



# DELIVERING FOR SHOPPERS, EMPLOYEES AND THE ECONOMY

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A SUBMISSION TO THE CHANCELLOR FROM  
THE RETAIL INDUSTRY - FEBRUARY 2020





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# RECOMMENDATIONS AT A GLANCE



## BUSINESS TAX IN THE IMMEDIATE TERM



ABOLISH 'DOWNWARDS  
TRANSITION' AND  
CENTRALLY FUND UPWARDS  
TRANSITIONAL RELIEF



FREEZE THE  
BUSINESS RATES  
MULTIPLIER



INTRODUCE AN  
IMPROVEMENT  
RELIEF



REFORM THE  
VALUATION  
OFFICE AGENCY



## IN THE MEDIUM-TERM

BUSINESS RATES REVIEW TO PRODUCE A REDUCTION OF THE BUSINESS RATES BURDEN, FUNDED INSOFAR AS NECESSARY BY A REBALANCING OF RATES WITH OTHER EXISTING BUSINESS TAXES



## APPRENTICESHIPS



ENSURE APPRENTICESHIPS  
AT ALL LEVELS AND  
PEOPLE OF ALL AGES  
CAN BE FUNDED BY THE  
APPRENTICESHIP LEVY  
AND THAT LEVY FUNDS  
COVER THE COSTS OF  
EACH APPRENTICESHIP



PERMIT ADDITIONAL  
FLEXIBILITY IN WHAT THE  
APPRENTICESHIP LEVY  
CAN BE SPENT ON,  
TO INCLUDE OTHER FORMS  
OF ACCREDITED TRAINING



CREATE MORE  
FLEXIBILITY TO FULFIL  
THE 20% ASSESSMENT  
REQUIREMENT



## DEVELOPING A STRATEGY FOR THE RETAIL INDUSTRY



PROMOTE INVESTMENT IN  
SKILLS AND PRODUCTIVITY  
GROWTH



BETTER CO-ORDINATE  
PUBLIC POLICY INITIATIVES



PROTECT THE UK  
SINGLE MARKET

# LETTER TO THE CHANCELLOR

FEBRUARY 2020



Dear Chancellor,

Retail is an exciting, dynamic and diverse industry. It provides millions of jobs and touches the lives of millions of people, supporting communities across the UK. The industry is transforming; technology is changing how people shop and businesses operate, meaning fewer stores and fewer but better jobs in retail in the future. Retailers are embracing this, with investment in technology up by 29% in just one year from 2017 to 2018. Productivity growth in retail is outpacing the rest of the economy at 5.1%, and the World Economic Forum ranks UK retail third globally for competitiveness. We are the UK's largest private sector employer, with three million jobs, and companies are upskilling their people making jobs better paid and more flexible.

The intense competition in the sector, against a backdrop of rising costs from investment in new tech and the burden of public policy costs, has resulted in net profits halving to 2.3% in 2018 compared to 2012. These factors are impacting retailers' ability to invest to re-orientate their businesses, at the same time as delivering public policy and a quality customer proposition.

We were delighted with the commitment in your manifesto to fundamentally review the broken business rates system. Downwards phasing of transitional relief, which has meant retailers being overcharged £1.3 billion in the last five years, is a particular problem. No other relief requires the 'winners' from changes to subsidise the 'losers', resulting in some businesses paying more than 50% of their rateable value in Business Rates – in some cases over 100%. Businesses outside London often bear the burden of this relief, which holds back parts of England where investment is most needed.

Excessive business rates bills hinder investment, hold back productivity growth and impact communities across the country. There are many problems with the rates system, and your review should take account of the wider business tax system to create a system fit for the 21st century and to level up the economy across all the UK's regions.

There are other opportunities for reform of domestic policy to improve conditions for investment. The UK's skills offering should be high priority, with Government thinking about a broader approach to funding and life-long learning. Equally, retailers need a coherent strategy from Government, ending the single-issue approach that is taken, too often. For example, Government should think again about proposals for a plastics tax, which as currently devised could add £1.7bn a year to an already heavy tax burden for retailers and do little to achieve its aim of encouraging the use of recycled content in packaging.

Working with us, policy-makers should devise a retail strategy to promote investment in skills and productivity, better co-ordinate policy initiatives, protect the UK's single market and support and invest more in areas outside of London.

Your sincerely,

**HELEN DICKINSON OBE**  
Chief Executive,  
British Retail Consortium

## BUSINESS TAX THE ROAD TO REFORM

Retail is 5% of the UK economy, but contributes 25% of all business rates to the Exchequer. The industry is going through a period of profound change as consumer behaviour and new technology transform the way people shop. Store numbers are falling, and retailers are diversifying their offer, creating or extending multichannel businesses fit for the 21st century: eight of the top ten online retailers are also on the high street or have physical stores.

Decisions to move to business models that involve fewer stores and less of a physical presence on the high street reflect the scale of the business rates bill. The UK has one of the highest commercial property taxes in the world, with rates having risen 50% since the 1990s and 20% in the last decade. Vacancy rates on high streets and in town centres have risen to 10.3%, a four-and-a-half-year high, with many retail units having been empty for over two years, particularly in vulnerable communities outside the UK's major cities. Business rates often represent the tipping point between a store's viability and its closure, with consequences for employment and high street vitality.

The industry already pays 10% of business taxes, double its share of UK GVA. Additional tax burdens of any kind would jeopardise certainty for business investments, undermining job creation and the viability of high streets and town centres in communities across the country. We are opposed to any new taxation on the sale of goods or other aspects of the retail sector, such as an online sales tax or the relevant aspects of the Digital Services Tax, whether relating to online or offline activity.

We support the Government's focus on the need to reduce the rates burden on retail and welcome the commitment to review the rates system. The review must be wide-ranging and begin as a matter of urgency.

The decision to move to three-yearly revaluations is also welcome, but still means that rates are effectively five years out of date by the end of the valuation list. Annual revaluations are not currently the BRC's position, but Government should remain open to the possibility that this option may become more viable in time.



### RECOMMENDATIONS

**Abolish 'downwards transition' and centrally fund upwards transitional relief** to overturn the unfairness whereby business 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 to allow market forces to operate as intended

**Freeze the business rates multiplier** to stop yet another tax rise and to aid our investment in the economy and business planning

**Introduce an improvement relief** to tackle the disincentive to businesses that want to invest in their properties but are penalised with higher business rates when they do under the current system

**Reform the Valuation Office Agency** and ensure it is fully resourced to tackle the 16,000 appeals that date back as far as 2010 and almost 18,000 since 2017

#### In the medium-term

Business rates review to produce a reduction of the business rates burden, funded insofar as necessary by a rebalancing of rates with other existing business taxes

# APPRENTICESHIPS AND SKILLS

## SUPPORTING THE UK'S LARGEST PRIVATE SECTOR EMPLOYER

Retail is the UK's largest private sector employer, providing 3 million jobs. The industry often gives people their first taste of work, developing skills and confidence that they take with them throughout their careers. Many people work in retail for its flexibility, allowing them to work around other commitments. For many more, retail offers a lifetime of progression and the opportunity to build a rewarding, varied career. It is one of the few industries where the path from shop floor to boardroom is well worn and still open to colleagues. Numbers of traditional retail jobs will fall over the next few years, but there are 100,000 people doing new jobs in retail now that didn't exist ten years ago.

Upskilling and life-long learning will play a central part in retail careers of the future. Technology and automation will reduce the number of traditional jobs, but the changes they bring also present an opportunity for the workforce to upskill or retrain. For the industry to play a central role in developing new and existing employees, support is needed, as well as changes to current policies. Reform of apprenticeship funding to support apprentices across all ages and entry skill levels, and greater flexibility in the use of Apprenticeship Levy funds, will help towards training our people for the new and changing jobs that we are already seeing emerge in retail. Retail jobs of the future will be more varied and better paid, with greater prospects for advancement, development and flexibility.

As a result, the Government should review the cost of training and allow employers to use levy funds in a more flexible manner to support the delivery of apprenticeship programmes at Level 2 and above.



### RECOMMENDATIONS

Ensure Apprenticeships at all levels and people of all ages can be funded by the Apprenticeship levy and that levy funds cover the costs of each Apprenticeship

Permit additional flexibility in what the Apprenticeship Levy can be spent on, to include other forms of accredited training

Create more flexibility to fulfil the 20% assessment requirement

# DEVELOPING A STRATEGY FOR THE RETAIL INDUSTRY

Brexit has dominated UK politics since the referendum and for retail this has been a period of increased cost and uncertainty. It has coincided with an unprecedented period of change in the industry. There is a golden opportunity for reform of UK domestic policy post-Brexit that Government should grasp, to create better conditions for investment and allow businesses to reach their full potential.

Retail is of major importance to the UK economy and the industry wants to work with Government to create a strategy to maximise its contribution to the economy, jobs and communities. That strategy must include measures to promote investment in skills and technology and improve productivity, such as those mentioned earlier in this submission.

More should be done to address the cumulative burden of policy on retail. Whether the issue is climate change, health, or crime; there is almost always an intersection between Government and retail. We have a strong track record of responding to Government initiatives and playing our part; the challenge for retailers is that these initiatives come from different Departments without consideration of their cumulative impact.

Greater collaboration to ensure Government and industry move in step and a more joined-up approach from Government could mitigate the adverse effects of some Whitehall policies and help avoid unintended consequences of otherwise well-intentioned policies. Closer collaboration would also ensure that the progress industry has made in tackling many issues of concern for government – for example plastic pollution, food waste and obesity – is recognised by Government.

The separate creation of policy to tackle plastic pollution through DEFRA's Waste and Resources Strategy and the Treasury's plastics packaging tax

is another example. A plastic packaging tax could add £1.7bn per year to retailers' tax bills, with no guarantee money raised would be spent tackling plastic pollution or improving recycling. We support the objectives within the Treasury consultation on a recycled content tax but any tax should ensure additional funds raised are earmarked for recycling system improvements. In some cases, it may not be legal under food safety regulations for large amounts of packaging to have recycled content and the inclusion of this within the scope of the tax is therefore counterproductive. Government should consider how to meet its objectives through reforms of Packaging Producer Responsibility, to ensure money raised funds the improvements needed, and to ensure regulations do not penalise those who are legally prevented from using recycled content. Only once these measures have been implemented should the government consider a DRS to plug the gaps in the system.

The Government's target for net zero emissions by 2050 is another area where industry and Government should aim to work closely and where business may need support, whether through tax incentives or funding for initiatives such as electric vehicles in supply chains.

Brexit is set to herald a fresh chapter of devolution across the UK. This is positive but will lead to a more complex policy environment. There should be alignment in key areas between the UK and devolved administrations. Retailers operating in the UK benefit from a largely unfettered UK single market, allowing them to reduce costs, increase productivity, and keep down prices and provide more choice for customers.

As such, we suggest the Government works with us to create a comprehensive, cross-Government strategy for retail following the principles in our recommendations.



### RECOMMENDATIONS

Promote investment in skills and productivity growth  
Better co-ordinate public policy initiatives to reduce the burden of red tape on retailers that leads to rising prices, reduces productivity and threatens jobs  
Protect the UK single market

# RETAIL IN NUMBERS



RETAIL IS **5%**  
OF THE UK ECONOMY,  
CONTRIBUTING  
£98.4BN GVA



**3.1**  
MILLION  
JOBS



NET MARGIN  
**2.3%** IN 2018 VS  
**4.4%** IN 2012



**£17BM**  
PAID IN BUSINESS  
TAXES



**2.3%**  
PAY GROWTH  
IN 2017



**14%** OF ALL  
APPRENTICESHIPS  
ARE IN RETAIL



**1/4**  
OF JOBS HELD  
BY UNDER 25S (2019)



**9.1%** PA 9.1%  
MEDIAN GENDER PAY  
GAP VS **17.9%**  
FOR UK AVERAGE



**58%** HELD BY  
WOMEN



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## THE BRITISH RETAIL CONSORTIUM

The BRC's purpose is to make a positive difference to the retail industry and the customers it serves, today and in the future.

Retail is an exciting, dynamic and diverse industry which is going through a period of profound change. Technology is transforming how people shop; costs are increasing; and growth in consumer spending is slow.

The BRC is committed to ensuring the industry thrives through this period of transformation. We tell the story of retail, work with our members to drive positive change and use our expertise and influence to create an economic and policy environment that enables retail businesses to thrive and consumers to benefit. Our membership comprises over 5,000 businesses delivering £180bn of retail sales and employing over one and half million employees.

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