



Department of  
**Finance and  
Personnel**

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# **Rating of Commercial Properties: small businesses, large retail properties and empty shops**

## **Consultation Outcomes Report**

November 2011

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## MINISTERIAL FOREWORD

### *Background*

During my Budget announcement on 4 March this year I announced the Executive's intention to rebalance the non-domestic rating system so that during this continuing downturn additional smaller businesses would get help, while the very largest retailers would pay more. I published proposals for 16 weeks consultation on 28 June. A diverse range of views has been expressed during this consultation, which is hardly surprising given that the proposals involve some paying more in rates and others getting more relief.

In considering the consultation responses I think that it is fair to say that some have misinterpreted the aim of the proposals. They were not brought forward to arrest the growing trend for out of town retailing but to raise money to support small businesses. On balance, however, the measures would be expected to do more for town centres than edge of town and out of town developments.

I have noted the concerns that have been expressed by those representing large retail that a levy would do damage to that sector, particularly with worsening retail sales in Northern Ireland. A lively public debate has been played out in the media on the issue in recent weeks. Some of it has been useful but it is a pity that a lot of it has been ill informed. Now is the time for me to look at this important issue dispassionately and in the light of the responses received and the available evidence.

### *Broadening the levy*

One of the suggested alternatives put forward was to raise the regional rate. This is something that the Executive could consider but it would be contrary to its agreed freeze in the regional rate through to 2015 and would add cost to our most vulnerable businesses, during the worst economic downturn in living memory. Others have suggested charging all large business premises the levy. This would, however, run contrary to established policy in a number of areas. For instance, the Assembly has already agreed to hold manufacturing rates at their current level for the spending review period. Charging a rates levy on our utility companies would only be passed onto customers through higher bills, adding cost to businesses and increasing fuel poverty for households. Applying the levy to airports would run contrary to policy on air passenger duty. It is not possible to identify specific large office users (such as financial institutions and banks) through the rates system, because rates are simply a tax on the occupation of premises and liability is based on property value, without reference to the occupying business.

Some have suggested that car parks in out of town shopping centres should pay a separate rate. This is a difficult thing to do within the rating system because the value of individual shops already reflects the advantages of free car parking and other common facilities such as the covered mall. If this is to be taken further I think it needs to be considered as a separate charge and is something that would need more consultation and research.

### *Enlarging the small business rate relief scheme*

There was strong support for enlarging the small business rate relief scheme. While some would wish any such change to last longer than three years it is important to recognise that the proposals were put forward as a response to the downturn and that it will take us up until the next revaluation; which will redistribute the rating burden so that sectors and locations that have fared better than others will pay more and those that have not fared as well will pay less.

While there were few that were against providing additional support to small businesses it has been argued by some that the scheme should be more effective and more targeted. This is more difficult to administer than it might seem and I want to keep the scheme an automatic one. Views expressed by some were fairly clear, however, that banks and chains of bookmakers should not be entitled to relief. While these represent a very small proportion of the businesses that would get help I will examine if there are ways of excluding businesses with multiple premises. There may not be sufficient time to do this for rate bills for the forthcoming rating year but it may be possible for the two subsequent years.

### *Empty shops*

On the issue of empty shops I would share concerns about the impact that these can have on our town centres and shopping areas. This is a growing problem and one that appears worse in Northern Ireland than other parts of the UK. For some years now we have experienced a transformation in the way the retail economy behaves and it seems likely that we are facing a long term and structural oversupply of shops in all of our towns and cities. Nevertheless, it is important, for a whole variety of reasons, that we protect the core of our urban centres from this growing blight and keep them alive.

I have listened carefully to suggestions for getting empty shops back into business. As well as taking forward the proposal for allowing window displays, while retaining unoccupied rates relief, I would like to do more and will be examining the feasibility of providing a rates concession to help get long term empty shops back in business.

### *Revaluation*

Finally, it is very clear that a general revaluation has to happen in 2015, at the same time as the rest of the UK. To ensure this happens I would like to make the necessary changes to provide clarity around the production of a new valuation list in changing economic circumstances. Some have suggested that we go further and amend the material change in circumstances provision in line with the rest of the UK, so that the valuation list is a more flexible one between general revaluations. While the points on equity and fairness are well made it is not a feature of the GB business rates system that we can readily import to Northern Ireland. Flexibility for ratepayers means instability for government finances, particularly local councils. Unlike local authorities in the rest of the UK,

which are largely grant funded, councils here receive most of their financing directly from rates.

### *Consultation and decisions*

As part of the consultation process I met with a range of businesses and their representative organisations. I will be reflecting on these discussions and all the views I have received from the public consultation. While my mind has not been made up yet on the levy it has to be said that the consultation did not stimulate any new thinking on how the extra money could be raised to help small businesses through these extremely difficult times, beyond suggestions of a general increase in the regional rate or applying the levy to other large non-domestic properties.

What is certain is that paying for it out of public expenditure is a thing of the past; businesses know that, households know that and the Assembly knows that. The funding for the extension of the small business rate relief scheme has to come from somewhere else.

I would like to thank everyone who responded to the consultation for their valuable contribution. In total there were 70 responses to the consultation exercise, which are available on the Rating Review website. This report provides a summary of what has been said by those who responded.

I will be carefully reflecting on what has been said and considering the evidence gathered through this process. I will also be taking into account the views of the Finance and Personnel Committee. Only then will I present recommendations to my Ministerial colleagues in the Executive. I intend to announce final decisions on the way forward by mid December, subject to Executive consideration. Following this legislation will be brought forward for Assembly consideration and agreement to the changes being implemented by 1 April 2012.

## SECTION 1: OVERVIEW OF CONSULTATION PROCESS

1. A consultation paper on the rating of commercial properties was published for consultation on 28 June 2011, allowing 16 weeks for the public to respond. The paper set out a range of proposals aimed at rebalancing the rating system during a period of economic downturn through to recovery. The preferred approach was as below:

### Preferred approach (as consulted on)

- (i) Extending the reach of the small business rate relief scheme;
- (ii) Paying for this by introducing a levy on retail properties with a rateable value of £500,000 and above;
- (iii) Allowing the use of window displays in empty shops for non-commercial purposes, preserving 50% empty property relief (or any exclusion); and
- (iv) Clarifying the legislation relating to valuation assumptions for the next general revaluation in 2015.

2. The consultation paper was issued to a wide range of interested parties, placed on the Department's website and its publication was advertised in the local press. The issues have stimulated extensive coverage in both the local and regional press over recent months.
3. During the consultation period the Finance Minister, Sammy Wilson, held a series of meetings with both large and small businesses and their representative organisations. This included meetings with *Asda*, *B&Q*, the *Belfast Chamber of Trade and Commerce*, the *Coleraine Chamber of Trade and Commerce*, the *CBI*, the *NI Independent Retail Trade Association*, *Sainsbury's* and *Tesco* as well as attendance at a range of business meetings. Officials also met representatives from the business community.
4. Consultation finished on Tuesday 18 October, with 70 written responses. Of these 23 were from representative organisations and professional bodies, 22 from businesses, 16 from district councils and six from political representatives (including political parties). There were also responses from two public bodies and one ratepayer. The responses focused on the proposed expansion of the small business rate relief scheme and its funding through a large retail levy.
5. A full list of respondents is included at **Annex A**. Copies of the consultation responses are also available on the Review of Rating policy website ([www.dfpni.gov.uk/rating-review](http://www.dfpni.gov.uk/rating-review)).
6. This report summarises the views expressed by those who responded to the consultation exercise. Although the Minister has outlined in very broad terms his current thinking in the foreword to this report, he will not be making recommendations to the Executive until he has considered the

views of the Finance and Personnel Committee. Final decisions will be set out in a paper to be published after the Executive has decided on the way forward. That paper will also include the final integrated impact assessment.

7. The report is structured into sections dealing with the four main policy proposals and other issues. **Section 2** sets out updated research and analysis. **Section 3** provides a summary of the consultation responses. **Section 4** sets out the views expressed on the large retail levy, while **Section 5** deals with the proposed expansion of the small business rate relief scheme. **Sections 6 and 7** provide an overview of the responses on the proposals relating to window displays in empty shops and clarifying the valuation assumptions for future non-domestic revaluations. **Section 8** considers other issues raised during consultation. **Section 9** sets out the next steps in terms of Executive and Assembly consideration of the final policy position.

## SECTION 2: THE WIDER CONTEXT

8. Since the publication of the consultation paper in June further relevant information has emerged about the wider context for these changes.

### Economic outlook

9. Serious concerns were raised during the consultation about the recent downturn in the retail sector, with evidence of reduced consumer confidence and spending.
10. The *Northern Ireland Index of Services for Quarter 2, 2011*, reported that output for the wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service activities sector had fallen by 9.6%. It is not possible, however, to break this down by sector but it would appear that consumer spending and confidence have declined.
11. Recent publications also point to a significant decline in small business confidence. The most recent small business confidence index<sup>1</sup> shows a slump in confidence due to the pressure of weak demand and rising costs. Revenue expectations have also become negative while a growing number of small firms have been laying off workers, or are looking to cut staff over the coming three months.
12. The October report also highlights that it is the first time since the Index started that more business people believe that they are going to lay off staff rather than take them on, while it is also the first time that confidence and the outlook across regions of the UK has been negative.

### Empty shops

13. The Department has also noted concerns about the growing number of empty shops in local towns and city centres and the adverse impact this is having economically and socially.
14. The commercial property estate agents Lisney<sup>2</sup> undertook research on vacancy levels across Northern Ireland, looking at the retail market in 17 local towns and cities. This suggested that vacancy levels range from 3.6% in Craigavon to 20% in Portadown and are 14.4% on average. Vacancy levels were considered to be 18.1% in Belfast (a figure which the Department can confirm from its own analysis).
15. The Lisney research noted that large variances were reflective of overdevelopment of retail units and schemes in some locations. The

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<sup>1</sup> The FSB 'Voice of Small Business' Index was published on 17 October 2011. It is a quarterly macro-economic report analysing the trends of small businesses in the UK market. This report was produced by the centre for economic and business research (cebr) and is based on 1,673 responses from the September 2011 FSB 'Voice of Small Business' Survey Panel of FSB members.

<sup>2</sup> Lisney report, September 2011, [High level of retail vacancy will continue to suppress rents](#).

report also indicated that Cookstown, for example, with a well established high street and a small quality retail park has a vacancy level of 6%, whereas Portadown with three shopping centres, all within the town centre boundaries, has a 20% vacancy level.

16. This is a phenomena experienced in the rest of the UK. The economic downturn is one reason, the increasing concentration of retailing is another but some experts are putting it down to a retail revolution that is taking place, with fierce competition emerging from within the 'multi channel' retailing industry (selling via website, catalogues, call centres etc.) making it increasingly hard for shops on our high streets and main thoroughfares.
17. In this context a number of consultation responses commented on the need for measures to encourage empty retail properties back into use. Further detail on this is set out in **Section 8**.

### **Comparison with rate bills in GB**

18. As part of its analysis the Department asked a number of large UK based retailers to produce 'like with like' comparisons of rate costs between Northern Ireland and the rest of the UK. Aside from information from *Ikea* no evidence was forthcoming during consultation. The Department has undertaken its own analysis.
19. The use of national averages is likely to be misleading because rating assessments vary so much between one area of the country and another. For example it is not appropriate to compare the likes of Belfast with the major urban conurbations found in the South East, the Midlands and in the North West of England as these are expected to have higher rates liability.
20. Instead it is considered more reliable and helpful to examine the rates paid by large stores in a comparable medium sized city in the rest of the UK. Analysis undertaken by CACI (a UK market leader in location planning), indicates that Hull presents the closest comparison with Belfast in terms of household mix, demographics and other socio economic data.
21. The Valuation Office Agency in England publishes its rating valuations on the internet and also their associated guidance notes which explain the approach taken and what properties are covered by it. This is called a valuation scheme. The relevant valuation scheme for the Hull area (which applies to superstores in South Yorkshire and includes the billing authority areas of East Riding, Kingston upon Hull and North Lincolnshire) states that the most commonly adopted value per square metre or unit within this valuation scheme is £235.00. The Department's detailed analysis shows, however, that the figures for Hull and the surrounding area are slightly lower than their valuation scheme suggests, as the table below indicates.
22. The last revaluation in England took place in April 2010 with a valuation date of 2008. Northern Ireland was supposed to have followed suit but

this was postponed due to the volatility in the property market, which meant that there was insufficient rental evidence here to establish a new valuation list reliable enough to raise revenue from ratepayers. Non-domestic properties were last revalued in Northern Ireland in April 2003, based on 2001 values.

23. A valuation comparison is therefore meaningless. However, **it does allow a valid comparison to be made between the rates paid per square metre in the Belfast area (as well as Northern Ireland) with the rates paid per square metre in Hull.**
24. Our analysis reveals the following:

**Value and rate liability per sqm**

<i>Supermarkets only (4,600 – 11,000 square metres)</i>	<i>No. of properties</i>	<i>Average value per sqm</i>	<i>Average rate liability per sqm</i>
Hull	10	229	99
Belfast	6	113	62
Wider area around Hull	60	220	95
Northern Ireland	34	105	58

*The average rate liability is based on a 2011/12 non-domestic rate of 55.6p in Northern Ireland, and a unified business rate of 43.3p in England.*

25. **The conclusion is that rate liability per square metre for larger purpose built supermarkets in Belfast is approximately 60% that of Hull.**
26. Notwithstanding reservations about adopting national averages, the valuation levels found in Hull apply throughout the North East of England area, including cities like Newcastle and therefore the above figures can be considered as fairly typical for that whole region
27. Furthermore, values for the supermarkets in Hull increased by 35% on average at the 2010 revaluation, compared to a 19% overall average. So, following the revaluation the supermarkets in the Hull area ended up paying 16% more in rates (ignoring any transitional relief that may have applied). This provides some comparative evidence that had there been a revaluation in Northern Ireland in 2010, this would have led to significant increases in liability.
28. Some respondents have rejected this assertion because of more competition amongst larger retailers since 2003 but this argument is only considered valid in exceptional cases for particular stores. The more important and broader consideration is the increasing share of the retail market secured by larger retail outlets since the last Northern Ireland revaluation in 2003.

29. The above analysis is particularly relevant for all the food based large retailers, who would end up paying around 40%<sup>1</sup> of the proposed levy and have been the most vocal opponents of it.
30. It is not so relevant to other large retailers. Ikea is a case in point (the one company that presented comparative figures) who pointed out that their Scottish stores pay slightly less than their Northern Ireland store. City centre department stores present a variable picture and it is difficult to establish clear comparability. Some are higher in Northern Ireland, some are lower.
31. Likewise, the same analysis does not work for more traditional (i.e. smaller) shops. These are much more variable, within towns and cities. Some will increase in the same town at revaluation and others will decrease. It is worth noting though, that the 407,700 shops in England decreased in liability by an average of 1% following the 2010 revaluation.<sup>2</sup>
32. This analysis is presented as a contextual point not as direct justification for a levy or the amount of the levy. The policy justification remains one of charging the large retail sector more and charging small business less (as they are less able to survive through this downturn, given that rates represent a higher proportion of outgoings than for larger businesses). The levy, therefore, is not intended as some sort of technical adjustment to rate bills because of the absence of a revaluation.

### **Scottish Public Health Levy**

33. It is noted that the Scottish Executive recently announced its intention to introduce a public health levy. This is intended to tackle the cost of problems associated with alcohol and tobacco through a business rates supplement paid by large retailers selling both goods from April 2012. It is estimated that the levy will raise £30m in 2012-13, equivalent to just over 0.1% of retail turnover in Scotland. The supplement is intended to apply at a standard rate across all retail properties with a rateable value of over £300,000 with the revenue to be used towards preventative spend measures. The policy is currently out for consultation as part of the Scottish Executive's draft budget.
34. The aims and potential impact of this policy are quite different to the large shops levy proposals here. Although it is something that could be considered before final decisions are made on the large shops levy, it would not be possible to have it in place for April 2012 because of the need to fully research and consult on the matter.
35. The directly related issue of funding the expansion of the small business rate relief scheme would remain and it is inevitable that this would cause

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<sup>1</sup> Around 50% if Marks and Spencer is counted as a food based retailer.

<sup>2</sup> Department of Communities and Local Government, [Business Rates Information Letter](#), 10/09

delay, which would not be desirable given that the overriding intention is to provide support as soon as possible to the small business community during the current downturn.

36. Furthermore, if the Executive and Assembly approve a levy on the largest shops, it will run for three years and therefore it would not be realistic to consider the imposition of an alternative, or supplementary, public health levy.

## SECTION 3: SUMMARY OF CONSULTATION RESPONSES

37. This section provides a brief tabular overview of the headline consultation responses set out in the **Sections 4 – 7**. More detail on the issues raised on each of the policy proposals is set out in the relevant sections. In total there were 70 consultation responses as follows:

- Businesses 22
- Organisations 23
- District councils 16
- Political representative/parties 6
- Public bodies 2
- Ratepayers 1

### Large retail levy

#### OVERVIEW OF CONSULTATION RESPONSES

- **Support for/agreement to the preferred approach:** 31 of the responses fully supported the large retail levy as a means of funding expansion of the small business rate relief scheme or, while expressing some reservations, generally agreed that on balance this was the most appropriate mechanism taking account of the issues set out in the consultation paper. This consisted of three businesses, 13 district councils, 10 organisations, four political representatives and one ratepayer. Of these around half made additional suggestions in relation to the proposals, while agreeing to the introduction of a large retail levy. In supporting the large retail levy a number were also attracted to a levy on out of town car parks or out of town stores more generally.
- **Opposition:** 22 responses were opposed to the large retail levy, half of which were large retailers. The 22 respondents consisted of 13 businesses, one district council and eight organisations.
- **Comments/concerns:** Seven responses commented on the large retail levy either raising concerns or not taking a definitive position. This consisted of two district councils, four organisations and one political representative.

<i>Position on large retail levy (funding SBRR expansion)</i>	<i>Total</i>	<i>Business</i>	<i>District Councils</i>	<i>Organisations</i>	<i>Pol Rep</i>	<i>Rate payer</i>
Support/agreed	31	3	13	10	4	1
Against	22	13	1	8	-	-
Comments/concerns	7	-	2	4	1	-
<b>Total</b>	<b>60</b>	<b>16</b>	<b>16</b>	<b>22</b>	<b>5</b>	<b>1</b>

## Small business rate relief scheme

### OVERVIEW OF CONSULTATION RESPONSES

- **Support for/agreement to the preferred approach:** 40 of the responses fully supported or agreed, on balance, with expansion of the small business rate relief scheme. This consisted of six businesses, 14 district councils, 14 organisations, five political representatives and one ratepayer.
- **Against/Concerns:** 14 responses had some concerns about the extension of the small business rate relief scheme (or the scheme more generally). This consisted of six businesses, two district councils, five organisations and one political representative.

While no one opposed support for small businesses per se concerns related to the effectiveness of the measure (in terms of targeting and the difference that small amounts of relief could make), the need for evaluation and also the provision of relief on multiple premises (where these form part of a chain). Suggestions were also made about how additional support could be funded.

<i>Position on SBRR extension</i>	<i>Total</i>	<i>Business</i>	<i>District Councils</i>	<i>Organisations</i>	<i>Pol Rep</i>	<i>Rate Payer</i>
Support	40	6	14	14	5	1
Against /Concerns	14	6	2	5	1	-
<b>Total</b>	<b>54</b>	<b>12</b>	<b>16</b>	<b>19</b>	<b>6</b>	<b>1</b>

## Window displays in empty shops – Disregarding non-commercial use

### OVERVIEW OF CONSULTATION RESPONSES

- **Support for preferred approach:** 26 responses fully supported the preferred approach to allow the limited use of window displays in empty shops without incurring full occupied rates. This comprised three businesses, nine district councils, 10 organisations, three political representatives and one public body.
- **Supports broad direction but favours extension:** 11 responses supported the broad direction of the proposals but felt that more is needed to be done by way of the permitted activities. This consisted of one business, five district councils, four organisations and one political representative.

<i>Position on preferred approach</i>	<i>Total</i>	<i>Business</i>	<i>District Councils</i>	<i>Organisations</i>	<i>Pol Rep</i>	<i>Public Body</i>
For	26	3	9	10	3	1
Supports broad direction but favours extension	11	1	5	4	1	-
Comment	1	-	-	1	-	-
<b>Total</b>	<b>38</b>	<b>4</b>	<b>14</b>	<b>15</b>	<b>4</b>	<b>1</b>

## Clarifying assumptions for future non-domestic revaluations

### OVERVIEW OF CONSULTATION RESPONSES

- **Support for preferred approach:** 17 responses indicated support for the preferred approach more generally or specifically in terms of clarifying the valuation assumptions for future non-domestic revaluations.
- **Opposed/comments:** Two responses opposed the proposal relating to properties valued by reference to their volume of trade. A further two responses suggested that account should be taken of 'material change of circumstances'.
- There was some confusion over the fact that any changes would apply only at a generation revaluation and not for the purpose of revising a valuation list in force between revaluations

<i>Position on preferred approach</i>	<i>Total</i>	<i>Business</i>	<i>Organisations</i>	<i>District Councils</i>	<i>Political Representative</i>
For	17	3	7	6	1
Against	2	1	1	-	-
Comment	2	1	1	-	-
<b>Total</b>	<b>21</b>	<b>5</b>	<b>9</b>	<b>6</b>	<b>1</b>

## **SECTION 4: LARGE RETAIL LEVY**

### **Consultation background and preferred approach**

#### **Original consultation proposal**

- Average 20% levy on large retail properties with a rateable value of £500,000 or more.
- Extension of the small business rate relief scheme would be funded through this.
- Intended to rebalance the non-domestic rating system so that during the economic downturn additional smaller businesses would get help, while the very largest retailers would pay more.
- Around £6.5m would be raised (at 2011/12 levels).
- Average levy of around £85,000.
- Time limited to three years, applying through to the 2015 non-domestic revaluation.

38. The consultation paper's preferred approach was chosen on the basis that the economic performance of large retailers has generally been more positive in recent years than that of small businesses. Although the economic downturn has adversely affected most businesses larger retail is considered to have fared better than small business during these difficult times, with rates also representing a higher proportion of outgoings for small businesses.
39. A number of policy issues were considered in the consultation paper including:
- (i) why large retailers;
  - (ii) alternatives to a levy on large retail premises;
  - (iii) alternatives to a fixed percentage levy;
  - (iv) the rateable value threshold; and
  - (v) the impact on consumers, investment and prices.
40. The assessment in the consultation paper was that the temporary nature of the proposed levy, and the competition that exists within the retail sector, was important. Also it noted that there was no noticeable impact of a 30% increase in rates liability for large retail warehouses at the last revaluation in Northern Ireland.

### **Overview of Consultation responses**

41. The vast majority of consultation responses (60 out of 70) commented on the large retail levy generally, as well as using it as a mechanism for funding expansion of the small business rate relief scheme. This comprised 16 businesses (11 of which would be affected by the proposed levy), 16 district councils, 22 organisations, five political representatives and one ratepayer. An overview of the responses is set out in the text and

table below.

<i>Position on large retail levy (including funding of SBRR expansion)</i>	<i>Total</i>	<i>Business</i>	<i>District Councils</i>	<i>Organisations</i>	<i>Pol Rep</i>	<i>Rate payer</i>
Support/agreed	31	3	13	10	4	1
Against	22	13	1	8	-	-
Comments/concerns	7	-	2	4	1	-
<b>Total</b>	<b>60</b>	<b>16</b>	<b>16</b>	<b>22</b>	<b>5</b>	<b>1</b>

42. **Support for/agreement to the preferred approach:** 31 of the responses fully supported the large retail levy as a means of funding expansion of the small business rate relief scheme or, while expressing some reservations, generally agreed that on balance, this was the most appropriate mechanism taking account of the issues set out in the consultation paper. The majority of the 31 responses were from representative organisations, district councils and political representatives.
43. Of these around half made additional suggestions in relation to the proposals, while agreeing to the introduction of a large retail levy. While supporting the large retail levy a number were also attracted to a levy on out of town car parks or out of town stores more generally.
44. **Opposition:** 22 responses were opposed to the large retail levy, around half of which were large retailers that would be affected by the levy, the remainder comprising representative organisations. A number of these responses suggested alternative ways to fund expansion of the small business rate relief scheme.
45. **Comments/concerns:** Seven responses commented on the large retail levy, either raising concerns or not taking a definitive position on the levy. This comprised four organisations (including the *Land Value Taxation Campaign*, *RICS* and the *Union of Shop, Distributive and Allied Workers*), two district councils and one political representative.

### **Issues raised in consultation responses**

46. Given the range of issues raised an overview of the consultation responses is provided (with reference to the consultee type) by subject matter, rather than simply looking at organisational, local government and business responses etc. as a whole. This is in order to avoid duplication.

### **Large retail levy to fund SBRR expansion**

47. The 31 that fully supported, or agreed on balance with the introduction of, the levy as a means to fund small business rate relief expansion included

three businesses, 13 district councils, 10 organisations and four political representatives. Among these were *Derry City Council*, the *Federation of Small Businesses*, the *Institute of Revenues, Rating and Valuation*, *Lisburn City Centre Management*, the *NI Independent Retail Trade Association* and the *NI Local Government Association*. These responses broadly focused on the benefit of the small business rate relief scheme, the impact of the levy and alternative funding mechanisms.

48. Position of large retailers: Of those agreeing with the levy there was support for the arguments that relatively large retailers have fared better than smaller businesses in recent years, that there is limited public funding to help small businesses and that there are limitations of a levy on all high value properties (including among others *Ards and Limavady Borough Councils*, *Larne Traders Forum*, the *NI Local Government Association*, *Pubs of Ulster* and the *Green party*). A number of respondents also felt that the levy was not severe enough to adversely impact on investment and employment, while others felt that the profits of small businesses would be reinvested or spent in the local economy (*Strabane District Council* and *Pubs of Ulster*).
49. To avoid duplication the detail relating to the need for an expanded small business rate relief scheme, and the associated support for the large retail levy, is set out in **Section 5** which deals with comments on the small business rate relief scheme more generally.
50. The 22 respondents opposed to the large retail levy included 13 businesses (11 would be affected by the levy), one district council and eight organisations covering *Asda*, *B&Q*, *Next* and *Tesco* as well as the *Belfast Chamber of Trade and Commerce*, *Belfast City Centre Management*, *Belfast City Council*, the *CBI*, the *Londonderry Chamber of Trade and Commerce*, the *NI Retail Consortium* and *Savills*. The reasons cited for their opposition, as well as the comments from those with concerns, are set out at paragraphs 51 – 58.
51. Investment and jobs: The most cited reason from the 22 respondents opposed to the levy was the potential to adversely impact on investment (around three quarters of those opposed). Slightly over half stated that the retail levy would affect store development/expansion and employment levels. These reasons were stated by most of the large retailers that responded as well as the *Belfast Chamber of Trade and Commerce*, *Belfast City Centre Management*, *Belfast City Council*, the *CBI*, the *NI Retail Consortium* and *Savills*.
52. The *NI Retail Consortium* claimed that the levy would equate to around 400 retail jobs a year, while *Tesco* contended that it would be around 1500 over three years.
53. Corporation tax: Those opposed to the levy such as *Arcadia*, *Tesco*, *B&Q* and *NI Food and Drink* expressed concerns about the interaction with corporation tax and the mixed signals that it sends out to those wishing to

invest in Northern Ireland.

54. Penalising the retail sector: Concern was expressed by *Arcadia, Asda*, the *CBI*, the *NI Retail Consortium* and *Tesco* that the levy would penalise companies for being successful. A number of respondents also stated that it was unfair to single out the retail sector over other industries such as the utilities (gas and electricity) and the banking sector (including *Arcadia, Asda*, the *Belfast Chamber of Trade and Commerce*, the *British Property Federation*, the *CBI*, *Ikea*, *Next*, the *NI Retail Consortium* and *Tesco*).
55. Cost of doing business in Northern Ireland: It was contended that the cost of doing business in Northern Ireland is higher than the rest of the UK and that the retail sector is already facing significant pressures. Those raising this included many of the large retailers such as *Arcadia, Asda*, and *Next* along with the *CBI*, the *NI Retail Consortium* and *Savills*.
56. Profit: A number of those opposed to the levy advised that the retail sector operates on a high turnover, low margin basis. The *CBI* listed net profit margins of over 5% for grocery/DIY stores and up to 12% for fashion retailers. Comments were also made by some that not all large retailers are the same and operate on different profit margins and business models (including *B&Q*, the *CBI*, *Ikea* and *Toys R Us*).
57. Three year time frame: Other concerns raised about the levy were that it would not simply last for three years, although the time frame was made clear in the consultation paper. The need for a large retail levy beyond this would also be negated by the general revaluation scheduled for 2015. Five large retailers as well as the *Belfast Chamber of Trade and Commerce*, the *CBI*, the *NI Retail Consortium* and the *Royal Institution of Chartered Surveyors* felt that the Executive would find it politically difficult to remove the relief after three years.
58. Individual profit/loss centre: A point made by a number of those opposed to the levy, including most of the large retailers was that each large retail store operates as an individual profit/loss centre for companies, regardless of overall UK/international profits. The contrary approach was often adopted when suggesting that revenue could be realised from limiting small business rate relief on multiple premises, the rationale being that some businesses are part of successful chains, disregarding the individual profit/loss basis.
59. Prices: Of those agreeing with the levy or expressing some concern five responses commented on potential price increases. Those opposed to the levy did not suggest that it would directly impact on consumer prices. In addition, both the *Londonderry Chamber of Commerce* and *RICS* considered that the levy would not be passed on in higher prices due to national pricing structures.
60. A number of responses did not have a clear or definitive position on

whether the levy should be introduced or commented with concerns. The *Land Value Taxation* campaign was of the view that business rates generally should be replaced with land value tax, while the *Union of Shop, Distributive and Allied Workers* indicated that employment levels and the number of hours worked should be monitored for the duration of the policy. *Antrim Borough Council* cited arguments, from within the council area, from those both in favour of and opposed to the levy. *Ballymena Borough Council*, while indicating that there was little scope in terms of alternative funding mechanisms, stated that further economic appraisal was needed before a comprehensive approval of the preferred approach could be fully supported. The *SDLP* had some concerns around investment, jobs and prices but indicated that if these were addressed that it would consider supporting any associated legislation.

61. Rebalancing through revaluation: The Institute of Revenues, Rating and Valuation agreed with the proposals, acknowledging that the cancellation of the revaluation had led to a perceived need to rebalance the rating system during the pronounced downturn. In addition, some of those opposed to the levy (the *Belfast Chamber of Trade and Commerce*, the *CBI*, *Easons*, *McFarland*, *Graham and McCombe Solicitors*) suggested that a general revaluation should have been the means of rebalancing the rating system.

### **20% levy**

62. While the majority of responses commented on the large retail levy there was less specific comment on its level (20%). Of those that commented 16 were in favour of a 20% levy while 12 were opposed to both the levy and its level. Both groups were fairly evenly split between organisations and businesses. One business suggested that the levy should be 25%.
63. In addition, it could reasonably be assumed that the majority of those opposed to the levy would also be opposed to its level.

### **Alternatives to a large retail levy**

64. The majority of the comments on alternative funding suggestions came from those opposed to the levy, stating that there were fairer ways to raise funding to expand the small business rate relief scheme. It was also claimed that the retail sector already accounts for around 25% of all business rates (*Asda*, *Boots*, *Next*, *Tesco* and the *NI Retail Consortium*).
65. A number of those that agreed with the preferred approach of the large retail levy also indicated additional support for an out of town levy or levy on out of town car parks. This is a difficult thing to do within the rating system because the value of individual shops already reflects the advantages of free car parking and other common facilities such as the covered mall.
66. A small number of consultation responses while indicating that on balance

the levy was the most appropriate funding mechanism or should be tried, also expressed some reservations. This included *Ulster Unionist Councillors on Lisburn City Council*.

- Levy on all large properties with an NAV of £500,000: This was suggested by *Belfast City Council* and the *Belfast Chamber of Trade and Commerce* as well as *Arcadia, Asda, Next* and *Tesco*.
  - Levy at a range of lower thresholds or all above SBRR threshold: This was put forward by *Arcadia, Asda, Boots, Next, Tesco* and noted by *RICS*.
  - Levy on out of town stores: 12 responses, mainly those that agreed with the preferred approach, indicated that they would also support a levy on out of town stores or a levy on out of town car parking. This was supported as a means of redressing the perceived imbalance towards/impact of out of town shopping. This included *Belfast City Centre Management, Coleraine Town Partnership, the NI Independent Retail Trade Association, Sinn Fein* and *SDLP* representatives and three councils. *Asda, B&Q, the CBI* and *Tesco* suggested that the appropriate place for this concern to be dealt with was through the planning process.  
Levy on supermarkets: Very few responses commented on the notion of a supermarket levy. Of those that did the preference was generally for a wider levy to apply to high value retail premises or additionally for a levy on out of town stores. A few responses indicated support for a public health levy, which would tend to affect supermarkets (see below)
  - Banded levy: This was supported by one large retailer, *TK Maxx*, and opposed by *Tesco*, while others including *Belfast City Council* stated that it would be complex.
  - Public health levy (alcohol and tobacco related): This was put forward as a possible alternative by *B&Q, Belfast City Council, Londonderry Chamber of Commerce* and *Toys R Us*.
  - Regional Rate increase: *Asda, the CBI* and *Savills* suggested that a regional rate increase could fund expansion of the small business rate relief scheme.
67. Other alternative funding suggestions from one or two responses included a land value tax (*Land Value Tax Campaign*), the removal of industrial derating or vacant rating relief (*Fermanagh District Council*) to partly fund expansion of the small business rate relief scheme and a tax based on turnover (*Ulster Unionist Councillors on Lisburn City Council*).
68. Seven of those that supported the preferred approach specifically expressed concerns about the viability of all or some of the alternative funding mechanisms considered in the consultation paper. This included four district councils, the *Federation of Small Businesses, Larne Traders Forum* and the *NI Local Government Association*.

## **In town/out of town**

69. A number of responses commented on the issue of out of town versus town centres. Concerns were raised by some about the advantage that they perceived out of town retailers to have over town centres, given free parking and location. It was also suggested that out of town retailers have lower rates per square foot. Responses raising these issues included *Newry Chamber of Trade and Commerce*, *Newry and Mourne District Council*, the *NI Independent Retail Trade Association* and a few small businesses. As noted above 12 responses, mainly those that agreed with the preferred approach, indicated that they would also support a levy on out of town stores or a levy on out of town car parking.
70. Some responses also raised concern that the proposals, which were not put forward as out of town measures, would also hit town centres. This included, among others, *Asda*, the *Belfast Chamber of Trade and Commerce*, *Belfast City Council*, the *CBI*, the *Londonderry Chamber of Commerce*, the *NI Retail Consortium* and *Tesco*.

## **Ministerial meetings with business and representative organisations**

71. As part of the consultation process the Minister and departmental officials held a number of meetings with businesses and their representative organisations. Similar views to those set out in this section were expressed at those meetings. Concerns were raised about why the retail sector was chosen, whether the levy would be limited to three years, the higher costs of doing business in Northern Ireland and the health of the retail sector more generally.
72. The wider regulatory regime in Northern Ireland was also perceived as a worry, given the potential impact on the retail sector, as well as the conflicting messages from the Executive regarding working with the private sector (on the large retail levy and corporation tax).
73. During these meetings the Finance Minister was also advised that on the issue of using UK wide turnover each store has to stand on its own in terms of profitability, with retail being a low margin business. The view was also expressed that expansion of the small business rate relief scheme should be funded by a levy on all of those not in receipt of small business rate relief.
74. During the course of the meetings concern was expressed about the cancelled revaluation as well as the impact that high numbers of empty shops can have. The issue of a levy on free out of town car parks was also touched on, while support was expressed for progressing Business Improvement Districts.

## SECTION 5: EXPANSION OF THE SMALL BUSINESS RATE RELIEF SCHEME

### Consultation background and preferred approach

#### Original consultation proposal

- 20% relief for eligible properties with an NAV of £5,001 to £10,000.
- Would be funded through a large retail levy.
- Approximately £6.5m (2011/12 levels) a year would be provided to around 9,000 businesses with an average award of around £730 a year.
- Time limited to three years (through to 31 March 2015).
- Along with the current scheme around 25,000 businesses in total would receive help with their rates, with a total relief of up to £14m a year.

75. As part of the rebalancing of the non-domestic rating system the consultation paper proposed that the large retail levy would fund expansion of the small business rate relief scheme. The key objectives were to increase the number of premises receiving relief (rather than enhance help for those already getting relief), for this to be time limited to three years and to be as revenue neutral as possible to the Executive. As a result it was proposed that the amount of relief would be broadly in line with the amount raised through the levy.
76. A key factor in terms of the preferred approach was the desire to keep the scheme as simple as possible, retaining an automated system. To do otherwise would simply add to administration costs; for businesses who then have to apply for it and for government who administer it.
77. In conclusion the consultation paper noted that final decisions on expansion of the small business rate relief scheme would depend on decisions taken on the proposed large retail levy.

### Overview of Consultation responses

78. Similar to the large retail levy the majority of responses (54) commented on expansion of the small business rate relief scheme. This comprised 12 businesses (seven affected by the levy), 16 district councils, 19 organisations, six political representatives and one ratepayer. An overview of the responses is set out in the text and table below.

<i>Position on extension of SBRR</i>	<i>Total</i>	<i>Business</i>	<i>District Councils</i>	<i>Organisations</i>	<i>Pol Rep</i>	<i>Rate Payer</i>
Support	40	6	14	14	5	1
Against /Concerns	14	6	2	5	1	-
<b>Total</b>	<b>54</b>	<b>12</b>	<b>16</b>	<b>19</b>	<b>6</b>	<b>1</b>

79. **Support for/agreement to the preferred approach:** 40 of the responses fully supported or agreed with expansion of the small business rate relief.
80. **Against/Concerns:** 14 responses had some concerns about the extension of the small business rate relief scheme (or the scheme more generally). While no one opposed support for small businesses per se concerns related to the effectiveness of the measure (in terms of targeting and doubts about the difference that small amounts of relief could make), the need for evaluation and also the provision of relief on multiple premises (where these form part of a chain). Suggestions were also made about how additional support could be funded.
81. Not all of the 40 responses commented specifically on the three year 'downturn' period. Of those that did 14 were in favour of the measure applying for three years. An additional eight supported the measure but asked that consideration be given to extending it beyond three years (subject to evaluation in some cases). 9 responses also expressed concern that the Executive would find it politically difficult to remove the relief after three years.

## Issues raised in consultation responses

82. Some of the issues raised during consultation are set out below.

### Expansion of the Small Business Rate Relief

83. Of the 54 responses that commented on expansion of the small business rate relief scheme, 40 fully supported or agreed with extending the small business rate relief scheme, including six businesses, 14 district councils, 14 organisations, five political representatives and one ratepayer. This included *Craigavon Borough Council, Castlereagh Borough Council, the Federation of Small Businesses, the Federation of Small Businesses, the Institute of Revenues, Rating and Valuation, the NI Local Government Association, the NI Independent Retail Trade Association and Portstewart Vision*. The responses broadly focused on the benefit of the scheme and the need for support during the continuing downturn. Of those who commented on the proposals, the issues raised were as follows.
84. Survival of small businesses: A range of reasons were given for supporting extension of the small business rate relief scheme, and therefore the large retail levy, including providing help to small businesses during a period of economic downturn through to recovery. While the role of larger retailers was acknowledged by many small businesses were viewed as critical to the survival of local communities, social cohesion and community life. Large retailers were also viewed as most able to afford providing additional support to those in need of support (*Cookstown District Council, Derry City Council, Federation of Small Businesses, Larne Borough Council, Larne Traders Forum, Newry Chamber of Trade and Commerce, the NI Independent Retail Trade Association, the NI Local*

*Government Association and a Sinn Fein representative).*

85. Reduced overheads reinvested: The *NI Independent Retail Trade Association* supported the proposals on the basis that it would enable more small businesses to reduce overheads, which could make the difference between staying open or closing. It also listed 28 other organisations supporting the position, including 18 Chambers of Commerce. The relief was also viewed as providing an opportunity to invest in employment and people by allowing funds to be redirected (*Cookstown District Council, the Green Party, Lisburn City Centre Management and the Way Photographic*).
86. Rates burden: A number of responses noted that rates are a significant outgoing for small businesses (including *Derry City Council, the Federation of Small Businesses, Newry and Mourne District Council, the NI Independent Retail Trade Association and the Way Photographic*) advising that it can be more than a third. The FSB annual (2010) survey also found that a cut in business rates was viewed as the most important option for improving businesses' economic prospects.
87. Additional benefit to shops on the high street: *Cookstown District Council, Londonderry Chamber of Commerce and McConnell Shoes* felt that more benefit should be provided to shops on the high street that have been affected by out of town retailers. This issue is also dealt with in the part of **Section 4** headed 'In town/Out of town'.
88. Relief on multiple premises: Of those that raised concerns about the scheme a key issue was relief being awarded on multiple premises, where small premises qualify for relief yet were part of a chain. The most cited example was the award of relief on multiple small premises such as banks, off licences and bookmakers. Those that raised this as an issue included *Arcadia, Asda, Next, the NI Retail Consortium and Tesco*. *Boots* felt that the relief should not be limited in these cases, as each store will operate on an independent cost/profit basis.
89. Scheme effectiveness: 14 responses had some concerns about the extension of the small business rate relief scheme. This consisted of six businesses, two district councils, five organisations and one political representative. Varying degrees of concern were expressed about the effectiveness of the small business rate relief scheme (in the context of whether the award of small sums would make much difference to businesses) the need for evaluation or the award of relief on multiple premises. There were also those that felt that the scheme could be more effectively targeted than at present (either by need or on the basis of the eligible premises). Issues such as these were raised by a number of the large retailers as well as *Armagh City and District Council, Ballymena District Council, the Belfast Chamber of Trade and Commerce, the CBI, the Royal Institution of Chartered Surveyors and the NI Retail Consortium*.

### SBRR extension as a three year downturn measure

<i>Three year downturn measure</i>	<i>Total</i>	<i>Business</i>	<i>District Councils</i>	<i>Organisations</i>	<i>Pol Rep</i>
Support	14	3	7	2	2
Consider extending	8	-	6	2	-
Concerns	10	5	1	4	-
<b>Total</b>	<b>32</b>	<b>8</b>	<b>14</b>	<b>4</b>	<b>2</b>

90. 32 responses commented specifically on the three year timeframe for the 'downturn' proposals. 14 responses agreed with this or indicated support for the overall proposals. Around 25% asked that the three year time frame either be extended, or be kept under review with a view to extending it at a later date (subject to evaluation). This included the *NI Local Government Association* as well as *Derry City, Larne Borough, Limavady Borough* and *Omagh District Councils* among others. *Armagh City and District Council* expressed some concern about the impact of the removal of the relief at the end of the three year period.
91. While the consultation paper made clear that the proposals were three year downturn measures, a number of responses raised concerns that the Executive would find it politically difficult to remove the relief after three years. This included five large retailers, the *Belfast Chamber of Trade and Commerce*, the *CBI*, the *NI Retail Consortium* and the *Royal Institution of Chartered Surveyors*.

### Large retail levy to fund expansion of the small business rate relief scheme

92. This issue is dealt with in the part of **Section 4** headed 'Large retail levy to fund SBRR expansion'.

### Alternative funding of small business rate relief expansion

93. This issue is dealt with in the part of **Section 4** headed 'Alternatives to a large retail levy'.

### Extending the reach of the current scheme versus additional help for current recipients

<i>Extend reach not additional help</i>	<i>Total</i>	<i>Business</i>	<i>District Councils</i>	<i>Organisations</i>	<i>Pol Rep</i>
Support	31	3	14	11	3
Comment Against	4	-	2	2	-
<b>Total</b>	<b>35</b>	<b>3</b>	<b>16</b>	<b>13</b>	<b>3</b>

94. 35 responses commented on the issue of extending relief to properties with a NAV of £5,001 – £10,000, rather than providing additional help to current recipients, or indicated a position on the overall preferred approach. Of these 31 supported extending the reach of the current scheme versus giving additional help for those already receiving help. This position covered three businesses, 14 district councils, 11 organisations and three political representatives. The *Belfast Chamber of Commerce* and *Belfast City Council* were of the view that this issue needed to be informed by research but that there may be merit in raising the existing relief rather than extending relief to a greater number of businesses. While *Limavady Council* welcomed the measure generally it felt that there was room for some improvement.

#### 20% relief for NAV of £5,001 - £10,000

20% relief £5,001 - £10,000	Total	Business	District Councils	Organisations	Pol Rep
Support	24	2	10	10	2
Against	1	1	-	-	-
Comment	5	-	3	1	1
<b>Total</b>	<b>30</b>	<b>3</b>	<b>13</b>	<b>11</b>	<b>3</b>

95. While the majority of the consultation responses provided some comment on the small business rate relief expansion less than half commented on the level of relief and the threshold that should apply. 24 responses agreed that the level of relief should be set at 20% (two businesses, 10 district councils, 10 organisations and two political representatives). A number of responses, while agreeing with the preferred approach felt that 20% relief should be the minimum provided. This included *Carnoisneur (Car Leasing)* and the *Sandy Row Traders Association*. *McConnell Shoes* felt that more should be done to help those with higher rental values, while a couple of district councils felt that further analysis was needed before determining the level of relief.
96. *Armagh City and District Council* raised some concerns on the banding, feeling that there may be a competitiveness issue between those above and below the £10,000 threshold and how this may impact on trading. The council also expressed concern that it may prevent business development in order not to exceed the £10,000 NAV threshold. The *Belfast Chamber of Trade and Commerce* and *Belfast City Council* indicated that they had no strong views on the level of relief. *Ballymena Borough Council* advised that the relief of relief that provides the greatest economic benefit should be adopted.

## Relief for all non-domestic use versus retail relief

<i>Relief for all non-domestic use</i>	<i>Total</i>	<i>Business</i>	<i>District Councils</i>	<i>Organisations</i>	<i>Pol Rep</i>	<i>Rate payer</i>
Support	25	2	14	9	-	1
Against	7	2	1	2	1	-
Comment	3	3	-	-	-	-
<b>Total</b>	<b>35</b>	<b>7</b>	<b>15</b>	<b>11</b>	<b>1</b>	<b>1</b>

97. The consultation paper sought views on whether expansion of the small business rate relief scheme should be applied to all non-domestic premises (with some limited exclusions) regardless of use. 35 responses commented on this issue specifically or indicated a position on the preferred approach set out in the consultation paper more generally. Of these 25 agreed with the preferred approach in the consultation paper that additional relief should apply to all non-domestic premises irrespective of use. Only seven responses indicated support for targeting small business rate relief towards retail premises. This included *Armagh City and District Council, Boots, the CBI, the Green Party, the NI Retail Consortium, Tesco* and a *ratepayer*.
98. There was also a mistaken perception among a small number of respondents that the small business rate relief scheme, and its expansion, relate to a retail relief scheme. This is not the case, albeit that around half of the additional help could go to retail premises.

## Ministerial meetings with business and representative organisations

99. During the consultation process the Minister and departmental officials held a number of meetings with businesses and their representative organisations. During the course of these meetings concern was raised about the effectiveness of the small business rate relief scheme more generally and also the award of small business rate relief on properties occupied by chains simply because they occupy smaller premises within the NAV thresholds. More general issues that were raised, relating to funding expansion of the small business rate relief scheme, are set out in **Section 4** of this report.

## SECTION 6: WINDOW DISPLAYS IN EMPTY SHOPS – DISREGARDING NON-COMMERCIAL USE

### Consultation background and preferred approach

#### Original consultation proposal

- Allow the use of window displays in empty shops without incurring full occupied rates.
- Would enable 50% empty property relief (or exclusion) to be retained.
- Use would be for non-political community, artistic or other non-commercial purposes.
- Use of a window display for advertising goods or services, storage or any form of business activity would be excluded.
- Time limited to three years (through to 31 March 2015).

100. Having taken account of the view of the business community about the impact that empty properties can have on town centres, making them feel and look run down, the consultation paper proposed a temporary change so that steps could be taken to improve the appearance of shopping areas without ratepayers being penalised. While empty shops are normally entitled to 50% empty property relief any use of a shop triggers full commercial rates at 100%.

101. The principal aim of the proposal was to ensure that the rating system does not discourage shop owners from working with their local communities to improve the appearance of shopping areas. This was put forward as a three year downturn measure.

### Overview of Consultation responses

102. 38 responses referred to the window display proposals, either specifically or more generally in terms of the overall preferred approach set out in the consultation paper. Of these 26 responses fully supported the preferred approach that window displays should be permitted without incurring full occupied rates where used for (non-political) community, artistic or other non-commercial purposes. 11 responses supported the direction of the proposals but stated that more needs to be done by way of the permitted activities and uses. The *Land Value Taxation Campaign* was of the view that a land value tax should be introduced.

<i>Position on preferred approach</i>	<i>Total</i>	<i>Business</i>	<i>District Councils</i>	<i>Organisations</i>	<i>Pol Rep</i>	<i>Public Body</i>
For	26	3	9	10	3	1
Supports broad direction but favours extension	11	1	5	4	1	-
Comments	1	-	-	1	-	-
<b>Total</b>	<b>38</b>	<b>4</b>	<b>14</b>	<b>15</b>	<b>4</b>	<b>1</b>

103. Some responses indicated that commercial window displays, or use for community or artistic occupation, should be permitted. A couple of responses also stated that the measure should be reviewed in 2015 and possibly extended.
104. The 26 fully supporting the preferred approach consisted of three businesses, nine district councils, 10 organisations, three political representatives and one public body. This covered *Belfast City Council*, the *Belfast Chamber of Trade and Commerce*, the *CBI*, the *NI Local Government Association*, the *NI Independent Retail Trade Association* and the *Northern Ireland Tourist Board* among others. The 11 responses that supported the broad direction of the measure, but felt that it should go further, covered one business, five district councils, four organisations and one political representative. This included *Belfast* and *Lisburn City Centre Management* as well as the *Federation of Small Businesses*.
105. Generally consultees supported the proposal as a means of encouraging footfall, detracting from the poor appearance of boarded up shops and animating city centres. It was felt that the measure could attract investment and business to town centres, ensuring vibrancy and promoting local events. The proposal was also viewed as a means of complementing various initiatives to regenerate and sustain communities and also enhance the visual appearance of high streets.

### **Issues raised in consultation responses**

106. *Meanwhile Space CIC* and the *NI Independent Retail Trade Association* highlighted towns that are currently trialling projects to brighten up and revitalise town centres and their shopping areas, including *Craigavon* and *Dungannon*.
107. A number of responses were of the view that window displays could promote community, arts, cultural and creative organisations which should not be considered as either advertising or commercial use. Comments supporting this view were received from *Derry City Council*, *Larne Traders Forum* and the *Northern Ireland Tourism Board*.

108. A number of consultation responses, while supporting the broad direction of the preferred approach considered that the scope of the measure should be expanded so that the following uses would be permitted:
- commercial use (including advertising and use where no money changes hands);
  - the display of small business logos, where community activities are being sponsored; or
  - physical occupation/use of ground floors in shops for charitable, artistic and community purposes as well as exhibitions.
109. Those that raised issues such as this included *Belfast* and *Lisburn City Centre Management*, *Coleraine Town Partnership Ltd*, *Derry City Council* and *Ulster Unionist councillors on Lisburn City Council*.
110. A number of responses, including the *Belfast Chamber of Trade and Commerce*, *Belfast City Centre Management* and *Belfast City Council*, stated that the operating criteria should not impede attainment of the objective. Some other responses suggested that there needed to be flexibility in implementation. *Ards Borough Council* indicated that account needed to be taken of the relative floor space used.
111. *Limavady Borough Council*, while indicating that the proposal was a good idea, considered that landlords should be encouraged to develop properties to their full potential. *Fermanagh District Council* indicated that it would welcome a cross departmental approach to stimulating property turnover. The council also suggested that there should be a cap on the number of retail properties that would qualify for the window display measure.
112. There were varying views on the time frame for the window display proposal. *Omagh* and *Strabane District Councils*, while supporting the preferred approach, asked that the scheme be evaluated in 2015 with a view to possibly extending it. *Cookstown District Council* felt that the measure should not be a long term solution while *Armagh City and District Council* and the *NI Local Government Association* advised that there should be fixed terms reviews or monitoring of the scheme. The *NI Tourist Board* wanted the measure introduced before April 2012.

### **Ministerial meetings with business and representative organisations**

113. During the consultation process the Minister and departmental officials held a number of meetings with businesses and their representative organisations. During the course of these meetings concerns were raised about the impact that high levels of empty shops can have on town centres, with support given for measures that would address this.

## SECTION 7: CLARIFYING ASSUMPTIONS FOR FUTURE NON-DOMESTIC REVALUATIONS

### Consultation background and preferred approach

114. The consultation paper set out proposals which would result in some similar valuation provisions to those operating in the rest of the UK being adopted locally.

#### Original consultation proposal

- Clarifying the valuation assumptions for future non-domestic revaluations.
- The legislation would be made more explicit to reflect the practicalities of revaluation.
- Proposed to adopt broadly similar provisions to those operating in GB.
- Consideration was given to allowing changes due to:
  - matters affecting the physical state/enjoyment of the property;
  - the mode and category of occupation of the property;
  - matters affecting the physical state of the locality in which the property is situated; and
  - the use or occupation of other premises in the property's locality.
- Intention would be to provide clarification with no real change to the operational practice.
- Repeal of provisions applied to some properties valued by reference to their volume of trade, which would standardise valuations.

115. The changes that were proposed concerned one of the assumptions underlying the compiling of a new valuation list. This would make more explicit what can be taken into account in the two years between the valuation date and the billing date.

116. In the intervening two year period, between a valuation date and a new valuation list coming into effect, it is not practical to reflect wide economic and social changes that occur over time. However, what is important is maintaining the relativity between localities/properties.

117. The consultation paper proposed that the change would only apply in relation to the preparation of a new valuation list, that is at a general revaluation. There would be no wider change in the context of the general revision of a valuation list already in force.

118. The consultation paper also proposed the repeal of legislation applied to some properties valued by reference to their volume of trade, for example public houses, which would standardise valuations. There would be no change for properties valued having regard to the quantity of minerals or other substances extracted from it.

## Overview of Consultation responses

119. 21 responses commented on the proposal to clarify the valuation assumptions and standardise valuations for some properties valued by reference to their volume of trade, or indicated a position on the policy proposals more generally. This comprised five businesses, nine organisations, six district councils and one political representative. A small number of responses simply commented on either the general revaluation assumption or the valuation by reference to the volume of trade proposal.
120. In broad terms the vast majority who responded were in support of the preferred approach on this issue. There was however some confusion over the fact that any changes would apply only at a general revaluation and not for the purpose of revising a valuation list in force between revaluations.

<i>Position on preferred approach</i>	<i>Total</i>	<i>Business</i>	<i>Organisations</i>	<i>District Councils</i>	<i>Political Representative</i>
For	17	3	7	6	1
Against	2	1	1	-	-
Comment	2	1	1	-	-
<b>Total</b>	<b>21</b>	<b>5</b>	<b>9</b>	<b>6</b>	<b>1</b>

## Issues raised in consultation responses

121. In terms of clarification of the general revaluation assumption those in favour of the proposal included *Belfast City Council*, the *Federation of Small Businesses*, the *Institute of Revenues, Rating and Valuation*, the *NI Hotels Federation*, the *NI Local Government Association* and the *Royal Institution of Chartered Surveyors*. The key reasons were that this would provide greater clarification and standardisation and would also result in increasing alignment (and consistency) with the rest of the UK. The *CBI* and *RHM Commercial* raised the issue of 'material change of circumstances', stating that this should be introduced as grounds for a reduction in rates assessments.
122. *Limavady Borough Council* asked that social factors were taken into account. *Armagh City and District Council* and the *NI Local Government Association* suggested that there was a need for, respectively, consultation on wider issues associated with revaluation and the 2015 revaluation.
123. Two responses also asked for clarification that there would be no real change to the current operational practice, which the Department can confirm.
124. Similar to the general clarification measure there was broad support for

the repeal of measures to value certain properties by reference to their volume of trade, for example public houses. In terms of the preferred approach the Department would still be able to take into account any trading evidence to help it ascertain the value of a property at the valuation date. In addition, the proposal would ensure that 'turnover' properties would have the same valuation date as all other properties.

125. In terms of consultation responses *Pubs of Ulster* had no comment on the volume of trade proposal. Of those that provided views, or indicated a general position on the preferred approach, the majority supported the proposals.
126. Two respondents, *Maxol* and the *NI Hotels Federation*, were opposed to the proposal to repeal the measures to value certain properties by reference to their volume of trade. The *Federation* felt that this would penalise properties in Northern Ireland compared to the rest of the UK and would result in job losses or potential closures. *Maxol* expressed concern about changes between revaluations that would affect ability to obtain a valuation revision where a new petrol station opens in the locality. However, the proposals relate only to changes at a general revaluation.

## SECTION 8: OTHER ISSUES

### Overview of other issues raised in consultation responses

127. While the consultation responses generally focused on 'other issues' related to the key proposals, and are dealt with in previous sections, other miscellaneous matters were raised.
128. **Cancelled revaluation:** 16 responses expressed concern that the 2011 revaluation (postponed from 2010) did not proceed. This covered four businesses, three district councils and nine organisations, including the *CBI*, *Newry and the Belfast Chamber of Trade and Commerce*, *RHM Commercial* and the *Royal Institution of Chartered Surveyors*. A number also stated that the revaluation should happen sooner than 2015. The reasons for the delay until 2015 have previously been set out by the Finance Minister.
129. **BIDs:** 14 responses welcomed the introduction of Business Improvement Districts (BIDs) in Northern Ireland, with a number asking that this be brought forward as soon as possible. These consisted of four large retailers, one political representative and nine organisations, including *Boots*, the *CBI*, the *Federation of Small Businesses*, the *Londonderry Chamber of Commerce*, the *NI Retail Consortium*, the *Royal Institution of Chartered Surveyors* and *Tesco*. The introduction of BIDs has the support of the Finance Minister and is being taken forward by the Social Development Minister.
130. **Extension of 50% empty property relief for new ventures:** Around fourteen consultation responses raised the issue of support for new ventures (three district councils, one political representative, one business and nine organisations), where they occupy empty premises. It was suggested this should take the form of an extension of empty property relief, for six or 12 months, for new businesses. While the majority of responses referred to this in the context of empty shops a small number of responses applied it more generally. It was felt that this would encourage properties to be used, brighten up and revitalise town centres and also provide help to new businesses during their vulnerable start up period.
131. This measure was supported by a range of business organisations, Chambers of Commerce and district councils as well as the *Green party*, the *NI Independent Retail Trade Association*, *RHM commercial*, the *Royal Institution of Chartered Surveyors* and *Savills*. A couple of responses also suggested that consideration should be given to a rates holiday for the first year of trading.
132. **Alternatives to business rates:** The response from the *Land Value Taxation Campaign* focused on replacing business rates with a system of land value taxation. The response from the *Ulster Unionists Councillors on Lisburn City Council* suggested that consideration should also be given to a tax system based on turnover.

133. **Linkage between rent and rates:** A small number of responses commented on the relationship between rent and rates, with mixed messages emerging. Some responses claimed that rates were as significant a burden as rent, if not more so, (including *Deramore Property Group*) while others stated that rent is the biggest drain for a company.
134. A number of responses also commented that the benefit from the small business rate relief scheme may be limited where any rates reduction is offset by rent increases. The current legislation makes provision that the rates reduction, where the property is owned by a landlord, is conditional on the owner passing the reduction onto the tenant.
135. **Charitable shops:** Concern was expressed by *Fermanagh District Council* and the *Sandy Row Traders Association* about the impact on town centres and business from charitable shops, suggesting that a review be undertaken.
136. **Impact assessments:** 12 responses commented specifically on the initial impact assessments. This comprised one business, two political representatives, three organisations and six district councils. 10 of these responses noted, agreed with or had no comment on the impact assessments. The response from *Belfast Chamber of Trade and Commerce* stated that it disagreed with the impact assessment on the large retail levy due to concerns about investment decisions. *Derry City Council* agreed with the findings on the small business rate relief proposals, while wanting to ensure that the large retail levy would not have an adverse impact on Section 75 groups.
137. A number of responses, while not referring specifically to the impact assessments, commented on the impact of the policy proposals. The views expressed will be considered in finalising the integrated impact assessment.

## SECTION 9: NEXT STEPS

138. This consultation report delivers on the commitment to provide a paper setting out the main issues raised during consultation. The consultation responses are available on the Rating Policy website ([www.dfpni.gov.uk/rating-review](http://www.dfpni.gov.uk/rating-review)).
139. Both the Finance Minister and the Northern Ireland Assembly's Committee for Finance and Personnel have been advised on the consultation outcomes. The Finance and Personnel Committee will consider this consultation report and will also undertake evidence sessions prior to reaching a position on the policy proposals. The Minister will then take into account the views of the Finance and Personnel Committee.
140. Following this the Executive will be advised on the way forward and asked to agree both the final policy position and the necessary legislation to give effect to this. A report, setting out final decisions on the way forward, will be published shortly afterwards. This will be made available on the Rating Policy website. All those that responded to the consultation exercise will be advised of its publication in due course.
141. The relevant primary and subordinate legislation to give effect to final decisions will be brought forward early next year, with the intention of the measures being operational from 1 April 2012. The changes would then apply for three years through to 31 March 2015.
142. Any queries in relation to this consultation report should be addressed to:

**Rating Policy Division  
Department of Finance and Personnel  
3<sup>rd</sup> Floor  
Longbridge House  
20 – 24 Waring Street  
BELFAST  
BT1 2EB**

Comments may also be faxed to: **028 90347435**

143. Should you wish to contact us by e-mail, any queries should be sent to [ratingpolicy.cfg@dfpni.gov.uk](mailto:ratingpolicy.cfg@dfpni.gov.uk). Alternatively you can contact us on **028 9127 7606**.

## **ANNEX A: LIST OF RESPONDENTS**

### **Business**

Arcadia (GL Hearn)  
Asda  
B&Q  
Bang Olufsen  
Boots  
Carnoisieur (Car Leasing)  
Deramore Property Group  
Early years/Rascals NI Ltd  
Eason's  
HEAD Music Store  
IKEA  
Maxol  
McConnell Shoes  
McFarland, Graham & McCombe Solicitors  
Meanwhile Space CIC  
Next  
RHM Commercial  
Tesco  
The Way Photographic  
TK Maxx  
Tom Jebb  
Toys R Us

### **District Councils**

Antrim Borough Council  
Ards Borough Council  
Armagh City and District Council  
Ballymena Borough Council  
Banbridge District Council  
Belfast City Council  
Castlereagh Borough Council  
Cookstown District Council  
Craigavon Borough Council  
Derry City Council  
Fermanagh District Council  
Larne Borough Council  
Limavady Borough Council  
Newry and Mourne District Council  
Omagh District Council  
Strabane District Council

### **Organisations**

Belfast Chamber of Trade and Commerce (BCTC)  
Belfast City Centre Management

British Property Federation  
Coleraine Town Partnership Ltd  
Confederation of British Industry (CBI)  
Federation of Small Businesses (FSB)  
Institute of Revenues, Rating and Valuation (IRRV)  
Land Value Taxation  
Larne Traders Forum  
Lisburn City Centre Management  
Londonderry Chamber of Commerce  
Newry Chamber of Commerce and Trade  
Northern Ireland Food and Drink  
Northern Ireland Hotels Federation  
Northern Ireland Independent Retail Trade Association (NIIRTA)  
Northern Ireland Local Government Association (NILGA)  
Northern Ireland Retail Consortium (NIRC)  
Portstewart Vision  
Pubs of Ulster  
Royal Institution of Chartered Surveyors (RICS)  
Sandy Row/Donnegall Rd Business Association  
Savills  
Union of Shop, Distributive and Allied Workers (USDAW)

#### **Political Party/Political Representatives**

Green Party  
Sinn Fein Councillor, Belfast City Council,  
Sinn Fein, West Tyrone  
Social Democratic and Labour Party (SDLP)  
Social Democratic and Labour Party councillor, Belfast City Council  
Ulster Unionist councillors, Lisburn City Council

#### **Public Body**

Northern Ireland Judicial Appointments Commission  
Northern Ireland Tourist Board (NITB)

One ratepayer

# Rating of Commerce

## small businesses, large retail

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**Rating Policy Division**  
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