



Isle of Man
Government

Reiltys Ellan Vannin

Rates Modernisation Consultation Responses

Economic Affairs

Cabinet Office

September 2019

Introduction

The consultation on rates modernisation was held from 28 February 2019 through to 21 April 2019 on a wide range of topics including:

- How non-domestic rates should be raised and collected
- Whether there should be the ability to offer discounts to certain economic sectors
- How should charities be treated within the rating system
- Whether there should be transition periods for those experiencing significant increases and decreases
- Prompt payment discounts
- Should discounts be offered on domestic rates in relation to single person occupancy and ability to pay

There were 346 responses to the consultation, through the Consultation Hub and another 18 written responses.

During the consultation period, we also held a number of workshops with Local Authorities to discuss their thoughts on the proposals.

The responses that we received to this report are laid out below and have been used to form the Rates Modernisation report that will be considered by Tynwald in October 2019.

1. Different reductions in rateable value are applied to different types of property under the current rating legislation, such as:

- Agricultural land – exempt from payment of rates
- Offices, shops etc. – 20%
- Commercial – 30%
- Factories and engineering works – 30%
- Industrial – 50%

Variation in the reduction of the rateable value of a property can allow the promotion of particular business sectors or different types of property. Do you believe that there should be an ability to apply a reduction to the rateable values of properties in a particular sector or to different types of property?

- a) Yes – there should be an ability to apply a reduction to the rateable values of properties in a particular sector or to different types of property.
- b) No

Yes	224	65%
No	119	34%
Not answered	3	1%
Number of responses	343	

Peel Town Commissioners: "The Commissioners believes the rate reductions require clearer guidance based upon the a proven need for the reduction. For example, it is difficult to determine why agricultural properties are exempt from the payment of rates and why new properties on new housing estates have reduced rates when further development is taking place on to extend the new housing estate."

Onchan District Commissioners: "Once a rateable value is fixed in accordance with a consistent formula, that value should remain fixed and not varied. The application of 20% reductions for domestic properties, offices and shops, 30% for commercial properties including factories and engineering works, 50% for industrial properties and hotels should all be phased out (recognising that the process is already under way in respect of hotels).

Onchan District Commissioners: "It is suggested, however, that limited use of rates discount could apply to brownfield site developments to encourage the use of such sites. Temporary rates exemption or discount for a period of, say three, years after development would be a better incentive to developers than Corporate or Income Tax Relief.

Braddan Parish Commissioners: "The present system of allowing types of businesses discount seems unfair. It is subjective and the rates should be based on simple square footage. The rates are a tax on property so why should there be any variations? What is the rationale behind this discounted allowance? If it was designed to encourage certain types of businesses', are these appropriate and relevant in 2019? The question on agricultural land shows a lack of understanding of the system which is a tax on properties. One thing that certainly be addressed is the allowance given to houses in the countryside that are deemed as farm workers or tithe properties. This has been inappropriately applied as some substantial residential buildings have benefitted from this allowance, and one should certainly call into question the need for this anyway.

- I have read in the Tynwald Hansard 3290.3295 16th October 2018 that they are phasing out the 50% discount that applies to commercial customers for water rates. This will be reduced to 25% over 5 years. For consistency apply the same reduction as the water rate.
- A slightly larger reduction could apply to encourage commercial customers so that they may choose to locate their business on a brownfield site.

2. Should domestic properties from which businesses are operated (e.g. Airbnb rentals; hair/beauty salons; taxi firms etc.) be required to have designated areas of the property, which are related to the business activity, classified as non-domestic areas rather than as domestic areas?

- a) Yes – areas used for business within a residential property should be classified as non-domestic areas rather than domestic areas
- b) No – residential property should be classified only as a domestic area

Yes	207	60%
No	133	38%
Not answered	6	2%
Number of responses	340	

Onchan District Commissioners: "If those areas where the business activity takes place can be clearly defined (such as a salon), they should be treated as such. However, where that physical separation is unclear, such as a business operating from a desk in a living room, then the whole property should be treated as domestic. The difference would not matter if the values applied to domestic and non-domestic properties were the same. There would be administrative issues in distinguishing the use of individual rooms for domestic or non-domestic purposes.

Michael Commissioner: "This depends entirely on the type of property and business – would this be difficult to administer?"

Lezayre Parish Commissioner: "This depends entirely on the type of property and business – would this be difficult to administer?"

Braddan Parish Commissioners: "If rates are a tax on property, and the discounts removed, the use of the property is irrelevant."

3. Current legislation causes rates to be chargeable on properties that are capable of occupation. However, if a building is left to enter a ruinous or dilapidated state, the liability to pay rates may be removed.

Enforcement notices and penalties can be issued to owners of those properties which are in a ruinous state, requiring owners to improve the property to prevent damage to neighbouring properties or becoming an eyesore.

Should new legislation contain provision for the use of rates as an additional method of encouraging the owners of properties to keep them in good order and to a useable standard?

- a) Yes – new legislation should contain provision for the use of rates as an additional method of encouraging the owners of properties to keep them in good order and to a useable standard
- b) No

Yes	271	78.3%
No	74	21.3%
Not answered	1	0.3%
Number of responses	345	

Onchan District Commissioners: "No. The removal of liability to rates on unusable properties should be ceased but dealing with unsightly, derelict or otherwise unsatisfactory properties should remain a local authority function and those powers extended, rather than using rates as a tool of persuasion. It would be inappropriate to use rating legislation to add to existing powers of enforcement on dilapidated properties, as the liability to rates and the responsibility to keep properties in good order are quite separate,. To use the rating system in this way would introduce unnecessary complication to the system.

Michael Commissioner: "Agree in principle but believe more thought needs to be given to this. More discussion."

Lezayre Parish Commissioner: "Agree in principle but believe more thought needs to be given to this. More discussion."

Braddan Parish Commissioners: "The powers to deal with ruinous or dilapidated buildings is already covered in legislation and would penalising people with rates may be a lesser penalty in areas where the rates are very low."

- Rates should be payable on properties at all times. Dangerous and ruinous buildings should not form part of any new rating legislation.

4. If we do choose to use rates as a method of encouraging renovation and reformation of dilapidated buildings or under-utilised/previously used sites, do you believe rates would be better used to incentivise renovation or to penalise those allowing buildings to fall into a ruinous state?

- a) Incentivise – offer a reduction in rates, or a short term rate-free period, whilst a building is under renovation or repair
- b) Penalise – add a premium to the rates liability to effectively charge the owners of dilapidated buildings more for allowing their properties to fall into a state of disrepair
- c) A combination of both – properties may get a reduction for a short period; followed by a penalty should the situation not be rectified

Incentivise	55	16%
Penalise	79	23%
Combination	196	57%
Not answered	16	4%
Number of responses	330	

Onchan District Commissioners: "Rating should be entirely separate from the process of dealing with unsatisfactory buildings. However removal of the rates exemption for unused property is essential because property owners currently benefit from allowing properties to become derelict.

Braddan Parish Commissioners: "The suggestion that rates be chargeable on buildings not habited is a difficult one. Would you impose charges on a tholtan? The definition of "habitable" needs to be more clearly defined."

- None of the above. Do not mix rating legislation with the building control act for dangerous and ruinous buildings.

5. Under current legislation, "any building solely or principally occupied and used for charitable purposes" is exempt from the payment of rates. Do you think that this exemption should continue to cover "charitable purposes" or should this be restricted to Manx registered charities?

- Continue current exemption
- Restrict the exemption to Manx registered charities
- Charities and charitable purposes should not receive an exemption and should be liable for the payment of rates

Continue current exemption	109	32%
Restrict to Manx Registered charities	142	41%
No exemption/discount	91	26%
Not answered	4	1%
Number of responses	342	

Onchan District Commissioners: "Properties used for "charitable purposes" do still use local and utility services and therefore should be subject to rates. There is a lack of clarity over "charitable purposes" as a definition and if the exemption is to continue it needs to be better defined to distinguish those genuinely working for the community. Whether or not a charity is registered is not the best criterion as virtually any single purpose organisation can register. One distinction that could be applied is whether the property in question is used to deliver the charitable purpose as opposed to whether the property is simply used to raise money for the financing of the charitable purpose. For example, charity shops would not be exempt from rates but a building providing services to homeless people would be exempt. There should be no distinction between Manx registered charities and those registered within other jurisdictions.

Lezayre Parish Commissioner: "The Commissioners have varying feelings towards this one. Many charities are quite wealthy. Give a reduction similar to non domestic rates depending on what they do to raise money. Apply a commercial rate (non domestic). Continue current exemption but must be a genuine charity. Depends on the type of business the charity is and if retailing is involved."

Michael Commissioners: "The Commissioners feel that you should take the following into consideration..

- Many charities are quite wealthy. Give a reduction similar to non domestic rates depending on what they do to raise money.
- Apply the commercial rate (non domestic)
- Continue current exemption but it must be a genuine charity and not a business

Braddan Parish Commissioners: "Exemption for charities should only be given where the property is designated as the Headquarters and not commercial (i.e. bringing in a financial return).

6. At present, premises occupied by charities/charitable purposes receive an exemption on property rates, and water and sewerage provision at a reduced rate or free of charge. Do you think charities should continue to receive an exemption or discount on their rates?

- a) Yes – charities and/or charitable purposes should receive an exemption or discount
- b) No – charities and/or charitable purposes should not receive discounts or exemptions

Yes	211	61%
No	129	37%
Not answered	6	2%
Number of responses	344	
% answered question	99.4%	

The following data has been analysed from text responses, and therefore it was possible to express multiple opinions within one comment, therefore the total of this table will not sum to 100%.

Benefit Manx Community	1	0.30%
0% discount	4	1.26%
10% discount	5	1.50%
20% discount	11	3.20%
25% discount	2	0.60%
30% discount	1	0.30%
40% discount	1	0.30%
50% discount	38	11%
70% discount	1	0.30%
75% discount	2	0.60%
80% discount	2	0.60%
100% discount	37	10.70%
Depends on purpose of charity	23	6.70%
Depends on size of charity	6	1.70%
Exemption rates not water and sewerage	13	3.80%
Manx registered	11	3.20%
Only registered charities	2	0.60%
Not answered	216	62.40%

- Ramsey Town Commissioners: "No subsidies or discounts should be offered to Social security, Government bodies, Charitable Organisations or dilapidated buildings."
- Onchan District Commissioners: "There should be no discount or exemption, but if it is decided to continue as present, the definition of "charitable purposes" should be better defined, possibly by reference to the point at which the service is delivered."
- Michael Commissioners: "Discount similar to non domestic maybe should be considered."

- Lezayre Parish Commissioners: “give 50% discount; give 90% discount; give discount similar to non domestic”

7. At present, each of the rating authorities sets a rate which is charged to the properties in their area and this rate differs across the island. Manx Utilities on the other hand, applies its set rate to all non-domestic properties on the island. Should there be an all-island non-domestic rate which is applied equally across all non-domestic properties on the island?

- a) Yes – all-island non-domestic rate which is applied equally across all non-domestic properties on the island
- b) No

Yes	183	53%
No	155	45%
Not answered	8	2%
Number of responses	338	

Onchan District Commissioners: “Manx Utilities’ services are provided on an Island-wide basis and therefore charges on the same basis across the Island. Local services, provided by local authorities, are decided upon on a local basis and should be charged accordingly. The rate related to services provided within the authority’s geographical area, which both domestic and non-domestic properties benefit from.”

Onchan District Commissioners: “The setting of an all-island non-domestic rate would imperil local accountability and ability to make decisions allocating resources towards local services and amenities.”

Michael Commissioners: “No as each Authority raises its own funds through the rating system for projects they have on need to do list for their residents.”

Lezayre Parish Commissioners: “Money raised by the LA is used only for that authority in that area. Definitely not. Each area elects its own Commissioners to govern the economy and this promotes people to think and achieve things for their own area.”

Braddan Parish Commissioners: “Local services should attract rates for the services that are appropriate to that area. Water rates are (predominately) a service consistent through the island and should attract the same rate.

- Comparing water rates to general rates in not correct. Every property, domestic or non-domestic in their parish/village/town receive water and have their waste waste dealt with. Therefore they all pay the same rate based on their rateable value. Local Authority’s level of service varies depending on its size, therefore the rate does differ. Income raised from rates should remain with that authority.

8. At present the income generated from non-domestic rates is received by the Rating Authority in which the business is situated.

In Rating Authority areas that have large numbers of non-domestic rate payers this can often lead to a distortion of the ration of income generated from domestic and non-domestic rates.

The amount of non-domestic rates income being raised in some areas has led to a decrease in the amount charged to households through domestic rates.

Do you think that it is fair that in some Rating Authority areas non-domestic rates subsidise the rates charged to domestic households?

- a) Yes – I think it is fair that in areas with high numbers of non-domestic rates payers that they subsidise those paying domestic rates
- b) No – I do not think it is fair, domestic rates should not be subsidised by non-domestic rates

Yes	145	42%
No	198	57%
Not answered	3	1%
Number of responses	343	

Onchan District Commissioners: "It is fair that areas with high densities of non-domestic properties share the additional income from that across the spectrum of their ratepayers."

Lezayre Parish Commissioners: "Leave as it is for now. Business's receive a discount on their rateable value depending on the type of activity, some up to 50%."

Braddan Parish Commissioners: "Those authorities who receive non-domestic rates need an income to provide the services that are pertinent to the needs of the area. Non-domestic rates allow authorities to provide the service that the businesses expect. For example, additional road sweeping, pavement clearing, gully emptying and street lighting. Domestic rate payers have to accommodate the demands non-domestic ratepayers place upon them i.e. increased traffic, noise, litter etc so it is really swings and roundabouts."

Jurby Parish Commissioners: "...are opposed to the suggestion that the rates levied on businesses in the Parish be received by Central Government and paid into a central pot whereby local authorities would have to apply for a grant therefrom to carry out specific projects in their area. These rates are currently levied on such properties and used towards paying for street lighting and the sweeping of public roads and footpaths in the Parish, and also spraying the footpaths to kill the weeds that grow on them, and local authorities have also to ensure that the drainage along the roads are kept clear and not blocked by debris so as to prevent flooding of the roads during rainfall. If local authorities were denied such rates from businesses in their area, local authorities would have to increase the rate levied on domestic properties, and this would not be fair on domestic rate payers."

- Ratepayers who live in a parish where there are several commercial ratepayers have to put up with all the commotion that they bring. Pollution, noise, inconvenience, etc. The People living in an area also benefit by having that business in their area as they do not have to travel by bus/car etc to make use of that business. The location of the business is dependent on where an area has been created to do so. New development will be built as laid out in the strategic plan, made by government. (larger business industrial estate). Shops are generally situated in the town which makes them attractive to shoppers as they can visit many differing stores all in one area. Some business may choose to locate to an area because the rates are slightly lower than it's neighbour i.e Douglas/Braddan – Ramsey/Lezayre. Currently business receive a reduction on their rate depending on their type, so you could also say that the domestic ratepayer supports/subsidises the non-domestic ratepayer.

9. Non-domestic rates could be raised by a central authority

Rating Authorities would be able to apply, either on their own or in conjunction with other authorities, for funds with which to undertake projects, such as regeneration of specific areas or for national community policies without needing to significantly increase rates to cover loan repayments.

By whom should non-domestic rates be raised and retained?

- a) Individual authorities – raised and retained by an individual Rating Authority
- b) Central authority – raised and retained by a central Rating Authority for use on national community policies etc.
- c) Raised by a central Rating Authority with a percentage of the monies raised returned to the individual Rating Authorities and the remaining funds retained by the central Rating Authority

Individual authorities	153	44%
Central authority	87	25%
Raised by central authority with % paid to local	101	29%
Not answered	5	1.4%
Number of responses	341	

Garff Commissioners: "The Commission is concerned that suggestions to raise and retain non domestic rates centrally could lead to a significant loss to Local Authority income and is therefore opposed. Furthermore, the suggestion that funds would be reallocated to Local Authorities on application does not sit comfortably with the Commission, this goes against the basic principle whereby local services and amenities should be determined and funded by the local ratepayer."

Peel Town Commissioners: "The setting of rates is a critical issue for local authorities which permits locally elected politicians to set budgets, assign financial priorities and manage the local authority's financial resources. The Commissioners want rate setting to remain the responsibility of the local authority for which locally elected Commissioners can be held accountable. The Commissioners oppose an enforced centralisation of rate setting, rate collection or the removal of the direct link between the cost of local authority projects and services from the communities which the local authority serve. The Commissioners oppose the setting and collection of non-domestic rates by Government and the introduction of a more costly and a less efficient bureaucratic system which involves bidding and the allocation of centrally held rate funding to local authorities."

Ramsey Town Commissioners: "The Commission would oppose a system of centralized non-domestic rate and rate collection"

Ramsey Town Commissioners: "Members felt that the proposal to create an all island centralised non-domestic rate and rate collection would be detrimental to any local authority. The Commission noted that non-domestic properties still use the same services as everyone else and the funding is still required to perform these services e.g. Waste Collection, Street Cleaning, off-street parking etc.

Onchan District Commissioners: "There is a presumption that a central authority should be established to raise, collect and distribute funds through rates. That authority would then be

involved in decisions on application from current rating authorities for funding which would effectively give it control over schemes that should properly be decided on a local basis. Raising, collecting and spending local authority and joint authority rates should be local, because the local authorities are responsible for delivering the services the rates pay for. It is not simply a matter of them funding "projects", all rates received by a local authority are applied to pay both one-off projects and to pay for ongoing services."

Onchan District Commissioners: "Any shortfall to local authorities arising from the loss of non-domestic rates would inevitably significantly increase the costs to be borne by domestic ratepayers. The Authority sees the proposal as a means for this additional government agency to take funding from local authorities and will resist."

Michael Commissioners: "The individual authorities are responsible for the economic security and management of their own finances so should be retained by the individual authorities."

Lezayre Parish Commissioners: "The individual authorities are responsible for the economic security and management of their own finances."

Braddan Parish Commissioners: "This proposal seems to have come from the perception by some smaller authorities that they missing out on the rate income that is generated by businesses and wish to have access to a "community fund". Of course, they don't provide a service to these non-domestic properties and the onus should be on them to raise any funds they need via increasing the rates or use the beneficial loan system. If they and their ratepayers have identified a need, they should ask their ratepayers for a greater contribution."

Braddan Parish Commissioners: "It's not clear whether money from the proposed "community fund" would be in the form of a grant or a loan. If it is a grant, does that not undermine the HSBC loan facility? The proposal, that a "central authority" would collect the non-domestic commercial rate and authorities make a bid for money form this fund, would benefit the larger authorities that have the staff and resources to make such business cases."

- Each year the Local Authority sets out its financial requirements and sets the rate in the pound accordingly. If the non domestic rates were taken away from Local Authority and if it wanted to continue delivering the same level of service, it would need to increase the amount of rates paid by the domestic ratepayer. Domestic rates would increase by between 2% and 270%. This switch would have a huge impact on the majority of people and particularly those that are just about managing (JAM). If people have less money to spend because of this shift, how will this effect a business.
- If a central Rating Authority were to be created how would it determine how much it should raise through rates? What does the business sector think about paying this new rating authority their rates?

10. If non-domestic rates were raised and retained centrally, what do you believe should constitute national community policies?

Abolish Local Authorities	6	1.7%
Adult education and training	3	0.9%
All-island rate	3	0.9%
Benefit island as a whole	17	4.9%

Concern funds would be absorbed elsewhere in Government	6	1.7%
Cycleways/walkways/footpaths	7	2.0%
Different non-domestic rates in different areas	1	0.3%
Don't trust central government with funds	3	0.9%
Encourage local business	6	1.7%
Environmental	11	3.2%
Essential Services (fire, police etc.)	3	0.9%
Improve industrial estates	1	0.3%
Infrastructure development & maintenance	20	5.8%
Libraries	5	1.4%
Local monies, local projects	15	4.3%
Community facilities (sports grounds, play areas etc.)	28	8.1%
Pavements	3	0.9%
Public health	4	1.2%
Public spaces	11	3.2%
Public transport – subsidise	6	1.7%
Raise and retain centrally	9	2.6%
Raise and retain locally	35	10.1%
Rates holiday for businesses	1	0.3%
Single authority	2	0.6%
Subsidise elderly rates	1	0.3%
Swimming Pools	6	1.7%
Tourism	2	0.6%
Waste and recycling	11	3.2%
Not answered	219	63.3%

11. If we were to change the method of raising rates, do you think that a transition period should be provided to minimise any potential impact of domestic rates relating to current or ongoing projects being undertaken by Rating Authorities?

- a) Yes – a transition period would be beneficial
- b) No – I do not feel that a transition period would be necessary

Yes	252	73%
No	85	25%
Not answered	9	3%
Number of responses	337	

Onchan District Commissioners: "There should be no change in the method of raising rates as the only change envisaged is in the way valuations are decided. Variations arising from the revaluation of properties' rateable values (the purpose of the exercise as set out in the Consultation Document) should be phased in order to minimise adverse impact on ratepayers. The authority does not support any change to the rating system that would involve any form of central raising and allocation of non-domestic rates.

Braddan Parish Commissioners: "The principle behind the question is not accepted."

12. Following the determination of the previous outlined policies, it is likely that the amount charged to non-domestic rate payers will change; this could be an increase or a decrease.

For those that face a change in their non-domestic rates, should a transition period be granted to them to allow them to factor the change into their financial planning?

- a) No – I do not believe that a transition period is necessary
- b) Yes – I do believe a transition period is necessary
- c) Yes – I do believe that a transition period is necessary but it should only apply to those facing changes of over 10%

No	57	16%
Yes – transition period	143	41%
Yes – only if over 10% change	140	40%
Not answered	6	2%
Number of responses	340	

Onchan District Commissioners: "Changes should only be made through revaluation, and if there are to be any changes, then these should be phased in over ten years to reduce adverse impact."

Braddan Parish Commissioners: "The Commissioners object to the proposed amendment to the system. The question is too wide to respond to and, as with many things, it would depend on the scale of any changes."

13. If it was determined that a transition period would be beneficial, in order to ensure that the amount of money required by the Rating Authorities continues to be collected during this time, a phasing of both increases and decreases would be necessary.

Should only those facing an increase be granted a transition period, then the total amount of income collected during the transition period by the Rating Authorities would significantly decrease, due to those seeing a decrease in their invoices immediately benefitting.

If a transition period were to be introduced, how do you think it would be best implemented?

- a) Introduce the impact of increased and decreased payments phased in over a period of 5 years (i.e. payment of an additional 20% of the overall increase/decrease for each of the first 5 years that it is introduced)
- b) Implemented by immediately recognising the increase or decrease in the cost but fixing the amount of the rates liability for a period of 5 years in order to allow households and businesses to plan for the increase

Phased over 5 years	195	56%
Implement immediately and fix for 5 years	122	35%
Not answered	29	8%
Number of responses	317	

Onchan District Commissioners: "By phasing both increased and decreased liability over ten years".

Lezayre Parish Commissioners: "Question 11 and 13 discuss a transitional period allowing for changes to be introduced over time. Some of the members have not answered these questions. These transitional suggestions are quite complicated. How easy would it be to administer this?"

Braddan Parish Commissioners: "The principle is not accepted."

14. Prompt payment discounts are available at the discretion of the Rating Authority, to a maximum of 5%, if invoices are paid in full within 3 months of issue. The amount of discount offered is determined by each Rating Authority.

In order to ensure that the Rating Authority received the funds it requires each year, all of the amounts charged are proportionally inflated to take into account that a number of people in the Rating Authority area will make use of the discount offered.

The use of prompt payment discount is not commonly applied when raising public revenue in the Isle of Man. As such, it is being considered that rates should be brought in line with other forms of revenue collection by removing the prompt payment discount and instead adopting a late payment penalty, as with income or vehicle tax. Do you agree that this should be considered?

- a) Yes – prompt payment discount should be removed and replaced by a late payment penalty
- b) No – the prompt payment discount should remain in place
- c) Combination of both – prompt payment discount offered for early payment (say within 3 months) followed by a penalty if paid after a certain time (say 9 months)

Yes	67	19%
No	113	33%
Combination of both	164	47%
Not answered	2	1%
Number of responses	344	

Ramsey Town Commissioners: "The Commission feels that prompt payment discounts should be allowed combined with a penalty fee to be applied for late payment."

Ramsey Town Commissioners: "Members considered that it remains appropriate to reward those who do pay early or on time. Members felt and that offering a small discount will not only rewards those who pay but will also help the local authority by having the bulk of their revenue in prompt so funds can be allocated early to future projects."

Onchan District Commissioners: "The prompt payment discount does generate an income flow early in the financial year to local authorities and therefore some incentive for early payment should be retained. There would however be issues in changing to adopting a deadline after which penalties will apply, in relation to how that date is fixed, particularly where properties change hands during the year. That would introduce unnecessary complexity. Furthermore any imposition of a penalty only at the end of the rating year would disincentivise against early payment and could generate cashflow problems for local authorities."

Onchan District Commissioners: "It is also suggested that as well as an early payment discount being applied at the discretion of the rating authority, a small discount for payment by Direct Debit could be introduced, which would benefit the rating authority by reducing administrative costs. Local authorities should be given the discretion and flexibility to determine the proportion of the overall discount level which could be given to prompt payment and the proportion applicable to payment by direct debit."

Onchan District Commissioners: "In other words, the Authority does not support the use of a late payment penalty (the existence of an early payment discount and even a direct debit discount should be sufficient in this regard.)"

Braddan Parish Commissioners: "The decision to offer a prompt payment discount is a judgement call by the authority. For Braddan it aids cash flow as over 70% of the rate income is received by the deadline date. Of course it is possible that a penalty for late payment would probably have a similar effect. The question of applying a penalty for those who pay by direct debit would have to be addressed, as would the potential legal costs of chasing the debtors through Court."

Jurby Parish Commissioners: "...the discounts allowed for early payment of rates should be retained, as this does already encourage ratepayers to honour their rate demands early."

15. Public bodies pay non-domestic rates on all properties that they own and occupy, however this has not always been the case.

For instance for the year ended 31st March 2018, the Isle of Man Government paid approx. £2.2m in rates to Rating Authorities.

Do you think that Government and/or other public bodies should pay rates on the buildings they own or occupy or should this money be spent elsewhere?

- a) Yes – Government and other public bodies should pay rates
- b) No – Government should not pay rates
- c) No – Government and public bodies should not pay rates

Yes – pay rates	254	73%
No – Government should not pay	29	8%
No – Government and public bodies should not pay	60	17%
Not answered	3	1%
Number of responses	343	

Ramsey Town Commissioners: "No subsidies or discounts should be offered to Social security, Government bodies, Charitable Organisations or dilapidated buildings."

Onchan District Commissioners: "No reason has been suggested for the Government and other public bodies being exempt from liability to rates on buildings they own or occupy. Government and other public bodies should pay rates in the same way as other property owners as they benefit from the same services and amenities.

Braddan Parish Commissioners: "Rates are a tax on property and it is irrelevant who owns the property. They still expect the service provided to other rate payers."

Domestic Rates

16. If we choose to remove the prompt payment discount on non-domestic rates and replace this with a late payment penalty, should the same changes also be considered for domestic rates?

Prompt payment discounts are available at the discretion of the Rating Authority, to a maximum of 5%, if invoices are paid in full within 3 months of issue. The amount of discount offered is determined by each individual Rating Authority.

In order to ensure that the Rating Authority receives the funds it requires each year, all of the amounts charged are proportionally inflated to take into account that a number of people in the Rating Authority area will make use of the discount offered.

The use of prompt payment discount is not commonly applied when raising public revenue in the Isle of Man. As such, it is being considered that rates should be brought in line with other forms of revenue collection by removing the prompt payment discount and instead adopting a late payment penalty, as with income or vehicle tax. Do you agree that this should be considered?

- a) Yes – domestic rates should also remove prompt payment discounts and replace with a late payment penalty
- b) No – domestic rates should retain the prompt payment discount
- c) Combination of both – prompt payment discount offered for early payment (say within 3 months) followed by a penalty if paid after a certain time (say 9 months)

Yes	61	18%
No	116	34%
Combination of both	167	48%
Not answered	2	1%
Number of responses	344	

Onchan District Commissioners: "The prompt payment discount does generate an income flow early in the financial year to local authorities and therefore some incentive for early payment should be retained. There may be issues in changing to adopting a deadline after which penalties will apply, in relation to how that date is fixed, particularly where properties change hands during the year."

Onchan District Commissioners: "Any penalty could only be applied realistically at the end of the year in which rates remain unpaid, and that is flawed as it would disincentivise earlier payment and cause major cash-flow problems for local authorities. "

Onchan District Commissioners: "It is also suggested that as well as an early payment discount being applied at the discretion of the rating authority, a small discount for payment by Direct Debit could be introduced, which would benefit the rating authority by reducing administrative costs."

Onchan District Commissioners: "There should be no differentiation in the application of rules on rates payments on domestic and non-domestic properties; all form part of the same "pot" of local authority funding should be treated similarly."

Lezayre Parish Commissioners: "In Lezayre for the financial year 18/19 we received nearly 80% of our rates by the discount cut off date. If the discount were to be removed, this may create a problem with cashflow, especially for the larger authorities."

Lezayre Parish Commissioners: "Unless you pay your rates bill in full, you are unable to take advantage of the discount. Perhaps a new system could be introduced for those who pay by direct debit. Set the amount due over 10 months and if the first 9 payments are received without default, the final payment include a small discount say 2% of the total rates bill."

Michael Commissioners: "The Commissioners last year (financial year 18/19) received nearly 80% of our rates by the discount cut off date. If the discount were to be removed, this may create a problem with cash flow, especially for the larger authorities. Also, there should be a better system of chasing the non payers and making them pay."

Braddan Parish Commissioners: "The decision to offer a prompt payment discount is a judgement call by the authority. For Braddan it aids cash flow as over 70% of the rate income is received by the deadline date. Of course it is possible that a penalty for late payment would probably have a similar effect. The question of applying a penalty for those who pay by direct debit would have to be addressed, as would the potential legal costs of chasing the debtors through Court."

- In this Local Authority area, for the financial year 18/19 we received nearly 80% of our rates by the discount cut off date. If the discount were to be removed, this may create a problem with cash flow, especially for the larger authorities.
- Unless you pay your rates bill in full, you are unable to take advantage of the discount. Perhaps a new system could be introduced for those who pay by direct debit. Set the amount due over 10 months and if they first 9 months are received without default, the final payment include a small discount, say 2% of the total rates bill.
- If a penalty is introduced for late/non payment this is not helping those who are struggling to pay. Those with enough money to pay early are at an advantage. This is widening the gap between the have and have nots.
- Ramsey Town Commissioners: "The Commission feels that prompt payment discounts should be allowed combined with a penalty fee to be applied for late payment."

17. When considering the payment of rates on domestic properties, other rating systems may offer discounts depending on the circumstances of the occupants of the property such as single occupancy discounts or their ability to pay.

Such discount need to be taken into consideration when rates are calculated by Rating Authorities, and the discounted sum must be spread between the remaining rate payers to ensure that the requisite amount is raised by the Rating Authority to sustain the services that it provides.

Do you think that discounts should be available on Manx rates?

- a) Yes – discounts should be available on Manx rates
- b) No

Yes	228	66%
No	115	33%
Not answered	3	1%
Number of responses	343	

Ramsey Town Commissioners: "No subsidies or discounts should be offered to Social security, Government bodies, Charitable Organisations or dilapidated buildings."

Onchan District Commissioners: "A rebate scheme based on the number of occupants of a property would not be beneficial. It would be impossible to monitor and susceptible to fraud and misuse. Rates are a tax on the property, not a form of Income Tax.

Braddan Parish Commissioners: "Any rates determined by the number of occupants in a property is impossible to monitor. The occupancy of a property could change on a weekly basis. You should not get tied up with the impression that single occupants are very elderly poor and infirm old ladies or gentlemen. Rates are a tax on property and occupants can move.

- The only discount should be a prompt payment discount

18. If you believe that discounts should be made available, should these form part of the Social Security system that is managed through the Treasury Department?

- a) Yes – discounts on domestic property rates should form part of the Social Security offering that is managed by the Treasury Department
- b) No – discounts on domestic property should not form part of the Social Security offering that is managed by the Treasury Department

Yes	78	23%
No	239	69%
Not answered	29	8%
Number of responses	317	

Onchan District Commissioners: "No. Discounts based on occupancy levels should not be made available as rates are a tax on the property rather than the individual."

Michael Commissioners: "The Commissioner answer this question N/A as we have said no to the question above. However, if it were to be introduced, we this that discounts on domestic property rates should form part of the Social Security offering that is managed by the Treasury Department."

Lezayre Parish Commissioners: "Our answer to this question N/A as we have said no to the question above. However, if it were to be introduced, we this that discounts on domestic property rates should form part of the Social Security offering that is managed by the Treasury Department."

Braddan Parish Commissioners: "There is a system that works effectively at present and it should not get tied up with a central government function."

19. At present, the cost of water and sewerage are invoiced annual and in most areas are included on the same invoice as property rates (Braddan, Onchan & Douglas raise and collect their own property rates). The charge for water and sewerage, unless metered, is an all-island rate that is based on the rateable value of each property.

The majority of the cost associated in the supply of water and the removal of sewerage from a property is related to the infrastructure necessary to enable the supply, rather than the volumes of water or waste involved.

The water and sewerage costs continue to be included on the rates invoices to reduce the cost of administration. However, the property rates are calculated on a different basis. Property rates are set by each Rating Authority and differ between Rating Authority area, whereas water and sewerage are set and an island-wide rate. As such, should they continue to be charged on the same invoice?

- a) Yes – continue invoicing on same invoice
- b) Yes – continue invoicing on same invoice but provide further explanation on invoice
- c) No – Two invoices should be issued

Yes – same invoice	129	37%
Yes – same invoice, more detail	142	41%
No – Separate invoices	72	21%
Not answered	3	1%
Number of responses	343	

Onchan District Commissioners: "Onchan administers collection of its own rates and issues its own rates invoices very effectively. Its collection percentage in the current year is 100%. But where a local authority issues its invoices through the Treasury, there is no obvious reason to separate them from other property charges."

Braddan Parish Commissioners: "Three authorities collect their own rates and the demands make it very clear to whom the money is payable and makes the authority more accountable for their services. Perhaps Treasury when collecting rates for other local authorities should make a much clearer definition between the function of Water and Local Authority rates."

20. In the 2015 consultation, a system of banding was suggested where properties of similar value pay the same amount in respect of property rates. Do you believe that a banding system would be beneficial?

- a) Yes – I think a banding system would be beneficial
- b) No – I think rates should be based on the individual value of each property

Yes	131	38%
No	199	58%
Not answered	16	5%
Number of responses	330	

Onchan District Commissioners: "The Authority's response to the 2015 consultation was that primarily the rateable value should be based on capital value rather than rental value, and

that any banding applied should be adjusted annually for inflation. However, the view of the Authority remains, as in 2015, that it is preferable to use actual values rather than banding.

Braddan Parish Commissioners: "It seems fairer that what us presently proposed."

- All properties in **any** rating area should be judged the same way.

21. Using the area valuation method, each Rating Authority (and Manx Utilities) would set a rate per square metre. Do you believe that a flat rate per square metre should be applied across all properties within that rating area or should an adjustment be made for the location of that property within the area?

- a) Yes – I think location should be taken into account
- b) No – I think that all properties within a rating area should be judged on the same criteria for the calculation of rates regardless of location

Yes	119	34%
No	217	63%
Not answered	10	3%
Number of responses	336	

Ramsey Town Commissioners: "All properties are to be judged on the same criteria regardless of location, ie. square footage. as this make the process simple, fair and consistent to all."

Lezayre Parish Commissioners: "We have a mixed response here, saying both yes and no."

Braddan Parish Commissioners: "This is far too objective and impractical and open to political influence."

General Comments on Rates from Consultation Hub:

Comment	Online response	Written response	Online %
Based on number of occupants	6	5	1.7%
Capital value model	2		0.6%
Concern about accuracy of area method	1		0.3%
Concern about elderly	2		0.6%
Concern over sole occupancy	2	3	0.6%
Concerned about thickness of walls	3	2	0.9%
Concerns on unused roof space	1		0.3%
Discrepancy of services	3		0.9%
Island wide domestic rate	4	4	1.2%
Location reduction	1		0.3%
No churchyard rate	1		0.3%
One sole authority	1		0.3%
Additional amount on income tax	3	2	0.9%
Property condition not considered	1		0.3%
Property value/size does not reflect ability to pay	5	3	1.5%

Social Security should provide assistance not rates	1		0.3%
User pays basis	1	1	0.3%
Water meters	3	1	0.9%

Written response concerns:

Peel Town Commissioners: "The Government is responsible for the implementation of legislation which ensures fair, simple to understand, transparent and cost effective rate setting and collection framework to locally fund local authority services. The proposals to move away from gross rental value should only be undertaken if the cost of administration is reduced. The Commissioners expressed their concerns that the proposed new measurement of floor area would be costly to introduce, costly to maintain and the benefits of changing from rental value would be low. The Commissioners believe a rating system which maintains a link between property rental value or a similar property value based system is easier to understand, fairer, transparent and easier to maintain in the long term."

Peel Town Commissioners: "The Commissioners believe it is possible to pay for all Government services via a national income tax and to remove these services which are not provided by local authorities from the local rate system."

Department of Infrastructure: "Having reviewed the consultation information, the approach appears to be straight forward and provides a more transparent mechanism of rate charging than the existing system."

Ramsey Town Commissioners: "The Commissioners felt that as a local authority they need to be able to budget for the year ahead while rating fairly and consistently to all who use the authorities services. Members felt that offering discounts to charities, variable rates and subsidies creates problems not only for budget forecasting but also makes rate setting very difficult. Members felt that the use of discounts and subsidies creates problems not only for budget forecasting but also makes rate setting very difficult. Members felt that the use of discounts and subsidies would create inconsistencies and that all properties require the same services and should be rated appropriately."

Onchan District Commissioners: "Rates are relative to services and amenities provided rather than to the location of a property. If, as the Authority prefers, the rateable value is decided according to the capital value of the property, rather than its area, then the location is already taken into account. However, if Government did go down the route of a rate per square metre, then the system should be kept simple with no adjustment for location, which would be a recipe for over-complicating the system."

Onchan District Commissioners: "Furthermore, the Authority would reiterate the following recommendations it made in response to the 2015 consultation:

- That the notice period to be given to owners of their liability for rates on default of tenants should be within six months after the year end rather than one month; and
- That the obligation of occupiers to provide information should be extended to include a similar obligation on the part of property owners.

Onchan District Commissioners would seek assurances that any move to valuations based on area would not lead to errors and inaccuracies, which will only lead to numerous appeals."

Lezayre Parish Commissioners: "The local authority also contributes jointly to one of the 4 Civic Amenity Sites. CA sites are probably the authorities largest expense, especially for the smaller authorities."

Braddan Parish Commissioners: "The purpose of local authority rates are clear and unambiguous and the services provided using that money are determined in an open culture, unlike Treasury. It is not historic budgeting but zero budgeting and every single amount is re-examined each year rather than just rolling figures over."

Braddan Parish Commissioners: "This entire exercise seems to be an excess amount of work for what is claimed to be for no additional return. It is important to make clear to the public that this is not a local authority attempt to seek extra money. The Commissioners would contend that the Rates Act should be brought up to present day figures with the removal of unacceptable anomalies which have previously been given. The Commissioners wish to assert that by responding to these questions does not indicate any support for the proposal."

- Believed that this will be a tax on capital, in the form of real estate, compared with the existing system of being a charge on the income or potential income which may be generated by a property.
- The proposed charge will not be a progressive tax, as it will take no account of the ability of the owner or occupier to pay. Clearly, the ownership or indeed the occupation of a larger property does not of itself indicate a greater ability to pay.
- It is not fair or equitable to levy an annual tax on property owners or occupiers which will discriminate against those who occupy older houses with much thicker walls than modern property.
- I do object strongly to this proposal, as it will mean paying a tax, which will be used to fund services, which will be higher in proportion per habitable square foot or metre in an older house than in a more modern house. By definition, older houses cost more to maintain and to heat than more modern ones, and a tax on wide stone walls will be an unjustifiable expense.
- As the rate, or tax, will be used to provide services for the occupiers of the properties in question, account should be taken of, and allowance made for, the temporarily unoccupied property and for single, or a low number of permanent occupants compared with the potential maximum capacity.
- I do not agree that properties need to be remeasured using aerial photography. This is a complete waste of public money. Is there a need to measure all properties? Aren't they measured under the current system? If the size of properties is already held on file this information can be used. I agree with updates through the planning system (as happens now) and periodically, aerial photography could be used to ensure that all additions to property are captured. Perhaps a scheme needs to be introduced so that where properties are extended under permitted development they are captured early and not left for the periodical aerial photography.
- If water rates were equalised (no discount applied to non domestic) this would reduce the burden on the domestic rate payer. Depending on the type of business they may use a considerably larger amount of water than that of a dwelling. Eg. Hotel. Maybe this point should have been made in the consultation when discussing fairness!
- Discourage empty properties by scaling up rates requirements for empty commercial properties over time as opposed to rates being low or nil for unoccupied commercial properties. Perhaps nil for a year to encourage investment in the property then

increasing each year empty after that until it becomes cheaper to reduce rental prices or use for other purposes than leaving empty.

- On top of this leave an ability for “strategic use” to be flexibly defined outside legislation and attract preferential rates to encourage a particular type of activity. The conversion to accommodation pods would be one such strategic use.
- Since the habitable properties local rates are related to the services provided by the local government authorities. I wonder what are related solely to the immediate surrounding land, as in our case.
- We all shop in Douglas – another reason for one trip minimum per week – and Douglas benefits from all the business rates from those shops yet we in the outlying areas support them but get no rates benefit back from Douglas which is not fair?
- The refuse charge itself is fairer because everyone has one bin per week so the cost is spread evenly.
- So a vehemently oppose any re-rating based on house size and not taking into account location or income. We live in almost service free Lonan and so have to spend a lot of money travelling to Douglas to get those services – yet Douglas charges car park fees and does not share out the business rates from all those services providers back to the rural communities who support them. Should there not be a rebate based on population from Douglas say to all those who are forced into Douglas twice a week just to live a normal life?



Isle of Man
Government

Reiltys Ellan Vannin

Isle of Man Government
Government Office
Bucks Road, Douglas
Isle of Man, IM1 3PN

Email: **economics@gov.im**

www.gov.im/