

REAL RATES REFORM



BELFAST CHAMBER'S RESPONSE TO THE DEPARTMENT OF FINANCE'S REVIEW OF BUSINESS RATES

Belfast Chamber appreciates the opportunity presented by the Department of Finance's consultation to suggest a range of reforms aimed at injecting a greater degree of fairness into Northern Ireland's rating system as well as proposing a number of new policy measures we believe would help boost business in Belfast and across the region.

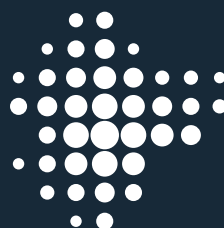
Belfast is the driver of the whole economy of Northern Ireland. This is illustrated by the fact that the city accounts for 25% of region's entire rates take. Our city continues to grow, attract investment and create jobs in spite of the many challenges Belfast faces. Belfast Chamber wants the transformation we have seen across the city continue. We want our businesses to create more jobs. We want to attract more visitors, students and investment. We want to see the city's skyline continue to be reshaped. But continued growth needs government policies that stimulate it rather than stifle it.

Being such an important element of the economy of Northern Ireland, Belfast therefore needs

a business rating system that is fair, reflects new economic realities and does not impede opportunities for growth. In short, Belfast Chamber believes that Northern Ireland needs real business rates reform rather than more mere tinkering around the edges.

Belfast Chamber's consultation response, entitled *Real Rates Reform*, puts forward a number of proposals. Our objective is not to simply make a few changes here and there to the current system, but rather to redress the present imbalance that exists in a property based local taxation system when many sectors, especially retail, are seeing momentous shifts in favour of online activity. Belfast Chamber argues that the current non-domestic rates system in Northern Ireland is inherently unfair and biased against some sectors and we suggest in this paper a range of short and long term measures which we believe that the Department of Finance and other Departments should take forward to address that unfairness and also provide timely boosts to the local economy.

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A FAIRER RATING SYSTEM

When surveyed, 94% of Belfast Chamber members said that they consider the current rating system in Northern Ireland to be unfair. This is especially so for our many retail members. When it is considered that retailing in Northern Ireland accounts for around 12% of the local economy yet contributes around a quarter of the rates, then it is easy to see why an overwhelming majority of our members believe the present rates system to be unfair.

Belfast Chamber understands that implementing any of the changes suggested in this paper is impeded by the absence of an Executive. We hope that our proposals can be taken forward by incoming Ministers but, in the interim, businesses in Northern Ireland are being asked to continue operating within the confines of an unfair rating system. **Belfast Chamber therefore recommends that, as a recognition that the system needs to change, an acknowledgement of the particular pressures facing businesses in Northern Ireland and as an attempt to align NI better with what has been happening with rates levels in GB, that business rates are reduced by a minimum of 5p in the £ for 2020/2021.**

ADDRESSING THE REAL CHALLENGE

Whilst Belfast Chamber welcomes the Department of Finance's consultation on the comprehensive review of business rates in Northern Ireland, we strongly believe that focusing solely on business rates runs the serious risk of ignoring what is actually one of the biggest challenges facing our city centre. Shops in Belfast, like those across the region and beyond, are seeing business impacted by the growth in online retailers. In recent years, Belfast businesses have faced the additional challenges of the Primark fire.

A recent report by the Resolution Foundation highlights the extent of the shift towards online led retailing. In their work Sorry We're Closed, they highlight that:

- Online's share of total retail sales has grown from just 5% in 2008 to 18% in 2018;
- The number of online led retailers in the UK doubled between 2015 and 2017; and
- 90% of the increase in retail business numbers in retail since 2015 is accounted for by online led businesses

In such an environment, a property-based rates system is no longer fit for purpose. Merely reforming the business rates system is tantamount to shuffling the deck chairs on the Titanic. It simply does not deal with the growing challenge being presented by online retail giants like Amazon.

It is highly likely that these trends will continue yet the rating system, based, as it is, on the rental value of a physical property, simply does not reflect the new reality, especially in regard to retailing. That needs to change.

Belfast Chamber supports the introduction of a small online sales tax for the entire UK to better reflect this significant and long-term shift away

from high street based retail to online led retail. The revenue raised by any online sales tax should be used to significantly reduce the level of business rates levied in Northern Ireland via the regional rate by the NI share of the proceeds from an online sales tax. Belfast Chamber asks HM Treasury to take forward work on the introduction of such a tax as a matter of priority.

A HIGH STREET REGENERATION FUND FOR NI

Retail, hospitality, professional and legal services and other businesses which inhabit Belfast are what delivers vibrancy to our city. High Streets and town and city centres are recognised by HM Government as important to wider society. Communities Secretary Robert Jenrick MP has said that **"High Streets have a crucial role to play as we work to grow the economy"**, acknowledging that they are worth working to preserve.

The introduction of the £1 Billion Future High Streets Fund by HM Government is a very timely and welcome initiative to encourage a renaissance in high streets, but its scope is restricted to England. Northern Ireland has no such equivalent scheme for local towns and cities to bid for funding from. This must change.

Belfast Chamber supports the introduction of a new version of the 'Living Over The Shops' scheme to support property owners to convert empty space above retail premises into residential accommodation. Believing that it is better for the overall look and feel of city and town centres to minimise vacancies, Belfast Chamber also believes that the previous LOTS scheme could also be updated to allow vacant ground floor retail premises to be converted to residential use.

NEW SUPPORT TO HELP BUSINESSES TO GROW

Breathing new life back into our city centre would provide a major boost to Belfast businesses and help them to increase their contribution to our economy's growth. Investing in infrastructure in the city centre is absolutely vital but it is not the only answer.

Belfast Chamber believes that increasing the number of people living in central Belfast is a crucial component to the future success of the city. Compared to other cities, Belfast has a small population living within its central core. The development of purpose-built student accommodation, the city's first 'buy to let' apartment development and the opening of new apartments in the heart of the city centre are encouraging but more is required. **Belfast Chamber supports the introduction of a new version of the 'Living Over The Shops' scheme to support property owners to convert empty space above retail premises into residential accommodation. Believing that it is better for the overall look and feel of city and centres to minimise vacancies, Belfast Chamber also believes that the previous LOTS scheme could also be updated to allow vacant ground floor retail premises to also be converted to residential use.**

With many retail businesses facing competition from online platforms, Belfast Chamber recognises that improving the online presence of town and city centre based retailers can expand their reach, help grow their business and even secure their survival. **Belfast Chamber recommends the creation of a support scheme whereby independent retailers – who make up 51% of all retail units in Belfast city centre – can apply for a voucher from government to help them get their businesses online.**

Belfast Chamber also supports the reintroduction of the Empty Premises Rates Relief where new businesses opening in properties that have been vacant for more than 6 months pay half of their rates liability in their first year of operation. This, in effect, costs the Department of Finance nothing as they would have received no additional revenue if the premises had remained empty. The scheme had proven popular before it ceased operation in 2017 and could help encourage new businesses to open by defraying some cost in their important first year of business.

MAINTAINING THE UNIVERSALITY OF SMALL BUSINESS RATES RELIEF

Belfast Chamber believes that the Small Business Rates Relief (SBRR) has given many businesses across Northern Ireland a welcome reduction in their rates liability.

Belfast Chamber does not support the elimination or reduction in eligibility criteria for SBRR at present. Indeed, such changes should not be considered unless major reforms such as the introduction of an online sales tax have been introduced.

Should the Department of Finance maintain the SBRR scheme, then it is important that eligibility remains unaltered. Businesses like, for example, solicitors, accountants, estate agents and other professional services, are as much part of the fabric of our city and town centres as shops and hospitality businesses. They attract people into cities and towns and their staff contribute daily to the local economy.

Belfast Chamber supports the retention of the Small Business Rates Relief scheme in the absence of wider, more fundamental reforms to business rates in Northern Ireland and strongly believes that its application should remain universal to all businesses who currently qualify.

RECOGNISING THE CONTRIBUTION OF CHARITIES AND THE CULTURAL SECTOR

Bustling towns and cities are not just composed of shops, offices, hotels, bars and restaurants.

Successful cities around the world are also

home to a vibrant cultural scene with museums, galleries and theatres every bit as much part of what makes the city work and attract visitors as retail and hospitality. **Belfast Chamber believes that protecting our maturing cultural infrastructure is important to the future development of the city and therefore does not support any diminution of the rate reliefs this sector currently enjoys.**

Equally, the contribution made by our charitable sector in a city which still suffers from high levels of disadvantage and deprivation cannot be underestimated. **Belfast Chamber believes that the contribution charities make to wider society should be acknowledged through the rating system.**

STIMULATING CITY LIVING

Belfast has far fewer people living in its central core than other comparable cities. Transforming Belfast into the modern, vibrant city we all aspire to requires a greater number of residents living in the city centre. This is something recognised by Belfast City Council in its Belfast Agenda which commits the Council to “**encouraging city centre living**”. City living can be more sustainable, make city streets safer and stimulate the economy of the city centre. Unfortunately, at present, the rating system presents an impediment to the growth of city living in Belfast.

Private sector student accommodation and Build to Rent (BTR) properties are currently treated as commercial usages by our rates system and, thus, are charged full rates. Cities in Great Britain do not charge rates on these types of properties, recognising them as beneficial to the economy of the city. Belfast Chamber fears that the continued incurring of rates on property types like these which are fundamental to encouraging more city living, could act as a deterrent to potential investors. **Belfast Chamber supports rates exemptions for private sector built student accommodation in the city and BTR properties.**

NURTURING OUR TOURISM INDUSTRY

Belfast has made huge strides forward in recent years as a tourism destination with a record 145 cruise ships docked in our port in 2019 and recognition by Lonely Planet as the best place to visit in 2018. **Belfast Chamber wants to nurture our growing tourism industry with a fair rates system for hospitality businesses. Belfast Chamber is also opposed to the introduction of a ‘tourism tax’.**

ABOUT BELFAST CHAMBER

Since its inception in 1912, Belfast Chamber has been the voice for business in the city. Belfast Chamber represents over 500 businesses of all sizes, in all sectors and in all parts of Belfast. Our growing membership employs thousands of people and contribute hundreds of millions of pounds to the local economy annually.

Businesses join Belfast Chamber because they recognise that we are the only business organisation that is focussed on lobbying for and supporting all businesses within the entire city of Belfast. We put Belfast First.

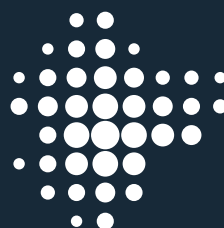
We passionately believe that the voice of business in Belfast must be listened to by policy makers and politicians in order to build the strongest possible framework for investment and business growth. We want those policymakers to also put Belfast First.

Membership of Belfast Chamber gives companies access to a full range of services to enhance business success and establish stronger relationships within the wider Belfast business community.

To find out how to join us or for further information, visit www.belfastchamber.com



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