

**EXPLANATORY MEMORANDUM TO
THE RATES (PAYMENT BY OWNERS BY AGREEMENT) (AMENDMENT) ORDER
(NORTHERN IRELAND) 2007**

S.R. 2007 No. 2

1. General

- 1.1 This explanatory memorandum has been prepared by the Department of Finance and Personnel (“the Department”) 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 This Order which was made on 8th January 2007 provides for an increase in the maximum allowance which may be made to owners who pay rates by agreement under Article 21 of the Rates (Northern Ireland) Order 1977 (S.I. 1977/2157 (N.I. 28)) (“the 1977 Order”).

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

- 3.1 This Order was mistakenly cited in Article 1 as a 2006 Order even though it was made on 8th January 2007. After discovering the error, the Department had to seek advice from various sources on the options open to it. Having received that advice, the Department decided to proceed by way of correction slip. The need to seek advice was the cause of the delay in the laying of the Order.

4. Legislative Background

- 4.1 Apart from certain classes of commercial property, unoccupied property does not give rise to a charge in rates. Under Article 21(1) of the 1977 Order, however, the owner of any property, the rent of which is payable or collected at intervals shorter than quarterly, may by agreement in writing with the Department undertake to pay rates in respect of the property whether it is occupied or not.
- 4.2 The Department may agree, where the owner gives such an undertaking and pays over to the Department on or before the date or dates specified in the agreement the amounts payable, to make an allowance to that owner not exceeding 10 per cent. This Order, made under Article 22(4) of the 1977 Order, increases the maximum amount of that allowance to 15 per cent.

5. Territorial Extent and Application

- 5.1 This Order applies only to Northern Ireland.

6. European Convention on Human Rights

6.1 In the view of the Department, the provisions of this Order are compatible with the Convention rights.

7. Policy background

7.1 The decision to change the upper limit of allowance awarded to owners under Article 21 of the 1977 Order was consulted on with the private rented sector in June 2006 as part of a targeted consultation exercise, and was also referred to in the public consultation document issued on the then draft Rates (Amendment) (Northern Ireland) Order 2006.

7.2 The consideration given to amending Article 21(1) of the 1977 Order was linked to wider changes regarding landlord liability in the private rented sector. Following the 2004 consultation exercise on rating reform, the Government commissioned the Institute of Revenue, Rating and Valuation to research the issue of landlord liability and advise on how best to modernise the current legislative provisions. In light of that research the Government considered it necessary to amend existing provision to take account of-

- a) the move to the new capital value system; and
- b) the difficulties associated with the collection of rates from tenants.

7.3 The Rates (Amendment) (Northern Ireland) Order 2006 (S.I. 2006/2954 (N.I. 18)) amends Article 20 of the 1977 Order to create owner liability for houses in multiple occupation. It also amends the old Net Annual Value (NAV) limits, which determined owner liability prior to the introduction of capital values, with capital value limits. The owner of a property will be liable for rates under Article 20 of the 1977 Order where the capital value does not exceed £55,000, or the rent is payable or collected at intervals shorter than quarterly and the capital value does not exceed £150,000. The owner of a property will also be liable for rates where the property is a house in multiple occupation.

7.4 The Government is keen to complement these changes to Article 20 of the 1977 Order by encouraging as many landlords as possible to pay rates by agreement under Article 21 of that Order. In recognition of this and the conditions associated with the measure, given that vacancies cannot be claimed under such an agreement, it was decided to increase the maximum allowance under Article 21(1) of the 1977 Order.

7.5 To meet this policy objective the allowance provided under Article 21(1) of the 1977 Order will be increased from an allowance not exceeding 10 per cent. to an allowance not exceeding 15 per cent. The Government intends to give existing agreement holders the benefit of the higher allowance.

8. Impact

- 8.1 No Regulatory Impact Assessment has been prepared. This Order will apply to all properties in Northern Ireland where the owner agrees to pay rates under Article 21 of the 1977 Order.
- 8.2 It is envisaged that the loss to collection as a result of this change would be largely revenue neutral in effect. The intention behind the allowance increase is to create an incentive for additional landlords to take up liability for their tenanted properties. The additional revenue across all landlord property is anticipated to outweigh any loss on collection. The administration of the change will not add any additional staffing burden to the Government.

9. Contact

- 9.1 Brian McClure at the Department of Finance and Personnel (Tel: 028 9127 7668 or e-mail: brian.mclure@dfpni.gov.uk) can answer any queries regarding the instrument.