONSIDERATIONS

75. The actual cost of providing relief (in terms of rate savings to individual operators) is likely to be low as the vast bulk of quarrying assessments are based on an estimate of throughput and any extra value associated with structures tends to be relatively small.
76. Preliminary analysis shows that valuation reductions could be of the order of £1,000 NAV to £5,500 NAV, leading to corresponding rate liability reductions of between £500 to £2,750 based on 100% rate liability (which assumes industrial derating is fully phased out). There are 147 quarries in Northern Ireland, though it is not clear without further research how many of these would likely to be eligible for a reduction under such a scheme.

THE GOVERNMENTS PREFERRED APPROACH

77. The Government considers that such a measure is worthwhile on the grounds of aligning with Northern Ireland policy on aggregates levy and the relatively modest cost associated with it.

SECTION 4 - OTHER ISSUES

SUB-SECTION 4.1 - FREIGHT TRANSPORT RELIEF

BACKGROUND

78. Occupiers of freight transport properties are entitled to 75% rate relief. They therefore pay rates at 25% of the full rate. The relief was introduced throughout the United Kingdom in 1929 (along with industrial derating) but was removed in Great Britain in 1963. It survives in Northern Ireland and today applies to publicly funded and private sector undertakers (on the basis that it meets a public service need and therefore provides an incentive to attract private funds).
79. The relief is granted on the condition that it is passed on to industry by lower freight charges. To qualify for Freight Transport derating, the use of the hereditament must involve the handling and shipment of merchandise, provided however that a substantial part of the goods are neither owned by nor intended for the use of the operator.
80. Freight Transport hereditaments can be canal undertaking, a dock undertaking or a railway undertaking. Across Northern Ireland there are 38 Freight Transport hereditaments with a total Net Annual Value of £6,494,750 (total revenue foregone, which falls entirely on the regional rate, therefore represents less than £2m). The NIR railway undertaking is shown as 26 separate hereditaments, which merely reflects the District Council apportionment of the value of the Northern Ireland network. So, in effect there are 12 Freight Transport hereditaments in Northern Ireland other than the railway network.

POLICY CONSIDERATIONS

81. Public consultation in 2002 elicited two responses on the issue, both from private sector undertakings who currently are in receipt of Freight Transport relief.

Port of Larne

“Any reduction on partial derating of freight transport hereditaments would result in increased transport costs and a diminution in the region’s competitiveness”

Barnett Silos Ltd

“This relief is absolutely fundamental to the economics, not only of the ports but also of the installations such as silos...and form part of the service ports are expected to provide”

82. There are no immediate State Aid considerations given that this is an existing relief, established well before accession. This position will be reviewed however in 2006 when the EU will consider all existing State Aids (see Sub-section 4.3).
83. The cost of providing the relief is less than £2m in terms of revenue foregone with the cost of removing relief in its entirety being against the undertakers.

THE GOVERNMENTS PREFERRED APPROACH

84. Although on grounds of pure economic efficiency there are arguments for removing this relief, the Government proposes that it be retained for the time being, particularly given the phasing out of industrial derating in Northern Ireland. The case for retention is set out in the separate Integrated Impact Assessment.

SUB-SECTION 4.2 - BUSINESS IMPROVEMENT DISTRICTS (BIDS)

BACKGROUND

85. BIDS are not associated with business rate relief (rather they involve a rate levy) but they are intended to help business regeneration and the rating system may have an important part to play in their future implementation.
86. BIDS are a partnership between local councils and local businesses intended to improve the business environment in a specified area.
87. The Government introduced the concept of BIDS in a White Paper entitled 'Strong Leadership – Quality Public Services' in December 2001. Since then some voluntary pilot projects have already been established in England and Wales, in preparation for the introduction of statutory BIDS, now allowed under the Local Government Act 2003¹⁴.
88. They are to be funded, in whole or in part, by an additional levy on the non-domestic rates. The details of each BID scheme, including the nature of any improvements and the size of the additional rate levy, would be for the businesses affected to agree on. Business ratepayers would vote in a referendum on any proposed scheme.
89. Much of the details of individual BIDS would be agreed between local councils and affected businesses in order to provide each local area with the flexibility to introduce improvements tailored to their local needs. All businesses within the BID area, which would be liable to the BIDS levy, would have a vote to decide on whether the scheme should go ahead. This vote would be conducted through a dual voting mechanism. In order to succeed, a BIDS proposal would have to meet two tests. First, a simple majority of those voting would have to be in favour. Second, businesses voting in favour must account for more than half of the total rateable value of all those voting. If a scheme is approved all businesses in the area (or a specified class of businesses) have to pay the levy and not just those who supported the idea.

¹⁴ (c. 26)

THE GOVERNMENTS PREFERRED APPROACH

90. The Government intends to take an enabling power in rating legislation to allow the rating system to be used as a billing, collection and recovery mechanism for BIDs or similar local regeneration initiatives. Its implementation would depend, of course, on appropriate legislation to allow BIDs to be established in the first place and on detailed subordinate rating legislation.

SUB-SECTION 4.3 – STATE AID

91. Rate relief, which generally provides support for an undertaking's running costs, is likely to be considered 'operational' State Aid by the European Commission (EC). Therefore in developing the policy proposals set out in this Policy Paper the Government has considered whether there are any State Aid implications and whether any of these measures need to be notified to the EC.
92. Currently there are arrangements in place allowing small volumes of aid (the 'de minimis' arrangements) within a limit of €100,000 in total over a rolling 3-year period from all public sector sources. 'De minimis' arrangements do not extend however to certain sectors such as transport and to firms involved in the marketing and processing of agricultural products. This has potential implications for the policy proposal on farm diversification. However given that the policy proposal is to introduce a scheme in Northern Ireland along the lines that has been operating in the rest of the United Kingdom since 2000, the Government is satisfied that any State Aid implications arising out of this relief would already have been covered in the context of the United Kingdom policy.
93. The proposal for Freight transport relief is to continue with the current arrangements and because these date back to pre-United Kingdom accession to the EU the Government is satisfied that there are no significant State Aid issues at this time.
94. Each of the policy proposals has been examined and the current assessment is that these are likely to be well below the 'de minimis' level. While this preliminary assessment indicates that there are no significant State Aid difficulties with what is being proposed in this Policy Paper, the position can change and therefore careful monitoring will be required both before and after implementation. Also, relief schemes may operate generally under the 'de minimis' allowance, nevertheless individual cases may give rise to a potential breach and these will have to be notified as they occur.

SECTION 5 - SUMMARY OF IMPACT ASSESSMENTS

95. To assist with policy development a number of initial impact assessments have been carried out on the Government's policy proposals. These assessments are collectively referred to as the initial Integrated Impact Assessment (IIA) and comprise the following:

- Regulatory Impact Assessment (RIA)
- New Targeting Social Need (New TSN)
- Rural proofing
- Equality Impact Assessment (EQIA)

96. Further detail on each of these assessments is contained within the IIA document, which is published separately from this policy paper (see below).

97. This summary is intended only to give a brief outline of the potential impacts of the policy proposals and the full assessment of these is contained in the IIA which can be accessed separately through the Review of Rating Policy website (see website address in Section 6) or by contacting the postal address in Section 6. Although it is a separate report in its own right, it is recommended that the IIA is read in conjunction with this Policy Paper.

98. The main policy proposals for change relate to:

- Farm Diversification Relief;
- Relief for Stud Farms;
- Relief for Automatic Telling Machines in Rural Areas;
- Relief for 'environmental friendly' quarries; and
- Enabling measures for Business Improvement Districts.

Overall assessment

99. The following points set out the overall impacts on the proposals:

- The initial Regulatory Impact Assessment concluded that the benefits of introducing the new reliefs outweighed the costs and the estimated cost of each of the proposed schemes is set out below. Impact on other ratepayers, in terms of increased rate bills, is insignificant and, for many of these schemes, would be barely measurable. Collectively, in valuation terms they amount to a fraction of a percentage point set against the total NAVs for all non-domestic properties in the Valuation List.
- These proposals are directed at rural areas and therefore their rural impact is almost certain to be positive.
- Beyond the effect on rural areas the precise nature of these impacts is difficult to predict at this stage until applications are made and decided. All of the relief proposals require businesses to apply for the relief, they are not granted automatically and therefore the initial assessments of impacts is made by reference to evidence derived from other sources not from an examination of a working scheme.
- A high level analysis using purely locational measures suggests that these schemes may not be entirely New TSN positive in their effect because there are more disadvantaged urban wards than rural ones, as assessed using the Noble Indicators of deprivation.
- The equality impact of these measures may be expected also to mirror or be representative of the social composition of the various rural areas within Northern Ireland.
- However, further assessment after this consultation will be required (pre-implementation) and monitoring of the policies (post-implementation) to examine such matters as 'participation rates' amongst various groups to address any disadvantage, if necessary through refining and promoting the particular scheme in specific ways.

Farm Diversification Relief

100. The Government would like to introduce a scheme to encourage business diversification on farms and remove economic barriers to starting up new enterprises. It is proposed to introduce 50% rate relief to all new farm diversification activities, this will be targeted at small enterprises, subject to a £7,000 NAV ceiling. It will be available to farmers and their immediate families (living in the farm house) and it will be available for a fixed five-year period running from the day the legislation comes into force.

Impact of proposal

101. The preliminary assessment of the impact that this proposal is likely to have is as follows:

- Preliminary estimates show that if 10% of all farmers were to diversify at the maximum level of NAV (£7,000), it would cost £5.4 million per annum in rate revenue foregone. However, it is important to note this measure is likely to encourage business start ups that would not have otherwise occurred so strictly speaking only a proportion of this will be lost revenue. Furthermore, after the 5-year period has elapsed surviving businesses will be liable to full business rates, thus partially offsetting initial losses.
- Farm diversification rate relief will be available to all farms throughout Northern Ireland. Farms tend to be located in areas that are not among the most deprived or the least deprived parts of Northern Ireland. And therefore new TSN impact may be neutral.
- In equality terms this policy will be available to everyone within the farming community and initial research shows those aged over 60, males and those who are married are likely to benefit the most.

Relief for Stud Farms

102. The Government would like to introduce a scheme to encourage growth in the stud farms sector and further assist the rural economy. It is proposed to introduce relief for stud farms similar to that which has operated in England, Wales and Scotland since 1990, i.e. a reduction in the NAV for the proportion

of the property used for horse or pony breeding and rearing subject to a specified NAV limit.

Impact of proposal

103. The preliminary assessment of the impact this proposal is likely to have is as follows:

- This policy proposal should encourage the development of a very important growth area within Northern Ireland's rural economy.
- As the exact number and size of stud farms is unknown, tentative estimates show that if the existing estimated 100 stud farms¹⁵ received the maximum amount of relief similar to that in England (which has a £3,000 NAV threshold), it would cost a maximum of £132,000 in revenue foregone.
- A publication by Lantra National Training Organisation¹⁶ suggested that 23% of the UK equine workforce is aged between 16 to 24 years and that 75% of employees are female, therefore any form of rate relief to the equine sector is likely to have a positive impact on these groups.

Relief for Automated Teller Machines in Rural Areas

104. The Government would like to introduce a scheme to assist the rural economy in access to important services. To this end the Government would like to provide 100% exemption to non-fee charging Automated Teller Machines (ATMs) in rural areas not attached to a bank or building society.

Impact of proposal

105. The preliminary assessment of the impact that this proposal is likely to have is as follows:

¹⁵ Approximate number of Northern Irish Stud Farms contained in 'The Irish Field 2005 Directory'

¹⁶ See website – www.lantra.co.uk/equine/

- Providing exemption for rural ATMs would introduce a modest but direct incentive, at low cost, to address a decline in access to this service in rural areas.
- Initial analysis indicates that the cost of introducing this exemption to existing ATMs amounts to less than £100,000, though it is hoped that this measure will encourage more to be established in rural areas.
- The New TSN impact indicates that the exemption of ATMs favours the least deprived wards of Northern Ireland, as they have higher concentrations of ATMs. This suggests that the exemption has some negative New TSN impacts. However the policy is intended to encourage the spread of ATMS throughout rural areas in Northern Ireland and therefore the policy could potentially have positive New TSN effects.

Relief for 'Environmental Friendly' Quarries

106. The Government would like to introduce rate relief for environmental structures at quarries and mines as a contribution to assisting quarries to become more environmentally sensitive particularly on the impact of noise, dust and visual intrusion and also on the grounds of aligning with Northern Ireland policy on aggregates levy.

Impact of Proposal

107. The preliminary assessment of the impact that this proposal is likely to have is as follows:

- The valuation reductions for quarries and mines could be of the order of £1,000 NAV to £5,500 NAV, leading to corresponding rate liability reductions of between £500 to £2,750 based on 100% rate liability (which assumes industrial derating is fully phased out).
- There are 147 quarries in Northern Ireland, though it is not clear without further research how many of these would likely to be eligible

for a reduction under such a scheme. The total cost of this rate relief is likely to be between £200,000 and £400,000.

- Quarries and mines are not concentrated in the most or least deprived areas of Northern Ireland. This relief therefore can be considered New TSN neutral in its impact.
- Evidence from the Quarterly Employment Survey (DETI) indicates that employment in the industry is predominately male, therefore this group is likely to benefit most directly. Ward based analysis using the 2001 Census indicated a positive impact for persons of other or no religion.

Enabling measures for Business Improvement Districts

108. The Government is proposing to allow the use of the rating system as a funding mechanism for Business Improvement Districts (BIDs). This would allow businesses in a District Council area to operate an additional levy on the rating system for a specific local project along the lines of the scheme to be decided by the responsible Department, currently the Department of Social Development (DSD).

109. An integrated impact assessment will have to be completed by the responsible Department, currently DSD, on introducing the primary legislation for this scheme.

SECTION 6 – FURTHER INFORMATION AND CONSULTATION DETAILS

This Policy Paper seeks your views on the policy proposals associated with non-domestic business exemptions and reliefs. A summary of the policy proposals to the Policy Paper only will be made available, on request, in alternative formats.

The closing date for responses to the consultation is 8 July 2005.

Your written responses should be sent to:

Rating Policy Division
Department of Finance and Personnel
Room D12
Rathgael House
Balloo Road
Bangor
BT19 7NA

As an alternative we would encourage you to e-mail responses to:
Ratingpolicy.cfg@dfpni.gov.uk

You may wish to fax your comments to: **028 9185 8008**

Should you require any further information you should contact: **028 9127 7606**

This document is available on the Review of Rating Policy website at
www.nics.gov.uk/ratingpolicy/

It is also intended that consultation submissions will be placed on the Review of Rating Policy website. The Department can only refuse to disclose information in exceptional circumstances. Corporate confidentiality clauses automatically attached to e-mails will not be taken into account.

Before you submit your response, please read the paragraphs below on the confidentiality of consultations. They give guidance on the legal position about any information given by you in response to this consultation.

The Freedom of Information Act 2000 (c. 36) gives the public a right of access to any information held by a public authority, in this case the Department of Finance and Personnel. This right of access to information includes information provided in response to a consultation. The Department cannot automatically consider as confidential information supplied to it in response to a consultation. However, it does have the responsibility to decide whether any information provided by you in response to this consultation, including information about your identity, should be made public or treated as confidential.

This means that information provided by you in response to the consultation is unlikely to be treated as confidential, except in very particular circumstances. The Lord Chancellor's Code of Practice on the Freedom of Information Act provides that:

- The Department should only accept information from third parties in confidence if it is necessary to obtain that information in connection with the exercise of any of the Department's functions and it would not otherwise be provided.
- The Department should not agree to hold information received from third parties 'in confidence' which is not confidential in nature.
- Acceptance by the Department of confidentiality provisions must be for good reasons, capable of being justified to the Information Commissioner.

For further information about confidentiality of responses please contact the Information Commissioner's Office (or see website at:

<http://www.informationcommissioner.gov.uk>).

**CURRENT NORTHERN IRELAND LEGISLATION ON RELIEF AND EXEMPTIONS
– NON-DOMESTIC**

ARTICLE	DESCRIPTION
31	<p>Reduction of Rates on Certain Hereditaments used for Recreation Provides for an allowance of 65% where the property is used for the purposes of a prescribed recreation by an organisation not established or conducted for profit and that does not employ professionals</p>
31B	<p>Rate Rebates for Certain Hereditaments used by Institutions for the Disabled Allows for a rebate from rates on property where that property meets certain criteria in respect of disabled persons</p>
31C	<p>General Stores, etc, in Rural Settlements Defines in Schedule 9A a scheme to provide mandatory and/or discretionary relief from rates for general stores, post offices and other businesses that are of benefit to the community in rural settlements</p>
33A	<p>Transitional Rate Relief Provision that allows for the introduction of a rate relief scheme to mitigate the effects of the implementation of a new Valuation List subsequent to a General Revaluation</p>
33B	<p>Hardship Rate Relief Provision that allows for the introduction of a Hardship Rate Relief scheme by Regulations</p>
41	<p>Distinguishment in the Valuation List of Hereditaments Used for Public, Charitable or Certain Other Purposes Provides for full or partial relief from rates for organisations not established or conducted for profit where their property is used for public, charitable or certain other purposes e.g. church property occupied by full time clergy</p>
42(1A)	<p>Distinguishment in the Valuation List of Certain Other Hereditaments Exempted from Rates Provides for full or partial exemption of hereditaments situated fully or partially inside an Enterprise Zone</p>
43	<p>Distinguishment in the Valuation List of Industrial Hereditaments and Freight Transport Hereditaments Allows for exemption for Industrial and for Freight Transport Hereditaments</p>

CONSULTATION LIST

GENERAL

AEEU	NI Court Service
Armagh City Centre Management	NI District Councils
ATGWU	NI Government Departments
Belfast Solicitors Association	NI Human Rights Commission
Coiste na-iarchimi	NI Members of the Assembly
Committee on the Administration of Justice	NI Members of the European Parliament
Construction Employers Federation	NI Members of the Lords
Democratic Left	NI Political Parties
Economic and Research Institute for NI	NI Resident Magistrates Association
Equality Commission for NI	NI Spokespersons in the House of Lords and House of Commons
Equality Forum NI	NILGA
General Consumer Council for NI	NIPSA
GMBU	NIWEP
HM Council of the County Court Judges	POBAL
Initiative Economic Development	RICS
Inland Revenue	School of Law (QUB)
Institute of Directors	School of Law (UU)
Institute of Professional Legal Studies (QUB)	Social Economy Agency (NI)
Invest NI	Society of Local Authority Chief Executives
Irish Auctioneers and Valuers Institute	The Executive Council of the Inn of Court of NI
IRRV	The Industrial Society
Lands Tribunal for NI	The Law Society for NI
Law Centre (NI)	The Office of Law Reform
Law Reform Advisory Committee	The Ombudsman's Office
Magistrates Court, Belfast	Town Centre Forum
MOD	UCATT
NI Affairs Committee	ULTACH
NI Amicus	Ulster Scots Heritage Council
NI Chamber of Trade	Unison

NI Committee ICTU	West Belfast Economic Forum
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CONSULTATION LIST

INTEREST GROUPS - BUSINESS

Barnett Silos Ltd	Londonderry Port and Harbour Commissioners
Belfast Harbour Commissioners	NI Fishery Harbour Authority
CBI	NIR Ltd
Clarendon silos Ltd	Quarry Products Association
Federation of Small Businesses	Rita Duffy
Freight Transport Association	Stena Line Ltd
Halls Silos Ltd	Varma Services Ltd
Larne Harbour Ltd	Warrenpoint Harbour Authority

CONSULTATION LIST

INTEREST GROUPS – FINANCIAL

Abbey	Halifax plc
Alliance and Leicester plc	Household Bank
Anglo Irish Bank	HSBC Bank
Bank of England	Leeds and Holbeck
Bank of Ireland	Nationwide
Bank of Scotland (Ireland)	Northern Bank
Barclays Bank	Northern Ireland Bankers Association
Bradford and Bingley	Post Office
Britannia	Progressive
City of Derry	Ulster Bank
First Trust Bank	Woolwich

CONSULTATION LIST

INTEREST GROUPS – RURAL AND EQUINE

Association of Veterinary Surgeons practising in NI	NI Dressage
British Horse Society (Ireland)	NI Driving Clubs
Dressage Ireland	NI Horse Board
Equestrian Federation of Ireland	NI Master of Hounds
Eventing Ireland	NI Shetland Pony Group
Fermanagh Connemara Breeders Association	NI Veterinary Association
Half Bred Horse Breeders Association	NI Working Hunters Association
Irish Draught Horse Society	Pony Club
Irish Master Farriers Association	Riding Clubs
Irish Pony Society	Riding for Disabled Association
Irish Thoroughbred Breeders Association	Royal Ulster Agricultural Society
Moy Riding School Ltd8	Rural Community Network
National Pony Society	Showjumping Association of Ireland
NIAPA	Side Saddle Association
NI Association of Riding Schools	Ulster Farmers Union
NI Carriage Driving Association	Ulster Rural Riders Association
NI Connemara Breeders Association	Young Farmers Clubs of Ulster