



Says...

**KEEP TRADE
LOCAL**

FEDERATION OF SMALL BUSINESSES
Northern Ireland

Rates Relief – A Helping Hand for SMEs





FEDERATION OF SMALL BUSINESS



Introduction

After a sustained lobbying and policy campaign by the Federation of Small Businesses, Small Business Rates Relief (SBRR) will become a reality in Northern Ireland in April 2010.

In recent years Northern Ireland has been the only part of the United Kingdom not to enjoy the benefits of such a scheme. The FSB believes this long overdue legislation will provide many SME owners with some much needed additional funding for essential matters such as staff training and resources, progressing innovation and working to become more competitive with larger businesses.

Through our efforts we have seen SBRR gain widespread political and public awareness in a relatively short period of time, and more importantly move from an FSB objective to a fully functioning piece of legislation.

The provision of SBRR will positively encourage potential small and medium business owners to enter the market and allow existing SMEs to expand and grow further and this in turn will see more people enter full or part time employment – something that will benefit the entire economy as it attempts to deal with a recession.

Small businesses currently represent 98% of the business environment and employ just over half a million people across Northern Ireland while contributing almost 60% of the annual UK turnover.

The FSB further maintains that the introduction of the scheme will send out a clear message of the Executive's recognition of the importance of the local small business sector and the vital role they will play in helping to rejuvenate the economy during the current economic downturn.

The introduction of this vital legislation is a welcome development not just for the SME sector but for the economy as a whole. It will help provide a positive foundation from which our financial system can regain strength and confidence and lead us out of recession and back to recovery.

Wilfred Mitchell O.B.E

FSB Policy Chairman, Northern Ireland





About us

The Federation of Small Businesses (FSB) is the UK's largest lobby organisation representing the self-employed and owners of small businesses.

Founded in 1974, it now has over 215,000 members across all industries, trades and services.

The FSB is a non-party political lobby group that exists to promote and protect the interests of all those who own and manage their own business.

In 1998 the Northern Ireland Policy Unit of the FSB was formed to deal directly with the newly established Northern Ireland Assembly. The aim of this unit is simple – to provide a voice, not just for our 8,000 strong membership in Northern Ireland, but for the entire Small Business Community and to ensure the issues that matter most to them are promoted and protected.

Working hand in hand with our Policy Unit is the Public Affairs and lobbying arm which promotes our policies and members' concerns directly to the Stormont Assembly as well as providing the FSB's viewpoint and opinion directly to the media.

Since its establishment the Northern Ireland Policy Unit has worked on a diverse range of issues including Small Business Rates Relief, Europe, Public Procurement policy, Business Crime, Business Support, Energy, Broadband, Fuel, Insurance, Review of Public Administration and Water Charges.

Business rates – the facts

- Business, or non-domestic, rates are applicable to companies, businesses and other groups and organisations that occupy or use non-residential premises.
 - Funds raised from both domestic and non-domestic rate payments in Northern Ireland are essential for the maintenance of regional services like roads, education, healthcare and sewerage.
 - Business Rates are calculated using the net annual value (NAV) of the individual property multiplied by the Regional Rate (set by the Northern Ireland Assembly) and the District Council Rate (set by your local Authority); they vary from town to town.
 - Business Rates apply to commercial properties including shops, public houses, warehouses and factories or industrial buildings.
 - A number of exceptions to Business Rates exist. These include: places of public religious worship, charities; agricultural land and buildings, moveable moorings, public parks, sewers.
 - Rates reliefs may be available for farm diversification; ATMs in rural areas; quarry operators who carry out environmental improvement works; some sport and recreational facilities; hardship relief; manufacturing businesses.
 - Residential properties that are also used for business purposes are not exempt from the payment of Business Rates. If you work from home you may have to pay Business Rates for the part of your house that use for work as well as pay domestic rates for the rest of the property. These cases are generally considered individually.
 - Renting out a room or all of your home to private tenants is not normally considered a business use; however, Business Rates will apply if you run a guest house or a bed and breakfast which can cater for more than six persons at any one time.
 - The current Net Annual Value of a property can be found on the Land & Property Services website. Visit www.lpsni.gov.uk
 - Failure to pay rates can lead to court action, payment of additional costs and adjustments to credit ratings which can have a seriously detrimental effect on individuals and businesses and even lead to bankruptcy.
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Rates relief in the UK

- A Small Business Rates Relief (SBRR) scheme is to be introduced in Northern Ireland in April 2010.
 - SBRR is already operational in England, Scotland and Wales. However, the schemes are not uniform and the businesses eligible to avail of it vary from region to region.
 - In England, SBRR applies to businesses where the rateable value of the property is less than £15,000 (£21,000 in London).
 - Following the success of the Scottish SBRR introduced in 2003, the current Small Business Bonus Scheme applies to businesses with a rateable value of £15,000 or less and provides a discount between 20% and 80% on the rate poundage.
 - The 2007 SBRR scheme in Wales provided 50% relief for businesses with a rateable value of £2,000 or less while businesses with a rateable value between £2,001 and £5000 receive 25% rates relief. The relief is applied automatically – Welsh businesses do not have to apply for the rates relief.
 - To date, the exact details of the scheme proposed for Northern Ireland are subject to consultation, but the FSB has recommended it should be based on the Welsh model.
 - The Welsh system is simple to understand and easy to administer and does not rely on supplements from bigger businesses.
 - The scheme adopted in Wales also makes particular provision for Post Offices and we recommend that these provisions are also adopted in Northern Ireland.
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Current rates assistance in Northern Ireland

- While SBRR will not be operational in Northern Ireland until April 2010 a hardship relief scheme for small businesses does exist here currently.
 - However, this system is very limited and only provides rates relief to businesses in crisis due to exceptional circumstances or unforeseen events that could not be avoided or predicted during that specific time period only.
 - Non-Domestic Vacant Rating was introduced in Northern Ireland in April 2004. This policy means that if a property remains vacant after a three month exemption period it then becomes liable for 50% of the rates. Some properties are excluded from this policy including: factories, charity owned properties and properties with a NAV of less than £2,000.
 - Some properties are already exempt from Business Rates. These include: places of public religious worship, fish farms, agricultural land and buildings, moveable moorings, public parks, sewers.
 - A rates reduction of 80%, and in some cases more, is currently available for properties used by charities and community amateur sports clubs and recreation facilities.
 - Some non-profit organisations can also avail for up to 100% discretionary relief.
 - Certain rural businesses, such as village shops, petrol stations and ATMs, may be able to claim rates relief.
 - Hardship Relief can also be availed of for businesses experiencing difficulties with payment. However, this is normally only available to businesses that are important to the local community.
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Why Rates Relief is necessary in Northern Ireland

- Small businesses are the cornerstone of Northern Ireland's economy. They help to grow our economy and sustain local communities. Their viability and success contributes to the vibrancy and quality of life in Northern Ireland.
 - The Government must aim to provide a business environment that encourages more small business start-ups, creates more jobs, widens the tax base, increases local economic vibrancy and improves and retains local services and local confidence. This will be aided with the introduction of SBRR.
 - Small businesses need an incentive, no matter how small. Given the overwhelming focus on attracting inward investment and export-oriented companies with a turnover of more than £100k, indigenous businesses who are struggling to compete with the multi-nationals and global supply chains need to know that they are still valued for their contribution to the economy.
 - Northern Ireland is the only part of the United Kingdom not to enjoy the benefits of a rates relief scheme, a scenario which the FSB believes places the Northern Ireland small business community at a competitive disadvantage to its counterparts in the UK and must be rectified.
 - The introduction of SBRR legislation in April 2010 will send a clear message of the Assembly's recognition of the importance of the small business sector and encourage its growth as well as the economy as a whole.
 - Rates are a larger proportion of turnover, profit and outgoings for small businesses than for large companies.
 - The introduction of SBRR will encourage more individuals to enter into business for themselves and strengthen the SME sector and the entire economy. Many businesses that will benefit from the scheme do not yet exist. However, they will step forward. SBRR will release the ingenuity and growth that have been the hallmark of many self-employed people and of many people who have struggled to get the wherewithal to get things started.
 - SBRR will reduce business overheads and will make that crucial first year of trading easier for many and could help them turn a profit faster.
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FAQs

Q: *If the Stormont Executive funds a Small Business Rates Relief (SBRR) will this be to the detriment of funding for public services?*

A: No. The NI Executive has already made a commitment in the 'Programme for Government' to reduce the public sector and increase the private sector as one of its priorities. Boosting the private sector cannot depend only on FDI and exporting businesses. Confidence in the private sector must be built from the bottom up, from the grass roots and developing our small business sector is essential if Assembly members are serious about growing our private sector.

Q: *While small businesses do deserve assistance from government, is SBRR really a priority issue? Would it not make more sense to ensure any help required is carefully tailored to their individual circumstances and should include facilities such as assistance with start-up capital and sound business advice and that such help is best administered selectively rather than concentrating solely on property rates?*

A: Tailoring or targeting assistance on an individual basis is an incredibly complex and costly affair and will only result in further red tape and administration for many small business owners who are already struggling to cope with the weight of day to day bureaucracy required in the running of their businesses.

In addition to this FSB research has shown that of the Business Start-Up and Business Advice Schemes available the take-up of them is very limited, with many potential clients put off by the weight of conditions and red tape facing them.

Q: *How will SBRR be financed? Will businesses not eligible for the relief themselves be expected to pay a supplement to their existing rates bills?*

A: The FSB has recommended the scheme for Northern Ireland be based on the system already in use in Wales. The Welsh system is simple to understand and easy to administer and does not rely on supplements from bigger businesses.

For a moderate receipts reduction of only about 3% of the non-domestic rates revenue, a Small Business Rates Relief Scheme will provide a modest sum to our most typical companies, providing vital assistance and an even more urgent message of confidence to firms struggling to survive these currently economic conditions.

Since the Welsh scheme is funded by loss of revenue it avoids the complications of a self financed scheme in the circumstances of Northern Ireland. It would also be relatively easy to extend the scheme if that could be afforded.

Q: *Won't Small Business Rates Relief just mean larger profits for the businesses fortunate enough to benefit from it?*

A: While there is no guarantee that the savings from SBRR will not go straight into, for example, a new car, a holiday or towards mortgage payments, the FSB believes any gain to small businesses is very likely to be fed back into the local community and economy one way or another. The addition to profit might just as easily be a reduction in losses or debt. Even if the rates cuts are not reinvested in businesses, the fact that they have been made and are going into local economies is good news.

Q: *What could the savings provided by SBRR be used for?*

A: First and foremost, a SBRR scheme will provide increased practical assistance and help give small businesses the financial breathing space that they need in order to grow and invest in their future and Northern Ireland's economic future.

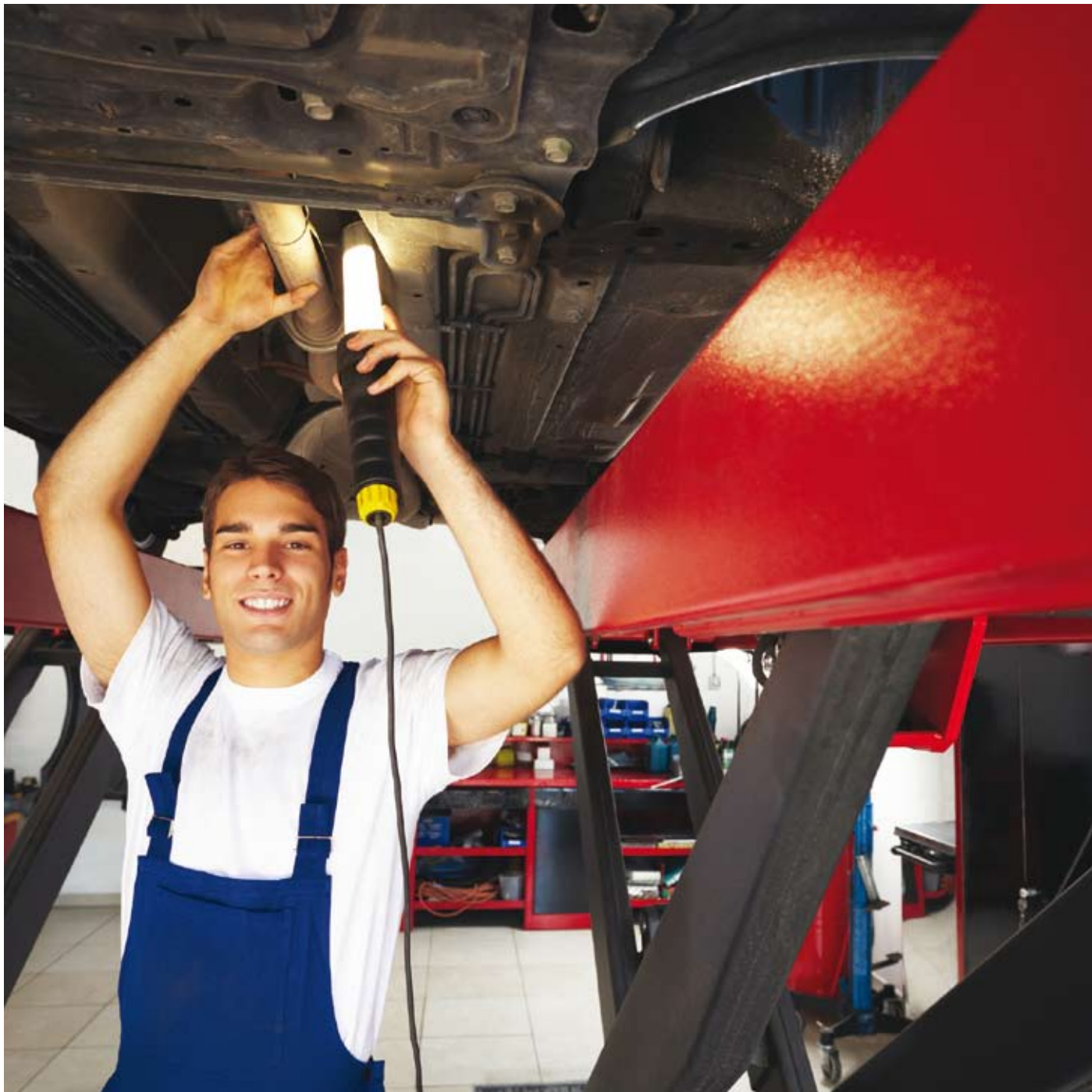
Furthermore it will give small business owners the confidence and incentive to invest in their staff and their communities. Small businesses are key local employers and customers in their own right, and they provide important services to local communities and draw on suppliers of local goods and services. A Small Business Rate Relief scheme would contribute to retaining wealth locally and creating a climate that will see new entrants to the community.

The FSB in Scotland reported that the increased confidence that the Small Business Bonus has given businesses there enabled them to make larger one-off investments, for example in double glazing, refurbishment, waste disposal, investing in staff training, upgrading their information technology or other equipment or even feeling secure enough to recruit an extra member of staff.

In its most raw form, SBRR will help some businesses survive. In difficult trading times, that can mean the difference between profit and loss, or between success and failure - or, in extreme cases, between trading and not trading the following year.

Q: *Rates in Northern Ireland are set differently than other parts of the UK and a combination of the Regional and District Rate. Won't this make implementing a SBRR scheme complicated?*

A: Not necessarily. While it would be for the Assembly to decide how any rate relief should be distributed between the regional and district rates, it must be remembered the Assembly have already dealt with a similar situation when they introduced manufacturing rates relief and based it on the regional portion only.



How can you help Keep Trade Local?

This campaign can only succeed if people like YOU get involved.

The Keep Trade Local campaign was inspired by FSB members, adopted by members at annual conference in March 2008, and is now being delivered by members in local communities across the country.

The campaign seeks to unite communities, businesses and residents associations across the country that find themselves under threat from the range of problems currently driving small independent retailers out of our high streets.



Says...

KEEP TRADE
LOCAL

Things you can do to make a difference:

- Write to your local representative ensuring that they understand the problems small businesses are facing
- Write to your local newspaper
- Join your FSB's Keep Trade Local network
- Ensure that FSB posters and campaign materials are in the windows of small shops on your local high street
- Run a local campaign in your branch/region

And last but not least,

- Shop local and use your local businesses – if we don't use our local shops and tradespeople we will lose them

Keep Trade Local has already been endorsed by leading political figures from across the political spectrum. It has achieved celebrity endorsement and has struck a chord with people up and down the UK.

We now need your support to carry the campaign forward. Our local communities deserve nothing less.

We will follow up this document with more information on each campaigning area.

For more information about the campaign please contact Aviva Bresky: aviva.bresky@fsb.org.uk

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