BCC Budget Submission: Action needed on business rates burden sapping businesses

Ahead of the Chancellor’s Spring Budget on March 8, the British Chambers of Commerce (BCC) is urging the government to take action on delivering real reform to the business rates system.

The business group is calling on the Chancellor to use his last Spring Budget to support long-term business investment by taking action to deliver real reform to the business rates system. As it stands, the system creates a number of perverse incentives for business location, property improvement, and plant and machinery investment.

BCC seeks four key measures on business rates from the Spring Budget:

- **Abandon the fiscal neutrality principle in business rates reform** – an unacceptable barrier to fundamental reform of the business rates system that is unique to that tax
- **Bring forward the switch from RPI to CPI, currently planned for April 2020, to April 2017**
- **Removal of all plant and machinery from the valuation of property for business rates purposes**
- **Drop proposals to restrict the ability of the Valuation Tribunal for England to order changes to business rates liabilities**

Dr Adam Marshall, Director General of the BCC, said:

“The current rates system is broken, and despite attempts by successive governments to introduce marginal reforms, the fundamental unfairness of business rates remains.

“We’re calling for steps to be introduced which would help alleviate some of the excessive pressure put on businesses by rates. The policy of fiscal neutrality means there are winners and losers across the country from reforms, but limits the government’s scope to bring about fundamental change to the system. Excluding plant and machinery from valuations would remove a perverse incentive for investment, and businesses should be allowed to appeal valuations through a simpler and fairer process.

“Businesses from across the Chamber network of all sizes, sectors and locations, lament the burden of this high up-front cost, which they are forced to pay before making even a penny of profit.”

ENDS

Notes to editors:

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BCC International Trade Survey: Fall in Sterling expected to increase cost base and push up prices

The BCC today publishes the results of its International Trade Survey, looking at the impact of the depreciation in Sterling on businesses.

The recent fall in the value of Sterling is squeezing domestic sales margins, and increasing the cost base of UK businesses, according to the results of the British Chambers of Commerce's (BCC) latest International Trade Survey. The findings, released today (Monday), also indicate that the weak pound is expected to push up the prices of products and services.

The results of the survey, **run in partnership with moneycorp** and based on the responses of nearly 1,500 surveyed businesses, indicate that the recent devaluation of Sterling is having a negative impact on the domestic sales margins of nearly half of businesses (44%). The effect is more diverse on export margins, with roughly equal levels of businesses reporting a positive (25%) and negative (22%) impact, suggesting that while the fall in value of the pound may be helping some UK exporters, it's also hurting others.

The survey also found that 68% of businesses expect the fall in the value of Sterling to increase their cost base in the coming year. In turn, over half (54%) of companies expect to have to increase the prices of their products and services over the next 12 months.

Away from prices, the findings also show that nearly half of businesses (45%) do not currently manage currency risk. For those that do, invoicing in Sterling instead of their customer's local foreign currency (32%) was the most popular means, followed by opening a foreign currency bank account to deal with sales and purchases in the same currency (16%), and waiting for an advantageous rate and buying using the spot market (14%). The same number of businesses (46%) don't expect to manage their currency risk in the next six months.

Dr Adam Marshall, Director General of the British Chambers of Commerce (BCC), said:

"The depreciation of Sterling in recent months has been the main tangible impact that firms have had to grapple with since the EU referendum vote.

"Our research shows that the falling pound has been a double-edged sword for many UK businesses. Nearly as many exporters say the low pound is damaging them as benefiting them. For firms that import, it's now more expensive, and companies may find themselves locked into contracts with suppliers and unable to be responsive to currency fluctuations.

"Our survey shows that inflation is going to be an important concern for businesses over the coming year. While inflation rates aren't high by historical standards, they are still putting increasing pressure on companies. Rising costs are squeezing margins, and forcing many firms to increase the prices of their goods and services.

"Currency fluctuations aren't something in the UK government's direct control, and they are likely to continue as the Brexit transition unfolds. Ministers must do everything in their power, meantime, to help businesses keep costs down and stay competitive. Alleviating many of the up-front costs facing companies should be a priority for the Budget in March – starting with the sledgehammer of business rates."

Lee McDarby, Managing Director of UK Corporate International Payments at moneycorp, said:

"The post referendum fall in sterling has clearly had an impact on many UK businesses and, as hedging begins to expire, importers and exporters will have to adapt to the new landscape. For exporters, the move potentially allows for greater competitiveness on an international level; however, importers may now have to think of new ways of protecting their businesses from further volatility.

"The timeframe for stepping away from the European Union is long, with at least two years of negotiation as and when Article 50 is triggered; this means that companies will have to be nimble and proactive when it comes to managing foreign exchange exposure.

"The key events of 2016 have certainly caused market uncertainty and there are no signs that this will subside in 2017. On that basis we are definitely engaging more with new and existing clients who are turning to FX specialists such as moneycorp for support and assistance when it comes to managing their currency risk."

Ends

Notes to editors:

The British Chambers of Commerce surveyed 1,474 business people online between 1 December and 19 December. The survey sourced respondents from every region and nation of the UK. Around 95% of responding businesses were SMEs, and around one third were manufacturing, with the remaining two thirds operating in the service sector. A vast majority (80%) of responding businesses also sell products or services overseas.

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[BCC comments on Bank of England inflation report]()

Commenting on the Bank of England inflation report and interest rate decision published on 'Super Thursday', Suren Thiru, Head of Economics at the British Chambers of Commerce (BCC), said:

"The Bank of England's latest forecasts paint a much more optimistic picture of the UK's growth prospects compared to their previous post-EU referendum predictions. Although the central bank is slightly less concerned over price growth, inflation is still expected to breach the 2% target for a prolonged period. This means that MPC's attempts to combat rising inflation and support growth is likely to remain a challenging balancing act through the forecast period.

"However, with the Bank of England still expecting below trend growth over the medium term and considerable uncertainty over the impact of Brexit, we predict that the MPC will continue to 'look through' the expected rises in inflation and opt for an extended period of monetary stability. As a consequence, we expect that interest rates will remain on hold through 2017.

"With the monetary policy tools at the MPC's disposal largely exhausted, it is vital that the government uses the upcoming Spring Budget to boost the UK's long-term growth prospects by doing more to support business investment, including action to tackle the escalating burden of upfront business costs.”

Ends

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BCC International Trade Survey: Europe to remain key export market despite Brexit vote

The BCC today releases the results from its International Trade Survey

UK companies remain committed to strong trading relationships with European customers and suppliers despite the UK’s vote to leave the EU, according to the results of the British Chambers of Commerce’s (BCC) International Trade Survey, released today.

The results of the survey, based on the responses of nearly 1,500 business people, show that the UK companies surveyed continue to regard Europe as an important trading partner. Around three-quarters of respondents currently sell (76%) and source (73%) goods and services in the EU market.

The findings show that over a third (36%) of responding businesses plan on putting more resources into exporting to the European market over the next five years. Europe also remains the market where the higher percentage of businesses (18%) is planning on allocating more resources to sourcing products and services from.

Responding to a question assessing whether the EU referendum has influenced their approach to exporting, nearly a third (31%) of businesses surveyed are looking to export more. The majority (65%) say the EU referendum hasn’t changed their strategy for importing, while 15% say that they are interested in sourcing more internationally. However, there are signs of caution, with 13% looking to source less internationally, which may be as a result of the falling value of the pound making imports more expensive.

Thinking about future trade arrangements with Europe, UK companies surveyed consider the issues of tariffs; non-tariff barriers; and product standards, certification and compliance as the three top priorities for resolution in talks on a Brexit deal.

Dr Adam Marshall, Director General of the British Chambers of Commerce, said:

“These results are an important reminder of the fact that it is businesses that trade, not governments. Although the likely outcome of the Brexit negotiations remains unclear, businesses still see Europe as a primary market for both selling and sourcing inputs – even after the UK leaves the EU.

“Looking ahead, businesses want the best possible terms of trade following the Brexit negotiations, whatever the ultimate model adopted. UK firms want tariffs, costly non-tariff barriers, and product standards to be at the top of the government’s agenda for a future EU trade deal.

“The best news from this survey is that the EU referendum outcome has sparked a greater interest in foreign markets for a significant number of firms. For that very reason, UK companies need sustained, tangible and practical export support that helps them get their goods and services out to the world.”

Ends

Notes to editors:

The British Chambers of Commerce surveyed 1,474 businesses online between 1 December and 19 December. The survey sourced respondents from every region and nation of the UK. Around 95% of responding businesses were SMEs, and around one third were manufacturing, with the remaining two thirds operating in the service sector. A vast majority (80%) of responding businesses also sell products or services overseas.

Spokespeople are available for interview.

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BCC: GDP growth shows strong end to 2016 for the UK economy

Commenting on the first estimate of GDP for the fourth quarter of 2016, released today by the Office for National Statistics, Suren Thiru, Head of Economics at the British Chambers of Commerce, said:

"The first estimate of UK GDP growth for the final quarter of 2016 confirms that the UK economy enjoyed a strong end to the year – mirroring our own survey data. While there was a welcome pick-up in output from manufacturing and construction, the UK remains heavily reliant on services and consumer spending as the main drivers of growth. The yearly figure of 2.0% UK GDP growth is broadly in line with historic trends.

"However, outperforming last year's performance in 2017 will be a challenge for the UK economy. Higher inflation and uncertainty over the implications of Brexit are expected to bear down on the UK's near-term growth prospects. This is likely to squeeze consumer spending and dampen firm's investment intentions, resulting in a prolonged period of materially below trend growth.

"A key priority for the UK government must be to support long-term business investment, including addressing the escalating burden of up-front taxes and costs, such as business rates, which are impeding the ability of firms to invest, recruit and grow their business."

Ends

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