EXPLANATORY MEMORANDUM TO THE

RATES (MAXIMUM CAPITAL VALUE) REGULATIONS (NORTHERN IRELAND) 2007

SR 2007 No. 184

1. General

1.1 This explanatory memorandum has been prepared by the Department of Finance and Personnel and is laid before Parliament by Command of Her Majesty.

1.2 This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Description

2.1 These Regulations introduce a cap on rates liability for domestic properties in Northern Ireland. They do not apply to property in the social housing sector where rates liabilities will be standardised.

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

3.1 These Regulations have been laid before Parliament less than 21days before they come into operation. The possibility of the introduction of a cap arose as a result of the St Andrews Agreement. However a Ministerial announcement that it would be introduced in legislation, to take effect from 1 April 2007, (the beginning of the rating year), and the level at which it would apply, could not be made until after the Assembly election as the local political parties have varying positions on the matter. To have introduced the legislation prior to the election, therefore, would have been inappropriate during purdah as it could have given unfair advantage to some political parties. As a consequence the 21 day rule has been breeched on this occasion.

4. Legislative Background

4.1 With effect from 1 April 2007 domestic properties will, by virtue of the Rates (Amendment) (Northern Ireland) Order 2006, S.I. 2006/2954 (N.I. 18), be rated on the basis of capital values rather than rental values. These Regulations provide that where the rateable capital value of a property to which the Regulations apply is above a maximum capital value, the rates liability for that property will be calculated on that maximum capital value rather than on the property's rateable capital value.

4.2 The maximum capital value will be £500,000 except for certain properties distinguished in the capital value list as partly exempt from rates where the maximum capital value will vary between £250,000 and £500,000 depending on the extent of the exemption.

5. Territorial Extent and Application

5.1 These Regulations apply only to Northern Ireland.

6. European Convention on Human Rights

6.1 As these Regulations are subject to negative resolution procedure and do not amend primary legislation, no statement is required.

7. Policy Background

7.1 The Government has listened to the views of local political parties, the majority of whom have expressed views in favour of restraining the rating system and setting a maximum value for the charging of rates, which is a feature of the Council Tax system in Great Britain. The arguments in favour being parity of treatment and recognition that there is a limit to the benefit that can be derived by individual households from the use of regional and local services.

7.2 As a result of the St Andrews Agreement it was agreed that Government would introduce a cap on domestic rates. This was confirmed on 7 November 2006 during the House of Lords debate on the primary legislation. A consultation paper setting out how the cap might be achieved was circulated to local parties on 19 December 2006 and the response was favourable. The paper proposed a cap on properties with a capital value above £500,000.

7.3 The Secretary of State has agreed to do the bidding of local political parties and introduce a cap on properties with a capital value above £500,000 before restoration, so that this can be reflected in the new rate bills that are to issue from April 2007.

7.4 In light of the political progress that has been made, the Government has decided in anticipation of the Assembly being restored to press ahead with its commitment to introduce a maximum cap on rates.

8. Impact

8.1 A Regulatory Impact Assessment has not been prepared for these Regulations as they have limited impact on business, charities and voluntary bodies.

8.2 There will be a loss to revenue in the first year in the order of £2.5m. In future years the costs will be redistributed among other ratepayers. There are no staffing impacts.

9. Contact

9.1 Brian McClure, at the Department of Finance and Personnel Tel: 028 9127 7668 or e-mail brian.mcclure@dfpni.gov.uk can answer any queries regarding these Regulations.