

Review of non domestic rating system

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Timeline

- Revaluation settled
- Innovation lab reported
- DFP Committee briefed
- Terms of reference drafted
- Research and analysis undertaken
- Consultation paper to be finalised
- DFP Consultation to begin Oct/Nov

Innovation lab - scope

- Met 1st -4th June 2015
- Participants included reps from business organisations, local government, voluntary sector, academics and experts.
- Asked to set direction for the review

Innovation lab - views

- Universal consensus position not reached on all issues.
- People did disagree with each other
- Diversity of opinion but common themes emerged

Innovation lab – review principles

- **What should be the principles behind the taxation system?**
- Simple
- Predictable
- Certain
- Hard to evade

Innovation lab – themes and Qs (1)

- **What other forms of taxation could replace property based taxes?**
- No obvious replacement identified
- Did discuss how other types of taxation could supplement non-domestic taxation to reduce the overall burden on business.
- Nevertheless, replacement question must be addressed in a fundamental review.

Innovation lab – themes and Qs (2)

- **How would you widen the tax base of the property based system?**
- reduce the burden on business in general and specifically on SMEs, by widening the tax base.
- if more people pay, the existing taxpayers will pay less.
- Involves looking at the current system of exemptions and reliefs.

Innovation lab – themes and Qs (3)

- **How equitable is a property based system and how would you improve it?**
- burden on everyone should be proportionate.
- should be able to respond to circumstances, such as the broader economic environment.
- a profit or turnover model would be difficult
- more frequent revaluations; and
- target reliefs and exemptions on those whose ability to pay is less (defined as those where rates is a high fixed cost).

Innovation lab – themes and Qs (4)

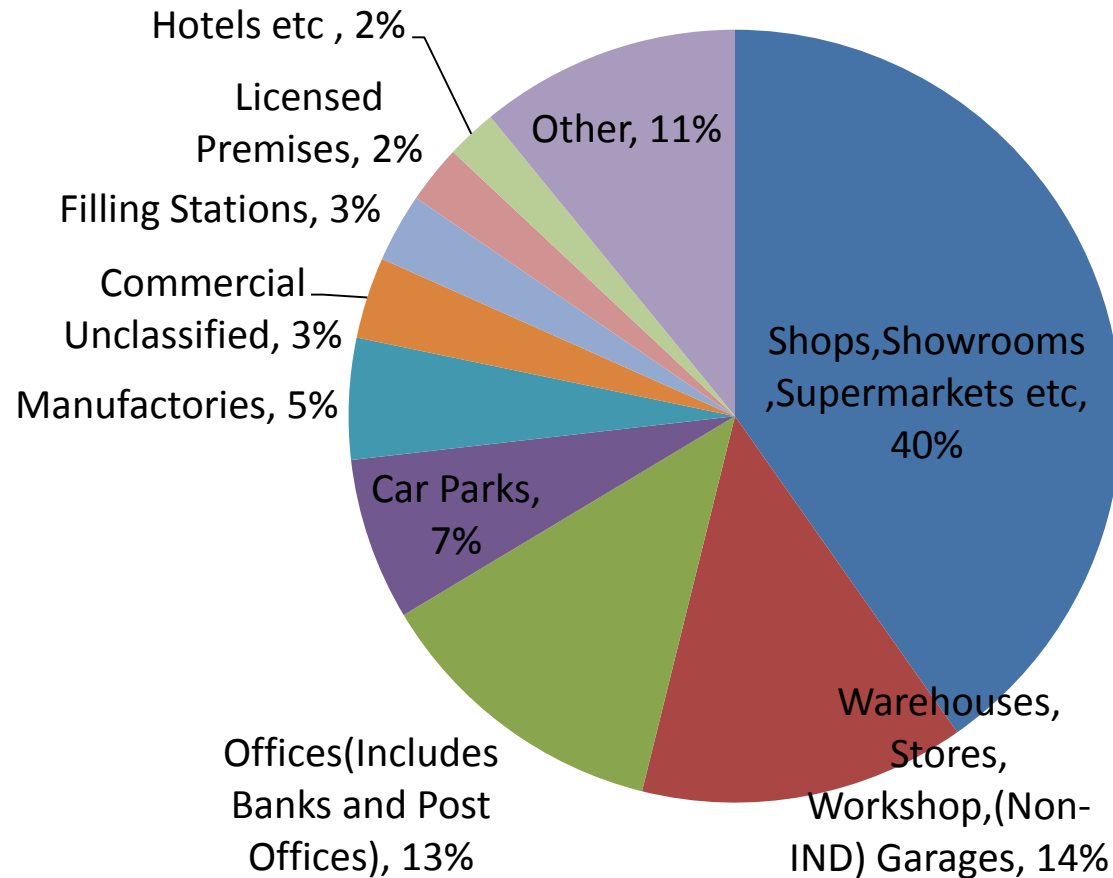
- **How do you optimise collection and administration?**
- The optimisation of collection and administration should be considered as a means to reducing the overall burden.
- Greater transparency and use of data needed.

Innovation lab – themes and Qs (5)

- **How do non-domestic rates fit with the wider economic strategy for Northern Ireland?**
- The non-domestic taxation system should not sit in isolation from other debates about economic development and policy developments around corporation tax and rebalancing the economy.

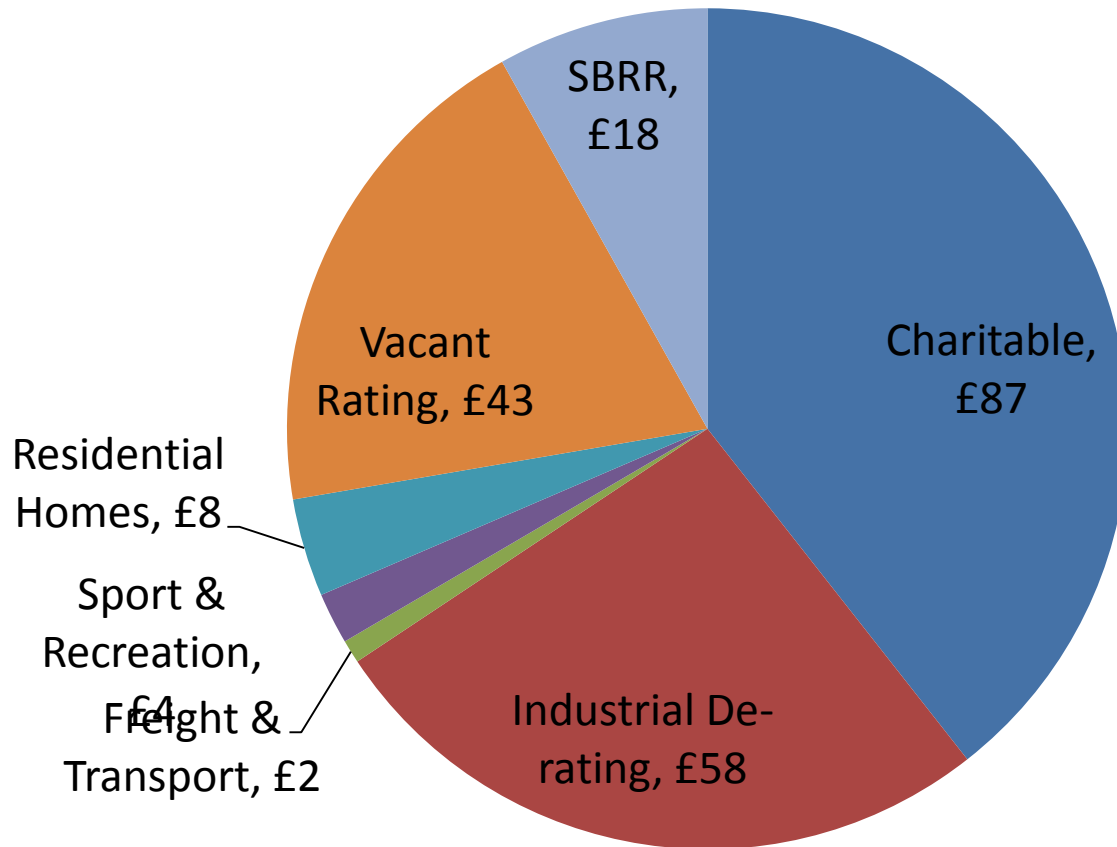
Who pays ?

Contribution to total non-domestic
rating burden by sector



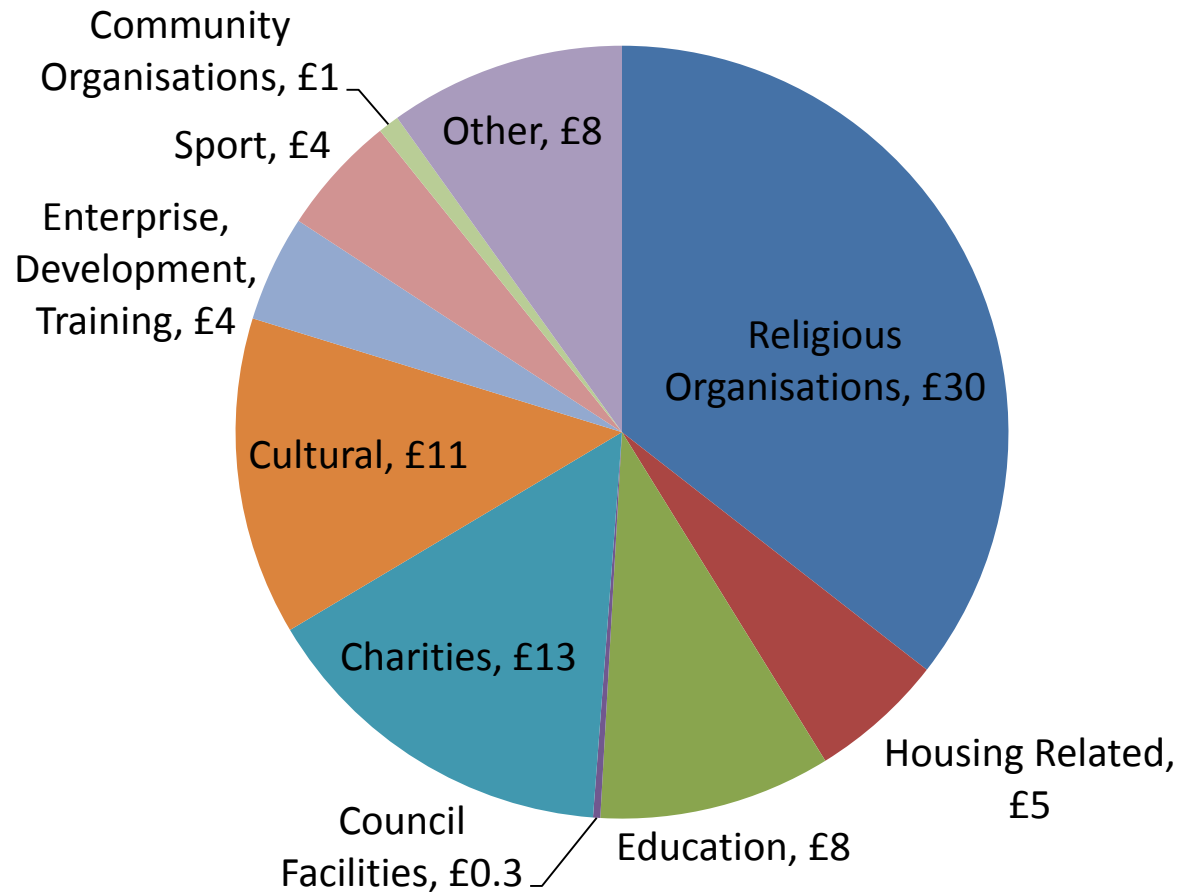
Who doesn't pay ?

The current system –
Value of main rating reliefs £m



Note: agricultural land and buildings are not assess

Breakdown of charitable exemption by type of organisation [£m]



What conceivable alternatives are there ?

Land value tax – issues with data, planning system

Tourist tax – detrimental to NI's tourist industry?

Online sales – is it necessary? difficulties with implementation

Local Income tax – require a significant increase in local tax burden, cost of implementation

What happens next ?

- Draft and publish consultation paper Autumn 2015
- Undertake Consultation 12 weeks
- Consider Responses 4 weeks (including independent validation)
- Report to Assembly Beginning 2016
- Identify preferred option Early 2016
- Consult again if necessary Spring 2016
- Executive decision - Referred to Executive process
- Legislative process - Commence process immediately after Executive agreement.