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Department of
Finance
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Supplementary Consultation on Domestic Rating Measures

JANUARY 2025



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Ministerial Foreword

On 9 December 2024 I outlined my [Strategic Roadmap for the Rating system](#) to the Assembly.

I am determined to build a progressive rates system for both households and businesses. I want to do this based on the principles of fairness and equity, and to ensure that the rates system as a whole aligns with the Executive's policy objectives, stimulates our economy and supports the growth of our taxbase, while providing appropriate support for those who need it.

My immediate focus in this consultation paper is to consult upon my preferred short-term reforms, following that considered assessment. These measures are built on analysis of the consultation findings last year, along with supplementary engagement undertaken by my Department since I took up Ministerial office.

This consultation paper puts forward two preferred proposals for change. An elevation of the current maximum capital value of £400,000 to £485,000, and the reduction of the current level of Early Payment Discount from 4% to 2%. Both measures raise additional revenue, but in my view do so in a proportionate and progressive way, utilising the full features of the tax.

This supplementary consultation builds on the previous 14 week consultation for a

further period of 12 weeks bringing the total consultation period for these two policy areas over the last year to 26 weeks.

I am keen to ensure as much engagement with stakeholders and representative groups as possible in this period so that we can progress policy with as full an understanding of the impact on households. As part of that process, I also want to seek views and evidence on the draft impact screening work, published alongside this document, so that we can take any mitigation steps in that context.

Following this it will be for the Executive to make the final decisions on any changes.

After this consultation my plan is for further work to be progressed which will see a comprehensive rolling review of every single rate support measure within both the domestic and non-domestic taxbases.

It is important to stress that review does not mean removal. Critically at this time though, every pound government spends on rate support means reduced revenue for vital public services. As Finance Minister it is my job to make sure our rate supports are achieving desirable policy outcomes and deliver for our citizens and businesses.

Finally, and to complement this work, I also announced in my statement to the Assembly my intention to commence immediate preparatory work within Land & Property Services on the revaluation of domestic property. This would allow revised domestic capital values to come into operation in April 2030 and enhance fairness in the rating system.

I look forward to considering the views on the two domestic measures within this consultation paper, and in working with stakeholders on the wider process.

Dr Caoimhe Archibald MLA
Finance Minister

Overview of the current rating system

The rating system here is a devolved tax with no direct links to similar taxation systems in England, Scotland or Wales. There are two different rates levied here: a domestic rate for residential properties and a non-domestic rate for businesses.

The total amount of revenue collected through both domestic and non-domestic rates locally is now over £1.5 billion, with just over 45% of this being funded by domestic rating. This is used to pay for both local district council services as well as regional services delivered by the Executive such as education, health and roads.

Regional Rate revenue alone provides approximately 4% of the Executive’s public spending. A high-level breakdown of total rating revenue raised in 2023/24 (the last full rating year at the time of writing) is provided in the following table:

SOURCE	REVENUE
Non-Domestic Rating	£827M
Domestic Rating	£683M
Total	£1,510M

In our rating system each domestic property has an individual capital value (CV) assessed, and ratepayers are charged rates based on these assessed values. The CV reflects the value of the property as at 1 January 2005, that is, the valuation date for domestic rating. To ensure the rate burden is distributed fairly and consistently, new property being valued for rates purposes is also valued at 1 January 2005 levels.

Land & Property Services (LPS), within the Department of Finance, administers the rates system and has little discretion in doing so as everything is governed by legislation

or case law, some of which goes back over 100 years. Rates paid by households and businesses make a vital contribution to funding the local public services delivered by the Executive and District Councils.

There is harmonisation with England, Scotland and Wales in relation to valuation practice and procedure for business rates, as far as legislation permits. However, the domestic rating system here is unique compared to England, Scotland and Wales where Council Tax, a banded valuation system of property taxation, is used and where households also pay additional, separate charges for water and sewerage.

The systems of reliefs and exemptions are similar in their policy intent, but different in the specifics of how they operate in practice. Many of our reliefs are tailored to mitigate the impacts of a system based on individual discrete capital values being applied to each domestic property. Reliefs, allowances, and exemptions are also seen as the main means through which the rating system can be used as a tool of social, economic and environmental policy. Those differences have developed over many years because of different policies and priorities set by Westminster and the Executive at various points in time.

Providing any rate relief means either foregoing revenue or charging other ratepayers more. An exemption or relief is often viewed from the perspective of who it benefits, but there is a real cost, as every pound raised through the rating system stays here as a resource to help pay for hospitals, schools, and other essential regional services.

Executive summary

In November 2023 the Department of Finance consulted on 7 rates proposals: 4 in the non-domestic sector and 3 in the domestic sector.

The consultation process was advertised in the local press and attracted a significant amount of coverage in local and national media, and social media; it launched on 7 November 2023.

The Department offered in-person consultation events and delivered 8 public briefings including with Councils, Chambers of Commerce and business organisations, and received valuable feedback. Online meetings were also held as part of the process.

1,406 written responses were received by the closing date for the consultation. Responses were received from individual ratepayers, district councils, businesses, voluntary and community organisations and professional bodies.

The associated summary consultation report was published on 10 September 2024.

[Revenue Raising Consultation Summary Report \(finance-ni.gov.uk\)](#)

Despite the very specific scope of the consultation process, the process served to refresh and inform thinking to help assess how the domestic and non-domestic rating systems operate, and to gain fresh sectoral insights into changes that may be required. This paper now builds on that process, and the feedback to the Department received as part of it. It aims to garner additional

input, by way of supplementary consultation, in relation to two proposals refining policy proposals put forward previously.

The two proposals being looked at by the Department in this supplementary consultation are:

- an increase in the maximum capital value, as opposed to a full removal of the maximum capital value; and
- a reduction in the Early Payment Discount to 2% as opposed to a full removal of the Early Payment Discount.

Further resources

For more general information about the rating system here, the following document may be useful:

[A guide to rates | Department of Finance \(finance-ni.gov.uk\)](#)

About this consultation

Who can respond to this consultation?

The Department of Finance is seeking views on these proposals from all interested parties, individuals and groups on the matters covered by this consultation.

Purpose of this consultation

The proposals set out here will have a direct impact on many people's lives. The Department of Finance recognises the need to keep the public informed on such important matters and to allow people the opportunity to comment on the policy proposals. This consultation therefore invites people to answer a number of questions in relation to the changes. The questions are posed at the end of each section

Scope of the consultation

The consultation applies to all, whether a member of the public, a business, organisations or professional bodies.

Duration of the consultation

As this is a supplementary consultation building on the 14 week consultation that took place in November 2023, it will run for a period of 12 weeks, bringing the total time for both consultations to 26 weeks.

The consultation will close to responses on 25th April 2025.

How to respond to this consultation

You can respond to this consultation online through the link to Citizen Space provided after the questions in each section.

You can also send your consultation responses to:

Domestic Rating Consultation
Land & Property Services
Department of Finance
Lanyon Plaza
7 Lanyon Place
Belfast, BT1 3LP

When responding, please state whether you are doing so as an individual, or representing the views of an organisation. If you are responding on behalf of an organisation, please make it clear who the organisation represents and, where applicable, how the views of members were assembled. We will acknowledge your response.

The consultation document will be available in other formats upon request. You can email any queries to: ratingpolicy@finance-ni.gov.uk

Draft impact screening assessments have been made available on the consultation website. See Department of Finance (finance-ni.gov.uk) for all related papers, which can also be obtained in hardcopy on request, using the contact details above.

How we consult

Consultation principles

- consultation must be at a time when proposals are still at a formative stage;
- the proposer must give sufficient reasons for any proposal to permit intelligent consideration and response;
- consultation is only part of a process of engagement;
- adequate time must be given for consideration and response; and
- government responses should be published in a timely fashion.

Confidentiality

Your rights

Under the Data Protection legislation, you have the right:

- to be informed of the personal data held about you and to access it;
- to require us to rectify inaccuracies in that data;
- to (in certain circumstances) object to or restrict processing;
- for (in certain circumstances) your data to be 'erased';
- to (in certain circumstances) data portability; and
- to lodge a complaint with the Information Commissioner's Office (ICO) who is our independent regulator for data protection.

DoF Privacy Notice

The DoF Privacy Notice, explaining how we use your personal data, can be viewed at: [Department of Finance Privacy Notice | Department of Finance \(\[finance-ni.gov.uk\]\(http://finance-ni.gov.uk\)\)](#)

Proposal One

Increasing the maximum capital value cap (“the cap” or “max cap”) within the domestic rating system from £400,000 to £485,000



Policy Background

Domestic rate bills are calculated based on, among other things, the capital value of a property. LPS assesses capital values at a given date, currently 1 January 2005. Occupiers of domestic property with an assessed capital value of more than £400,000 are billed for rates as if the property was valued at £400,000.

This “maximum capital value” had a 2023/24 cost – in terms of revenue foregone – of approximately £11M, of which £5.4M is a cost to the Executive.

It applies to over 8,000 domestic properties here.

Parity

There is no direct parity with the position in England, Scotland and Wales as they have Council Tax rather than domestic rates. Council Tax uses a banded value system: with 8 bands in England and Scotland, and 9 bands in Wales. Both systems however are used to pay for government services by way of a tax linked to property.

Domestic rates here are instead assessed on individual discrete property values. The Council Tax banding system has the effect of putting in place a cap as every property in the highest band, regardless of what it is worth, pays the same amount of Council Tax “in each Local Authority area.

When it was introduced, the rationale for the cap was to ensure that no ratepayer here would pay more than the average highest band Council Tax bill. Currently, the highest domestic rate bill here is a maximum £4,444 per annum. The highest Council Tax assessment resulting from the banded system of values that applies in England, Scotland and Wales is £5,435 per annum.

Consultation on Revenue Raising

The overview of the points made in the previous consultation on the potential *removal* of the Maximum Capital Value were as follows:

In terms of the points in favour of the removal of the Maximum Capital Value these included that:

- it would make tax more progressive / equitable, and that the current capping of the rate makes the tax inherently regressive with the wealthy paying a lower percentage of their income on property tax;
- there was a view that the wealthiest will always want to live in the most sought-after homes regardless of cost, i.e. status competition would see rates paid;
- at a minimum there was scope for an alignment with highest bills in Council Tax;
- an annual inflationary increase could be applied to ensure capped bills track inflation.

In terms of the points against the removal of the Maximum Capital Value these included that:

- owners of larger properties do not avail of any extra services – and potentially less if rural/remote location;
- this could result in housing “crash” or long-term deterioration of housing stock at the top end of the domestic market;
- it could lead to cap properties broken up into multiple apartments or vacated to deteriorate and become derelict;
- there are genuine cases of people in cap properties with limited ability to pay increased charge with some being asset rich but income poor;
- there was a feeling of poor value for money in government services from councils and central government in current level of charge;
- there was a fear that this change would create “golden ghettos” where only the “super-rich” can afford to live due to rates charges;
- there were issues with average comparisons with England given wage gap, etc.

Policy Principles

The policy aim of the maximum capital value is to create an upper limit to the tax. This is in recognition of the fact that, although a property tax, it remains a mechanism utilised by the Executive, and more directly councils, to fund services.

The current cap of £400,000 had a stated policy rationale of aligning with the average bills in the highest taxation band within the Council Tax system.

The original cap of £500,000 had the policy rationale of aligning with the highest bills in the highest taxation band within the Council Tax system. It was then lowered by the Executive in 2009 through legislation which reduced it to the current £400,000 level.

Proposal

In determining an upper threshold for our rating system, the Department takes the view that comparison with Council Tax charges remains valid for the Executive in determining the upper level of the tax.

Acknowledging the progressive taxation principles which underpinned the development of the capital value system the Department is not proposing that the maximum capital value be removed entirely (as proposed in the previous consultation under the direction of the then Secretary of State).

Instead, it is limiting its proposal in this area to more closely align with the principle behind the original Maximum Capital Value that operated until April 2009. Due to intervening uplifts in the rate poundages here since a £500,000 cap was last implemented back in 2007, an alignment with the highest bill across England, Scotland and Wales in 2024/25 can be implemented by elevating the local maximum capital value from £400,000 to a threshold of £485,000.

There are around 3,600 properties with a capital value of between £400,000 and £485,000. That level of cap would set the highest bill here i.e. those with a £485,000 value (using poundage levels at the time of writing) at a range of between **£4,220** and **£5,389** per annum across the 11 District Councils.

Those remaining properties with a value in excess of £485,000 (there are around 4,500 of these) would also only pay the additional amount up to the new maximum threshold of £485,000, i.e. at a range of between **£4,220** and **£5,389** per annum depending upon the council area in which they are located.

This would bring the highest bill within the devolved domestic rating system to just under the highest bill within the Council Tax system, which in 2024/25 is an assessment of **£5,435¹** per annum.

At individual account level for a property rising from a £400,000 valuation to a £485,000 valuation (i.e. the maximum effect from the change) results in a maximum additional weekly cost of between **£14.23** and **£18.15**.

The change is estimated to generate in the region of £2M per annum in revenue savings for the Executive on the basis of current poundages (and an equivalent amount for District Councils distributed in relation to the location of the properties impacted by the maximum capital value). The precise level of savings will however only be determined once the change has fully interacted with other support provision within the rating system as increased costs may be incurred due to their mitigating function (see below).

While this generates a small amount of revenue in relative terms, the revenue raised per annum, by elevating the maximum capital value, could, for example be offset against general increases in the regional rate poundage that affects the whole taxbase, thus utilising the progressive features of a tax system underpinned by discrete individual capital values.

¹ In Wales <https://statswales.gov.wales/Catalogue/Local-Government/Finance/Council-Tax/Levels/counciltaxlevels-by-billingauthority-band>

Continued application of existing mitigation measures

When the capital value system was introduced in 2007, it contained support measures designed as mitigations. The subsequent Executive Review of Rating also implemented further policy changes and made policy adjustments. The mitigating measures which operate alongside the system of capital value rating, and in addition to a maximum capital value at present are:

- means tested support for those of working age;²
- enhanced means tested support for pensioners (including the low income relief scheme for pensioners where capital/savings are permitted of up to £50,000);³
- a lone pensioner allowance of 20%;⁴
- a disabled persons allowance of 25%;⁵
- farmhouse allowance;⁶

It should be noted that means-tested and other forms of domestic support continue to operate regardless of a property's capital value and will continue to perform the function of mitigation for those on low incomes.

Where there is an increase in rates liability, other support provided will rise to take account of the new liability level.

A more detailed consideration of these points is also contained within the supplementary material provided with the Impact Screening work for this consultation.

Further information

[Valuation of domestic properties for rates | nidirect](#)

[How rate bills are calculated | nidirect](#)

² <https://www.nidirect.gov.uk/articles/how-much-housing-benefit-and-rate-relief-homeowner-can-get>

³ <https://www.nidirect.gov.uk/articles/help-rates-pensioners>

⁴ <https://www.nidirect.gov.uk/articles/lone-pensioner-allowance>

⁵ <https://www.nidirect.gov.uk/articles/disabled-persons-allowance>

⁶ <https://www.nidirect.gov.uk/publications/domestic-capital-value-farmhouses-questionnaire>

CONSULTATION QUESTIONS

SHOULD THE MAXIMUM CAPITAL VALUE BE:



increased to the preferred option of £485,000 so that the highest domestic rates bill here is in line with the highest bill within the Council Tax system;



increased, but to a higher level than a maximum capital value of £485,000; or



removed in its entirety;



retained at a level of £400,000 (i.e. no change should be implemented).



increased, but not as high as a maximum capital value of £485,000;

[Click to answer questions](#) 

Impact screening

A fresh initial Draft Impact Assessment screening exercise has been conducted on this proposal in light of new taxbase analysis. That screening documentation has been published alongside this consultation document. Evidence from consultees is sought on this area to inform this work.

Proposal Two

Reduction in the Early Payment
Discount from 4% to 2%



Policy Background

If domestic ratepayers make payment in full, in a single amount, by a date specified on the rate bill, then a discount of 4% is applied to the rate bill.

This is a longstanding feature of the domestic rating system which was put in place to encourage ratepayers to pay in a single amount early in the rating year as this was administratively less complex and less expensive than managing installments. Over the years, payment by Direct Debit, which is the most efficient method of collection, has become a more popular payment method among ratepayers. In 2023/24, the last full rating year, over 163,000 ratepayers (18.7%) availed of the early payment discount.

The cost in 2023/24 was over £8M. It is paid for entirely by the Executive. The cost of this discount fluctuates from year to year, depending on how many ratepayers take advantage of it.

Parity

There is no central government equivalent discount in the Council Tax system. Some Local Authorities may choose to offer their own “lump sum incentive” but it is not a statutory feature of the system. Such an incentive is now rarely provided and those examples of it being applied have tended to sit at a level of 1.5%.

Prior Consultation on Revenue Raising

The overview of the points made in the previous consultation on this issue were as follows:

In terms of the points in favour of the removal of the Early Payment Discount (EPD) these included that:

- it was of no benefit except to ratepayers with more income/disposable income;
- most people cannot afford to take advantage of the discount;
- there was a significant overall cost to maintain the small discount at individual level;
- the scale of discount doesn't act as a real incentive;
- it costs less to administer Direct Debit once they are set up and so there should be no incentives for other payment methods.

In terms of the points against the removal of the Early Payment Discount these included that:

- the Executive and Councils would lose an immediate hit of revenue at outset of year;
- it would discourage the payment of rates early by those able to avail of the discount;
- it would create an administrative impact of having to administer an additional 163,000 monthly payments;
- the value of £1 today is worth more than the value of £1 tomorrow;
- this measure significantly helps people budget.

Proposal

The policy no longer aligns with modern accounting methods within government, and for some years the Department's publicly stated preferred payment method has been Direct Debit.⁷

The preferred policy option in relation to this measure is the reduction of the allowance to 2%.

The Department would intend to monitor the impact of that reduction carefully with a view to abolishing the discount entirely in future years via Primary Legislation.

The objective of the change is primarily revenue raising, generating an additional £4M per annum in revenue savings if implemented.

Continued application of existing mitigation measures

The Early Payment Discount is not intended as a tax relief, instead it is an incentive mechanism which dates back to a point in time when there was a benefit, in accounting terms, of receiving cash payment at an early stage.

The Department no longer wishes to retain this incentive, as Direct Debit is the preferred mechanism by which to collect rates due to the lower administrative cost to the Department and Councils. The mitigation in relation to people moving off Early Payment Discount is the retained ability in the system to make installment payment across 10 months. This permits households affected by the change in the allowance to budget across the course of the rating year instead of by the discount cut off date if they so wish. At individual level the proposed reduction of 2% is worth an average of £25 per annum.

Further information

[Rates discount deadline approaching | nidirect](#)

Interaction with other support measures

There is no direct interaction with other support measures. The early payment discount is applied after any other allowances or supports which the ratepayer may be entitled to. The early payment discount has no bearing on the underlying tax regime.

It is accepted that some ratepayers may be affected by both the changes proposed in this supplementary consultation paper, should they benefit from the maximum capital value of £400,000 and then utilise the Early Payment Discount mechanism. The mitigating step of the right to payment by instalment remains open to these ratepayers as it does to all others in respect of any revised liability.

⁷In terms of that preferred payment method of Direct Debit ("DD") of the 846,745 domestic properties in the taxbase, 332,344 pay by DD Instalment this represents 39.2% of the whole taxbase. If DD single payment cases are included, the percentage paying by this method increases to 43.7% (a total of 369,739 properties paying by DD Single or Instalment).

CONSULTATION QUESTIONS

SHOULD THE LEVEL OF EARLY PAYMENT DISCOUNT BE:

1 reduced to the preferred option of 2%;

4 increased;

2 reduced but to a level lower than 2%;

5 removed entirely via primary legislation; or

3 reduced but to a level higher than 2%;

6 kept at 4%

[Click to answer questions](#) 

Impact screening

A fresh initial Draft Impact Assessment screening exercise has been conducted on this proposal in light of new taxbase analysis. That screening documentation has been published alongside this consultation document. Evidence from consultees is sought on this area to inform this work.



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