EXPLANATORY MEMORANDUM TO

The Rates (Unoccupied Hereditaments) (Amendment) Regulations (Northern Ireland) 2014

S.R. 2014 No. 69

1. Introduction

1.1. This Explanatory Memorandum has been prepared by the Department of Finance and Personnel ("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 25A(6) of, and paragraph 1(1) to (3) of Schedule 8A to, 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. Paragraph 2 of the Schedule to the Rates (Unoccupied Hereditaments) Regulations (Northern Ireland) 2011 (S.R. 2011 No. 36) ("the principal Regulations") provides an exemption from the rating of empty homes for house-builders and developers who are entitled to possession of newly built domestic properties. The exemption is for a period of twelve months except that where a property first appears in the valuation list before 1 April 2012, the exemption is for a period of thirty months.

2.2. The longer exemption period was initially eighteen months but was extended to thirty months from 1 April 2013 by the Rates (Unoccupied Hereditaments) (Amendment) Regulations (Northern Ireland) 2013 (S.R. 2013 No. 47) ("the 2013 Amendment Regulations").

2.3. Regulation 2 of these Regulations further amends the principal Regulations by increasing from thirty months to forty two months the period of exemption from the rating of empty homes for a newly built domestic property first appearing in the valuation list before 1 April 2012.

2.4. Regulation 3 of these Regulations revokes the 2013 Amendment Regulations.

3. Background

3.1. The rating of empty homes was introduced on 1st October 2011. At that time it was decided to provide an eighteen month exemption period for house-builders and developers designed to afford protection to developers who had built speculatively during the property boom but had been left with surplus housing stock following the sudden downturn. With house-builders and the housing market still slow to recover the exemption was extended to thirty months on 1 April 2013. For many of these developers the thirty month exemption period is due to expire on 31st March 2014.

3.2. Although the housing market is showing signs of recovery, the imposition of rates on builders holding stocks of unsold houses built speculatively during the housing boom will not help the recovery of the construction industry in Northern Ireland. Accordingly, this exemption is being further extended from thirty months to forty two months.

4. Consultation

4.1. The policy to introduce the rating of empty homes was a key outcome of the Executive's Review of domestic rating in 2007. A consultation report, setting out the way forward on a range of policy issues, was published on 6 January 2009. Full details of the consultation process and associated documentation can be accessed at the Rating Policy Division website at the following link:- http://www.dfpni.gov.uk/rating-review

4.2. No further consultation was deemed necessary in relation to this amendment which retains the existing position.

5. Equality Impact

5.1. An EQIA was carried out at as part of the initial policy development on the rating of empty homes.

5.2. It is the Department's assessment that no further EQIA is required in relation to this amendment.

6. Regulatory Impact

6.1. A regulatory impact assessment was not considered necessary as the Rule does not result in any new direct cost to business, charities or voluntary bodies.

7. Financial Implications

7.1. On the basis of an average rates bill, and based on the current eligibility figures provided by LPS, the cost in total revenue for the developer exclusion (district and regional rates) would be in the region of £3.5 million per annum. This figure is reducing as properties become occupied.

8. Section 24 of the Northern Ireland Act 1998

8.1. It is the view of the Department that these Regulations are compatible with section 24 of the Northern Ireland Act 1998.

9. EU Implications

9.1. There are no relevant European Regulations or Directives.

10. Parity or Replicatory Measure

10.1. There is no corresponding Great Britain legislation.

11. Additional Information

11.1. Not applicable.