EXPLANATORY MEMORANDUM TO

Rates (Small Business Hereditament Relief) (Amendment) Regulations (Northern Ireland) 2020

SR 2020 No. 91

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 2021.

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 2021.

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.

3.2. This Statutory Rule extends the current scheme for the 2020/21 rating year.

4. Consultation

4.1. No new consultation has been conducted in respect of this specific Rule which continues the small business rate relief scheme for the 2020/21 year, retaining the existing statutory position.

4.2 The Business Rates Review consultation undertaken last year indicated widespread support for some form of small business rate relief in Northern Ireland. The review also denoted a need for further research on the form of that relief. This Statutory Rule, which holds the existing policy position for an additional year, will allow the new Executive the time necessary to develop its future policy position with regard to rate support measures.

5. Equality Impact

5.1. This is a locally based scheme and the Department considers that there is 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 2020/21 just under £20M in rate revenue will be foregone as a result of the Small Business Rate Relief scheme. The extension of the scheme for the 2020/21 year was agreed as part of the Executive's 2020/21 Budget.

8. Section 24 of the Northern Ireland Act 1998

8.1. The Department of Finance 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 a standard 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 policy amendment to remove ratepayers with multiple premises in 2012/13 continues to reduce the likelihood of any such breach.

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.