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

13 February 2020

Dear Chancellor,

We are writing to you ahead of the Budget about a matter of great importance to the retail industry. We share the Government's commitment to spread prosperity to every part of the UK and are keen to play our part in the development of policies that 'level up' communities across the country. That is why we welcome the Government's review of business rates, which sends a strong signal that the Government is listening to business. We hope the review will be genuinely wide-ranging and that it will consider the level and impact of business rates in the context of the full suite of business taxes.

Retail employs three million people; the UK's largest private sector employer. The industry accounts for 5% of the UK economy (by GVA) and is key to improving the country's productivity. Last year, productivity in retail rose 5.1% against an average UK growth of 1.4%. The industry is a huge benefit to public finances too, contributing 10% of all business taxes and 25% of all business rate revenue. However, as this figure suggests, the burden of business rates has become unsustainable for many retailers in recent years, and the system is 'broken', according to the Treasury Select Committee, whose report was published in October 2019. None of the report's recommendations have as yet been adopted. The forthcoming review therefore presents an exciting opportunity to create a better environment for retailers to continue investing in productivity growth and in higher skilled, better paid jobs; which will play an important role in levelling up communities in every part of the UK.

We also believe that the business rates system is broken, and fundamental reform is needed in the medium term. However, in the short term one way that Government can meet its ambition to level up every part of England would be by removing downwards phasing of transitional relief, whereby businesses who should have lower rates bills following a revaluation in fact go through a staggered process of reducing their rates liability over a period of time before reaching their 'true' rate liability. This forces retailers to effectively 'overpay' their business rates.

This occurs in order to subsidise the process of upwards transitional relief, where the converse happens, and ratepayers are protected from immediate increases in their rates liability following revaluation. The effect of this is to levy burdensome business rates on locations where demand is weak and rents are falling; those areas which are often also most in need of levelling up. Government data shows that businesses in the North West and

Midlands provide the biggest subsidy in this way, enabling staggered rate bill increases in London.¹

The solution to this is to scrap downwards phasing so that businesses in the North and other parts of England immediately pay their 'true' rate liability. This could be achieved through Government funding upwards transitional relief centrally rather than from other ratepayers. This would cost £295m for 2020/21 and, if the legislation bringing forward the next revaluation to 2021 is not passed, £200m in in 2021/22. The design of future transitional relief schemes should also take into account the uneven regional distribution of costs and benefits so that they do not frustrate the Government's aim of levelling up the country.

This would be a hugely important first step to fundamental business rates reform, as well as helping the Government to boost business in the regions of England, and we hope that you will consider it seriously as part of the forthcoming Budget.

Yours sincerely,

Daniel LeVesconte, GVP, Global Brands, EMEA, Abercrombie & Fitch

Jacqueline Gold CBE, Chief Executive, Ann Summers

Roger Burnley, President & CEO, Asda

Graham Bell, Chief Executive, B&Q

Andrew Goodacre, Chief Executive, bira

Meryl Halls, Managing Director, Booksellers Association of the UK & Ireland Ltd

Sebastian James, Senior Vice President Managing Director, Boots UK & Republic of Ireland

Helen Dickinson OBE, Chief Executive, British Retail Consortium

Karen Hubbard, Chief Executive Officer, Card Factory

Wilf Walsh, Chief Executive, Carpetright plc

Debbie Robinson, Chief Executive, Central England Co-operative

Stefaan Vansteenkiste, Chief Executive, Debenhams plc

Eric Mazillier CEO Decathlon UK

Chris Holden, Chief Executive, Deichmann Shoes

Tim Stacey, Chief Executive, DFS Furniture Ltd

Alex Baldock, Group Chief Executive, Dixons Carphone

Mike Logue, Chief Executive Officer, Dreams Ltd

Andrew Hinds, Director, F Hinds Ltd

Robbie Feather, Chief Executive, Fenwick

¹ Annex A, [Consultation on the transitional arrangements for the 2017 business rates revaluation](#), DCLG

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Roger Whiteside OBE, Chief Executive, Greggs plc

Manju Malhotra, Chief Operating Officer, Harvey Nichols

Dominic Jordan, Chief Executive, Hobbycraft

Damian McGloughlin, Chief Executive, Homebase

Sir Malcolm Walker, Executive Chairman & Richard Walker, Managing Director, Iceland

Peter Jelkeby, Country Retail and Chief Sustainability Manager, IKEA UK and Ireland

Paula MacKenzie, Managing Director, KFC UK & Ireland

Thierry Garnier, Chief Executive, Kingfisher plc

Toby Anderson, Chief Executive, Lloyds Pharmacy

Alia Hawa, Managing Director UK & Ireland, L'Occitane Ltd

Steve Rowe, Chief Executive, Marks & Spencer plc

David Potts, CEO, Morrisons

Nigel Oddy, Chief Executive Officer, New Look Retailers

Barry Williams, Managing Director, Poundland

Pano Christou, Chief Executive Officer, Pret A Manger

Paul Marchant, Chief Executive, Primark Limited

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Mike Coupe, Group Chief Executive, Sainsbury's

Doug Winchester, Managing Director, Savers Health & Beauty

Dr Pete Cheema OBE, Chief Executive, Scottish Grocers' Federation

John Mewett, Chief Executive, Screwfix

Louise Hoste, Managing Director, Spar UK Limited

Paul Marshall, Managing Director, Specsavers

Mark Jackson, CEO Steinhoff UK

Peter Macnab, Chief Executive, Superdrug Stores

David Boynton, Chief Executive, The Body Shop International Limited

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