

'OK, Wayne. Husky voice ... I'm here to buy a bathplug for my wife's second home ...'

# Small firms suffer £100m rates blow

By **Michael Lea**  
Political Correspondent

**TENS** of thousands of family-run firms will be hit in a £100-million tax grab this week when business rate relief is abolished.

The move comes on top of an inflation-busting 5.2 per cent increase in the rate, which will cost companies another £1 billion.

In some cases, the combined effect will see annual bills more than treble for retailers and small firms which are already suffering from a slump in consumer demand, credit freezes and higher bank charges.

The rate rise is so high because it is linked to the level of the Retail Prices Index last September. The RPI has since dropped to zero and is even forecast to be negative later this year as the recession takes hold.

But despite warnings of firms closing and of job losses, ministers are refusing to change or delay the rise.

From next month, businesses will also face extra costs and red tape from an extension of flexible working rights and an increase in statutory holiday entitlement from 24 days to 28.

In another blow, transitional relief from a 2005 revaluation of commercial properties also expires tomorrow, pushing up bills even further.

Local authorities, fearing the change will lead to boarded up high streets, have said they want relief to continue.

The Government is also pushing ahead with plans to let councils impose supplementary taxes on businesses to help pay for local infrastructure projects.

The move, expected to cost another £800 million, has been condemned by retail chiefs including Debenhams chief executive Rob Templeman, Ian Cheshire, boss of Kingfisher, which owns B&Q, and Sir Philip

## WORSE TO COME

**NICK** Dhooper has had to cut staffing levels at his Stylelounge hair salon in Wandsworth, South-West London, after his rates bill more than doubled.

But he fears there may be worse to come without aid from Whitehall.

'The Government needs to come up with a proper package which will help small businesses,' said 32-year-old Mr Dhooper. 'Ministers seem to do the exact opposite to what they are promising. The VAT cut was a gimmick which has done very little.'

Mr Dhooper, pictured, has applied to join a small business relief scheme, but is far from hopeful. He said: 'Getting your case looked at depends entirely on who you get on the other end of the phone.'

It could take six weeks or it could take six months.

'I know traders who have had to remortgage their houses because of this.'



## I CAN'T PAY THIS

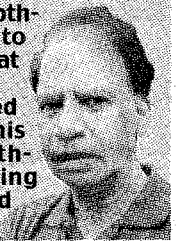
**SEBASTIAN** Pereira fears he may have to close his electrical store after 29 years if he is forced to pay a massive rise in his business rates after the end of the relief scheme.

He says the Sebastian Electrical Company does not make enough profit to cover the increase and has no savings left to pay it.

Mr Pereira, 58, has already faced unexpectedly high lending rates from the banks, and a 25 per cent rise in National Insurance contributions is on the way.

He said: 'This could be the last nail in the coffin for us. If nothing changes, I won't be able to pay and I'll have the bailiffs at my door soon.'

Mr Pereira, pictured, added that small businesses in his area of Wandsworth, South-West London, are lobbying the local council and their MP for help.



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Green, whose Arcadia company owns Topshop, Burton and Dorothy Perkins.

The Federation of Small Businesses said: 'This is going to hurt a number of businesses at a time they can least afford it.'

'The Government has got to pull something out of the hat otherwise we will have more ghost-ridden high streets.'

Margaret Eaton, chairman of

the Local Government Association, said: 'It is unacceptable that some businesses could see rates bills double or even triple.'

'It is clear that a decision about ending this relief was made while the economy was still booming and it was thought that businesses would be able to cope.'

'In the new environment, it's just not realistic to expect many businesses to deal with this sharp rise in their bills.'

Tory spokesman Justine Greening said: 'The Government needs to take a close look at all the increases.'

'At the moment it really looks like the way they are approaching business rates is a road to ruin, not just for businesses but for the communities they serve.'

After rent and staff, business

rates are the third biggest cost for many retailers.

They are the equivalent of council tax for companies which occupy non-domestic properties and are based on the rateable value of the premises, roughly the same as a year's rent.

Companies in premises with a rateable value under £15,000 - £21,500 in London - can claim a rebate of up to 50 per cent but it is not applied automatically and some firms are put off by having to fill out a form to claim.

The Department for Communities and Local Government said: 'Businesses have had four years of transitional relief to phase up to their full payment and have received considerable benefit from the relief scheme.'

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