

North Devon Conservatives

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More help needed for North Devon's small firms during the recession

Call to make business rate relief automatic for small firms

Philip J Milton, Prospective Parliamentary Candidate for North Devon, today welcomed Conservative plans to cut taxes and paperwork for small shops and small firms. In a new initiative, small business rate relief would be given automatically to firms across England, rather than businesses having to claim it and complete time-consuming forms. This comes as Parliament discusses a Conservative Private Members' Bill to change the law in this way.

Small business rate relief was introduced in 2005, allowing small firms to claim up to 50 per cent off their business rate bills. However, firms have to fill out paperwork to claim the rate relief, despite the fact that Whitehall's tax inspectors know precisely which firms are eligible for it.

- According to the most recent figures, 1,365 firms claimed small business rate relief in North Devon.
- The Local Government Association has estimated that some 870,000 firms are eligible for the rebate but less than half have claimed. The take-up rate is estimated to be 48% in the South West.
- By contrast, in Wales, small business rate relief has been automatic since 2007.

After rent and staff, business rates are typically the next biggest cost to local firms. Business experts have warned that 32,300 businesses will fail in 2009. Firms face a hammering this April from the Government thanks to soaring business rates:

- Business rates are to rise by 5.0 per cent in April 2009, despite RPI inflation forecast to be negative this year, due to a statistical quirk in the way business rate rises are calculated.
- Transitional relief from the 2005 business rates revaluation has expired, pushing up bills further for many firms in April 2009.
- The Government has slashed rate relief on empty properties. As the recession bites, firms are unable to rent out vacant property, and have to pay rates in full without any income from rent.

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Philip said:

“Small shops and businesses across North Devon are facing tough times in Labour’s recession. These firms, from our corner shops to local pubs, are the lifeblood of our local community. A responsible government would do more to help them.

“Yet Gordon Brown is making it as difficult for small firms to claim the tax relief to which they are entitled. He is compounding their misery by finding new ways to drive up business rates by stealth.

“Conservatives would ensure that small firms automatically receive rate relief, cutting their paperwork and tax bills and giving many of them a fighting chance to stay afloat.”

FOR FURTHER INFORMATION OR PHOTOCALL PLEASE CONTACT:

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Notes to Editors

SMALL BUSINESS RATE RELIEF NOT AUTOMATIC

In England small businesses are entitled to small business rate relief if the rateable value of their premises is less than £15,000 (£21,500 in London). The discount is worth up to a 50 per cent reduction on their tax bill.

<http://www.businesslink.gov.uk/bdotg/action/detail?r.11=1073858808&r.13=1074019801&r.lc=en&type=RESOURCES&itemId=1073792393&r.12=1073859221&r.s=sc>

Small business rate relief was introduced in April 2005. However, small firms must fill out a form to claim the relief – it is not automatic. The Local Government Association has estimated that some 870,000 firms are eligible for the rebate but only less than half have claimed.

<http://www.lga.gov.uk/lga/core/page.do?pageId=45351>

According to the LGA:

- In the North West, only 26% of eligible businesses claim the relief
- In London, 34% of eligible businesses claim the relief
- In the South East, 43% of eligible businesses claim the relief
- In the Midlands, 48% of eligible businesses claim the relief
- In the South West, 48% of eligible businesses claim the relief
- In the East of England, 57% of eligible businesses claim the relief
- In the North East, 79% of eligible businesses claim the relief.

Accountants and business advisors, BDO Stoy Hayward LLP, have forecast that 32,300 businesses will fail in 2009, rising to 32,400 in 2010 (*BDO Press Release*, December 2008).

<http://www.bdo.uk.com/news/2008/uk-business-failures-set-to-rocket-by-50-per-cent.html>

CONSERVATIVE INITIATIVES

In addition to making small business rate relief automatic, Conservatives are calling for:

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- Small and medium-sized businesses to be allowed to defer their VAT bills, for up to six months. A typical firm could save £12,000 a year as a result, and improve its cash flow – which is so vital.
- Employers' National Insurance to be cut by one per cent for all businesses with fewer than five employees. A small business with four employees and an annual wage bill of £150,000 would save more than £100 a month. Gordon Brown, when Chancellor, increased the rate of National Insurance, hitting businesses and jobs.
- Small business corporation tax rate to be cut from 22p to 20p.
- The £125 billion government procurement budget to be opened up to small and medium sized businesses.

In the meantime before the law is changed, Conservatives have also launched an online campaign to help local firms find out whether they are eligible for the relief. <http://www.conservatives.com/smallshops/>

LOCAL FIGURES

Central government does not collect up to date figures on the take-up rate of small business rate relief – itself reflecting the fact that the Government does not care about the scale of the problem. However, the table below shows the number of firms claiming the relief (as of December 2006), and the value of the rate relief granted.

Although 392,000 firms claimed small business rate relief, it is estimated more than 400,000 more are losing out.

<i>Small Business Rate Relief granted</i>	<i>Value of relief claimed 2005-06</i>	<i>Value of relief claimed 2006-07</i>	<i>Value of relief claimed 2007-08</i>	<i>Firms claiming Small Business Rate relief (Dec 2006)</i>
England	£201,805,129	£237,402,673	£260,099,085	392,112
North Devon	£717,379	£827,120	£895,038	1,365

Data source:

<http://www.parliament.uk/deposits/depositedpapers/2009/DEP2009-0188.xls>

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