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The Rt. Hon. Sajid Javid MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

13 August 2019

Dear Chancellor,

Enabling the Prime Minister's economic package to boost local investment

We write to you as retailers representing businesses and jobs in every community across the UK. The likelihood of a no-deal Brexit appears to be increasing, which we believe would place a considerable strain on retailers in the UK. In this context, the Prime Minister's intention to pursue an economic package to boost business and investment in the UK is crucially important; we strongly believe that reform of the broken business rates system should be front and centre of that package. This outdated tax is hindering our plans for investment, holding back productivity growth and detrimentally impacting communities up and down the country.

The retail industry is the UK's largest private sector employer, employing around 3 million people. The industry is undergoing a significant transformation as a result of new technologies and changing consumer behaviour. Many are adapting well to this change, some less so, but all are doing so in the face of significant headwinds, including an ever-rising cumulative cost burden from public policy initiatives, which impact our ability to respond and invest.

The UK has one of the highest commercial property taxes in the world. This is damaging the country's competitiveness internationally and although productivity growth in retail is outpacing the rest of the economy, the industry has the potential to do so much more. Retail accounts for 5% of the economy but pays 10% of all business taxes and 25% of all business rates. The rate has risen by 50% since business rates' inception in the 1990s, and 20% in the last decade alone. Elements of the system, which relies on a mishmash of reliefs that do not denote a successful and well-operating tax, are creating a situation where market forces are not being allowed to work properly and are resulting in serious negative distortions in the transformation of this industry.

The effect on many high streets and town centres has been dramatic – retail unit vacancy rates have risen to 10.3%, a four-and-a-half-year high, with many of those units having been empty for over two years. Business rates often represent the tipping point between opening a new store or a store's viability and its closure, with obvious consequences for employment and high street vitality, particularly in the most vulnerable, economically deprived locations.

The solution to this challenge requires a wholesale review of business taxes to create a tax regime fit for the 21st century. As well as a commitment to do this, we also recommend the proposed economic package includes the following:

- A freeze in the business rates multiplier to stop yet another tax rise and to aid our investment in the economy and business planning.
- Centrally funding upwards transitional relief to overturn the unfairness whereby businesses in the Midlands and North of England pay an artificially high rates bill in order to fund staggered rate bill increases for those in London and the South East who should be paying more, and to allow market forces to operate as intended.
- Introducing an 'Improvement Relief' for ratepayers to tackle the disincentive to businesses that want to invest in our properties but are penalised with higher business rates under the current system.
- Ensuring that the Valuation Office Agency is fully resourced to do its job to tackle the 16,000 unresolved appeals that date back as far as 2010 and almost 18,000 from 2017 and a system which means many of us have not even been able to lodge an appeal to correct the amounts we owe.

We believe that these recommendations could be undertaken quickly, would reduce regional disparities, remove barriers to the proper working of market forces, incentivise economic investment, and cut away at least some of the bureaucracy of the current system. The measures would also kick off the process to facilitate the required changes in our high streets, protect jobs and maintain the strong community connections retailers have. Taken collectively, with the commitment to wider change, they would send a clear message that the new Government understands the needs of local communities and that it will act decisively to support the jobs of the country's largest employer. The Prime Minister's proposed economic package provides the perfect opportunity for action.

Yours sincerely,

British Retail Consortium – Helen Dickinson OBE, Chief Executive

Ann Summers – Jacqueline Gold CBE, CEO

Asda Stores Ltd – Roger Burnley, President & CEO

B&Q – Graham Bell, Chief Executive

BIRA – Andrew Goodacre, Chief Executive Officer

Booksellers Association – Meryl Halls, Managing Director

Boots UK – Sebastian James, CEO

Card Factory – Karen Hubbard, Chief Executive Officer

Carpetright – Wilf Walsh, Chief Executive

Central England Co-operative – Debbie Robinson, Chief Executive

Company Shop Group – Jane Marren, Group Managing Director

Costcutter Supermarkets – Darcy Willson-Rymer, Chief Executive Officer

Debenhams – Terry Duddy, Interim Executive Chairman

Deichmann Shoes UK – Chris Holden, CEO

DFS – Tim Stacey, Chief Executive Officer

Dixons Carphone – Alex Baldock, Group Chief Executive

Dreams – Mike Logue, Chief Executive Officer

F Hinds – Andrew Hinds, Director

Fenwick – Robbie Feather, Chief Executive

Greggs – Roger Whiteside OBE, Chief Executive

Harrods – Michael Ward, Managing Director

Henderson Group – Martin Agnew, Joint Chairman and MD

Iceland Foods – Richard Walker, Joint Managing Director

Iceland Foods - Tarsem Dhaliwal, Group CEO

John Lewis Partnership – Sir Charlie Mayfield, Chairman

Marks & Spencer – Steve Rowe, Chief Executive

McKesson UK – Toby Anderson, CEO

New Look – Alistair McGeorge, Executive Chairman

Pret A Manger – Clive Schlee, CEO

Primark – Paul Marchant, Chief Executive

Retra – Howard Saycell, Chief Executive

Rigby & Peller – Mark Warren, Retail Director

River Island – Clive Lewis, Chairman

Sainsbury's – Mike Coupe, Group Chief Executive Officer

Savers Health Home & Beauty – Doug Winchester, Managing Director

Scottish Midland Co-operative Society – John Brodie, CEO

Screwfix – John Mewett, CEO

Spar UK – Jackie Mackenzie, Interim Managing Director

Spar UK – Chris Lewis, Interim Managing Director

Specsavers – Paul Marshall, Managing Director (UK)

Steinhoff UK – Mark Jackson, Chief Executive

Superdrug Stores – Peter Macnab, Chief Executive Officer

The Association of Convenience Stores – James Lowman, Chief Executive

The Body Shop International – David Boynton, Chief Executive

The Co-operative Group – Steve Murrells, Group CEO

The Hamleys Group – Yong Shen, Group CEO

The Original Factory Shop – Emma Fox, CEO

The Paint Shed – Michael Rolland, Managing Director

The Perfume Shop – Gill Smith, Managing Director

Whittard of Chelsea – Nathan Smith, Chief Executive Officer

WH Smith – Stephen Clarke, Chief Executive

Wm Morrison Supermarkets – David Potts, Chief Executive

Well Pharmacy – John Nuttall, Chief Executive Officer

Appendix

Asks in detail:

- Freeze the multiplier. This rises annually by CPI, and from April will rise to its highest ever level in England at a time when business and consumer confidence is weak and costs are rising for retailers across a range of areas. Freezing the multiplier for the last year of this valuation period (2020/21) will give business a vital and immediate relief from recent cost increases and give them certainty of their rates liabilities for the following year, aiding their investment and business planning.

- Centrally fund upwards transitional relief. Business rate increases are staggered over a valuation period, funded by staggered business rates decreases for others, meaning that even where a revaluation results in a lower rateable value for a property, a business must still pay an artificially higher business rate in order to subsidise an artificially lower business rate for someone else. This is distorting market forces and only works to the benefit of businesses in London and the south of England, and against those in the north and midlands. While we support staggered rises, these should be funded centrally, and not by other ratepayers. Doing so would reduce the business rates in locations already suffering from low demand and disinvestment and would support the regional rebalancing of the English economy, complementing the objectives of the £675m of the Future High Streets Fund. This would cost £295m for 2020/21, the final year of the current valuation period.

- Introduce an 'Improvement Relief' for ratepayers, similar to the 'business growth accelerator' recently introduced in Scotland. Currently, improvements to a property such as CCTV or solar panels increase a property's rateable value, and consequently increase that property's business rates bill. This disincentivises investment which would otherwise improve the quality of the property, add value for both the tenant and landlord and, often, meet public policy objectives such as improved energy efficiency or reduced crime. It also results in an opportunity cost in terms of the economic value of the work foregone. If the increased rateable value created by such work were exempted from business rates liability for a three-year period, this would remove the disincentive to undertake the work, leading to higher quality commercial property, an improvement in meeting public policy objectives, and an increase in economic activity from the building work undertaken. All of these would benefit the Exchequer in the medium term.

- Ensure that the Valuation Office Agency is fully resourced to do its job. This means ensuring that it can fully undertake the revaluation for the 2021 list as well as, simultaneously, developing its IT systems so that it is able to process checks, challenges and appeals from the 2017 list in a timely and responsive manner. In addition to this, it still has 16,000 unresolved appeals dating back to the 2010-2017 list. The experience of our members to date suggests that the VOA has struggled both in terms of its technological capacity and its staff resource. A relatively small upfront investment in the VOA would greatly transform ratepayers’ everyday burden of, and frustration with, the bureaucracy of the business rates system.

Retail data and facts:

- Retail employs 3 million people in the UK and creates 5% of the country's GVA per annum
- Rising costs from public policy, including packaging and recycling requirements, the National Living Wage, higher employer pension contributions and the Apprenticeship Levy, amongst others, which are creating a significant cost burden, contributing to reduced profit margins from 4% a decade ago on average to 1.5% today. This has an impact on retailers' abilities to invest.
- Average annual 3.7% productivity growth in retail vs 1.1% in the economy as a whole.
- For the largest retailers, business rates account for almost half their total tax burden.
- The UK has the highest commercial property tax in the EU, and the third highest in the OECD.
- The business rates multiplier has risen from 34 pence in the pound in 1990 to over 50 pence today.