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Department of
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Strategic Review of Rating

Terms Of Reference

Policy Reviews 2025/26



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STRATEGIC CONTEXT

The local rating system sees around 840,000 domestic ratepayers and 75,000 non-domestic ratepayers generate over £1.6bn in revenue for vital central and local government services.

It is the only substantive devolved tax lever available to the Executive and is a vital source of income.

Business rates are fully devolved to the Executive. Under full devolution, central and local government here retain the full revenue raised from business rates within their jurisdictions; and determine their own business rates system including setting tax rates.

Local business rates are determined according to both a regional rate, set by the Executive, and a district rate, set by each district council. Our system is unique in that regard in that each council decides part of the total rate poundage that is then used in the calculation to determine rate liability alongside a property's individual value.

There are many similarities between the rating systems here and the property taxation systems in England, Scotland, Wales and the South, but there are also important local differences reflecting local priorities and circumstances, particularly around reliefs, allowances, and exemptions.

Those differences have developed over many years because of different policies and priorities set by the Executive at various points in time. The local economy is predominantly a 'small business' economy, with the highest concentration of small and medium sized enterprises (SMEs) and microbusinesses of all regions on these islands. 98% of local firms employ fewer than 20 people, while 95% employ fewer than 105.

This is reflected in the rateable taxbase, which has a higher predominance of small business properties compared to other parts of these islands.

The background to the rating system as it currently operates is laid out in the Department of Finance's publication entitled [A Guide to Rates](#).

Each time a decision is made by the Executive to change rating policy, this means that a public expenditure choice has been made by the Executive, either to increase or decrease the amount of revenue produced to fund local and central government services here.

The Terms of Reference in this document relate specifically to the review of two discrete policies identified by the Finance Minister for review in Year 2 of the Strategic Rating Review, namely **Small Business Rate Relief (SBRR)** and **Non-Domestic Vacant Rating (NDVR) Exclusions and Liability Level**. The reviews will be limited to those policies, and their alignment to the priorities set out in the rating roadmap by the Finance Minister in the statement to the Assembly on 9 December 2024.

APPROACH FOR STRATEGIC REVIEW OF RATING

Strategic Review of Rating

In December 2024 the Finance Minister outlined that the Department of Finance would be undertaking a comprehensive Strategic Review of all rates support provided by the Executive. In the non-domestic rating system alone more than a quarter of a billion pounds is allocated each year to rates support.

Approach

Analysis for each support measure will consider 6 key questions.

- Who gets support?
- What support is provided?
- How is the support distributed throughout our councils?
- Why is support provided?
- How is it provided?
- What is the support's impact or intended impact?

Every single rating support measure will be reviewed with clusters of policies selected and grouped and phased for each year by either theme or urgency (for example prioritisation will respond to any economic or societal event that may necessitate the prioritisation of one or more areas of support).

Outside Scope

The policy reviews will not focus upon individual entitlement or application, and neither will they consider case level data or entitlement. Likewise, each review is limited to policy review and is not, at this stage of the Department's consideration, focusing on the efficiency of service delivery. Those matters are therefore considered outside the scope of the review, albeit that any points raised in that context can be noted as part of the process.

Stakeholder Engagement

A key element of the strategic review process is providing early notification of the policies to be reviewed, in order to allow both Councils and stakeholders time to prepare and gather evidence to inform the process. The policy selections of SBRR and NDVR exclusions and liability level were both announced in December 2024.

Engagement with stakeholders will also be targeted, and engagement will be progressed using various methods and approaches based on needs for each phase of review.

Reporting On The Strategy

Review in this context does not mean removal of the support measure. After the review process has been completed the Department of Finance will produce a report to the Finance Minister. This will be provided alongside separate policy advice to the Minister. Both aspects of that work will then form the basis of any future proposals to the Executive for strategic decisions to be made at Executive level.

The report to the Minister will include (but not be limited to):


- if the support is working well in its current form;
- if any changes are necessary to the support;
- if support should be redirected within the system;
- if support should be adjusted and the savings used to lower or moderate the rate poundage; and
- whether any resource saving could be deployed elsewhere within the Executive's spending requirements.

Strategic Review (2024/25)

Year 1 of the Strategic Review (2024/25) was focused on the taxbase analysis and policy proposals underpinning the supplementary consultation on options for the **maximum capital value** and **early payment discount**.

That consultation process (running from 29 Jan to 25 April 2025), was aimed at refining the progressivity of the tax, a key element of preparing the groundwork for a future domestic revaluation in 2030 and a means of realising some additional rates income to fund public services here.

<https://www.finance-ni.gov.uk/consultations/supplementary-consultation-domestic-rating-measures>



Policy Reviews - 2025/26

This Terms of Reference document relates to Year 2 of the process for 2025/26 and two policy measures within the non-domestic rating system.

The first measure is the SBRR scheme including the scope for enhanced sectoral targeting and application. The second measure to be looked at is the exclusion elements and liability level within NDVR. Both of those policy areas were selected due to their urgent strategic importance and had been highlighted by business stakeholders in their engagement with the Department and Ministers following the restoration of the Executive in February 2024.

The results of this Review will allow decisions to be brought to the Executive in time for the commencement of Reval 2026.

Small Business Rate Relief (SBRR)

SBRR is awarded automatically by Land & Property Services (LPS) and is applied to rate bills prior to issue. The automatic nature of the award of SBRR is a design feature meant to limit “red tape” for businesses and to prevent the need for businesses to have to apply to the Department each year to avail of the support.

The scheme was introduced in 2010 as a temporary measure to support small businesses at a time of economic downturn.

The aim of the scheme is to lower rate bills for businesses in smaller business properties, and this is determined by the property’s valuation known as the “NAV” or Net Annual Value. Different percentage levels of reduction are applied depending on a property’s valuation, with smaller properties receiving a higher level of award. A separate level of relief is provided for Post Offices within the scheme. The level of relief ranges from 50% to 20% for normal business premises and 100% to 20% for Post Offices. The upper valuation threshold for both schemes is a valuation of £15,000.

NAV	% reduction in bill
£2,000 or less	50%
£2,001 - £5,000	25%
£5,001 - £15,000	20%

Post Office NAV	% reduction in bill
£9,000 or less	100%
£9,001 - £12,000	50%
£12,001 - £15,000	20%

The following are excluded from the SBRR scheme:-

- Ratepayers that occupy more than three premises of any size or are part of a chain.
- Properties that are unoccupied or partially unoccupied.
- ATMs.
- Property used for the display of advertisements.
- Car parks.
- Sewage works.
- Telecommunications masts.
- Government buildings.
- Adjoining properties.
- Property already in receipt of other business rate reliefs.

The scheme is renewed annually by the Finance Minister through legislation at the Assembly. Around 30,000 properties in a taxbase of 75,000 properties receive relief under the scheme at a cost of around £21.5 million.

The legislation that governs the scheme at present is [the Rates \(Small Business Hereditament Relief\) Regulations \(Northern Ireland\) 2010](#) (as amended).

Non-Domestic Vacant Rating

Rating legislation normally places the liability to pay rates on the occupier of the property. However, there are circumstances where the owner, and not the occupier, is held liable for the payment of rates.

Where a domestic or non-domestic property is vacant and there are no exclusions against payment of vacant rates, the person entitled to possession, that is the owner, or a tenant where a lease is still in place, will be responsible for paying rates.

Vacant non-domestic property is billed at 50% of the normal occupied rate, compared to England, Scotland and Wales where vacant property can be billed at up to 100%.

Property is classified as vacant for rating purposes if it is unoccupied, unfurnished and not used for storage purposes.

The person entitled to possession, normally the owner, is liable to pay 50% of the rates due after an initial three-month grace period when rates are not payable.

There are rules around the three-month grace period. These include:

- If a change of ownership occurs during the three-month grace period and the property remains vacant, the new owner is only entitled to the balance left of the three months.
- If a change of ownership occurs after the three-month grace period and the property remains vacant, the new owner is not entitled to another three months.
- Additional three-month exemption periods can only be awarded when the property has been occupied for a continuous period of at least six weeks before it becomes vacant again.

There are a number of exclusions to Non-Domestic Vacant Rating listed within **the Rates (Unoccupied Hereditament) Regulations (Northern Ireland) 2011.**

To qualify the property must:

- have a NAV of £2,000 or over;
- be unoccupied;
- be unfurnished;
- not be used for storage; and
- meet one of the exclusion criteria below.

The exclusions are:

- it is a Qualifying Industrial Hereditament;
- the property cannot be legally occupied;
- the empty property cannot be occupied due to the actions of a public body with a view to purchasing it;
- person entitled to possession is a Local Enterprise Agency (LEA);
- the property is a listed building or is subject of a Building Preservation Notice;
- the property is a Historic Monument;
- the property is the responsibility of the Personal Representatives of a Deceased Person;
- the person entitled to possession is a Trustee Under Deeds of Arrangement;
- the person entitled to possession is a Liquidator;
- the person entitled to possession is a Company in Administration;
- the person entitled to possession is a Foyle, Carlingford and Irish Lights Commission;
- the person entitled to possession is subject to a Bankruptcy Order;
- the person entitled to possession is subject to an Insolvency or Winding-up Order.

SBRR - TERMS OF REFERENCE

In addition to the six key questions noted in page 4 Strategic Approach, the Strategic Review of Small Business Rate Relief will focus primarily on the following bespoke areas, namely to:-

1. Establish if there is an ongoing policy rationale for the Small Business Rate Relief (SBRR) scheme in its present form;
2. Consider the current eligibility criteria for the scheme including an assessment of whether NAV threshold / % discount would remain the preferred delivery model in any scheme post-April 2026 or whether other factors should determine eligibility;
3. Consider the impact that rate relief has had on decision making by business ratepayers, in terms of business sustainability, investment and growth;
4. Consider the SBRR scheme's alignment with Executive Priorities and the Strategic Roadmap for Rating;
5. Consider the SBRR scheme's alignment with wider reforms proposed for England in the [Transforming Business Rates](#) paper;
6. Undertake targeted engagement and surveying of stakeholders on the current coverage and targeting of the scheme;
7. Consider the success of similar schemes elsewhere;
8. Examine the options for a SBRR scheme post 2025-26, taking into account LPS' operational capability and impact on businesses;
9. Examine whether there is strong independent evidence that the benefit of a business rate exemption will pass to the landlord in the medium to longer term, in the form of higher rents. This matter needs to be considered in gauging the effectiveness of any small business rate relief scheme;
10. Make recommendations to the Finance Minister and Executive based on consultation with stakeholder groups, evidence obtained and analysis carried out.

SBRR - REVIEW APPROACH

1. Documentation of original background to the SBRR scheme

This work will document and assess the underpinning rationale for the creation of the SBRR scheme and how it operated from its inception.

It will document then Department of Finance and Personnel approval documents, papers underpinning the political direction which put the scheme in place, and any objectives, targets or aims that were determined at the outset of the scheme being implemented.

It will document any amendments to the scheme throughout its lifetime, both in terms of the NAV thresholds that determined eligibility and changes to exclusions and the issues that arose in relation to utilisation of the scheme during the Covid-19 pandemic as a passport onto initial grant arrangements.

2. Literature review

Will consist of reviewing international literature on small business rate relief and, where available, evaluation of evidence of the English, Scottish and Welsh Small Business Rate Relief Schemes.

Depending on the evidence available, this review will conclude on the effectiveness of other small business rate relief schemes in other parts of the UK and alternatives that may be in operation in other countries.

There will also be a focus on **Transforming Business Rates** proposals in England, announced by the Chancellor in Autumn Budget 2024, and an assessment made of their suitability in a local context.

3. Data analysis

Assessment of the deployment of the SBRR scheme in the context of the wider non-domestic rate base. The data will include property details, payments, type of SBRR qualification, exemptions and reliefs and other relevant data for 2024/25 (the last full rating year).

4. Face to face engagement - key stakeholders

Stakeholders (Including but not limited to)

- CBI
- NI Chamber
- FSB
- Retail NI
- NI Retail Consortium (NIRC)
- Hospitality Ulster
- Irish Credit Unions Body
- National Federation of Sub-Postmasters
- NI Food to Go
- Access to Cash representatives / Banking Stakeholders
- BID representatives
- NIC:ICTU
- Others upon request

Council Engagement

- SOLACE
- NILGA
- 11 Councils

Govt Departments

- DfE
- DfC

5. Citizen space survey assessment

A survey on business sentiment in relation to the SBRR scheme.

NDVR EXCLUSIONS & LIABILITY - TERMS OF REFERENCE

In addition to the six key questions noted in page 4 - strategic approach, the Strategic Review of NDVR exclusions and liability level will have as its focus the following areas, namely to:-

1. Establish if there is an ongoing policy rationale for all of the NDVR exclusions and the NDVR liability level in their present form;
2. Establish whether there is a policy rationale for new NDVR policy on exclusions and liability that would align with Executive priorities;
3. Establish whether current NDVR exclusions should be retained but become more limited in scope;
4. Consider the impact that NDVR exclusions and liability level have had on decision making by property owners and occupiers, both in terms of owners of vacant property, and surrounding property that may be occupied;
5. Consider the alignment with the exclusions and “meanwhile uses” for vacant property in England, Scotland and Wales as well as the liability level in those jurisdictions;
6. Undertake targeted engagement and surveying of stakeholders on the implications and consequential impacts of the current exclusions;
7. Consider whether additional schemes based on the Back in Business model should be deployed to reduce the dependency on NDVR exclusions;
8. Examine the interaction of NDVR liability and the Back in Business scheme;
9. Examine whether there is a potential for rates avoidance occurring under the scope of the current NDVR policy and whether steps can be taken by the Department to avoid this;
10. Make recommendations to the Finance Minister and Executive based on consultation with stakeholder groups, evidence obtained and analysis carried out.

NDVR EXCLUSIONS & LIABILITY - APPROACH

1. Documentation of original background to the NDVR exclusions and liability

This work will document and assess the underpinning rationale for the creation of NDVR in our rating system, how it operates and how the exclusions and liability were originally intended to operate.

It will document then Department of Finance and Personnel approval documents, papers underpinning the political direction which put the scheme in place, and any objectives, targets or aims that were determined at the outset of the scheme being implemented. It will also document any amendments to the policy throughout its lifetime.

2. Literature Review

Will consist of reviewing international literature on rating of vacant non-domestic properties and, where available, evaluation of evidence of the Irish, English, Scottish and Welsh exclusions and liability levels.

Depending on the evidence available, this review will conclude on the effectiveness of the suite of exclusion types that may be in operation in other countries.

3. Data analysis

Assessment of the deployment of the NDVR exclusions and liability in the context of the wider non-domestic rate base. The data will include property details, type of exclusion and other relevant data for 2024/25 (the last full rating year).

4. Face to face engagement - Key Stakeholders

Stakeholders

- CBI
- RUAS
- FSB
- Retail NI
- NI Chamber
- Manufacturing NI
- Charity Commission for NI
- BID representatives
- NIC:ICTU
- Others upon request

Council Engagement

- SOLACE
- NILGA
- 11 Councils

Govt Departments

- DfE
- DfC

5. Citizen Space Survey Assessment

A survey on business sentiment in relation to the NDVR exclusions and liability.



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