EXPLANATORY MEMORANDUM TO

THE NON-DOMESTIC RATING (UNOCCUPIED PROPERTY) (ENGLAND) (AMENDMENT) REGULATIONS

2010 No. 408

1. This explanatory memorandum has been prepared by the Department for Communities and Local Government and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1 The Non-Domestic Rating (Unoccupied Property) (England) Regulations 2008 (S.I. 2008/386) ("the 2008 Regulations") prescribe the class of property whose owner will be liable for non-domestic rates – commonly referred to as business rates - when the property is unoccupied and the exceptions from that class. One of the exceptions is that the property has a rateable value of less than £2,200. These Regulations amend the 2008 Regulations to increase that amount to £2,600 to take account of changes to rateable values of hereditaments[1] due to occur with effect from 1st April 2010 as a result of revaluation[2]. However, for the financial year beginning on 1st April 2010 only, the amount is increased so that the owners of unoccupied properties with a rateable value of less than £18,000 will not be liable for rates in respect of that year in relation to such properties.

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

4. Legislative Context

4.1 The 2008 Regulations specify the class of property whose owner is liable for non-domestic rates when the property is unoccupied (provided that the other conditions in section 45(1) of the Local Government Finance Act 1988 are met). This class is prescribed by regulation 3 of the 2008 Regulations as, broadly speaking, all properties. Regulation 4 of the 2008 Regulations specifies exceptions to the class so that rates are not payable in respect of the properties described in that regulation when they are unoccupied.

4.2 Regulation 4(g) of the 2008 Regulations provides that properties with a rateable value of less than £2,200 are excepted from the class prescribed by regulation 3. Regulation 2 of these Regulations amends regulation 4(g) of the 2008 Regulations so that that amount is increased to £2,600. However, in relation to the financial year beginning on 1st April 2010 only, these Regulations amend regulation 4(g) so that properties with a rateable value of less than £18,000 are excepted from the class prescribed by regulation 3.

5. Territorial Extent and Application

5.1 This instrument applies to England.

6. European Convention on Human Rights

6.1 As the instrument is subject to the negative resolution procedure and does not amend primary legislation, no statement is required.

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[1] A hereditament is the unit of property which is the subject of rating and the rateable value of the hereditament (the measure of liability for rating) is the notional annual rent at which it is estimated the hereditament might reasonably be expected to let.
[2] Pursuant to section 41(2) of the 1988 Act non-domestic properties are re-valued every 5 years and the next revaluation (revaluation 2010) will have effect from 1st April 2010 to 31st March 2015.

7. Policy background

What is being done and why

7.1 In July 2009, in the consultation paper on the transitional arrangements for the non-domestic rating revaluation 2010 in England[3], the Government announced the overall trends arising from increases in rateable values across England as part of the revaluation of hereditaments that is due to take effect from 1st April 2010. This instrument increases the base level - below which unoccupied property is exempt from empty property rates - from £2,200 under the 2005 ratings list to £2,600 under the 2010 ratings list. This is to ensure that the relief continues to be targeted at the right properties following the changes to rateable values that will occur across England from 1st April 2010 throughout the next 5 years as a result of the revaluation.

7.2 However, as was also the case in 2008, the Government has listened to concerns expressed by property owners; in particular those who own properties with low rateable values. In the 2008 Pre-Budget Report the Chancellor announced that for the 2009/10 financial year unoccupied properties with a rateable value below £15,000 would be exempt from empty property rates. That change was brought into effect by the Non-Domestic Rating (Unoccupied Property) (England) Regulations 2009 (S.I. 2009/353).Whilst the Government considers that the principle of the empty property rates reforms, brought about by the Rating (Empty Properties) Act 2007, is right for the long term and that the reforms increase the incentive to re-let and re-develop empty property, it nevertheless continues to consider that a time limited relief for the owners of lower value properties will help small businesses and individual property owners manage short term pressures due to difficult property market conditions.

7.3 The Chancellor therefore announced at the 2009 Pre Budget Report that the Government would be extending the temporary measure for a further 12 months – for the 2010/11 financial year - and that the temporary exemption threshold would be increased from £15,000 to £18,000. That increase will ensure that the temporary exemption continues to be targeted at the right properties in 2010/11 following the changes to rateable values that will occur across England from 1st April 2010 as a result of the 2010 revaluation of non-domestic properties.

- ***Consolidation***

7.4 As the instrument makes only minor amendments to the 2008 Regulations, the Government does not consider that it is necessary to consolidate those Regulations at this time.

8. Consultation outcome

8.1 There has not been a specific consultation on this change to the empty property rates threshold, which was announced as part of the Pre-Budget Report 2009. The Government has kept empty property rates under review since the increase in the rate to 100% of the occupied rate from 1st April 2008, and has engaged generally with industry and representative groups to gain information on how the reforms are working overall.

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[3] The transitional arrangements for the non-domestic revaluation 2010 in England consultation papers can be accessed on the Department's website via the following link:
http://www.communities.gov.uk/publications/localgovernment/nndrrevaluation2010

9. Guidance

9.1 The increase in the empty property rate threshold, with a greater increase for one year, does not substantively affect the operation of the current system and no further guidance is required.

10. Impact

10.1 Any unoccupied property with a rateable value of less than £18,000 owned by either business or the public sector will not generate liability to empty property rates in the financial year 2010/11. Empty property relief is funded by reduced payments into the national non-domestic rates pool by local authorities. We estimate that that the increased exemption threshold from £2,600 to £18,000 could increase the amount of relief from empty property rates granted during 2010/11 by £150 million during 2010/11. The overall cost to Government is estimated to be £130m as the increase in the threshold will have the knock on effect of increasing corporation tax receipts.

10.2 The impact on the public sector is minimal, as once software is updated with the new exemption levels bills can be created as usual. Administrative work updating websites and information can be carried out alongside other revaluation updates.

10.3 An Impact Assessment is attached to this memorandum. This relates to the time limited exemption threshold for those empty properties with a rateable value under £18,000 for 2010/11. It does not cover the amendment to the 2008 Regulations which increases the threshold to £2,600 as this change ensures that effect continues to be given to Government policy on the exemption threshold to empty property rates following the changes to rateable values that will occur across England from 1st April 2010 as a result of the revaluation.

11. Regulating small business

11.1 These Regulations apply to, and are of benefit to, small businesses and other businesses which own empty properties with low rateable values which fall below the relevant thresholds.

12. Monitoring & review

12.1 This policy will be subject to review though the annual collection of business rates statistics including the amount of relief given and the number of properties that may receive the relief. .

13. Contact

Janet Burton at Communities and Local Government Tel: 0303 4441756 or email: janet.burton@communities.gsi.gov.uk can answer any queries regarding the instrument.

Summary: Intervention & Options

Department /Agency:	Title:	
Department for Communities and Local Government	**Impact Assessment of Amendment to Empty Property Rate Relief for 2010/11**	
Stage: Final	**Version:** 1	**Date: 1 February 2010**

Related Publications: Impact Assessment to Empty Property Relief 2009 - accompanying Statutory Instrument 2009/353

Available to view or download at:

http://www.opsi.gov.uk

Contact for enquiries: Janet Burton **Telephone:** 030 344 41756

What is the problem under consideration? Why is government intervention necessary?

The current economic climate means it is likely that it will continue to be difficult for owners to re-let, re-develop or sell empty non-domestic properties.

The extension of the time limited increase in the threshold for 09/10 will help support owners of lower value properties managing financial pressures.

In addition, the £15,000 threshold imposed for 09/10 is being increased to £18,000, to take account of the rateable value increases in the new rating list effective from April 2010.

What are the policy objectives and the intended effects?

The aims of the policy are to exempt owners of empty non domestic properties with a rateable value between £2,600 and £18,000 from their business rates during the financial year 2010/11 in order to help owners of low value empty properties manage short term pressures in the current financial climate.

Businesses and individual owners of low value properties can use this boost to their cash flow for other uses helping them trade through the economic downturn.

What policy options have been considered? Please justify any preferred option.

Options considered included:

(i) do nothing - uprate the £2,200 threshold to £2,600 to take account of the 2010 revaluation; and

(ii) Raise the rateable value threshold of exemption for paying empty property rates from £2,600 to £18,000 for 2010/11 only.

The preferred option is (ii) raising the rateable value threshold of exemption to £18,000, and this was announced in the Pre-Budget Report on Wednesday 9th December 2009.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

We have expanded the data on rate reliefs collected as part of local authorities' annual data returns and published by the Department to include the number of properties benefiting from the relief as well as the total amount of relief granted. Information on the number of properties benefiting from empty property relief was collected for the first time in 2008-09 and is due to be published shortly. We will monitor changes in the total amount of empty property relief granted and in the number of properties benefiting in order to establish the impact of the introduction of this temporary threshold in 2009-10 and its extension to 2010-11. The statistics for 2009/10 are due to be published in September 2010, with the statistics for 2010-11 becoming available in September 2011.

Ministerial Sign-off For final proposal/implementation stage Impact Assessments:

> ***I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.***

Signed by the responsible Minister:

Barbara Follett

....Date: 21st February 2010

Summary: Analysis & Evidence

Policy Option: Raise the exemption threshold	Description: Ensure that empty properties with a rateable value less than £18,000 are not liable for emprty rates in 2010/11.

COSTS

ANNUAL COSTS		Description and scale of **key monetised costs** by 'main affected groups' Empty property relief is funded by reduced payments into the business rates pool. We estimate that this amendment could increase the cost of the relief by £150 million during 2010/11 - overall cost to Government will be £130m as the amendment will increase corporation tax receipts.	
One-off (Transition)	**Yrs**		
£ 130 million	1		
Average Annual Cost (excluding one-off)			
£ 0		**Total Cost** (PV)	**£ 130 million**

Other **key non-monetised costs** by 'main affected groups'

BENEFITS

ANNUAL BENEFITS		Description and scale of **key monetised benefits** by 'main affected groups' This amendment could increase the tax relief to owners of empty non domestic property by £150 million in 2010/11 - overall benefit will be £130m as the amendment will increase corporation tax receipts.	
One-off	**Yrs**		
£ 130 million	1		
Average Annual Benefit (excluding one-off)			
£ 0		**Total Benefit** (PV)	**£ 130 million**

Other **key non-monetised benefits** by 'main affected groups' This amendment aids the immediate cash-flow of affected business and individual owners of empty properties who can use this boost to their cash flow for other uses helping them trade through the economic downturn. This can result in localised social benefits from businesses remaining viable entities.

Key Assumptions/Sensitivities/Risks The analysis assumes that the distribution of rateable value (RV) of empty properties matches the distribution of all properties. Deviations in RV of empty properties will change the costs. We do not have data on the number of empty properties that would benefit or whether the owners are individuals, small businesses or large property companies. Although the policy is aimed at individual property owners, small businesses that own low value empty properties, such properties under the threshold may be owned by large property businesses rather than small businesses/individuals.

Price Base Year09/10	Time Period Years 1	**Net Benefit Range** (NPV) **£ 0**	**NET BENEFIT** (NPV Best estimate) **£ 0**

What is the geographic coverage of the policy/option?			England	
On what date will the policy be implemented?			1 April 2010	
Which organisation(s) will enforce the policy?			Local Authorities	
What is the total annual cost of enforcement for these organisations?			£ 0	
Does enforcement comply with Hampton principles?			Yes	
Will implementation go beyond minimum EU requirements?			No	
What is the value of the proposed offsetting measure per year?			£ 0	
What is the value of changes in greenhouse gas emissions?			£ 0	
Will the proposal have a significant impact on competition?			No	
Annual cost (£-£) per organisation (excluding one-off)	Micro	Small	Medium	Large
Are any of these organisations exempt?	No	No	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices)					(Increase - Decrease)
Increase of	£ de minimis	Decrease of	£ 0	**Net Impact**	**£** de minimis

Key: **Annual costs and benefits: Constant Prices** **(Net) Present Value**

[Use this space (with a recommended maximum of 30 pages) to set out the evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Ensure that the information is organised in such a way as to explain clearly the summary information on the preceding pages of this form.]

Background

1. As from 1 April 2008 the Rating (Empty Properties) Act 2007 and subsequent regulations:
   a. Raised the liability of owners of empty non-industrial properties to 100% of the occupied rate after a 3 month exemption period, and raised the liability of owners of empty industrial properties from the previous exemption to 100% of the occupied rate after a 6 month exemption period; and
   b. Provided a new zero rate for charities and community amateur sports clubs which own empty properties.

2. The Government's objectives for these reforms to the existing empty property relief from business rates were:
   a. To improve UK competitiveness, by increasing incentives for property that is empty to be either re-let or for the property and site to be re-developed and thereby reduce rents and prices for new and existing businesses;
   b. To improve efficiency in land and property markets, by matching the incentives for the efficient use of property in use with similar incentives for the use of empty stock;
   c. In doing so, to reduce the need for development of business premises on greenfield sites, and to provide opportunities for re-development of brownfield and for both housing and business property;
   d. To reduce distortions in the tax treatment of different forms of commercial property, in particular the significant tax advantage given to long term empty warehousing and industrial premises over retail and office space; and
   e. To raise revenue in the most efficient and simple way, with as few distortions to the economy and to incentives for efficient allocation of resources as possible.

3. The Government considers that in the longer term the reforms to Empty Property Relief that were effective from April 2008 are necessary for the efficient use of non domestic properties and that a £1.3[4] billion subsidy to owners of empty commercial property cannot be justified. Charging rates beyond the initial rate-free periods when properties stand empty increases the incentive to re-let and re-use empty property.

4. However, as the Office of National Statistics' chart[5] shows, by the end of 2008 the economy was contracting. There is no published Government data available on the increase in the number of empty properties resulting from the downturn in the economy or on the demand for commercial property. However, it was considered that it would be likely that the contraction it the economy could cause a reduced demand for commercial property, which could result in a greater supply of empty property in comparison to demand.

5. The RICS property market survey[6], a qualitative survey of RICS members' view of the commercial property sector across Industrial, Retail and Office sectors added weight to this viewpoint. The survey showed in 2008 that their members considered that there would be a sharp decline in the demand for commercial property and new occupier enquiries with a increase in available floor space to let.

6. Therefore, it was considered that a likely outcome of a reduction in the demand for commercial property would have been an increase in the number of property owners that could find it hard to re-let, re-develop or sell empty properties in comparison to times when there is a strong economy and demand for property. In particular, low value properties, for example such as a small retail outlet in a local parade of shops that may be owned by an individual property owner. Therefore to alleviate the short term cash flow burden on owners of low value empty non domestic properties,

[4] http://www.communities.gov.uk/documents/statistics/pdf/1337094.pdf
[5] **GDP Growth - source Office of National Statistics http://www.statistics.gov.uk/cci/nugget.asp?id=192**
[6] RICS Commercial Market Survey - www.rics.org/site/scripts/download_info.aspx?downloadID=2981&fileID=3324

the Government raised the rateable value threshold for liability to empty property rates to £15,000 in 2009/10. This is the same rateable value threshold as that used to target Small Business Rate Relief (SBRR). 70% of all properties are below this rateable value and would, if empty, be exempt from rates.

7. The SBRR scheme has an additional eligibility criteria which generally ensures only businesses occupying a single premises receive the relief, and so targets genuinely small businesses rather than chains occupying low value properties. This additional criteria prevents SBRR from being granted automatically, as no data is held centrally to enable billing authorities to identify whether a low value property is occupied by an eligible small business, so claimants have to fill in an application form. Given the time limited nature of this policy on empty property relief, and in order to minimise the administrative burden to local authorities and maximise take-up, this additional criteria was not adopted so that the relief could be granted automatically to owners of empty property below the rateable value threshold. This is the administratively simplest way to allow increased relief to low value properties - the type which would be more likely to be owned by small businesses or individual property owners – although it is possible that some larger property companies that own low value properties could also benefit.

8. This was a temporary measure originally limited to 2009-10 only. However, the Office of National Statistics GDP growth chart showed that by quarter two of 2009 the economy was still in a downturn. Furthermore, the available evidence from the RICS commercial market survey showed that the demand for commercial property had improved but was still not at the level before the contraction in the economy. Therefore, the Government considered that the time limited relief put in place for 2009/10 should continue for 2010/11 to help owners of low value properties (generally small businesses and individual property owners) manage short term cash flow pressures due to difficult property market conditions.

9. That is why the Chancellor announced in the Pre Budget Report that the Government will extend the temporary increase in the rateable value threshold below which empty property is exempt for the whole of 2010-11, and uprate it from £15,000 to £18,000 in line with the general movement of property values at revaluation. The increase in the threshold to £18,000 will ensure that a similar percentage – 73% - of all properties are below the threshold and would be eligible for relief if empty, despite changes to rateable values that will occur across England from 1st April 2010 as a result of the 2010 revaluation of non-domestic properties.

10. We will monitor changes in the total amount of empty property relief granted and in the number of properties benefiting from the relief following the introduction of this temporary threshold in 2009-10 and its extension to 2010-11 – data which is collected as part of local authorities' annual data returns and published by the Department – to establish its impact. The statistics for 2009/10 will be available and published in September 2010.

11. The statutory instrument also increases the base level below which empty property is exempt from rates from £2,200 under the 2005 ratings list to £2,600 from 1 April 2010 for the 5 year period of the 2010 ratings list. This Impact Assessment does not cover the increased £2,600 threshold as this change ensures that effect continues to be given to Government policy on uprating the rateable value thresholds for all business rate reliefs in line with the general movement in property values at any revaluation (the rateable value thresholds for other business rate reliefs have been similarly uprated).

Impact of raising the threshold

12. This section examines the likely impact of raising the threshold of exemption for business rates paid by the owners of empty property from a rateable value of £2,600 to £18,000. These are the values that were set to replace the previous thresholds of £2,200 and £15,000 to reflect the revaluation of rateable values that will take place with the introduction of the 2010 rating list on 1 April 2010.

13. There is a large amount of uncertainty regarding these estimates. This means that any changes to our assumptions can have implications for the true value of empty property relief to be given out in 2010/11.

14. We have very little information about the rateable values (RV) of individual empty properties, meaning that there is a large degree of uncertainty regarding the take up of empty property relief by eligible properties. If there are a significantly greater number of properties under the £18,000 threshold than expected then the cost of allowing 100% relief will increase accordingly.

15. For our analysis we have assumed that the RV of empty properties will match the distribution of RV of non-empty properties. Currently 73% of properties in England are rated below £18,000 RV and so we have assumed that an equivalent share of empty properties will be below this threshold.

16. Empty property relief in 2007/08 totalled £1,366m, where industrial hereditaments received 100% relief from empty property business rates, while non-industrial hereditaments received 50% relief after an initial six-month exemption. It was calculated at the time that expanding the 100% relief rate to cover non-industrial hereditaments so that all empty properties would pay no business rates would cost a further £385m (derived from local authority estimates on the National Non Domestic Rates (NNDR) 1 form), for a total cost of £1,751m. As the re-rating of non-domestic properties for 2010/11 does not increase business rates, so full relief from rates on empty properties and relief granted without a temporary increase should not change appreciably.

17. After the reforms of 2008/09, only properties with a RV of less than £2,200 received 100% relief, while properties over the exemption threshold became liable to full business rates on their empty properties after three months for non-industrial hereditaments, or six months for industrial hereditaments. This resulted in a reduction of empty property relief awarded to £606m from the previous year's £1,366m.

18. Assuming empty property relief is distributed proportionately to properties of all rateable values, then once the rateable value of a band of properties is known the cost of making that band eligible for full relief from empty properties can be calculated, by deducting the cost of empty property relief awarded to that band in 2008/09 from the cost of awarding that band 100% empty property relief. The band of properties with a rateable value of under £2,200 received 100% empty property relief under both examples.

2008/09[1]	£m
(a) Total RV of all properties on 2005 list	46807
(b) RV of properties with RV < £2,200	370
(c = b/a) RV of properties with RV < £2,200 as % of total	0.8%
(d) Full EPR	1751
(e = c * d) Cost of awarding properties with RV < £2,200 100% EPR	14
(f) EPR awarded in 2008/09	606
(e) Less EPR awarded to properties with RV < £2,200	14
(g = f-e) EPR awarded to properties with RV => £2,200	592

2010/11[2]	£m
(h) Total RV of all properties on 2010 list	56373
(i) RV of properties with RV < £2,600	455
(j = i/h) RV of properties with RV < £2,600 as % of total	0.8%
(d) Full EPR	1751
(k = j * d) Cost of awarding properties with RV < £2,600 100% EPR	14
(l = d – k) EPR that would be awarded to properties with RV => £2,600 under full EPR	1737
(m = f – k) EPR that would be awarded to properties with RV => £2,600 before temporary increase in EPR threshold	592
(n = l – m) Cost of switching to full EPR	1145

[1]Using the 2005 rating list of May 2009
[2]Using the 2010 rating list of November 2009

	£m
(o) RV of properties with RV => £2,600 and < £18,000	7380
(p = o/h) RV of properties with RV => £2,600 and < £18,000 as % of total	13.1%
(q = n*p/(1-j)) Reduction in NNDR by awarding properties with RV => £2,600 and < £18,000 100% EPR	151
(r = q * 15%) Increase in corporation tax	23

(s = q - r) **Net cost of exemption** (rounded, to nearest £5m)	**130**

19. As business rates payments by businesses can be offset against corporation tax, a reduction in business rates paid will result in an increase in corporation tax, partially offsetting the cost of increasing the range of empty property relief. Following HMT in PBR 09, an average corporation tax rate of 15% has been used.

The lifetime of the policy

20. This policy is time limited to a year, ending on 31st March 2011. At present we expect that this policy will not be extended, and no additional costs will be introduced to the scheme after this time

Key assumptions, sensitivities & risks

21. The estimates in the table above are subject to the following sensitivities:
    a. If the distribution of rateable value of empty non domestic properties does not follow the national distribution of non domestic properties, this could have implications for the cost of this policy. We have not been able to assess the possibility of variable empty rates at different rateable values, so have assumed empty rates are constant across all RVs. If properties under the threshold of £18,000 are more likely to be empty than properties above this threshold, this would increase the cost of the policy. Given that we assume a value of £1,751m for Full EPR, and that we know the RV and number of properties both above and below the threshold of £18,000 it is possible to estimate an empty rate and the effect of differing empty rates above and below the threshold. These indicate an overall empty rate estimate of 7.5%; and that the policy would increase in cost by £9m for every 0.5% point increase in empty rate for properties below an RV of £18,000.

    b. We have not been able to make estimates about the current number of empty non-domestic properties who may be exempt from paying business rates for another reason, for example empty properties which are listed buildings are exempt from paying empty property rates, as are properties where the owner is facing insolvency or liquidation. These permanent exemptions may mean that the figure in table 1 represents an overestimation of the numbers of businesses that would be affected by this policy, because some owners below the £18,000 rateable value threshold will already be allowed a business rates exemption.

    c. Since we have little data on the actual numbers of properties claiming empty property relief, we have examined the value of relief given out over previous years. While doing this, we have attempted to compensate for the changes in treatment of EPR that have occurred, but the existence of different policies applying to empty properties in each year has increased the difficulty of estimation.

    d. The economic turbulence since mid-2008 may have lead to an increase in properties eligible to claim EPR, although this is mitigated by the fact that we have used figures from 2008/09 that cover a large section of this period. Any increase in empty rates since March 2009 could be expected to result in a proportionate increase in EPR. For example, a 10% increase in the number of empty properties would be expected to increase the cost of the policy by £13m (10% of £130m).

Environmental Costs and Benefits

22. There are no associated environmental costs or benefits with this amendment

Social Costs & Benefits

23. This policy is aimed at helping property owners who may find it harder to re-let, re-develop or sell empty properties due to difficult property market conditions during the current financial climate. In particular the threshold is aimed at supporting small businesses and individual property owners in effectively removing an otherwise required payment of rates. This may have social and economic benefits for the business as they can use this boost to their cash flow for other uses helping them trade through the economic downturn. For the reasons stated at paragraph 6, some large property companies that own low value property may also benefit from this relief.

Impact on 'main affected groups'

24. *Owners of empty properties:* owners of low rateable value empty non-domestic properties, which may include public and private sector entities, will be exempt from business rates in 2010/11, which will alleviate financial difficulties due to difficult property market conditions during the current financial climate. In the long term this change will allow owners to plan ahead for the future of their property.

25. At the national level this will mean that 73% of all hereditaments, occupied and unoccupied, would be covered by the threshold and if any of these are empty in 2010/11 they would not be liable for empty property rates.

26. *Local Authorities:* Local authorities will not have to collect business rates from owners, including public sector entities, of empty properties below a £18,000 RV during 2010/11. The annual billing and collection of empty property rates is part of the current business rates system and this change should not add greatly to the administration of the current system.

Enforcement

27. Local authorities manage and enforce the business rates system. This is not being significantly altered by the increase of the threshold for liability to empty property rates to £18,000 RV. It is not envisaged that this change will impact greatly upon enforcement of empty property rates.

Admin Burden & Hampton Principles

28. This policy will not significantly increase the administrative burden on Local Authorities who will bill ratepayers according to their liability for rates for 2010/11.

29. The policy will not represent an additional burden for businesses affected by this scheme, as this policy will not require additional regulation or need for administration. This policy adheres with the important Hampton Principle of allowing economic progress by increasing the protection made to businesses; in this case shown by reducing the tax burden on small businesses.

EU Requirements

30. The proposal to amend empty property rates does not relate to any EU Legislation.

Value of offsetting measure

31. The government is not proposing any offsetting measure.

Greenhouse emissions

32. The amendment to empty property rates will not in itself have any effect on greenhouse emissions.

Competition Assessment

33. The Government's general presumption is that all owners of empty property should be liable for the reformed empty property rate, and that exemptions should only be provided in exceptional circumstances. This supports the overarching objectives for reform, which seek to improve competitiveness by reducing differences in the tax treatment of different types of property, and to improve efficiency by providing strong incentives to bring property back into use. Increasing the exemption threshold meets this criterion as the time limited exemption is being implemented to allow for the exceptional current financial climate.

Small Business Impact Test

34. When assessing the impact of this change to empty property rates on small businesses an important factor is the tendency of small firms to be tenants rather than owners of business property, and the incidence of the empty property rates is expected to fall primarily on owners of properties.

35. The current economic climate makes it harder for property owners to re-let, re-develop or sell empty properties and the time limited increase in the threshold for liability to empty property rates will help small businesses and individuals that own low value properties manage short-term pressures due to difficult property market conditions during the current financial climate.

Rural proofing

36. The amendment to empty property rates is expected to have broadly equivalent impacts in rural and urban areas.

Race equality

37. The initial screening test was completed and concluded that this policy would not require a full race equality impact assessment.

Disability equality

38. The initial screening test was completed and concluded that this policy would not require a full disability equality impact assessment.

Gender equality

39. The initial screening test was completed and concluded that this policy would not require a full gender equality impact assessment.

Health Impact Test

40. The initial screening test was completed and concluded that this policy would not require a fully health impact test as this policy does not have a significant impact on human health.

Human rights

41. There are two provisions of the European Convention which could be relevant to the amendment to empty property rates - Article 1 of the First Protocol and Article 14.

42. Article 1 of the First Protocol provides that everyone is entitled to the peaceful enjoyment of his possessions, and may not be deprived of them except in the public interest and subject to the conditions provided for by law and by the general principles of international law. There is an exception for the right of the State to secure the payment of taxes and discretion for the State to impose taxes in the public interest. The Department is confident that the amendment to the empty property rates regulations is in the public interest and proportionate to the policy aims.

43. The second provision is Article 14 of the Convention which provides that the enjoyment of the rights and freedoms set out in the Convention shall be secured without any discrimination. This means that any differential treatment in terms of the right to peaceful enjoyment of property, protected by Article 1 of the First Protocol, including differential treatment for tax purposes, is in principle unlawful. The European Court has, however, consistently said that differential treatment is not unlawful provided that it is objectively and reasonably justified.

Implementation/next steps

44. This Impact Assessment is attached to the regulations that will implement the amendment to empty property rates.

45. We have expanded the data on rate reliefs collected as part of local authorities' annual data returns and published by the Department to include the number of properties benefiting from the relief as well as the total amount of relief granted. Information on the number of properties benefiting from empty property relief was collected for the first time in 2008-09 and is due to be published shortly. As noted at paragraph 10 above, we will monitor changes in the total amount of empty property relief granted and in the number of properties benefiting in order to establish the impact of the introduction of this temporary threshold in 2009-10 and its extension to 2010-11. The statistics for 2009/10 will be available and published in September 2010, with the statistics for 2010-11 becoming available in September 2011.

46. We will also continue to monitor the overall state of the economy using GDP statistics from the Office of National Statistics and available evidence about the demand for commercial property, such as the RICS Commercial Market Survey. Other appropriate means of assessing the policy will be considered.

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	***Results in Evidence Base?***	***Results annexed?***
Competition Assessment	Yes	No
Small Firms Impact Test	Yes	No
Legal Aid	Yes	No
Sustainable Development	No	No
Carbon Assessment	Yes	No
Other Environment	Yes	No
Health Impact Assessment	Yes	No
Race Equality	Yes	No
Disability Equality	Yes	No
Gender Equality	Yes	No
Human Rights	Yes	No
Rural Proofing	Yes	No