

NI 15 09

Small Business Rate Relief Scheme including an Initial Integrated Impact Assessment

CBI Northern Ireland welcomes the opportunity of commenting on the consultation paper which includes an Initial Integrated Impact Assessment of the proposed Small Business Rate Relief Scheme.

We have considered the paper and wish to make the following comments on the two key consultation questions.

Do you have any views on the estimated financial impact of the scheme?

- The estimated costs of the scheme are estimated at £7.9m look broadly correct – this will result in less expenditure for other priority measures by the Executive which could have leveraged much greater economic value – this is of concern to the CBI.
- The total cost of the scheme, at £7.9m per annum, is estimated to impact on around 19,300 premises typically saving £300 to £430 – it is not clear to us what broader economic benefit will be achieved from these rating reductions as the vast majority of these organisations are servicing local markets and competing with each other. We do not believe such savings will have any measurable impact on employment levels, with the risk that it could act as a further disincentive/barrier to encouraging small companies to grow. In some cases businesses may respond by reducing (very marginally their prices) while others will achieve a marginally higher profit. The level of deadweight with such a scheme is likely to be high.
- We are concerned that the findings of the Economic Research Institute of Northern Ireland's research into the impact and effectiveness of a small business rate relief (published in April 2008) appear to have been largely ignored. This report concluded that:
 - small business rate relief schemes are ineffective from an economic perspective
 - a substantial proportion of the relief ends up benefiting landlords through higher rents rather than small businesses
 - even with expensive schemes the amount of savings to small businesses is too modest to have any significant impact on their viability (the proposed scheme could be described as a 'less expensive' scheme)



INVESTOR IN PEOPLE

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- these schemes are a blunt instrument for developing small businesses since they offer relief to all small businesses instead of focusing assistance on those who really need it
- The RIA does recognise that the scheme will also benefit large businesses which operate in small premises – however we accept the argument for administrative simplicity by automatically using current rating data, rather than a burdensome application process
- At a time when public expenditure is coming under enormous strain, and with an increasing risk that beyond 2011 Northern Ireland will experience a reduction in public expenditure transfers through the Barnett formula (as a result of the UK government's unsustainably fiscal position) CBI members do not believe this is a good use of public funds – other more effective policies could and should be applied to support growth orientated small firms

Do you have any views on the proposed NAV thresholds?

- In light of the likely ineffectiveness of such a policy the CBI does not believe the thresholds should be set any higher than outlined in the consultation paper
- We do support the proposals for Post Offices which provide a valued service to many communities, particularly in rural areas. We also note from the IIA that the support measures proposed for Post Offices will have a disproportionately positive impact on rural areas

Small businesses have a vital role to play in the local economy although it is the small number of growth orientated small firms and medium and larger enterprises which will act as key drivers in the economy. While 88% of businesses employ fewer than 10 people, this only accounts for around 15% of the total workforce. The other 12% of businesses actually account for 85% of the total workforce (Source: IDBR 2004).

CBI Northern Ireland recommends that impact, costs and benefits of this policy should be reviewed within three years of implementation.

CBI Northern Ireland
23 June 2009