

## **Information on Isle of Man Property Rates**

### ***How rates (domestic and non-domestic) on the Isle of Man are currently calculated:***

The current system is based on a 1969 valuation of all of the property that was on the Isle of Man at that time. The detail of each property was documented on the basis of square foot and a rental value was attributed as if the property was going to be rented and the landlord would meet the rates, maintenance and any other repairs. This rental value is called the Gross Value.

Any properties built or improved on the Island since 1969 are compared to a similar property that was in existence at that time and attributed a similar value. The Isle of Man Government effectively carries out these assessments and ascertains property value for the Rating Authorities.

Depending on the type of property, the Gross Value is then reduced to give the property a Rateable Value. Such reductions include:

- Agricultural land – exempt from payment of rates
- Domestic properties – 20%
- Offices, shops etc. – 20%
- Commercial – 30%
- Factories and engineering works – 30%
- Industrial – 50%
- Hotels – currently receive a 50% reduction, however this is being phased out over 5 years to the point that no discount will be given

On the Island there are over 40 individual Rating Bodies (i.e. Local Authorities, Churchyard & Burial Authorities, Swimming Pool Boards etc.), however the majority of the rates are set by Local Authorities and Manx Utilities (“MU”). Each year the Local Authorities and the MU determine a pence in the pound (p/£) rate either for their area in the case of the Local Authorities or for the island as a whole in the case of MU. The Local Authorities charges cover the provision of local amenities and refuse collection whereas the MU provide water and sewerage facilities using rates. The calculation of the rates invoice is then as follows:



**RATE DEMAND**  
GERMAN PARISH 2018/19

The Treasury, Rates Section  
Yn Tashtey  
Government Office  
Bucks Road  
Douglas  
Isle of Man IM1 3PX

Phone No. (01624) 685661  
Fax No. (01624) 685614

PROPERTY NAME (IF DIFFERENT)

The following Rates and Charges are due and payable on 1st APRIL 18

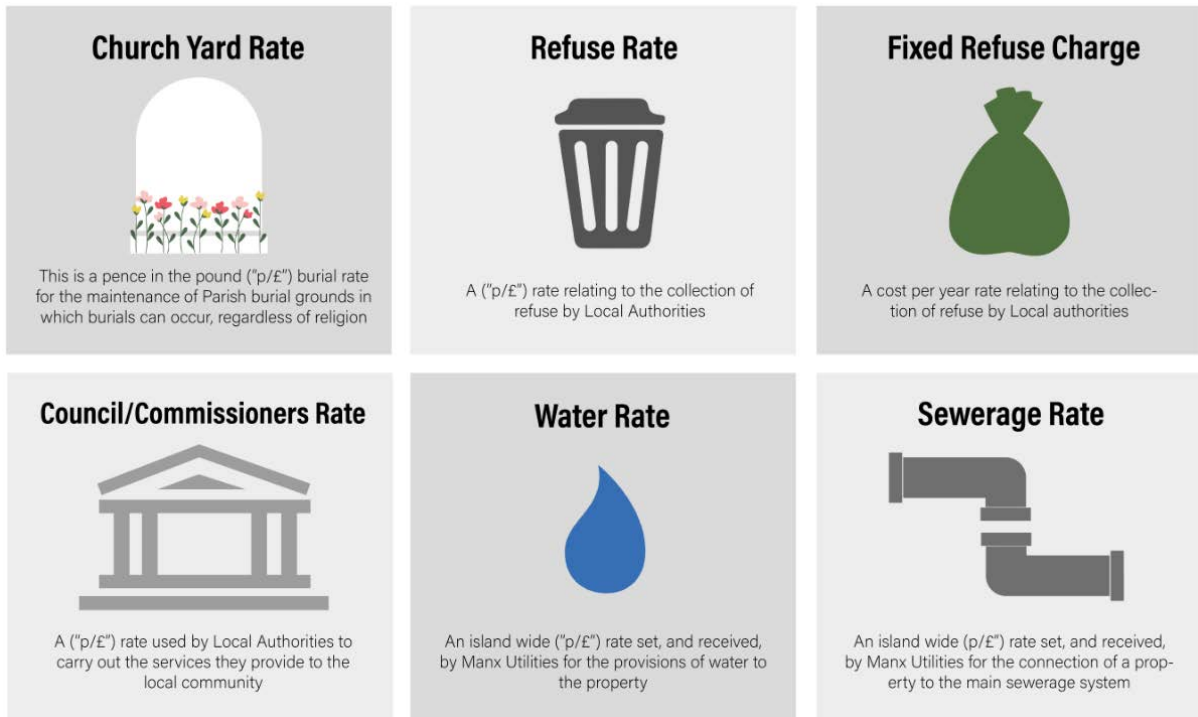
REF NUMBER	PROPERTY CODE	DESCRIPTION OF PROPERTY	RATEABLE VALUE	
		Bungalow	£96	
DESCRIPTION OF RATE	RATE IN PENCE	FIXED CHARGE £	ALLOWANCES	AMOUNT PAYABLE £
Church Yard Rate	10.50			10.08
Refuse Rate	60.00			57.60
Fixed Refuse Rate		160.00		160.00
Commissioners	92.00			88.32
Water Rate	341.80			328.13
Sewerage Rate	98.00			94.08
<b>TOTAL RATES/ALLOWANCES</b>				<b>738.21</b>
<b>BALANCE BROUGHT FORWARD</b>				<b>£0.00</b>
<b>GROSS AMOUNT PAYABLE</b>				<b>£738.21</b>
<b>DISCOUNT (IF PAID BY 2nd JULY)</b>				<b>£36.91 CR</b>
<b>NET AMOUNT PAYABLE</b>				<b>£701.30</b>

PLEASE SEE THE REVERSE OF THIS NOTICE FOR METHODS OF PAYMENT

Where: Rateable value of property = £96  
Local Authority rate = 92p/£  
Churchyard rate = 10.50p/£  
Refuse rate = 60p/£  
Fixed refuse rate = £160  
MU water rate = 341.80p/£  
MU sewerage rate = 98p/£

Rateable Value x Local Authority Rate	:	£96 x 0.92p = £88.32	
Rateable Value x Churchyard Rate:		£96 x 0.1050p = £10.08	
Rateable Value x Refuse Rate:		£96 x 0.60p = £57.60	
Fixed Refuse Rate:		£160	
Total Rating Authority charge:			£316.00
Rateable Value	x MU Water Rate:	£96 x 341.80p = £328.13	
Rateable Value	x MU Sewerage Rate:	£96 x 0.98p = £94.08	
Total MU charge:			<u>£422.21</u>

**Total Rates invoice: £738.21**



A discount of up to 5% is then offered for payment of the rates invoice if paid prior to the July of the year issued.

One of the main functions of the Rating Authorities is to provide the required services to their rate payers. The Local Authorities on the Isle of Man undertake a range of functions, the main ones are detailed below, with the provision of these varying according to the size of the authority:

- Refuse collection
- Street lighting
- Public conveniences
- Parks, playgrounds and other leisure facilities
- Housing
- Car parking
- Street Cleaning
- Libraries
- Gully emptying, removal of weeds and hedge trimming

Details of all services provided by the Local Authorities can be found at:

<https://www.gov.im/media/1362293/list-of-functions-local-authorities.pdf>

The outcome of this consultation will aim to update the way that the Gross Value of a property is calculated to move away from a basis of rental values of properties in 1969.

It is understood that a significant number of properties have been built on the Island since 1969 and also that the population of the Island has become significantly more mobile in the last 50 years when properties in towns were at a premium. As such the current system requires updating. The replacement system of calculation of a rateable value should be:

- Simple to understand
- Transparent

- Fair
- Cost less to administer going forward than current system
- Enabled by technology

### ***New method of calculation of Domestic Rates:***

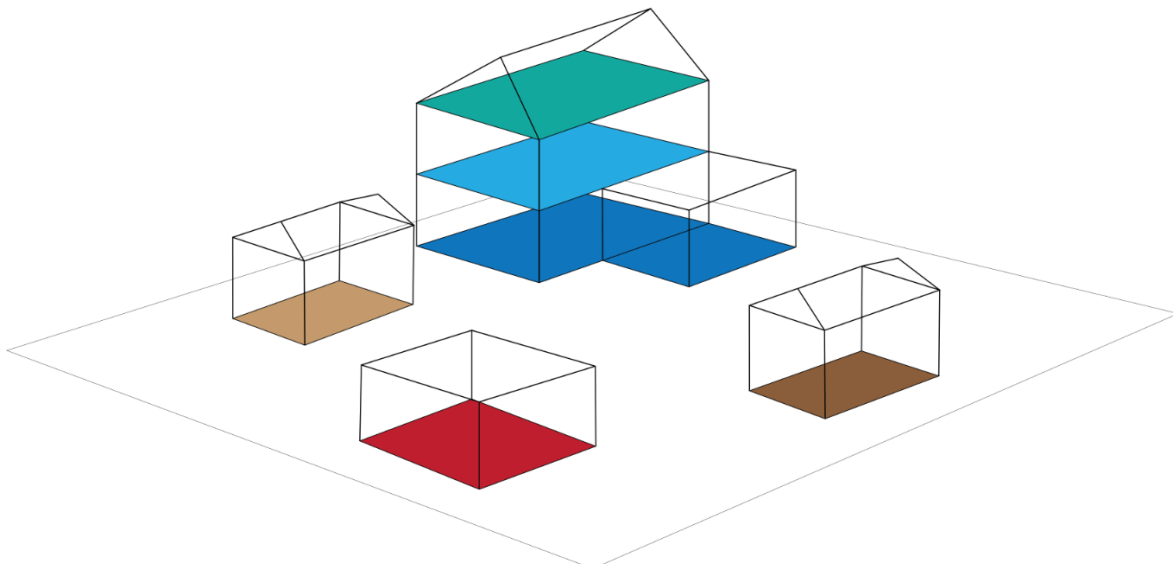
During this review of Isle of Man rates system, we are looking **only** at updating the method upon which properties are assessed (i.e. in the example above, this would be the £96 of rateable value), not the services provided by Rating Authorities or the amount charged for each service.

All properties will be measured on the same basis, the majority by plan view resulting from aerial photographs. Should an aerial view of a property be obscured then surveyors will be sent to the property, with agreement of the owner, to measure the property area using laser equipment.

An image of the property will then be generated detailing the individual elements of each property (e.g. two storey house with a one storey kitchen extension) and a square metre area value will be calculated and attributed to the property. The area is not just the ground of the building covered, but includes the area of all floors etc.

As additional properties are built or extended property areas can be updated when building inspectors sign off a property as completed. Periodic aerial photography of the island, which is currently already undertaken, can be used to ensure that any additions to properties that do not fall under planning permission applications are noted and measured.

A polygon for a property could look similar to the below:



A rate will be set by each Rating Authority per square metre which will allow for the calculation of the invoice amount. The calculation would be similar to:

Square metres	x	Rating Authority Rate (Commissioners, churchyard etc)	=	Rating Authority amount
Square metres	x	MU Rate (Water and sewerage cost)	=	MU amount
				Invoice amount

***Basis of calculation of Non-Domestic Rates:***

Whilst the majority of businesses rent the properties from which they operate, which provides a greater understanding of rental values than in the domestic market where the majority of homes are owned, it would be more complicated going forward to maintain two systems to administer property rates. As such, non-domestic properties would also be measured using the above outlined area assessment. This aligns with the principles detailed above, providing a more transparent basis of assessment which is easier to understand and cheaper to administer in the long-run.

***Rating legislation:***

The valuation of properties, parameters of rating, and, amongst others, policies on dilapidations, charities and discounts are set out in the Rating and Valuation Act, 1953, a copy of which can be found at [https://legislation.gov.im/cms/images/LEGISLATION/PRINCIPAL/1953/1953-0004/RatingandValuationAct1953\\_5.pdf](https://legislation.gov.im/cms/images/LEGISLATION/PRINCIPAL/1953/1953-0004/RatingandValuationAct1953_5.pdf)

There are also peculiarities in the current system in respect of some industry sectors, such as the basis of calculation for some sectors, such as casinos, mining and quarrying, differs from that of attributed rental values and involves additional pieces of legislation.

In respect of quarrying and mining, under the Rating and Valuation Act, 1953, companies in these sectors pay non-domestic rates based on the previous year's mineral royalty payment. As such, the annual rates payment for each company in this industry fluctuates in line with their annual turnover, creating high levels of uncertainty for these businesses particularly when planning and forecasting. Adopting a new basis of assessment would allow a review of the rating legislation that applies to different industry sectors on the Isle of Man.

In determining a new route forward with the calculation of domestic and non-domestic rates it is envisaged that all existing legislation relating to rating will be replaced with one new Rating Act.