Northern Ireland Assembly

COMMITTEE FOR FINANCE AND PERSONNEL

OFFICIAL REPORT (Hansard)

Large Retail Levy and Small Business Rate Relief Scheme

29 November 2011

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:
Mr Conor Murphy (Chairperson)
Mrs Judith Cochrane
Mr Leslie Cree
Mr Paul Girvan
Mr William Humphrey
Mr Ross Hussey
Mr Mitchel McLaughlin
Mr Adrian McQuillan
Mr Paul Maskey

Witnesses:

Dr Veronica Holland	)	Department of Finance and Personnel
Mr Brian McClure	)	

The Chairperson:
I welcome Mr Brian McClure, who is head of the rating policy division of central finance group in the Department of Finance and Personnel (DFP), and Dr Veronica Holland, who is also from the rating policy division. I invite both of you, or either of you, to make an opening statement, and then we will get down to some questions.

Mr Brian McClure (Department of Finance and Personnel):
Thank you, Chairperson, for allowing the Department a further opportunity to advise the Committee on the interrelated policy proposals for the large retail levy and the expansion of the

small business rate relief scheme.

I will address briefly some of the issues that were raised in previous evidence sessions, before going on to deal with the specific points that the Committee is interested in, as well as the gaps that you referred to, Chairperson. The recent evidence sessions were very interesting, with both sides of the arguments being put forward. The Minister and the Department are considering in their deliberation the views expressed. Although the Minister considers some of the arguments to be almost alarmist, he has noted the wider concerns that were expressed about the potential impact of the levy. It is his intention to consider the concerns very carefully and to make improvements to the measures that will be introduced.

The Minister wishes to consider the Committee's views before making any recommendations to the Executive. He also continues to meet retailers. Last week, he met representatives from IKEA. This afternoon, he will be meeting Mr Moore of S S Moore Sports and Joe Jordan from the Belfast Chamber of Trade and Commerce. The Minister is very keen to hear what the Committee has to say, taking account of the consultation outcomes. Ultimately, it is the Minister's intention to ensure additional funding for small business rate relief, provided in a way that those who pay can most afford it, and that support is provided to those small businesses most in need. He sees no point in helping to protect jobs in small businesses if that leads to job losses in the largest shops.

Many issues were addressed in the papers that we provided, including some that came in yesterday. However, a number of issues remain outstanding, and I will attempt to deal with those today. Should I not have the detail to hand, I will ensure that we follow up any Committee members' queries as quickly as possible after the session. We will set to work on it immediately.

The Committee asked about the impact of the levy where different thresholds and sectors are targeted. As members will be aware, around 260 properties have a net annual value (NAV) or assessed rental value of £500,000 or above. The basis on which their bills are determined is rateable value. Although that will generally be the same as the net annual value of a property, the rateable value will be lower where an exemption is applied or where the property is derated. I will explain the different figures.

Using rateable value, around 220 properties have a value of £500,000 or above. Although the proportions of property types change slightly between the two, the majority of the properties comprise public bodies or publicly supported bodies, followed by retail.

The Department looked at the various options for the levy percentages and thresholds that the Committee asked about. Indicative figures were provided to the Committee this morning. Owing to the short notice, unfortunately, it has not been possible to finalise those figures fully and obtain all the necessary information. I will follow that up either today or tomorrow.

Although the Committee asked the Department about the impact of including manufacturing properties under the levy, the Minister considers that to apply the levy to that sector would run contrary to established Executive policy on industrial derating that was established in the previous and current mandates. For that reason, he would not be keen to include the manufacturing sector in the scope of the levy, but, of course, he wants to hear what the Committee has to say on the issue.

Incidentally, members will wish to note that small business rate relief is awarded after the award of all other reliefs, such as sport and recreation relief and industrial derating. That is just a technical but important detail, particularly for ratepayers.

The Committee asked whether a sunset clause will be included in the legislation. Although the Minister has made it quite clear that the measures will apply for only three years, the legislation will certainly be time-bound and stipulate an end date of 31 March 2015 for the expansion of the small business rate relief scheme and the levy that will be used to fund it. As a result, new primary legislation will be required for either measure to continue, including the necessary research, consultation and impact assessments. It is the Department's view that it will be written into the legislation that the measures will fall after 31 March 2015.

However, that is quite clearly a downturn measure. Following the next revaluation, which will take place in April 2015, the rating burden will be redistributed so that sectors and locations that have fared better than others will pay more and those that have fared not so well will pay less. The Department expects that those additional measures will not be necessary when we get to that point.

The Department will take steps to prepare small businesses for the potential withdrawal of small business rate relief after three years by continuing to make the time frame clear in all communications so that businesses have time to budget for it.

Members also asked why the small business rate relief expansion cannot be targeted simply at retail — shops. There are two reasons for that. First, it is important that, outside of retailers, there was no real support for that approach during the consultation. By and large, respondents wanted the help provided to all small businesses, regardless of use. There is also the evidence that the Department presented in the consultation paper indicating that non-retail small businesses were struggling as badly as small shops, if not more so.

As to why the levy can be targeted at retail, but the small business rate relief scheme is —. Sorry, Veronica, what is the point there?

Dr Veronica Holland (Department of Finance and Personnel):
It is largely down to the numbers that are involved.

Mr McClure:
Yes; sorry. Fewer than 100 premises would be involved in the levy, and targeting relief at small retailers could, depending on the threshold chosen, involve up to 6,000 premises. Therefore, if we just went for retail, it would be 6,000.

In addition, a retail scheme would have to be application-based, because there is no way that Land and Property Services (LPS) can distinguish between what is retail and what is not. I am sure that the Committee will find that surprising, but the reason for that is that LPS categorises properties on how they are valued. Therefore, a building society in a row of shops will be described in the valuation list as a shop, and so on. There would be difficulties, and LPS has assured us that the only way in which it can operate a retail-only small business rate relief scheme is through an application-based process. The Minister is keen to preserve the automatic nature of the small business rate relief scheme.

If 20% relief were to be provided to retail premises with a NAV of between £5,000 and £10,000, that would cost in the region of £3 million, and it would apply to around 4,000 premises. That is in answer to question 6 from the Committee.

In question 7, the Committee asked about the difficulties in restricting a levy to out-of-town properties and why Department of the Environment (DOE) area plans could not be used. That issue was considered by the Department, in conjunction with DOE, in the early stages of policy development. I understand that DOE does not have a legislative definition of “in town”, “out of town” or “edge of town”. In addition, we have been advised that there would be some difficulties with relying on the area plans. Some of the plans date back to the 1980s, while others are in draft form and have not been adopted. Although that is not a problem for DOE planning purposes, it would not be appropriate to use the plans as a basis for differentiating on taxation. DOE town centre boundaries may also not conform to what the public would consider to be town centres. I have mentioned Craigavon in the past, and there are other examples in Northern Ireland.

The Committee also asked about excluding businesses with multiple premises from the small business rate relief scheme. It is an issue that the Department and the Minister are actively and seriously considering. If any changes are to be adopted, it is likely that they will apply to the existing and the expanded schemes. The revenue savings would depend on what is excluded and how that is decided. For example, decisions would need to be taken about whether relief would not be awarded on more than one premises or whether ratepayers could receive relief if the cumulative value of their properties was below a certain threshold. Therefore, it really depends on what we do. If it were to be decided that, for example, ratepayers with two premises would not qualify and that a small business would be allowed relief on only one set of premises, that could save £2 million. However, the Minister takes the view that there are many small businesses that would have perhaps one or two premises, so that is not something that he would favour. The Department estimates that the savings from any change could be upwards of £500,000.

In question 9, the Committee asked what scope there is for excluding properties. Committee members will wish to note that the small business rate relief scheme is not awarded on properties that are occupied by government or public bodies. It also excludes rateable properties that cannot be occupied by small businesses, such as car parks, advertising hoardings and telecommunications masts. The existing scheme excludes those categories of properties.

In question 10, the Committee raised concerns over whether the benefits of small business rate relief are passed on to tenants. The legislation that we hope to put through will provide that, where rates are paid by the landlord rather than the occupier, the relief will be conditional on the benefit being passed on. The evidence that was given last week by the representative from the

Royal Institution of Chartered Surveyors (RICS) drew attention to the 2008 study by the Economic Research Institute of Northern Ireland (ERINI) of the small business rate relief scheme and the institution's concern that the relief would simply translate into higher rents. I do not think that that would happen, for two reasons. First, ERINI thought that there would be a longer-term effect. The measures will be applied for only three years, and I do not think that there would be enough time for landlords to be able to increase rents.

Secondly, the property market is very fragile at the moment. To paraphrase the recent Lisney report on the state of the property market in September 2011, tenants hold all the cards. The market is weak at the moment, and the argument is that small business rate relief would simply lead to higher rents. However, I do not think that that could happen at the moment. I would not disagree with what ERINI said in 2008, but we are in completely different times as regards the state of the property market.

Finally, the Committee asked about the cancellation of the 2011 general revaluation and why it is not possible to proceed with that, particularly when it comes to international valuation standards. The paper provided to the Committee sets out why a revaluation could not proceed, and that is primarily as a result of the continued economic downturn and instability in the property market. The market evidence to allow LPS to construct a reliable tax base is inadequate and inconsistent. For basic international valuation standards, the International Association of Assessing Officers (IAAO) has a set of data standards for revaluations that are internationally recognised. The standards include the number of relevant sales or the amount of rental evidence on which a new valuation list is assessed and complied. LPS took the view that the amount of such evidence — the evidence base — was well short of those standards. The steep decline in the number of transactions between 2008 and 2010 had a significant impact.

The Committee also queried whether similar issues arose in the rest of the UK from the 2010 revaluation. Members will wish to note that revaluations were carried out in the rest of the UK during 2010. However, the legislation governing revaluations and local government finance is significantly different in GB. Furthermore, maintaining stability in the tax base for local government is, because of uniform business rates, not as directly related to the valuation list as it is here. If you were to produce a valuation list, and ratepayers could successfully appeal against those valuations, and the list started to shrink, that would have a direct and immediate impact on local government. That is not the case in GB, where a series of grants is paid to local authorities, and, therefore, they are cushioned from that. We have quite a different set of circumstances in Northern Ireland.

The Committee asked what will happen if there is still instability in the commercial property market in 2015. LPS is already collecting market evidence in the course of its normal duties, with a view to having as substantial a body of evidence as possible. As well as that, the legislative change to do with the circumstances to be taken into account at a revaluation, which is to be part of the proposed Bill, will provide more stability to a new list and will be more easily understood by ratepayers. The Department thinks that the 2015 revaluation should therefore proceed. I think that that is terribly important. As a policy division, we receive an awful lot of correspondence about the absence of a revaluation. Therefore, we really have to have one in 2015 and use whatever evidence we can. That will also harmonise with the revaluations that are to occur in England, Wales and Scotland.

That covers all the issues that the Committee Clerk raised with the Department. I am, of course, happy to address any other queries or elaborate on any of the points that I made. Thank you.

The Chairperson:
I remind members that there is likely to be a vote in the House at around 10.40 am, so we will probably have to break the evidence session for that.

Can you take us through the table that you sent us? Unfortunately, the heads have been lopped from each column, so will you remind us of the headings for each column and take us through that. We will then move on to questions.

Dr Holland:
I will remind members what the headings to the table should be. I apologise that they ended up being deleted. The first column relates to the target sector; the second relates to the threshold that would apply; the third is the number of properties that would be affected; the fourth is the average levy that would apply; and the fifth is the average level that would apply for absolute sums as opposed to a percentage.

We previously provided the Committee with information on the first three rows. You can see from that that the more properties that are brought within the scope of the levy, the lower the levy percentage becomes and the lower the average amount of the levy is that is given up, and it is spread across a wider number of properties.

The Committee had asked for information on all large retail and all large properties, and some further information on public bodies and what would happen were manufacturing to be excluded. As Brian indicated previously, there are around 260 properties if you look at net annual value and just under 220 if you use rateable value. The number shrinks, taking out a significant number of manufacturing properties, when you move from one basis to the other, simply because they are derated. For the Committee's information, using rateable value, you are left with three manufacturing properties.

You can see from the table that the amount of the levy varies from 20% when it is all large retail to around 5·5% or 6% when it is all large properties. The average sum of the threshold reduces from around £85,000 to £30,000 to £40,000.

The Chairperson:

Fair enough. You said at the outset, Brian, that the Minister is minded to make some improvements. Can you tell us what he is considering? That could obviously have an impact. If there are areas that we think are going to change, there is no point in our going over the questions on them. Can you at least tell us the areas that he is considering?

Mr McClure:

It is a little bit of chicken and egg, because the Minister genuinely wants to hear from the Committee first. However, to give you an idea of some thoughts that he has, he is thinking of doing something about long-term empty properties. He is also looking at the whole vexed issue of what the press have called "banks, boozers and bookies", and for LPS to exclude ratepayers who have multiple premises. That is what I was referring to earlier. The Minister is actively pursuing that with LPS, and we had meetings as early as yesterday. Those meetings will continue in order to find some way of getting a better small business rate relief scheme.

The Chairperson:

We are obviously in a very compressed time frame here, and, in some sense, there is a wee bit of a gun against the Committee's head, because if the Assembly does not agree to accelerated passage for the legislation, the scheme obviously falls. Flawed as it is, there is a broad view that people support the principle of it, but there are a lot of questions around the practicalities and implementation for those who are obliged to pay and those who benefit. There are questions around both.

Is there any commitment from the Department? A strong case was made by the small business sector about the need for something to come to it at the end of this financial year to try and sustain people in a very difficult couple of months post-Christman, and I think that there was a degree of sympathy on the Committee for that. If we give, and the Assembly gives, support to something that is rushed and has some flaws and gaps in it, is there any commitment from the Department to revisit the legislation beyond the financial year, and perhaps through the course of next year, to try to improve the scheme, even for the limited period that it applies to?

Mr McClure:
Yes, I think so. However, there is also a balance to be struck between being flexible on policy and creating uncertainty for the business community. We are very conscious of that; it is one of the big messages that we got from the business community. It does not like uncertainty. I think that, as a Department, we can give a commitment that we will review it. The Minister actually talked about that yesterday, particularly about the small business rate relief scheme, and said that we could review that. I see no reason why we could not also review the impact of the large retail levy at the same time. If you depart too fundamentally from what you have gone out to public consultation on, it does raise the question of whether you have to go back out to public consultation if you want to make radical changes. However, as a broad principle, we will give a commitment to review this in-year.

The Chairperson:
One final question. You talked about the multiple premises, and that is an area of interest. It is interesting that the Minister has turned his attention to that. You talked about what savings that would bring in. Is there no intention, if multiples are taken out of it, to use whatever benefits might have accrued to spread across the rest of the people so that the rate relief would be higher and there would be a more targeted effect on small businesses?

Mr McClure:
Again, the Minister mentioned that yesterday. The commitment that he gave was that the amount

of money for the small business rate relief scheme would be doubled. It follows that, if you take a group out of the scheme, there will be more for others, and that is something that we could look at.

The Chairperson:

You referred to it as savings. Is that savings for the Department or savings to be passed on to small businesses?

Mr McClure:

One of the fixed points in our plan is to double the amount of small business rate relief. If we take that to its logical conclusion, that would be spread among those who are entitled. There is another argument about whether that should be used to moderate the levy.

The Chairperson:

I understand that.

Mr McClure:

The Minister has not made up his mind on that, but he is certainly very alive to the consequences of taking out a group of properties, whether that saves half a million pounds or £2 million, or something in between. That money will either be available to apply to the small business rate relief or to moderate the levy.

Mr McLaughlin:

Brian, thanks very much for that comprehensive response to the questions. There is a lot that I want to focus on, but other members will probably pick up on some of those aspects. I want to discuss the issue of non-domestic revaluation. It seems to me that the position that you are mapping out is that, notwithstanding the reasons that you are not proceeding now, you intend to proceed in 2015. Bringing the revaluation forward is an issue that keeps coming up, and the large retail group indicated that it could, in fact, be a self-financing initiative. Although I am sympathetic to the objectives of that proposition, I recognise a certain logic in that argument. I do not understand why, if you can proceed in 2015 notwithstanding, you cannot proceed now, especially when the revaluations are overdue.

Mr McClure:

It is a matter of transactions and consistency of rental levels, and we do not have that at the moment. We expect this to settle down. There is evidence that it has settled down in the rest of the UK. The Lisney market report from September that I referred to makes —

Mr McLaughlin:

You did tell us that, Brian, and I am not disputing it. However, is it the case that if rental levels still have not settled down in 2015, you are going ahead?

Mr McClure:

If we are still in the very difficult position that we are in at the moment, you are right: I do not think that that will happen. The expectation is that the market will have settled and the activities of the National Asset Management Agency (NAMA), which have a major impact on the property market, will have somehow worked through by then, and there will be a better economic outlook. At the moment, rents are all over the place.

Mr McLaughlin:

England, Scotland and Wales are obviously having similar problems, and their revaluations appear to be going ahead as programmed.

Mr McClure:

They have different legislation, and that is one of the changes that we want to put forward in this Bill, in order to get greater certainty on revaluation. Their legislation is better suited to undertaking a revaluation during a downturn, and we want to make those changes in the Bill, to give greater certainty for a revaluation in 2015.

Mr McLaughlin:

Sorry, can you explain that a bit more? I did not quite understand it.

Mr McClure:

In the Bill, there are revaluation provisions that we wish to take forward and on which we consulted. They are to do with changes that occur between the valuation date — usually two years before billing — and the actual bills going out, and to what extent you can take that into account. The provisions that we want to take forward will define that. At the moment, it is not defined, which means that it is wide open to challenge in the courts.

Had we proceeded with the revaluation, we would have expected an abnormally high number of challenges to it. Therefore, the tax base would not have been a stable enough basis on which to raise local taxation. The changes that we are making will mean that it is very clear what can and what cannot be taken into account in a revaluation, and that will help ensure that the revaluation goes ahead in 2015. However, as you have pointed out, there is the more important issue of market activity. Market activity is very low at the moment, and the market activity that does take place is very erratic and inconsistent.

Mr McLaughlin:

We will have to look at the written record, but it seems to me that market instability does not prevent other places from conducting the revaluation exercise. Our problem is in our system and our approach. I accept the assurance that we are going to do something about it, but that, it would seem, is the real reason that we are not proceeding.

Mr McClure:

Can I try to explain —

The Chairperson:

We are going to have to break for a vote. We will come back to that question when we return.

Committee suspended for a Division in the House.

On resuming —

The Chairperson:

We will pick up where we left off.

Mr McClure:

Mr McLaughlin wanted to know why the revaluation could be carried out in the rest of the UK but not in Northern Ireland.

Mr McLaughlin:

Thank you for reminding me. I could not remember what I had asked.

Mr McClure:

The answer is one of consequences. They did proceed with a revaluation in Scotland, Wales and England, but that has resulted in a very high volume of appeals. I do not have the figures to hand, but I can get them to the Committee fairly quickly. However, there was a very high volume of appeals, which means that the tax base is likely to shrink in England. England can cope with that because it has a uniform business rates system, whereby the money to councils is distributed using a grant formula. Here, however, councils are heavily dependent on rates and, therefore, any shrinking of the tax base will directly impact on council funding. That is one of the main reasons why we did not proceed and how they were able to proceed in the rest of the UK. It is a question of consequences. They have a system whereby they can cushion local authorities from the impact of shrinkages in the tax base, whereas we have a system where councils are much more independent than in the rest of the UK.

Mr McLaughlin:

I asked whether there are defects in our system that we are taking the opportunity to correct as part of the drafting process.

Mr McClure:

The system of rating in Northern Ireland, and, indeed, in Ireland, has evolved separately over the past 150 years. It has served us well until now, but we were faced with a sudden economic downturn. Our legislation has certain shortcomings that are not helpful in allowing a revaluation to proceed, and we are correcting those. They are not completely fatal, but they do help to ensure that a revaluation will proceed in 2015, provided that we have a better number of transactions and more consistency in the property market, which we fully expect to be the case. The property market has recovered to an extent in the rest of the UK. That was evident from the Northern Ireland property market report that was undertaken by Lisney in September, which expects the Northern Ireland property market to begin to stabilise after a couple of years. We also expect that that will be the case, and, in those circumstances, a revaluation will proceed. We are very keen to have that revaluation, because we are starting to get more and more correspondence on the effects of delaying it.

Mr McLaughlin:

Finally on that topic, there is an expectation in the Programme for Government that the review of public administration process will be restarted. That will have implications for the councils, not just in their numbers but also in the powers that they will have, particularly in the area of economic development. Will that result or does that not argue for a closer alignment with the approach that is being taken elsewhere?

Mr McClure:

That is one model that could be looked at. I am not competent to comment on that, but that will be in the mix in deciding what policy emerges from the review of public administration.

Mrs Cochrane:

Thank you for the figures that you provided. One of the reasons why I asked for them was that I thought that they would help us. I have a couple of points. First, I welcome what you said about the Minister looking at those businesses with multiple sites and the money that could potentially be saved there. My opinion is that that money should not be used to moderate the levy, but that it should be passed on. People have said that £700 really does not make that much of a difference. Apart from that, has the Minister indicated whether he would consider broadening the base for the levy in line with one of those options?

Mr McClure:

He has not yet finally made up his mind. Of course, it will not be a decision for him to make; he will make a recommendation to the Executive. In the foreword to the consultation report, he indicated his thinking and the reasons why broadening the levy to certain sectors would not work terribly well. For example, if it were to be broadened to the utilities, the cost would pass immediately through to customers' bills; if it were to be broadened to manufacturing, that would run contrary to policy on — well, I went through them all the last time.

Mrs Cochrane:

I disagree that the cost of the levy would be passed on only by the utilities. The retailers could also pass it on.

Mr McClure:

The large retail market is highly competitive and retailers operate national pricing policies, so we doubt that that would happen. We suggested that in the consultation paper, but it was not something that came back in the consultation itself. Not one of the large retailers said that they would need to put their prices up.

Dr Holland:

They raised some issues but the issue of price increases was not one of them.

Mr McClure:

To give you an example, during the last revaluation, B&Q's rate bill went up by 20%. However, it did not change its prices in Northern Ireland and it maintained its national pricing policy.

Mrs Cochrane:

Apart from its loft insulation.

Mr McClure:

Yes; exactly. The Minister will be writing to the Minister of Enterprise, Trade and Investment on that issue.

Mrs Cochrane:

Just one final point: we talked previously about it being a blunt tool and being easier to administer if it was just a simple "over £500,000". The options were on two levels: one for over £400,000 and one for over £500,000. Would that be particularly difficult to administer?

Mr McClure:

No, it would make very little difference. Our assessment is that, once you start going below £500,000, you bring in what many people regard as medium-sized businesses. The decision to propose a level of £500,000 was based almost on the character of the businesses that would be brought in at that level. Once you dip below that, you start bringing in medium-sized businesses that are not of the same scale.

Mrs Cochrane:

Looking at the list of premises in Belfast city centre that have been included over the £500,000, there are certainly a number of premises not on that list — beneath that — whose percentage profits, I imagine, are similar to those who are over the £500,000. There are still large retailers involved. For me, it is very much about making this fairer and splitting the burden.

Mr McClure:

To answer your question, it would not be significantly more onerous from an administrative standpoint than applying it at £500,000.

Mr Cree:

I have two points. Throughout this, you have used the rational argument that you cannot use the figures from 2007-08 because things have changed so much. There are many examples over the past few weeks where that has happened. However, we then have a situation where the opposite is the case: the reasons for not doing things or not considering things are that the times are different now. However, you have just quoted the 2003 example of the rates going up and not being passed on. Surely that is illogical? You cannot say of everything after 2007-08 that things are all different now and it is a new world, and then quote things that happened in 2003.

Mr McClure:

I was quoting that to illustrate that there is evidence that it did not happen in the past, in terms of a sudden increase in rates leading to consumer price rises. I was quoting that only as an example of what did or did not happen in the past.

Mr Cree:

You take my point, though?

Mr McClure:

The broader economic commentary is based on whatever we have had available to us. I do take your point, but —

Mr Cree:

It is hard to reconcile. You are not the only one; Mr Irwin makes the very same point to us. He is basing it on what actually happened in 2003, when the price of goods sold was not passed on. This is a different world now; I accept that particular premise.

The other issue that exercises my concern at the moment is the downtown shopping centre scenario. I certainly have no sympathy for the banks. They should be paying. They certainly should not be deriving a benefit from it; that would be a step too far. However, is there not an argument for protecting the footfall in the town centres, which are under threat? I am not lobbying a particular case, but take someone like Boots, which has a lot of small shops downtown. That helps the mix. Those town centres are a special case.

Mr McClure:

It is a fair point. Once you get into looking at special cases, you have to have a highly targeted scheme, and once you have a highly targeted scheme you are very vulnerable to challenge. There are legal issues there as well. The advice that we have is that we really have to apply this across the board or we will be vulnerable to challenge, either locally or in Europe. That is one of the reasons why we think it has to apply across the board. There are also issues of definition. How would you define that? I explained, using some of the DOE planning definitions, that they are not sufficiently reliable for us to be able to apply a taxation measure to them.

Mr Cree:

So a broad brush is really a safer —

Mr McClure:

Yes, that is beautifully put. That is exactly the case.

The Chairperson:

OK. Did you want —

Mr McClure:

There is just one point that Mrs Cochrane made about what is done with the money that is saved from the multiples. That has to be decided. However, the Minister has addressed the Assembly and said that he wishes to double the amount of small business rate relief. As a natural outworking of that, I think that we would look at ways of giving small business more rather than reducing the levy. However, that decision has still to be made.

Mrs Cochrane:

I agree with that.

Mr P Maskey:

Yesterday, the Minister of the Environment talked about the issues with regard to collecting the plastic bag levy. I know that they are two different Departments and have different ways of working, and the LPS already collects rates. If it is able to be done, could it be done by 1 April?

Mr McClure:

In relation to our taxation measures?

Mr P Maskey:

There is nothing to stop the Department or LPS from saying that they can take that money?

Mr McClure:

No, there is not. We believe that it can be done. We believe that it will be very challenging, but it can just about be done.

The Chairperson:

When you talk about bringing utilities into this, the constant refrain is that that would be passed on directly to customers. If that argument is sustained, you would not increase the rates at all. You would not touch utility companies. There is almost an argument for not charging them at all because it goes straight to the consumer, even though we have the Utility Regulator who is supposed to keep an eye on those things.

We had previously asked for some data on the rates as a proportion of the outgoings of utility companies and banks. You said that they were not able to provide that or even give estimates. Why is that the case?

Dr Holland:

We do not have that specific information available. We are able to get information on the turnover and profit of large retailers through a Mintel retail report.

The Chairperson:

You had data for rates as a percentage of their turnover.

Dr Holland:

For the retailers?

The Chairperson:

I think that it was in relation to banks and utility companies.

Mr McClure:

Not in relation to banks.

The Chairperson:

That was for the retailers; I beg your pardon. But you do not have any similar data for utility companies or banks?

Dr Holland:

Unfortunately, we do not have similar data for the utilities. It was more generic information that we had in relation to rates liability as a percentage of turnover and profit for large companies per se. Unfortunately, we do not have anything in relation to those specific sectors.

Mr McClure:

We can try to get that for you. We have tried to get a bit more information. However, we will go back again and try to get that. We are still left with the situation where, if there is a sudden increase in a local taxation bill for a utility company, the regulator will allow it to pass that through to bills. That is inescapable. I think that the profit levels of utility companies would be significantly higher than those of retailers. However, the consequence of that is that it is passed on to consumers. It adds cost to business, and it does not help fuel poverty issues in Northern Ireland.

The Chairperson:

I always have a sense of disquiet about the utility companies and the large financial institutions getting off with this. You may be able to get figures at a later date, but that will not impact on the policy that you are proposing. It is an obvious gap in this area, but it is a bigger issue in terms of regulation if nothing can be done to raise more revenue from those organisations without them passing it on to the customers.

Mr McClure:

That is the main stumbling block to doing anything with utilities at this time. The regulator will allow that as an allowable cost that can be passed on to consumers.

Mr McQuillan:

I sort of understand why we cannot charge the banks, but is there any way that we can stop them benefiting, or do they fall into the same category?

Mr McClure:

Yes, and this goes back to the issue of removing ratepayers with multiple premises from entitlement to small business rate relief. We are actively pursuing and seriously considering that at the moment. Yes; we want to do something, and we are looking at how to do it.

The Chairperson:

On industrial derating, you said that the benefit comes at the tail end. That actually means that small industrial units could get both industrial derating benefit and the small business rate relief.

Mr McClure:

That is correct. That was a policy decision made when Peter Robinson was Finance Minister, and it was endorsed by the Executive.

The Chairperson:

OK. Are there any other questions? William had questions but, unfortunately, he has not been able to make it back since the Division. On that basis, we will let you go. Thank you very much.