

## INTRODUCTION

Responding to the Deferment Consultation, the NIFRC must restate that the basis of Capital Charging is clearly inequitable as it does not consider the ratepayers' ability to pay. Radical tax options such as local income tax must be reconsidered. We can not envisage any meaningful uptake of the deferment scheme in its present form and as such, it is somewhat superfluous. Assuming this scheme is designed to help the cash poor and asset rich pensioners, those to whom we have spoken are unhappy because they realise that their children would have to sell or mortgage the family home to discharge the debt, in the event of their death. In fact the only pensioners that would benefit from the scheme are the truly wealthy, where the accumulated rates and interest could be used to offset inheritance tax.

We see little point in further tinkering with the flawed single capital value system when a root and branch review is what was promised and which should be undertaken with all speed, as the Scottish Parliament did with the Council Tax.

The deferment proposal is essentially hiding the fact that the unfair nature of the capital charge scheme creates a Pensioners Savings Tax. Those who had expected to live out their declining years in their homes face an unenviable dilemma; move house to something smaller and pay out removal costs which could amount to over £20K after stamp duty is paid, or stay in their homes. For some remaining in their homes means seeing rates bills which virtually equal their modest pensions and because they have to opt for deferment, become debtors to the government. They will worry where it will lead and whether their spouse can cope, if the main pension is halved on a first death.

The example at Section One very clearly illustrates the pensioner with a savings dilemma; why should he or she be penalised in this draconian way because he or she owns a home, when those who have not saved and can't afford to pay the rates will have their rates paid by social measures; this group is not penalised in any way. It is clearly a Pensioners Savings Tax.

Putting that aside we have taken the opportunity to respond using the background information given up to paragraph 56. Therefore looking at the consultation to use the deferment policy to moderate the impact on pensioners, we can say:

We agree with the eligibility parameters given in paragraph 56

The scheme should apply equally to men and women

The age should rise as state pension age rises

Deferment should apply when one of a joint owned house occupants is a pensioner

On the death of an eligible pensioner the remaining occupant (not eligible) should recommence paying rates with the rates already deferred being a charge against the property until the property is sold

Deferment should apply only to primary residences, and the owner should have at least 40% equity stake in the property.

The deferment should not be permitted to rise to more than 80% of the owner's equity.

Property must be suitably insured.

Deferment should not be precluded because an owner has savings above a certain level, otherwise Rates would become a Pensioners Savings Tax.

The deferred sum must be a statutory charge against the property.

The minimum annual sum that could be deferred should be set reasonably high, probably at £400 to justify the likely very significant initial set up costs, and the interest rate to be applied should be set at 1% below the Bank of England base rate

A clear financial model must be provided to any pensioner before the commencement of any deferment, and this should be annually corrected and updated to take account of any changes in the interest rate.

We are in agreement with the spirit of paragraph 119 that such temporarily empty houses, where owners are in nursing homes, should have the rates deferred until the homes are reoccupied.

We agree with the 6 information aspects in paragraph 120, and understand that a charge for obtaining the information may be levied, however this should be a set figure, struck at an "at cost" average figure.

Understanding the prudent aspect of any departmental decision to refuse deferment, there should be an opportunity to have a regular review undertaken by an independent assessor to ensure that this refusal mechanism is not used to effectively prevent deferment where it was initially expected to be permitted.

We agree that the burden of deferment should rest with the regional government as this would take away the risk of some councils being more significantly under resourced if it rested locally.

## **CONCLUSION**

Deferment is an important tool to avoid the risk of pensioners being driven out of their homes. Income poor pensioners who lack the ability to pay annual rates are the underclasses that have been disadvantaged by a very poor policy decision to levy rates on the single capital value of their homes.

It is noted that there is a low take up of deferment in e.g. the Americas. Is this because their equivalent of rates is not as high, or is it due to a lower percentage of net income? This would need to be investigated further.

In the current economic climate, with the massive slump in house prices and the re-emergence of negative equity, we believe that the Executive may not only have to revisit the entire approach to rates deferment but seriously reconsider the decision NOT to have a 2010 revaluation, as was the intention of the direct rule ministers when they dreamed up the single capital value model of rates calculation.

Raymond Farley  
Chair Northern Ireland Fair Rates Campaign.