EXPLANATORY MEMORANDUM TO

Rates (Small Business Hereditament Relief) (Amendment) Regulations (Northern Ireland) 2019

SR 2019 No. 44

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 rate relief in respect of eligible small business hereditaments to 31st March 2020.

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 2020.

3. Background

3.1. 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.

3.2. 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 any Ministerial decision in light of the Centre’s recommendations.

3.3. This Statutory Rule extends the scheme for the 2019/20 rating year.

4. Consultation

4.1. The Department concluded a public consultation exercise in 2014 in respect of the replacement proposals for the small business rate relief scheme. It has also prepared an analysis of the consultation responses to allow the matter to be considered by an incoming Finance Minister.

4.2. This Statutory Rule continues the small business rate relief scheme for the 2019/20 year, retaining the existing statutory position following confirmation from the

Secretary of State on 28th February 2019 that the 2019/20 Northern Ireland budget settlement would see Small Business Rate Relief continue for the 2019/20 rating year.

5. Equality Impact

5.1. This is a locally based scheme and the Department considers that there should be no disproportionate impact on any of the section 75 subgroups.

6. Regulatory Impact

6.1. 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.

7. Financial Implications

7.1. It is estimated that in 2019/20 around £20M in rate revenue will be foregone as a result of the small business rate relief scheme.

8. Section 24 of the Northern Ireland Act 1998

8.1. The Department of Finance and Personnel considers the Regulations to be compatible with section 24 of the Northern Ireland Act 1998.

9. EU Implications

9.1. 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.

9.2. 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.

9.3. The removal of ratepayers with multiple premises in 2012/13 continues to reduce the likelihood of any breaches.

10. Parity or Replicatory Measure

10.1. Similar rate relief schemes exist in the rest of the UK.

10.2. 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.

11. Additional Information

11.1. Not applicable.