

Rates (Relief for Community Amateur Sports Clubs) Bill

EXPLANATORY AND FINANCIAL MEMORANDUM

INTRODUCTION

1. This Explanatory and Financial Memorandum has been prepared on behalf of Mr Daithí McKay MLA, (“the Member”), in order to assist the reader of the Bill and to help inform debate on it. It does not form part of the Bill and has not been endorsed by the Assembly.
2. The Memorandum should be read in conjunction with the Bill. It is not, and is not meant to be, a comprehensive description of the Bill, so where a clause or part of a clause or schedule does not seem to require an explanation or comment, none is given.

BACKGROUND

3. Currently, amateur sports clubs in Northern Ireland may, under article 31 of the Rates (Northern Ireland) Order 1977, qualify for a reduction in rates relief of 80%.
4. To qualify for the relief the amateur sports club must comply with the requirements of article 31 and in particular fall within the definition of a ‘prescribed recreation’ as contained in the legislation.
5. The Member, Mr Daithí McKay, believes that amateur sports clubs make an important contribution to local communities and should be supported. To that end he proposes bringing forward a private members’ bill to amend the Rates (Northern Ireland) Order 1977 to make amateur sports clubs exempt from paying rates. He believes that this would benefit the clubs and provide a positive effect in terms of public health and community development.

POLICY OBJECTIVES

6. The objective of the Bill is to exempt Community Amateur Sports Clubs (CASCs) from the payment of rates.
7. CASCs were introduced in April 2002 to support grass roots sport. The scheme supports local amateur sports clubs to register with HM Revenue and Customs (HMRC) as a sports club rather than a business for rates and tax purposes. Consequently, clubs can benefit from a range of tax reliefs, including Gift Aid and rate relief.

The objective of the Bill is to exempt CASCs from the payment of rates. The Member recognises the important contribution to local communities made by sports clubs. In order to support sports clubs he proposes bringing forward a private members' bill to amend the Rates (Northern Ireland) Order 1977 to make amateur sports clubs exempt from paying rates. Clubs which are not registered as CASCs should continue to be able to avail of 80% rate relief (which is currently available under article 31) when the Bill comes into force. The 100% rate relief will not apply to the part of the club which sells alcohol (other than by way of occasional licence) but will apply to the rest of the club premises (i.e. gyms, playing fields etc.).

CONSULTATION

8. The Member consulted for a number of months on his proposed legislation. He received 1033 online responses and 258 hard copy responses. The vast majority of the responses received were in favour of his proposal.
9. The Member held public meetings to discuss his proposal in Stormont, Enniskillen, Omagh, Dungannon and Strabane. The Member also appeared before the Committee for Finance and Personnel and met with the Minister of Finance and Personnel to discuss the proposed legislation. This issue has been debated at the Assembly in 2011.
10. One particular issue which was raised in the public meetings, by the Minister and at the committee, was whether the Bill would provide 100% rates exemptions if premises at the amateur sports clubs had a licence to sell alcohol and how this would impact on fair competition.

OPTIONS CONSIDERED

11. In developing this legislation, the Member considered the following options:
12. **Option 1** – to retain the present legislative framework for rates relief for amateur sports clubs under the Rates (Northern Ireland) Order 1977.
13. **Option 2** – to retain the present legislative framework for rates relief for amateur sports clubs under the Rates (Northern Ireland) Order 1977 but to extend the relief from 80% to 100%.
14. **Option 3** – to amend the Rates (Northern Ireland) Order 1977 to allow clubs which are registered as CASCs to be eligible for 100% rate relief. Clubs which are not registered as CASCs should continue to be eligible for 80% rate relief.

Having consulted widely and taken the views expressed into account the Member wishes to proceed with **Option 3** to have a Bill drafted with the following effect:

A Bill to amend article 31 of the Rates (Northern Ireland) Order 1977 to provide that amateur sports clubs which are registered as CASCs should be eligible for 100% rate relief.

The Member intends that clubs which are not registered as CASCs should continue to be able to avail of 80% rate relief (which is currently available under article 31) when his Bill comes into force. In relation to the exemption applying where there is a licence to sell alcohol the Member wants to provide in his Bill that the 100% rate relief will not apply to the part of the club which sells alcohol (other than by way of occasional licence - see article 41A) but will apply to the rest of the club premises (i.e. gyms, playing fields etc.).

OVERVIEW

15. The Bill consists of 4 clauses.

COMMENTARY ON CLAUSES

A commentary on the provisions follows below. Comments are not given where the wording is self-explanatory.

Clause 1: Amendment of Article 31

Clause 1 amends article 31 of the 1977 Order.

Clauses 1(2) to (6) amend article 31(1) to (3) making clear the article now applies to 2 categories of hereditament including CASCs, and excludes CASCs from the definition of hereditaments which currently benefit from relief under this article.

Clause 1(7) inserts a new paragraph (3A) which effects 100% relief for CASCs, subject to any apportionment of rateable value. Clause 1(8) amends article 31(4) to apply the apportionment provisions to CASCs (i.e. where part of the hereditament is shown on the NAV list as not being used for 'qualifying purposes' it is valued at the normal rate).

Clause 1(9) and (10) make amendments to article 31(6) adding new definitions of licensed premises (drawn from the existing definition in the 1977 Order), 'qualifying purposes' and 'registered community amateur sports club (both drawn from the 2010 Act), and also makes clear that licensed premises cannot be considered to be used for qualifying purposes. We have not applied the existing provisions of article 31(6) to CASCs nor have we specified which elements of premises *are* to be considered as used for qualifying purposes because these criteria are to a large extent set out in the 2010 Act and associated guidance.

Clause 2: Amendment of Article 44

Clause 2 of the Bill amends article 44 of the 1977 Order. This allows for apportionment of net annual value between parts used for qualifying purposes and other parts, but unlike the existing provisions, simply states that such apportionment should be shown on the list.

Clause 3: Commencement

Clause 3 of the Bill states that the Act comes into operation on the day after it receives Royal Assent.

Clause 4: Short title

Clause 4 of the Bill provides the short title of the Bill: the Rates (Relief for Community Amateur Sports Clubs) Act (Northern Ireland) 2015.

* Nothing in the Bill makes any changes to the position of clubs which currently qualify for 80% rates relief which will continue to benefit from that relief

FINANCIAL EFFECTS OF THE BILL

16. The Bill is intended to amend the existing system of 80% rates relief under the Rates (Northern Ireland) Order 1977 for certain sports clubs by adding that amateur sports clubs which are registered as CASCs should be eligible for 100% rate relief.

As there is an existing system for dealing with rates relief the Member does not believe that the extension of the system will lead to significant financial implications. However the Member acknowledges that there will be a cost resulting from an increase in service and administrative support for dealing with CASCs. Furthermore there are likely to be costs associated with the updating of the NAV list.

HUMAN RIGHTS ISSUES

17. The Member believes that the provisions of the Bill are compatible with the Convention on Human Rights.

LEGISLATIVE COMPETENCE

18. The Member in the charge of the Bill, Mr Daithí McKay, had made the following statement under Standing Order 30:

“In my view the Rates (Relief for Community Amateur Sports Clubs) Bill would be within the legislative competence of the Northern Ireland Assembly.”