

**GREATER VILLAGE REGENERATION TRUST**

Response  
To

2007 Review of Domestic Rating Reform

30<sup>TH</sup> August 2007

The Greater Village Regeneration Trust is pleased to respond to the review of the rating system that was announced by the Minister of Finance and Personnel in May 2007. As a community based organisation with limited resources we would have preferred a longer timescale to provide a comprehensive response on behalf of the community and the other established groups in the area. We support very strongly the overall objectives of the review to ensure that –

- there is an equitable distribution of the rate burden on households in Northern Ireland and effective and targeted relief is provided so that those who are less able to pay are protected and supported;
- the system is sustainable and provides an appropriate means of supporting the delivery of services especially to those areas of greatest deprivation
- The system should be transparent and easily understood; both in its methodology and in how the proceeds are used, thereby improving local accountability.

The Terms of Reference identifies a number of options for change in the short term -

- the removal or change in the level at which the maximum capital value is set;
- the Introduction of a minimum payment;
- the introduction of the rating of vacant domestic properties;
- the introduction of a deferment scheme for home owning pensioners;
- revision of the low income rate relief scheme;
- revision or revocation of the rate relief scheme for students;
- re-profiling the transitional relief scheme;
- Revision of the early payment discount scheme.

The Trusts view on the above options is set out in the following paragraphs.

## **Maximum Capital Value**

A property tax that is based on capital values assists in ensuring a small degree of equity in that similar properties in different locations are taxed similarly and different properties are taxed in a way that reflects their differences. It also has the potential to forecast the rate-payers ability to pay, although it is clearly not a perfect measure.

The introduction of a cap diminishes the equity of the rating system and for this reason the Trust does not support the retention of the cap in the longer term. However, it does recognise that a switch from a rental value based system to a capital value based system can have a negative financial impact on those living in high value properties some of whom are considered to be “asset rich, income poor.” This can also be said of those areas which are suffering from high levels of deprivation and low levels of income but in relative terms they could now be classed as property rich because of the property price rise.

At the present level of the cap we understand that only a relatively small number of rate-payers benefit and a relatively small amount of income is involved. On the other hand the retention of a cap means the cost has to be met from within the tax base by other ratepayers

In the interests of equity the Trust, therefore, supports the removal of the cap

## **Minimum Payment**

The Trust is opposed to introducing a minimum payment in respect of the rating system and would ask what the purpose of such a provision is? If introduced would it be related to the taxpayer, the property or the amount paid by the individual. The rate rebate scheme is a sufficient mechanism to ensure the amount paid is linked to the needs and resources of the taxpayer rather than an arbitrary and regressive measure

Having an upper and lower cap introduces an approach which has similarities to the council tax banding system in Great Britain and which is recognized as highly regressive.

### **Rating of vacant domestic properties**

The rating of empty non-domestic properties was introduced in 2004, which we are led to believe has increased the rate income available to local authorities;

It is the view of the Trust, in order to maximise rate income to local authorities in Northern Ireland, and to remove the blight caused by such vacant properties that the rating of vacant homes should be implemented as soon as possible. The Trust are aware of the number of vacant properties throughout the Greater Village area of South Belfast and would encourage any process that would encourage owners to find ways to make better use of the empty properties by, either using it themselves, attracting new tenants (perhaps by reducing rents) or redeveloping the site for a new use.

It is the view of the Trust that the rating of vacant homes should be introduced and that implementation should be in April 2008

### **Deferment for pensioners**

A deferment scheme is not a form of relief and would not provide taxpayers with a tax reduction but it would allow owner / occupiers the option of deferring all or part payment of their property tax bills, normally with a charge for interest, until the sale of their property or death providing of course there is sufficient equity in the property and that there are reasonable prospects of the growth in property values continuing.

As we understand the way in which such schemes operate deferral normally takes the form of a charge against property to which interest is added and is really only suitable for elderly taxpayers because of the cash flow implications of making it widely available to all categories of taxpayer. The Trust would be supportive of such a scheme as long as it was being implemented through a government department and potential interest charges were kept to a minimum. It is our view that a deferment scheme will not be widely used but could function as an important safety net in helping to ensure that homeowners are able to retain their homes, especially those with high property tax burdens and with no eligibility to other available forms of relief. It is particularly suitable for dealing with the asset rich, income poor group of elderly people. Any decision in relation to deferment should be made annually.

## **Low Income Rate Relief Scheme**

The Trusts understanding of the low income relief scheme is that the structure is based on the current housing benefit scheme but it sits alongside that scheme to assist taxpayers who are on incomes that exceed the income limits set out in the current benefit scheme and as a result either are not entitled to a full rebate or not entitled to any rebate.

As the fundamentals of the low income relief scheme are based on –

- Measurement of Need;
- Measurement of Resources;
- The make-up of the family;
- The status of individuals in the family,

The Trust believes that the scheme should be retained as it is seen as a flexible scheme that can target relief to different client groups whether they are family groups or pensioners. It helps to bring a measure of ability to pay to the rating system. The Trust believes that relief should be targeted to pensioners, single parent families and families with young children and that consideration should be given to raising the capital limit for pensioners as this can be seen as a major factor in deterring people from applying for relief.

## **Rate Relief for Students**

The Trust understands that as part of the 2004 consultation exercise a representative survey of 1300 households showed strong support for the targeting of assistance towards:

- Pensioners (90%);
- People with a disability (74%);
- Single parents (43%);
- couples with children (35%), and
- Single households (28%).

Less than 3% of those polled showed support for some other group and students were one of 46 that were mentioned and the wider consultation responses generally reflected this. There was virtually no support for the targeting of assistance towards students. Rather, the key concerns related to pensioners and other vulnerable groups such as people with a disability and those on low incomes.

The only consultation response related to students was from the Landlords Association. They requested that the current mandatory requirement for landlords to be liable for rates be removed.

In spite of the lack of general support a relief scheme was introduced for all student households. The Trust does recognise in making this decision it was recognised that the majority of students are excluded from housing benefit and rate rebate. It is the view of the Trust that the reduction of rates relief was generated for the benefit of the Landlords. Prior to the introduction of the relief for a substantial number of student properties the landlord paid the rates bill and included this in the rent that was charged; there was no visible rates liability for the tenant. The Trust has not seen any evidence in the Greater Village area to suggest that landlords reduced the rents payable by students as a result of the introduction of this relief and, therefore, the main beneficiary for this relief are the landlords.

In addition, it is impossible to police this relief so that when a household ceases to be an all student household there is no incentive for the landlord to report the change in circumstances as the rates bill then becomes payable.

It is the opinion of the Trust that this relief is depriving local authorities of a substantial amount of income and that the intended recipients of the relief are not, in fact receiving the benefit of the relief, and it should, therefore, be rescinded.

### **Transitional Rate Relief**

The Trust recognises that the transitional relief scheme helps those ratepayers who are most affected by the change to the capital value system to budget and plan for the new rate increases over the three year life of the scheme. It is the opinion that this transitional scheme should be extended to 5 years and a new revaluation should be deferred until after the review of local government

### **Early Payment Discount Scheme**

The Trust believe that there is an unfairness in this scheme toward those who cannot afford to pay early however, the Trust recognises that it would be difficult to withdraw the present scheme as it is believed that some 20% of ratepayers take advantage of the scheme and for this reason we believe that the scheme should remain unchanged.

