Financial Support for Business in NI

Table:

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| --- | --- | --- | --- | --- | --- | --- | --- |
| **Support** | **Provider** | Description | | **Cost** | **Effect on Tax Revenue** | **Rationale/objectives** | **Impact/Evaluations** |
|  | | | RATES | | | | |
| Small business rate relief[[1]](#footnote-1) | DFP | Introduced in April 2010.  Non-domestic properties with a net annual value (NAV) of:   * Up to £2000 receive a reduction of 50%. * Over £2000 but not more than £5000 receive a reduction of 25%. * Over £5000 but not more than £15,000 receive a reduction of 20%.   Post offices with a NAV of:   * Up to £9000 receive a 100% reduction. * Over £9000 but not more than £12,000 receive a 50% reduction. * Over £12,000 but not more than £15,000 receive a reduction of £20%.   There is no application process for SBRR, relief is applied automatically to all businesses that qualify for the scheme. | |  | -£17m  -£62m (over 5 years) | The SBRR was introduced as an anti-recessionary measure. By 2010, the NI Economy was in its third year of recession, the consensus at that time was that SBRR was an appropriate policy for the NI Executive to launch given the context of the economic conditions at the time and the fact that England, Scotland and Wales all had their own versions of SBRR in place.  It was important in 2010 that the Government be seen to value small businesses.  The SBRR scheme was introduced therefore as a political measure, rather than via a “Value for Money” approval. The implication is that there were no specific economic targets set within the approval of the scheme, such as increasing employment, investment, productivity or output. | SBRR provided help for ratepayers with regard to cash flow, survival and keeping the cost of overheads down.  It was introduced by the NI Executive to help ratepayers through the recession. It is clear that the scheme was very well received and ratepayers were grateful for the relief that they were awarded. Therefore, from the NI Executives perspective, it could be considered a success as those associated with its introduction received many plaudits.  However, there was limited evidence of incentivisation of quantifiable additional economic activity arising from the scheme – some reported investments in signs and a very small number noted that they increased employment.  In economic terms, SBRR did not generate enough measureable additional activity and was limited in terms of cost effectiveness. In conclusion from an economic perspective the scheme provided a low level of Value for Money.[[2]](#footnote-2) |
| Empty Retail Premises Relief scheme[[3]](#footnote-3) | DFP | Introduced in 2012.  Offers 50% rate relief for up to a year once retail premises become occupied.  The scheme applies to any business ratepayer, who moves into premises, which were previously used for retail purposes and have been unoccupied for 12 months or more. | |  | -£56m  -£4m-4.5m | Introduced to get long-term empty retail premises back into business use. |  |
| Rating of Empty Homes exclusion[[4]](#footnote-4) | DFP | For a vacant property with a rateable capital value of under £20,000 the vacant property will be automatically excluded from rates. Application based exclusions are also available.  The exclusion categories are:   * the empty home cannot be legally occupied by anybody * the empty home cannot be occupied by anybody due to the actions of a public body * the empty home is a listed building * the empty home is an historic monument * the empty home is in the possession of the personal representative of a deceased person * the owner is subject to a bankruptcy order * the owner is a trustee under a deed of arrangement * the owner is a company in administration * the owner of a property is a liquidator * the owner is the Foyle, Carlingford and Irish Lights Commission * the owner(s) are in care (nursing home, residential care or hospital) * the owner(s) are in detention * the owner(s) have made a successful application to the Northern Ireland Housing Executive under the terms of Special Purchase of an Evacuated Dwelling (SPED) scheme | |  | Unknown |  |  |
| Charitable exemption[[5]](#footnote-5) | DFP | Properties which are occupied by a charity and used for public benefit or for charitable purposes generally do not have to pay rates.  Charitable purposes include formally constituted trusts for:  • the advancement of religion  • the advancement of education  • the relief of poverty  • other purposes beneficial to the community  Charities don’t pay tax on most of their income and gains if they are used for charitable purposes - this is known as ‘charitable expenditure’.  This includes tax:   * on donations on profits from trading * on rental or investment income, e.g. bank interest * on profits when you sell or ‘dispose of’ an asset, like property or shares * when you buy property[[6]](#footnote-6)   Charities pay business rates on non-domestic buildings, but they get an 80% discount | |  | -£85m | To encourage charities to promote good causes. |  |
| Sports and Recreation Rate Relief[[7]](#footnote-7) | DFP | Relief is provided at a reduction of the normal rate by 80 per cent due on qualifying facilities, which means that part of the property which is used solely for the recreation - Bars are excluded from the relief. | |  | -£4m | The relief is granted on the basis that it encourages physical recreation at an amateur level and makes a significant contribution to health care. |  |
| Industrial De-Rating[[8]](#footnote-8) | DFP | Manufacturing businesses occupying qualifying industrial properties can qualify to pay 30 per cent of the normal occupied rates. Premises where manufacturing takes place and which are used mainly for retail purposes do not qualify. | |  | -£57m | When the policy was first introduced in 1929 there were two main objectives. The first objective was to improve international competitiveness in the face of growing competition in markets for manufactured goods from foreign countries; and, secondly, to alleviate, what was judged to be, the disproportionate impact of rating on industrial premises compared to other sectors. | Phasing out industrial derating creates an additional cost burden for those companies who are brought into the rates net having previously been free of this form of taxation.  Job losses or output reductions forecast as a consequence of the policy of ending industrial derating have to be interpreted as meaning that employment or output will be some figure lower than it otherwise would be if the policy was not pursued. They must not be interpreted as absolute reductions from output or employment level currently existing. [[9]](#footnote-9) |
| Freight & Transport Relief | DFP | Occupiers of freight transport properties are entitled to 75% rate relief. It was introduced throughout the UK in 1929 but was removed in GB in 1963. | |  | -£4m | Introduced on the basis that it meets a public service need and therefore provides an incentive to attract private funds. | It is unlikely that maintaining or removing this rate relief for Freight Transport would have a significant impact on small businesses. As all Freight Transport properties can avail of this rate relief, there is no differential treatment of firms within this sector and so no firm would be at a competitive advantage or disadvantage over other firms.[[10]](#footnote-10) |
| Residential Homes Rate Relief[[11]](#footnote-11) |  | 100% rates reductions are available to properties used wholly or mainly for one or more of the following purposes:   * the provision of residential accommodation for the care of persons who have an illness or the after-care of persons who have an illness * the provision of facilities for training or keeping suitably occupied persons who have an illness or persons who have an illness * the provision of such accommodation of facilities as are mentioned in the previous two points for disabled persons not falling within that sub-paragraph * the provision of personal social services for disabled persons * the provision of facilities under section 15 of the Disabled Persons (Employment) Act (Northern Ireland) 1945 | |  | Unknown |  |  |
| Hardship Relief[[12]](#footnote-12) | DFP | As the Hardship Relief scheme covers unforeseen events, it is not possible for Land & Property Services (LPS) to offer precise definitions. However, a 'crisis' would have to result in a serious loss of trade or have a major effect on the services that can be provided.  'Exceptional circumstances' will usually be circumstances that came from outside the business or organisation, are beyond the normal risks faced by businesses and cannot be foreseen or avoided. The effect of strikes within a business or organisation, increased running costs and increased competition would not be considered as 'exceptional circumstances' as they are normal business risks.  The maximum amount of hardship relief you can get is the rates for one financial year. However, the amount may be reduced if you have received any De Minimis state aid over the past 3 years.[[13]](#footnote-13) | |  | Unknown | Hardship relief is intended to assist a business recover from temporary crisis, financial or otherwise. It is for the decision-maker to decide, based on the available evidence, whether or not a business would suffer hardship if relief is not provided.[[14]](#footnote-14) |  |
| Agricultural Land Exemptions |  | 70% of land in Northern Ireland is agricultural. Agricultural land has been exempt from rating since 1929.[[15]](#footnote-15) | |  | Unknown | Agricultural land is not seen as a financial asset. Only land which has been built on is taxed as a financial asset i.e. residential and commercial property. |  |
| Development Land Exemptions |  | Derelict land is not subject to rates. | |  | Unknown | Derelict land is not seen as a financial asset. Only land which has been built on is taxed as a financial asset i.e. residential and commercial property. |  |
| Propel Scheme | Invest NI | The scheme provides participants with a series of business development workshops, advice from local and international experts, introductions to potential investors, mentoring, shared working space and financial support. | | £6m |  | Against a backdrop of economic restructuring and recession, Northern Ireland has consistently struggled with weak productivity and low rates of enterprise, compared to other regions of the UK. Government is attempting to tackle these problems through growing the private sector, particularly through boosting business growth rates and levels of enterprise, and making Northern Ireland businesses more competitive in international markets. In this context, Propel’s aim to create high growth start-ups is relevant and topical. | Evaluation survey data suggest Propellers have obtained close to £14m of investment,  although a notable proportion of this is from family and friends  Xcell survey data reports that 84% of Propellers have raised some form of investment.  In total this investment is worth £7.4m (or over £10m according to revised data).On Value for Money, the evaluation calculated a marginal return on investment of £1.07:£1 (based on data for both Programmes). This figure is close to that identified by the Interim Evaluation but is somewhat short of the figure expected in the programme’s economic appraisal (£1.37:£1) for Propel 2.[[16]](#footnote-16) |
| Innovation Vouchers | Invest NI | The Programme provides SMEs with a voucher, valued at up to a maximum of £4,000, which can be used to purchase practical advice and expertise from Universities and other publicly funded research bodies in Northern Ireland, and the Republic of Ireland.  A business may apply for up to three vouchers for different projects. A 2nd or 3rd voucher can be applied for once the previous project is completed and the voucher has been redeemed. It is only possible to have one ‘live voucher’ at a time. | | £6.6 (Total 2008-2015) |  | Northern Ireland has faced long-term economic, productivity, and particularly innovation challenges.  The rationale for Innovation Vouchers is based principally on addressing information and co-ordination failures.  Invest Northern Ireland indicates that the key benefits for the small enterprise might include:   * Increased profitability; * Better informed business decisions; * Improved processes; * Business model development; * Improved service delivery; * Efficiency savings; * Increased market share; * A fresh source of ideas | The net impacts of the Programme, through completed projects and accounting for both achieved and expected future effects, are estimated at 380 net jobs created, and £8.3 million in net GVA generated.  In terms of Value for Money, the following judgements are made:   * Economy is judged as sound, with a significant set of activity delivered. * Efficiency is judged to be acceptable, with a cost per net job created   An assessment of Return on Investment (RoI) yields a ‘positive’ result, with an estimated £1.42 of GVA impact generated for each £1 of investment by Invest NI (and £1.67 if Invest NI salary costs are excluded). This is in line with the target of £1.39 for the 2012-15 period (that excludes Invest NI staff costs). As such, the Northern Ireland economy has secured more benefit from the Programme’s results than the cost of its inputs.[[17]](#footnote-17) |
| Entrepreneur’s Relief | HMT | This measure was announced at Budget 2012 as part of a package of changes to Enterprise Management Incentives.  The relief allows gains accrued on the disposal of shares in a trading company to be taxed at the reduced rate of 10 per cent provided that the disposal is by an individual who, throughout the year ending on the date the shares are sold, has worked for the company and owned at least 5 per cent of the ordinary shares in the company. The relief also applies to the sale of shares in the holding company of a trading group. Entrepreneurs' relief is subject to a lifetime limit on the first £10 million of gains. | |  | £2.9bn (UK-wide) | The measure aims to help small and medium enterprises (SMEs) recruit and retain high calibre employees by extending the tax advantages available to employees granted share options under the scheme.[[18]](#footnote-18) |  |
| Gift Hold-Over Relief | HMT | It is possible to claim Gift Hold-Over Relief if business assets (including certain shares) are given away or sold for less than they are worth to help the buyer.  To be eligible for Gift Hold-Over Relief you must:  be a sole trader or business partner, or have at least 5% of shares and voting rights in a company (known as your ‘personal company’)  use the assets in your business or personal company  You can usually get partial relief if you used the assets only partly for your business.  If you’re giving away shares the shares must be in a company that’s either:  not listed on any recognised stock exchange  your personal company  The company’s main activities must be in trading (eg providing goods or services) rather than non-trading activities like investment.  Gift Hold-Over Relief means:   * you don’t pay [Capital Gains Tax](https://www.gov.uk/capital-gains-tax) when you give away the assets * the person you give them to pays Capital Gains tax (if any is due) when they sell (or ‘[dispose of](https://www.gov.uk/capital-gains-tax/overview)’) them | |  | Unknown |  |  |
| Business Asset Rollover Relief | HMT | You may be able to delay paying [Capital Gains Tax](https://www.gov.uk/capital-gains-tax/) if you:   * sell (or ‘[dispose of](https://www.gov.uk/capital-gains-tax/overview)’) some business assets * use all or part of the proceeds to buy new assets   Business Asset Rollover Relief means you won’t pay any tax until you sell the new asset. You may then need to pay tax on the gain from the original asset. You can also claim:   * provisional relief if you’re planning to buy new assets with your proceeds but haven’t done yet * relief if you use the proceeds to improve assets you already own   To qualify:   * you must buy the new assets within 3 years of selling or disposing of the old ones (or up to one year before) * your business must be trading when you sell the old assets and buy the new ones * you must use the old and new assets in your business   You can claim relief on assets including:   * land and buildings * fixed plant or machinery, eg a printing press   There are [different rules](https://www.gov.uk/government/publications/business-asset-roll-over-relief-hs290-self-assessment-helpsheet) if:   * you only reinvest part of the proceeds from selling the old assets * the old assets were only partly used in your business * you use the proceeds to buy ‘depreciating assets’ (fixed plant or machinery, or assets expected to last for less than 60 years) | |  | Unknown |  |  |
| Incorporation Relief | HMT | You may be able to delay paying [Capital Gains Tax](https://www.gov.uk/capital-gains-tax) if you transfer your business to a company in return for shares.  Incorporation Relief means you won’t pay any tax until you sell (or ‘[dispose of](https://www.gov.uk/capital-gains-tax/overview)’) the shares.  To qualify for Incorporation Relief, you must:   * be a sole trader or in a business partnership * transfer the business and all its assets (except cash) in return for shares in the company | |  | Unknown |  |  |

1. <http://www.bbc.co.uk/news/uk-northern-ireland-26458355> [↑](#footnote-ref-1)
2. NICEP - Small Business Rate Relief Evaluation - 2014 [↑](#footnote-ref-2)
3. <http://www.northernireland.gov.uk/news-dfp-261112-rates-relief-extended.htm> [↑](#footnote-ref-3)
4. <http://www.northernireland.gov.uk/news-dfp-261112-rates-relief-extended.htm> [↑](#footnote-ref-4)
5. <https://www.nibusinessinfo.co.uk/content/charitable-exemption> [↑](#footnote-ref-5)
6. <https://www.gov.uk/charities-and-tax/tax-reliefs> [↑](#footnote-ref-6)
7. <https://www.nibusinessinfo.co.uk/content/sports-and-recreation-rate-relief> [↑](#footnote-ref-7)
8. <https://www.nibusinessinfo.co.uk/content/industrial-derating> [↑](#footnote-ref-8)
9. ERINI - Review of Industrial Derating Policy - 2007 [↑](#footnote-ref-9)
10. Review of Rating Policy - Final Integrated Impact Assessment (IIA) into Rate Reliefs for Business in Northern Ireland - 2006 [↑](#footnote-ref-10)
11. <https://www.nibusinessinfo.co.uk/content/residential-homes-rate-relief> [↑](#footnote-ref-11)
12. <https://www.nibusinessinfo.co.uk/content/hardship-relief> [↑](#footnote-ref-12)
13. Land & Property Services – Information Leaflet on Hardship Relief Scheme for Non-Domestic Properties [↑](#footnote-ref-13)
14. DFP – Policy Guidance Note On Hardship Relief for the Non-Domestic Sector - 2005 [↑](#footnote-ref-14)
15. Centre for Economic Empowerment - A Land Value Tax for Northern Ireland - 2014 [↑](#footnote-ref-15)
16. SQW - An Evaluation of the Invest NI's Propel Programme - 2015 [↑](#footnote-ref-16)
17. SQW - An Evaluation of the Invest NI Innovation Vouchers Programme - 2014 [↑](#footnote-ref-17)
18. HMRC – Enterprise Management Incentives: Qualification for Capital Gains Tax Entrepreneurs' Relief [↑](#footnote-ref-18)