

Revaluing properties for business rates



INFORMATION FOR COUNCIL FINANCE OFFICERS

What is Reval 2020?

Land & Property Services (LPS) is revaluing properties in Northern Ireland for business rates and will produce a new non-domestic valuation list which will come into effect on 1 April 2020. This new valuation list will be based on 2018 rental levels. The last revaluation was held in 2015 and was based on 2013 rental levels.

What will happen between now and April 2020?

LPS is currently completing the new valuations; these will continue to be quality assured and reviewed until the end of March 2020. LPS will initially release a draft schedule online on 7 January 2020.

The draft schedule is non-statutory and its purpose is to provide ratepayers with an opportunity to view their proposed new valuation at the earliest possible time and, if necessary, to contact LPS with any questions or to seek an informal review of the valuation.

The new valuation list will be published online by 31 March 2020 and the new rateable values used to calculate rate bills from 1 April 2020. Business ratepayers cannot formally challenge their valuation until 1 April 2020 when it becomes the statutory valuation list.

What happens to the current valuation list?

The current valuation list must continue to be maintained for new and altered properties until 31 March 2020. LPS will still need to deal with applications received up to this date from ratepayers and agents, and then any appeal that later arises from those applications. Also, LPS will still need to deal with any appeals received up to 31 March 2020. LPS will continue to keep finance officers apprised of all challenges (old list and new list) that are in hand.

Why is LPS carrying out this revaluation?

The normal period between revaluations in the rest of the UK has been five years. LPS is carrying out this revaluation now after a five year period to ensure that business rates stay up to date and reflect local economic changes, thereby distributing rate liability fairly across all sectors and locations in line with 2018 rental values. The purpose of a revaluation is to rebalance business rates; in itself a revaluation is a revenue neutral process.

How might this affect councils?

When the previous revaluation came into effect on 1 April 2015 the total NAV in Northern Ireland increased by £115 million, from £1,421 million to £1,536 million, representing an overall Northern Ireland growth factor of 8%. Each council's total NAV (the tax base) also changed by a varying growth factor.

After this revaluation, the total NAV of each council will change, up or down, as a result of the revaluation. Councils will then use the penny product figures provided by LPS, based on the new

valuation list, to strike a non-domestic district rate for 2020-21. It is too early to say what the overall change will be. However, for example, if the total NAV of the list in a council area were to reduce, then the district rate poundage would need to increase to bring in the same amount of revenue. This would be in addition to any inflationary pressure that councils needed to apply. If the total NAV were to increase, then the district rate poundage could be reduced before any inflationary pressure were to be applied.

LPS will advise councils of the impact of revaluation on their penny product estimates from mid-October. The new figures as they continue to be refined, will be incorporated into updated penny product estimates.

Will revaluation affect the Regional Rate?

Just as with the district rate, the regional rate will change as a consequence of the change in the total NAV of the new valuation list and to incorporate Executive spending estimates.

What about Reliefs and Exemptions?

Given changes in individual NAVs following revaluation, some businesses may no longer qualify for Small Business Rate Relief (SBRR) while others that previously did not qualify may become entitled to SBRR. At this stage it is unknown if SBRR thresholds will change.

Entitlement to other reliefs, e.g. Industrial Derating, Exemption, Sport and Recreational Relief, is unaffected by revaluation.

What about Conversion Factors?

Councils strike a non-domestic district rate and use the conversion factor to determine the domestic district rate. Conversion factors will be re-calculated and legislated for as a consequence of the revaluation.

Derating and Rate Support Grant

The Department for Communities (DfC) administers these grants. DfC will require information from LPS to assist in its calculation of the grants.

Challenges to the new Valuation List

When all 75,000 properties are revalued to a new valuation date, it is inevitable that some ratepayers will challenge their new NAV. Many ratepayers who are represented by agents may not, as happened previously, submit challenge applications until the end of the first year. It is therefore difficult in the early stages of a new list to get a feel for the level of challenge and in what sectors or council areas challenges are likely to arise. However, Northern Ireland historically has had a low level of challenge – in 2015 the level of challenge in the first year was 6.6% - 4,850 challenges.

Any property tax system will experience some level of reduction in value (list leakage). This is even more evident when there is little growth from new properties being added to the list. Also, ratepayers may not have provided LPS with business critical information (such as turnover, throughput and rents) before the revaluation took place, but later provide it when challenging a NAV. Over the life of the 2015 list to date the total value of the list as a result of challenges has fallen by 1.91%. This is an overall average and will vary by property type and location.

Finance officers need to consider the effect of reductions to their tax base, and in what forward years that might occur. LPS will seek to guide councils with this, but it is an assessment of risk that can be prudently considered and provided for.

Will rate bills change?

At this stage it is impossible to say what the impact of the revaluation on individual ratepayers will be. As a result of revaluation some rateable values will go down but some will go up. Many will stay more or less the same. This is an exercise in redistribution. The important factor is how an individual property changes in relation to the overall district average, e.g. a property whose NAV increases, but below the overall district average, could have a reduced rate liability. However, the effect of the change in the regional rate and the overall effect at a Northern Ireland level must also be factored in.

Where can I find out more information?

LPS staff are available to guide councils. The first point of contact in respect of penny product estimates are –

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For valuation related questions and advice the contacts are –

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You can find out more about the revaluation on the Department of Finance website:
www.finance-ni.gov.uk/reval-2020-ni

LPS Valuation officials will also be available to attend Council Committee meetings to provide a brief on the revaluation from mid-November onward if that would be helpful.



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