



HM TREASURY



Press Notice

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Businesses given more time to pay business rates

Businesses will be able spread payment of this year's inflation up-rating to Business Rates over three years, under new legislation announced by the Government today.

Under existing legislation business rates are adjusted every April in line with the Retail Prices Index for the previous September. The new measures are designed to smooth the effects of the spike in inflation of 5 percent in September, which would have seen businesses facing an impact on their cash flow this year.

The majority of independent economists expect RPI inflation - which has now fallen to 0 percent - to turn negative at the end of 2009. The impact of up-rating if RPI is negative would be to reduce total business rates in cash terms in 2010-11. However the Government recognises that many businesses also need help now to ease cash flow.

Business ratepayers will be able to defer around £600m across 1.6 million properties, boosting their cash flow for the current year. This will include measures to allow those affected by the end of the 2005 transitional relief scheme also to spread payment of the increase in their bills over a three year period.

Today's announcement builds on other measures to help businesses meet the challenges of the current economic climate, such as HM Revenue and Customs' time to pay arrangements, which have already benefited over 100,000 businesses by giving them extra time to pay NICs, VAT and corporation tax bills.

The Chancellor of the Exchequer said:

“The Government recognises that businesses need help now to ease their cash flow at a time when money is very tight. This measure will help businesses to smooth their rates payments over the next three years.”

Secretary of State for Communities and Local Government Hazel Blears said:

"It's vital that we support businesses as they navigate their way through this tough financial climate. The steps we are taking today will provide them with real help now, by giving them the flexibility to defer part of this year's increase in business rates, and manage the financial pressures that they are facing.”

Notes for Editors

I. Problems with managing cash flow have been a key concern for businesses. At PBR, the Government took significant steps to address this problem:

- For businesses struggling to pay their taxes on time, the HMRC Business Payment Support Service has, to date, helped 101,135 businesses spread over £1.78bn of tax payments.
- PBR also announced further support for firms that are now making losses by temporarily extending the carry back of losses from one to three years, for losses up to £50,000
- PBR also announced a temporary increase from 1 April 2009 to the threshold at which an empty property becomes liable for business rates, from £2,200 to £15,000. Estimate over 70% of empty properties will pay no rates in 2009-10.
- PBR also announced that British small businesses stand to benefit from £4 billion of EIB funding from 2008-2011 and that £1 billion would be available by the end of 2008. Confirm that UK banks have secured £1bn of EIB funds for lending to SMEs and a further £450 million is being negotiated. Banks are lending this money to businesses across the UK.
- In January, the Government launched the Enterprise Finance Guarantee, a £1bn loan guarantee scheme delivered through the banks that will enable an additional £1.3bn of lending to businesses up to end March 2010. To 11 March, over 1,000 businesses have been registered as eligible for support, with a potential lending value of over £110m. In the past week alone potential lending

of over £30m has been registered. Maintaining this weekly total will mean we are on track to support £1.3billion of lending to small businesses.

2. Communities and Local Government will bring forward regulations under the Local Government Finance Act 1988 to allow businesses in England to spread payment of their 2009-10 increases in business rates bills over the three years to 2011-12. As a result, businesses will be able to pay a 2% annual increase in 2009-10 and the remaining 3% over the following two years.
3. Arrangements will also be made for a proportion of increases in rates bills for other reasons, including the ending of transitional relief, to be deferred over the same period.
4. The Government will bring the necessary regulations into effect as soon as possible, and expects that they will be in place by the Summer. Local Billing Authorities will then write to businesses providing the option of a revised schedule of payments for 2009-10 bills. In the meantime, businesses should continue to pay their bills as normal.
5. This announcement relates to England. The Government will engage with the Scottish, Welsh and Northern Ireland administrations to clarify the situation for ratepayers in respect of business property in Scotland, Wales and Northern Ireland.
6. Further information on the implementation of this change can be found on <http://www.communities.gov.uk/>

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