

## **EXPLANATORY MEMORANDUM TO**

### **Rates (Small Business Hereditament Relief) (Amendment) Regulations (Northern Ireland) 2017**

**SR 2017 No. 72**

#### **1. Introduction**

- 1.1. This Explanatory Memorandum has been prepared by the Department of Finance ("the Department") to accompany the Statutory Rule (details above) which is laid before the Northern Ireland Assembly.
- 1.2. The Statutory Rule is made under Article 31C of the Rates (Northern Ireland) Order 1977 (S.I. 1977/2157 (N.I. 28) ("the 1977 Order") and is subject to the negative resolution procedure.

#### **2. Purpose**

- 2.1. These Regulations amend the Rates (Small Business Hereditament Relief) Regulations (Northern Ireland) 2010 ("the 2010 Regulations") so as to provide small business rate relief in respect of eligible small business hereditaments to 31st March 2018.
- 2.2. Regulation 1 contains the citation and commencement provisions.
- 2.3. Regulation 2 amends the definition of "qualifying year" in the 2010 Regulations. This will now be defined as a financial year ending before the 1st April 2018.

#### **3. Matters of Special Interest to the Examiner of Statutory Rules**

- 3.1 The Statutory Rule was made in order to ensure that provision for small business rate relief was extended following the oral statement by the Secretary of State for Northern Ireland, James Brokenshire, on 28th March 2017 citing his intention to bring forward legislation to set a regional rate for 2017/18.
- 3.2 In that statement the Secretary of State also outlined that from 29th March 2017, the Department of Finance Permanent Secretary exercises powers to allocate cash to Northern Ireland Departments. This Statutory Rule, which allows for the retention of small business rate relief until 31st March 2018, comes in light of that stated transfer of responsibility.
- 3.3 In order to ensure that the extension is formally operative prior to any making of the regional rate the operative date of 18th April 2017 has been selected, which will

extend the relief for the entirety of the 2017/18 rating year. This however, has the effect of incurring a breach in the 21 day convention which the Department has drawn to the attention of the Examiner of Statutory Rules. The Department wishes to highlight that the breach is made in light of circumstances outside its direct control.

#### **4. Background**

- 4.1. Provision was made in the Rates (Amendment) Act (Northern Ireland) 2009 enabling a small business rate relief scheme to be introduced on 1st April 2010. The Scheme was due to end on 31st March 2015.
- 4.2. However, following a public consultation undertaken by the Ulster University Economic Policy Centre (UUEPC) as part of a full evaluation of the scheme, it was agreed that the scheme would be extended, pending the implementation of a replacement scheme taking on board the UUEPC's recommendations.
- 4.3. This Statutory Rule extends the scheme for the 2017/18 rating year.

#### **5. Consultation**

- 5.1. The Department has recently concluded a public consultation exercise in respect of the replacement proposals for the small business rate relief scheme. It is currently preparing analysis of the consultation responses to allow the matter to be considered by the incoming Finance Minister.
- 5.2. Until that process concludes it has been decided to continue the small business rate relief scheme for the 2017/18 year so as to retain the 2016/17 position. That position had already been outlined by the then Finance Minister in the Assembly on 8 November 2016, and was also noted by the then Finance Committee on 11 January 2017.

#### **6. Equality Impact**

- 6.1. The Department's assessment is that this broadly based scheme has neither a disproportionate nor adverse impact on any of the section 75 subgroups.

#### **7. Regulatory Impact**

- 7.1. Due to the automated nature of the scheme the amendment made by this rule will add no additional cost to businesses in receipt of the relief.

#### **8. Financial Implications**

- 8.1. It is estimated that in 2017/18 around £19M in rate revenue will be foregone as a result of the small business rate relief scheme.

#### **9. Section 24 of the Northern Ireland Act 1998**

- 9.1. The Department of Finance considers the Regulations to be compatible with section 24 of the Northern Ireland Act 1998.

## **10. EU Implications**

- 10.1. The 2010 Regulations provide that the reductions under the scheme apply only to the extent that they do not contravene the State aid rules of the European Union. The relief is being granted as de minimis aid in line with Commission Regulation (EC) No.1998/2006 on application of Articles 87 and 88 of the Treaty to de minimis aid.
- 10.2. There is currently a ceiling of €200,000 on the total de minimis aid that can be granted to any one business undertaking in the UK from all public sources over a rolling 3 year period.
- 10.3. The removal of ratepayers with multiple premises in 2012/13 continues to reduce the likelihood of any breaches.

## **11. Parity or Replicatory Measure**

- 11.1. Similar rate relief schemes exist in the rest of the UK.
- 11.2. The Northern Ireland scheme broadly follows the structure of the original Welsh scheme as introduced back in April 2007, with one level of relief for most categories of non-domestic properties and enhanced relief for post offices.

## **12. Additional Information**

- 12.1. Not applicable.