

Business leaders raise concerns about regulations and deposit return scheme

Scotland's retail sector can thrive in the year ahead, a leading industry figure insisted, as he raised concerns about the impact of tax rises north of the border and the new deposit return scheme for drinks cans and bottles.

David Lonsdale, director of the Scottish Retail Consortium (SRC), said decisions in the Scottish budget to freeze income tax thresholds and to increase charges for higher earners were "likely to take a bite out of consumer spending at a time when retail sales are set to remain sluggish".

He went on to warn that likely rises in council tax payments, together with the introduction of the deposit return scheme in August, would also impact on disposable incomes.

Speaking about deposit return – where shoppers will be charged a deposit when buying any drink in a can or bottle and only get this back when they return the container – Mr Lonsdale warned the cost of lost deposits could amount to £110 million in the first year alone.

He said retailers were "working hard" to be ready for this coming into effect in August, adding it was an "enormous logistical exercise" as he complained about the "lack of rudimentary information from those running the scheme".

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In his new year message, the SRC director said it was “vital” for Scottish ministers to “succeed in their plans to reduce the cost of the devolved government”, saying this should include “trimming the number and size of public bodies and through asset disposals”.

Such a move would “help militate against the need for future tax rises on firms or households which could stymie economic recovery”, Mr Lonsdale argued.

He highlighted the impact of “government-imposed regulatory costs” on business particularly “at a time when trading is tough”.

Stores are having to “grapple with a hotchpotch of measures”, Mr Lonsdale added, with these including restrictions on where certain foodstuffs can be located in-store, bans on single-use plastics, mandatory calorie labelling on menus, and curbs on the sale of fireworks.

On top of this, he added: “A plethora of legislation and consultations have been unveiled, including fresh restrictions on the sale of alcohol and curbs on retail development in the planning system which are set to curtail new drive-throughs and out-of-town stores.”

He insisted politicians need to “wean themselves off the rush to regulate”, saying that an increase in regulations would

only serve to “challenge retailers’ ability to keep costs down for households”.

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Mr Lonsdale however also said there were “grounds for cautious optimism” for Scotland’s retail sector, saying businesses were “striving to become more customer focused, productive and fit for the future, no matter what policy makers throw their way”.

He concluded: “Following a year of profound ups and downs, Scottish retail is hoping for less of a white-knuckle ride over the coming 12 months.

“I’m confident the sector through its ingenuity and tenacity can thrive in the year ahead – to the benefit of customers, workforce, and communities – and play its role in driving forward Scotland’s economy.”

His comments came as Andrew McRae, policy chair for the Federation of Small Businesses (FSB) in Scotland, warned: “Business owners will need to dig deep in what will undoubtedly be a tough 2023.”

We need to pause all new and forthcoming regulations that would impact adversely on small firms – at least until we’re out of recession

Mr McRae said: “2022 has perhaps not been the year many of us were expecting. After two years of pandemic restrictions, lockdowns have given way to price hikes and a full-blown cost-of-doing-business crisis.”

While he highlighted the “tenacity and determination” of businesses to “overcome the obstacles in their way and ultimately trade us out of recession”, he added that support was needed.

Mr McRae said the FSB “remain concerned at the lack of targeted reliefs for those sectors hardest hit by the pandemic and spiralling energy costs” and also said there was a need to “look very closely” at plans to reform the Small Business Bonus Scheme, which provides rates relief to smaller firms.

He too raised concerns about government regulation, saying: “As a first step, we need to pause all new and forthcoming regulations that would impact adversely on small firms – at least until we’re out of recession.”

With the introduction of deposit return, together with low emission zones for vehicles in city centres, Mr McRae also said there must be “support given to smaller operators to ensure they can tailor their operations to comply with energy efficiency and other environmental measures”.

A [Scottish Government](#) spokesperson said: “We recognise the enormous pressures facing businesses during the current crisis and engage regularly, directly and through key business organisations, to best understand their needs.

“The Scottish Government has backed Scotland’s economic recovery with more than £1.7 billion since March 2020 – on top of over £4.7 billion provided in direct business support.

“When it comes to business rates, the Scottish Budget announced on December 15 a freeze to the poundage rate – delivering the number one ask of 18 business organisations.

“Scotland will have the lowest poundage in the UK for the fifth year in a row, as well as the UK’s most generous small business rates relief scheme.”