

Presentation to Fiscal Commissioners – 20th May 2021

Overview of Rating System in NI

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Formation of LPS in 2007 -2008



Statutory Functions



Background – Rating system in NI

- The rating system here is a separate local tax - no direct links to similar taxation systems in GB. No Council Tax here and never had Community Charge (Poll Tax).
- Separate domestic and non-domestic valuation lists and two different rates levied in Northern Ireland: domestic rate for residential properties, and business rate for non-domestic properties.
- Total revenue raised through domestic and non-domestic rates within NI is approximately £1.38 billion, just over 53.5% of this being funded by domestic rates.



Background – Rating system in NI

Key Facts: Current Valuation Lists

- 825,672 Domestic Properties
- £99.8 billion Capital Value (2005 values)
- 74,735 Non-Domestic Properties
- £1.67 billion Net Annual Value (2018 values)



Why are rates important for NI?

The Context (ignoring 'rates holidays')

- Rates (domestic & non-domestic) generate £1.378Bn annually.
- £635m funds District Councils; £743m funds regional public spending.
- Some 77% of District Council income is from rates revenue.
- Up to 5% of Executive spending is from Regional Rates revenue.
- Between 41% - 53% of each rate bill goes to District Councils.



High-level breakdown

total rating revenue raised (before rate holiday)

Income	Domestic	Non-Domestic	Total
District Rate	£339.8m	£295.1m	£634.9m
Regional Rate	£397.8m	£345.5m	£743.3m
Total	£737.6m	£640.6m	£1,378.2m



Rating system in NI

Who does what in Rates?

- Department of Finance (DoF) responsible for policy, rate reliefs and Regional Rate poundage.
- Each of the 11 District Councils sets its District Rate poundages.
- LPS (Valuation) assess the rateable values, produces the Valuation Lists and carry out Revaluations.
- LPS (Revenues & Benefits) calculate bills using the rate poundages, apply reliefs, collect rates and then redistribute monies.

Background – Rating Valuations

- LPS Valuation Services provides a valuation for all properties in Northern Ireland which are subject to rates.
- The Lists are maintained through ‘continuous revision’ by District Valuers and their staff, all within LPS.
- The District Valuers also deal with applications or challenges to the values.
- A further appeal stage is possible to the Commissioner of Valuation within LPS.
- A reference may also be made to NI Valuation Tribunal to decide domestic appeals and to the Lands Tribunal for NI to decide the outcome of non-domestic rating appeals.

Business Rates

Basics



- Non domestic property here is assessed on the basis of its rental value known as the Net Annual Value (NAV).
- The current Valuation List for non-domestic properties became operative on 1 April 2020, and is based on rental values as at 1 April 2018.
- The List is continuously kept up to date in terms of physical changes and valuation challenges, with value levels as at 1 April 2018 until the next Revaluation.



Why have Revaluations?

Business Rates Revaluations

- Any tax based on property needs to be kept up to date and consistent with the defined legal standard.
- If tax based on capital market value/annual rental value, revaluation especially required to reflect the market.
- Over time relativity between properties, between sectors change – due to land use changes, lifestyle changes, demand and supply.
- If not reflecting growth or decline in the community -the tax will increasingly been seen as unfair.
- Periodic Revaluation restores fairness.

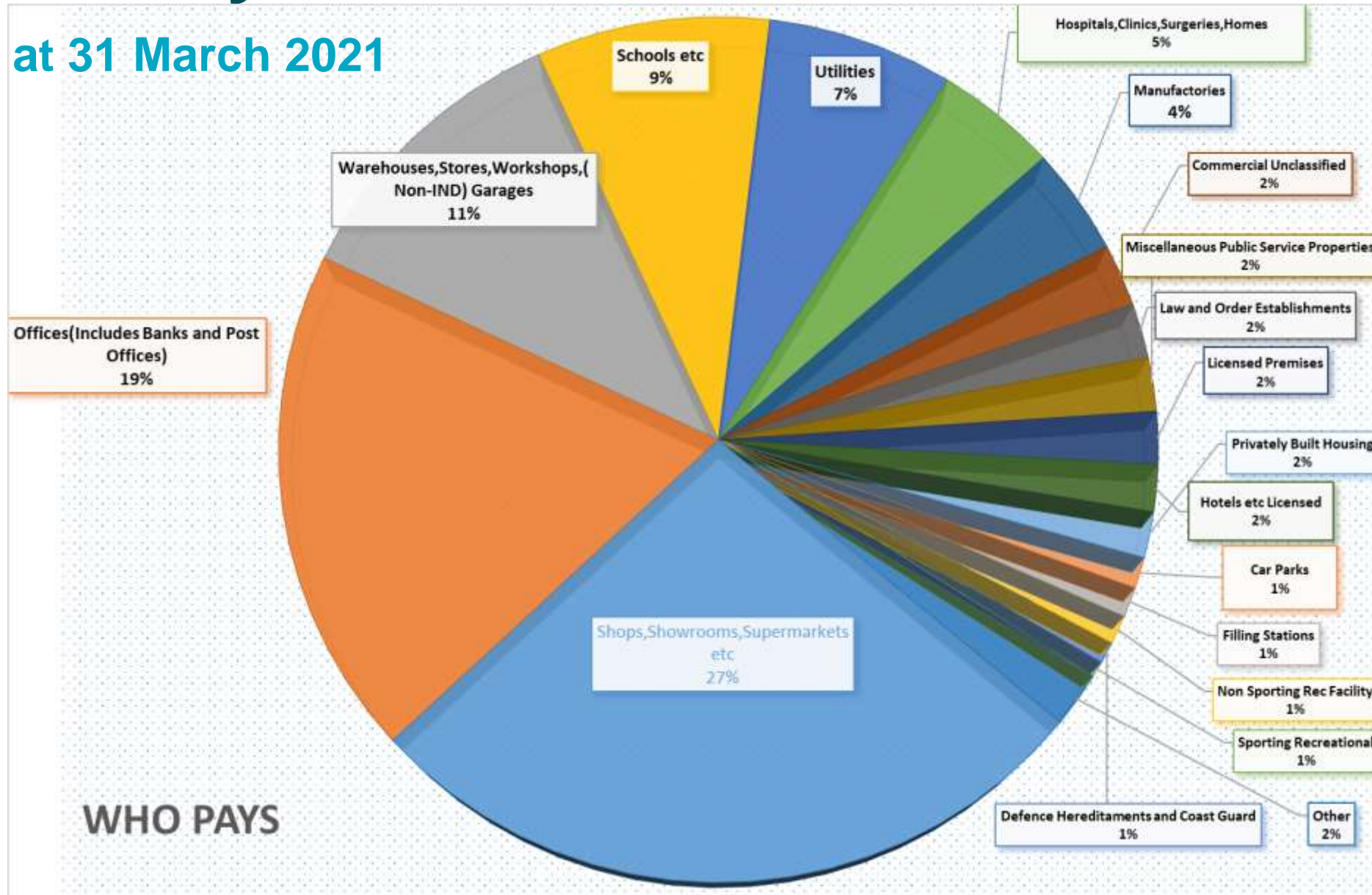


NI and GB Revaluations - Post-War

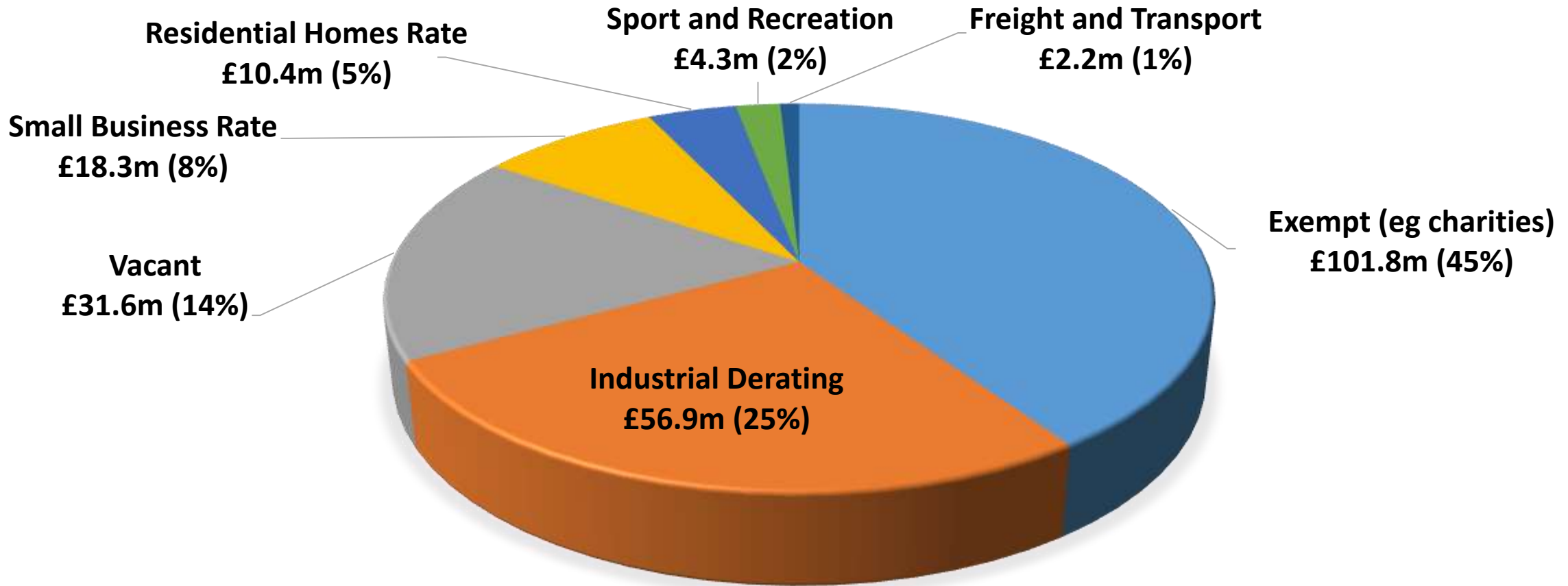


Who Pays (ignore rates holiday)

As at 31 March 2021



Who doesn't pay (ignore rates holiday)



Value of each Relief (and shown as a %)

Note Agricultural Land and Buildings are not assessed



Who doesn't pay - Reliefs & Exemptions

Relief	Value
Exempt (e.g. churches & charities)	£101.8m
Industrial De-rating	£56.9m
Non-Domestic Vacant Rating	£31.6m
Small Business Rate Relief (includes enhanced Post Office relief)	£18.3m
Residential Homes Rate Relief	£10.4m
Sport & Recreation Relief (includes Community Amateur Sports Clubs)	£4.4m
Freight & Transport Relief	£2.2m
Total Value	£225.6m



Reliefs & Exemptions - Councils

- The total figure of £225.6m in revenue forgone is not split evenly between District Councils and the NI Executive Budget.
- The Department for Communities compensates District Councils by some £31m for loss of revenue incurred due to reliefs / derating through the de-rating grant. Some 'poorer' Councils also receive in addition Rate Support Grant (£22.3m).
- Vacant property rating relief and exemptions, however, represent a loss to both district and regional rate revenue.



Comparison with Business Rate levels in GB

2021-22

- NI - the average charge is around 54.5p per pound of (2018-based) rateable value, with a range across the Councils of 50p to 59p.
(NI had been 55.8p to 65.1p in 2019-2020)
 - England is 51.2p for properties over £51,000. (49.9p for under £51k)
 - Scotland is 50.3p for properties over £51,000. (49p for under £51k)
 - Wales is 53.5p
-all against a 2015-based rateable value.



Domestic Rates

Basics



- The domestic rating system in Northern Ireland is based on discrete capital values – equivalent to market values with statutory assumptions prescribed.
- Currently some 825,672 domestic premises valued in NI.
- No minimum figure, but capped at £400,000 of capital value
- Originally the highest bills under domestic rates and council tax band H were set to broadly track one another through the maximum capital value mechanism.



Background

Domestic Rates

- Council Tax operates in GB with values based on 1991 levels. Council Tax is a banded system and is regressive in nature. (1:3 ratio)
- The reformed system of domestic rates in Northern Ireland is progressive and also fairer, being based on much more modern and individual values – no banding.
- Computer Assisted Mass Appraisal (CAMA) used to carry out the 2007 domestic revaluation – still a UK first!
- NI revaluation came into effect on 1 April 2007 based on 1 January 2005 values.

Background

Domestic Rates

- Regional Rate = 0.4574 pence per £ of capital value
- District Rate = range 0.3158 pence (Lisburn & Castlereagh) to 0.5103 pence (Derry & Strabane).
- Total rate therefore 0.7732 pence to 0.9677 pence – or £7.73 to £9.67 per £1,000 of capital value.
- House with CV of £100,000 pays £773 to £967 rates per annum
- NI Average in 2021/22 = £1,036
- Max bill at £400,000 is range £3,093 to £3,871 per annum (Council Tax - Band H in Nottingham is £4,450)



Comparison of NI Domestic Rates & GB Co Tax

2021/22	Average Bill (Council Tax or Rates)	Water and Sewerage	Total Household Charge
England	£1,428	£408	£1,836
Wales	£1,544	£408	£1,952
Scotland	£1,198	£383	£1,581
Northern Ireland	£1,036	0	£1,036



Background

Domestic Reliefs

- **Disabled Person's Allowance (25%)**
- **Lone Pensioner Allowance (20%)**
- **Rate Rebate Scheme (for people on Universal Credit)**
- **Housing Benefit & Rate Relief (for house-owners / tenants / students)**

www.nidirect.gov.uk/information-and-services/guide-rates/help-paying-your-rates



Live demonstrations



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Discussion



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