

Business Rates Information Letter

(7/2009): Business Information Letter

This is the seventh Business Rates Information Letter to be issued by the Department this year. Previous letters are available on the internet at:

<http://www.local.communities.gov.uk/finance/busrats1.htm>

This letter covers:

- ♣ **Deferral of rates liabilities in 2009/10**

Non-Domestic Rates Branch
Zone 5/D2
Eland House
Bressenden Place
LONDON SW1E 5DU
Web site:
www.communities.gov.uk

31 March 2009

Non-Domestic Rates Branch
LGF - CTBR
Zone 5/B1
Eland House
Bressenden Place
London SW1E 5DU

Email: ndr@communities.gov.uk

Chief Finance Officers of English Billing Authorities

FOR THE ATTENTION OF THE BUSINESS RATES SECTION

Dear Chief Finance Officer

Business Rates Information Letter (7/2009): Deferral of rates liabilities in 2009/10

This is the seventh business rates information letter to be issued by Communities and Local Government this year. Previous letters are available on the internet at:

<http://www.local.communities.gov.uk/finance/busrats1.htm>

URGENT - ENCLOSED WITH THIS INFORMATION LETTER IS A FLYER FOR EACH LOCAL AUTHORITY TO DISTRIBUTE TO ALL THEIR RATEPAYERS.

This letter covers the deferral of rates liabilities in 2009/10

1. Today, the Chancellor announced that the Government will allow ratepayers to defer the payment of a proportion of the increases in their 2009/10 business rates bills until 2010/11 and 2011/12.
2. This is important news that could benefit all ratepayers and ***the Secretary of State for Communities and Local Government urges that Billing Authorities pass on the enclosed flyer which can also be found at:*** <http://www.communities.gov.uk/documents/localgovernment/pdf/1190988.pdf> ***to all their ratepayers as soon as possible, within the next seven days***, so that businesses are aware of the forthcoming regulations that will provide additional cash flow support.
3. The costs on Billing Authorities associated with this change will be funded by central Government, including the costs of issuing the flyer to ratepayers, via a similar mechanism to the funding of the recent flyer giving details to ratepayers' of Revaluation 2010.

4. In response to the current economic situation and the impact of the 5% increase in business rates from 1 April 2009, the Government will bring forward regulations to enable ratepayers to defer 60% of the annual increase in their 2009-10 bills until 2010/11 and 2011/12.
5. In addition, the arrangements will help ratepayers coming out of transitional relief or otherwise facing changes in their level of business rates in 2009-10. Those ratepayers facing increases in their bills as a result of the ending of the 2005 transitional relief scheme, will also be able to defer payment of 60% of this increase in their 2009/10 bill until 2010/11 and 2011/12.
6. This means that all ratepayers will have **the option** of spreading part of their 2009/10 increase over three years. The 60% of the annual increase in a 2009-10 bill allowed to be spread over three years will be based upon on the total annual increase in a ratepayer's bill in 2009/10.

Legislation

7. The Government will bring forward the necessary regulations as soon as possible and expects that they will be in place by the end of July.
8. Once the regulations are in force, subject to Parliamentary approval, a Billing Authority may agree to defer a proportion of the increase in a ratepayers' business rates bill.
9. The new arrangements for deferring 2009/10 liability will not be mandatory for rate payers, and those who prefer to do so will be able to pay off all their 2009/10 liability within 2009/10 through instalments or via agreement as the legislation currently allows.
10. 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.

Collection and Enforcement

11. Until the regulations allowing for a deferred payment scheme take effect, businesses **must keep paying** their legally established rates liability as set out on their current bills. Billing authorities will write to all businesses offering them the option to defer payments once the necessary regulations have been made. Current collection and enforcement procedures will continue to be applicable to ratepayers who miss a scheduled instalment.

Implementation of the deferral scheme

12. Enclosed with this information letter is a flyer for each local authority to distribute to all their ratepayers. The flyer which can also be found at:
<http://www.communities.gov.uk/documents/localgovernment/pdf/1190988.pdf> sets out that the Government will be legislating to defer a proportion of the increase in their 2009/10 rates bill. There is no need for ratepayers to contact their Billing Authority until the regulations are in place as it will not be possible to defer a proportion of their increased 2009/10 bill until the regulations are in force.
13. The Government intends to engage with Billing Authorities and business organisations to ensure the regulations deliver the deferral scheme and to help Billing Authorities prepare to set up deferred payment schemes with local ratepayers.
14. When the regulations are in force the Government will provide a further flyer for Billing Authorities to pass onto ratepayers informing them that authorities now have the power to enter into a deferral agreement scheme and invite ratepayers to take advantage of the policy.

Impact on Local Authorities

15. The costs on Billing Authorities associated with this change will be funded by central Government, including the costs of issuing the two flyers to ratepayers, via a similar mechanism to the funding of the recent flyer giving details to ratepayers' of Revaluation 2010. The Government will also engage with the Local Government Association to ensure that any new burdens to deliver the deferral scheme, such as re-billing, are funded.
16. In regard to Billing Authorities' contribution to the central rates pool, in regulating to allow a proportion of the increases in bills to be deferred, the Government considers that authorities, who collect in accordance with such a deferral, once the regulations are in force, will be acting diligently. They therefore will not need to take account of sums outstanding but which will be collected in 2010/11 and 2011/12 in calculating their gross contribution to the pool 2009/10.
17. The change in regulations will also not affect the Local Authority Formula Grant allocations.