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The Rt Hon Jeremy Hunt MP,
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Dear Chancellor

Submission from the British Retail Consortium (BRC) to HM Treasury | Spring Budget 2024

While attending the World Economic Forum last week, you recognised that the fastest growing economies in the last decade have been those with the lowest tax, and that the UK's tax burden has become too high. You also noted in a recent appearance on the *This is* Money podcast that taxes, like business rates, which must be paid before making a profit were a significant challenge when you ran your own business.

Retailers are unanimous in their view that the level of the tax raised by business rates must come down. While you announced some measures to help smaller businesses in November, the Autumn Statement will cost retailers who employ the lion's share of the industry's workforce and drive the bulk of investment £4bn – from the rise to the standard multiplier and the increase in the National Living Wage.

A thriving and successful retail industry is essential to the UK's prosperity. Retail is the everywhere economy, driving growth and investment in every village, town and city. Retailers employ more people than any other private economic sector and contribute £99.5bn Gross Value Added. The highly competitive nature of the industry benefits consumers through choice, value and quality.

The industry is transforming. To embrace the change underway, retailers need to invest in new technology, a higher skilled workforce, revamped stores and warehouses and logistics capabilities.

Times remain testing. Consumer confidence is weak. Costs continue to mount. New EU border checks, disruption in the Red Sea and the increase in costs from new regulation are stretching the industry. A new business rates surtax on retailers which sell tobacco and alcohol has been mooted in Scotland. Retailers' capacity to invest and grow is severely constrained. We recognise the global nature of several of these issues. But there are pressures which are entirely in the government's gift to remedy.

While the industry's firm view is that there should not be any increase in business rates and the system is in need of fundamental reform, in the absence of measures to address this, there is one thing you can do to at least soften the blow of the uplift to the standard multiplier this April. By readjusting the figure by which rates will increase to the CPI forecast for this April, you can provide the industry with some breathing space. This uplift would also be more reflective of economic conditions at the time the increase comes in, rather than seven months previously.

There is so much to celebrate about our retailers. But for too long, the industry has been neglected by government. An understanding of the pressures facing retail businesses rarely translates into measures which will help alleviate them. The time to act is now.

Yours sincerely

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RECOMMENDATIONS

Business taxes, retail property and card fees

Business rates

- Readjust the rate at which business rates will increase in April from September 2023's CPI to April 2024's forecast CPI.

Tax-free shopping

- Encourage international visitor spend and restore the UK's competitive advantage against European countries by reinstating tax-free shopping for international visitors including EU citizens.

VAT relief on product donations to charities

- Enable a significant increase in business support for people in need by extending the VAT relief on product donations to charities for onward sale to direct donations to individuals and households.

VAT on reuse, repair and recycling

- Accelerate the move to a circular economy for goods by lowering or removing the rate of VAT on reused, repaired and refurbished goods and services.

Card fees

- Hold a full review to examine whether interchange fees are fit for purpose in the UK payments landscape to ensure that the PSR's ongoing market reviews result in meaningful action.

People and skills

Apprenticeship Levy

- Stimulate greater investment in skills training, supporting the workforce of the future, by expanding the Levy into a wider Skills Levy.
- This should give employers the flexibility to use funds on a wider range of high quality, accredited courses, including:
    - Pre-employment courses necessary to help potential apprentices reach the required level to begin a full apprenticeship.
    - Short courses including functional and digital skills, so that existing employees can upskill or transition to new roles, where a full apprenticeship is not necessary.
    - Covering some currently ineligible costs associated with hiring an apprentice, such as the cost of backfilling roles while apprentices are on off-the-job training.
- Develop a coordinated approach to accessing funds with the devolved governments.

National Minimum Wage and National Living Wage

- Adopt a cautious approach to setting the National Living Wage for 2024/5, with a sustainable forward trajectory which responds to wider economic conditions and enables the LPC to make resulting independent recommendations in the light of the evidence.

Net zero, circular economy and sustainability

Resource and waste strategy

- Increase in recycling rates by ringfencing packaging EPR and Plastic Packaging Tax funds for new recycling infrastructure investment.

- Ensure that resource and waste policy proposals are coherent, represent value for money and do not add to inflationary pressures on retail by working with industry and Defra to support cost-efficient EPR schemes.
- Business rates relief for reverse vending machines (DRS).
- Reforms to the Waste Electrical and Electronic Equipment regulations should not remove retailer's ability to charge customers for picking up large domestic appliances.

Clean energy

- Encourage investment in renewable and efficiency energy projects by providing fiscal and financial incentives e.g. by extending capital allowances full expensing beyond March 2026.
- Further stimulate investment by ensuring that the renewable energy market gives a fair green energy price for households and businesses, underpinned by a review of the REGO scheme.

Net zero logistics

- Accelerate uptake of green fuelled vehicles by providing grants and tax incentives for investment in vehicles and infrastructure upgrades.
- Bring more green fuelled vehicles to market, stimulating industry investment, by providing R&D funding for engine and vehicle manufacturers.
- Further stimulate investment by removing the unnecessary additional training requirements for 4.25 tonne green fuelled vans and reclassify them as Light Commercial Vehicles.
- Give businesses confidence to invest by developing consistent long-term approach to EV road taxation.
- Incentivise private sector investment in electric vehicle charging infrastructure by applying the 5% VAT rate on domestic charging to commercial charging.