

6 August 2008

Rating Policy Division
Department of Finance and Personnel
Room D12
Rathgael House
Balloo Road
Bangor
BT19 7NA

Dear Sirs

Review of Domestic Rating – The Rating of Empty Homes

I refer to the above consultation document and offer the following views using the format as contained in the document Annex A.

Section 2: Background

The background needs to be revisited and the following points are made.

1. The speculative element (para 34) has been neatly removed by the sea-change in market circumstances.
2. The redistributive taxation philosophy of para 36 should not be introduced as an element in rating policy.
3. The proposed measures will not increase the supply of affordable homes. They will act as a disincentive to persons investing in houses to let, they will operate adversely on persons building their own houses or buying a house because of the overlap during which two houses may be unavoidably owned. They will act as a damper on the housing market.
4. In order to avoid stifling property development it is necessary to allow substantial discounts and initial exemption periods.

Section 3

Sub Section 1

Rating at 100% on an unoccupied house held as an appreciating investment is too high, 50% should be the maximum unless the house is exempted by being offered for sale on the open market at a realistic price (if necessary confirmed by V & LA) in which case no rates should be levied.

Sub Section 2

There is considerable merit in phased introduction as a general principle, particularly in view of the market circumstances now prevailing. It is suggested that a one year delay in introduction followed by phased introduction over a three year period to a maximum of 50% of the occupied rate. This would allow a badly damaged market to adjust. There should be no banding and no area variations.

Sub Section 3

No view expressed.

Sub Section 4

The scenario outlined in Para 61 is irrelevant. If there is no or minimal overlap on moving house then the question of rating of empty homes does not arise. It does arise where an intended sale fails or when an individual is building a new house and finds on nearing completion that there is likely to be an overlap. For that reason a 100% exemption is advocated during the period when an unoccupied house is offered for sale, as above. In today's conditions many who are not speculators are caught for what may be lengthy periods owning an empty and unsellable house. It will be recalled that capital gains tax on a vacated sole or main residence is normally only levied by HM Revenue and Customs after allowing three years for disposal.

The justification given for allowing 12 months exemption on new empty properties should also apply to the vacation of formally occupied houses offered for sale.

Sub Section 5

A house is complete when a Building Control completion certificate has been issued.

Sub Section 6

The classes outlined in para 72 should be exempted. There are similar considerations in respect of houses in Conservation Areas and these should be addressed.

Sub Section 7

No comment is offered.

Sub Section 8

A particularly poor policy analysis is given here. Why should a disabled person (para 79, 80 and 81) moving house or an old person downsizing lose their reduction while trying to sell their vacated house? No justification is given and the allowances should remain until the qualifying person has disposed of the property.

Transitional relief and cap should apply.

Minister's houses (para 85) should be treated as houses owned by any other charity and no special exemptions given. In particular ownership by a church should not be a consideration.

Farm houses which are subject to an agricultural occupancy condition should be valued as farm houses even when unoccupied. Where a farm is for sale the unoccupied farmhouse should retain its exemption.

Sub Section 9

It is odd to see a reference to avoidance of rates by constructive vandalism as "unfair" given that the current rating system is a wealth tax and that what now is being proposed is a tax to be paid in the absence of any service related to occupancy. Clearly a house which has been removed cannot be liable for rates (unless the proposal is extended to rate house sites) and it seems entirely reasonable that an owner should have the option of either removal or some other measure which might reduce its valuation such as partial demolition and construction of a lower value

property. It should also be noted that planning permission is not generally required for the demolition of a building.

Section 4

The proposals on exemptions etc above would have a significant affect on revenue. They would however lead to a more soundly based and equitable policy.

Section 5

Para 108. The reason given for rejection of the 50% rate is no longer valid in the changed market conditions where there are now likely to be a large number of properties available at reduced prices for many years as mortgage funds gradually become available again.

Para 109. Phasing should be applied.

Para 119. Rates avoidance by intentional damage. Experience with planning law enforcement suggests any such legislation, even if it were justified (which is questionable) is likely to be ineffective.

Section 6

These impact assessments do not adequately consider the effects on those individuals who need to move house for reasons outside their control – persons changing employment, elderly persons downsizing, disabled people having to move to more suitable premises (no stairs etc) all of whom would be particularly affected by these poorly considered proposals.

Finally, it is worth pointing out in relation to Section 1 that a consultation exercise in which a majority say they are in favour of taxing a minority has a questionable validity. In such cases considerations of fairness and equity are paramount.

Yours faithfully