

BUSINESS RATES DEFERRAL SCHEME 2009-10: FACT SHEET

The Government has announced that it will bring forward regulations to enable businesses to defer payment of 60% of the increase in their 2009-10 business rate bills until 2010-11 and 2011-12.

- Businesses should pay their monthly installments of business rates as per their current bills.
- Once the regulations are in place, local authorities will write to rate payers, offering them the option of deferring part of the increase. This is likely to be in the summer and there is no need for businesses to contact anyone at this stage.
- The new bills will give the benefit of deferral based on the total increase in the 2009/10 bill.
- For 2010/11 and 2011/12 bills, local authorities will add the deferred amounts.
- The effect is to provide a smoother profile of business rates payments over the next three years. RPI is widely forecast to be negative later this year, which would have a downward pressure on 2010/11 bills. This scheme offers businesses the chance to pay a lower increase in 2009/10, and make up the payments in the following two years.

Any new costs for local government associated with this change will be funded by the Government. The change will not affect local authority formula grant allocations and local authorities will be able to reflect the new arrangements in their contributions to the pool.

Q & A for RATE PAYERS

What has been announced?

- The Government is allowing business rate payers to defer payment of 60% of the increase in their 2009-10 rates bills until 2010-11 and 2011-12. This is to give them the flexibility to help them manage their rates bills in the current economic climate.

What do I need to do now, to defer the increase in my rates bill?

- Nothing, at this stage. Billing authorities will write to all businesses offering them the option to defer payments once the necessary regulations have been made. The regulations are expected to be in place before the end of July. In the meantime, you must keep paying your business rates as normal.

Most of the increase in my bill is due to the end of transitional relief rather than RPI inflation. Can I defer 60% of that increase too?

- Yes.

Can I start paying the reduced amount now?

- No. Billing authorities will write to all businesses offering them the option to defer payments once the necessary regulations have been made. Until the regulations are in place, businesses should continue to pay the scheduled amount.

How will I know when I can claim this help?

- Billing authorities will write to all businesses offering them the option to defer payments, once the necessary regulations have been made.

How do I claim this help?

- You just need to let your billing authority know that you would like to defer, when they write to you, offering you the option.

Do local authorities have to allow me to defer payment?

- Yes. Deferral will be available on request from the rate payer.

Will I have to defer payment?

- No. The Government is giving businesses the option of deferral to help them manage their bills - they will be able to choose whether to take up that option.

When will this take effect?

- The Government will bring the regulations necessary into effect as soon as possible, and expect that they will be in place by the summer.

How long can I defer for?

- The deferred liability will be repaid over two years. You will pay 50% of the deferred amount in 2010-11 and the other 50% in 2011-12.

How much will the average business benefit?

- A business paying a rates bill on a fairly typical property seeing a £600 rise in its 2009/10 rates liability, would be able to defer £360 of that increase to future years.

Will businesses be allowed to defer in future years?

- The Government has no plans to allow businesses to defer their 2010/11 liability. However, as with all taxes, the position will be kept under review.

Why can I only defer a part of the increase?

- The Government is trying to ensure that help is appropriately targeted. This will allow businesses to spread the 2009-10 increase over three years.

I have already paid my annual business rates. Can I have a refund?

- Deferral is only available in respect of rates that have not already been paid.

How will this be administered?

- Local billing authorities are responsible for billing and collection and will therefore be responsible for administering any deferral.

What legislation is being drafted?

- The Government will bring forward regulations under the Local Government Finance Act 1988.

Will there be a formal consultation on this policy?

- No. The Government has received numerous representations on this issue over the last 3 months and is taking the action available within its current powers to ease the burden of the increases in rates bills in 2009/10.

Will this mean that local authorities receive less grant?

- No. The Government will ensure that grant allocations remain unaffected by this help.

Will this just place extra costs on local authorities?

- No. Any new costs for local authorities will be considered a new burden and will be funded by central Government, using the same mechanism as for the recent mailshot to business rate payers about the 2010 revaluation.

Will this apply in the devolved administrations?

- That is a matter for the relevant devolved administration.

Will local authorities have to fund the difference to the rates pool?

- No. The new regulations will ease the burden on business in the current economic climate and ensure that Billing Authorities' contributions to the pool can reflect any deferred payment of rates liability.

How can I find out more?

- The Government will make further announcements when the regulations are in place.