

High street giants demand chancellor 'cuts the shops tax'

Retail giants including Tesco, J Sainsbury, Greggs and Waterstones are forging a new coalition to urge Rishi Sunak to plough ahead with reforms to Britain's decades-old business rates regime.

Sky News has learnt that a group calling itself the Retail Jobs Alliance has been set up by some of the country's biggest chains, and has written to the chancellor to demand that he "cuts the shops tax".

In a letter to Mr Sunak, the new alliance, which also includes the Co-op Group, Kingfisher, Morrisons and several retail trade bodies, said it was writing on behalf of organisations employing more than one million people – or one-third of the entire industry's workforce.

It said the Retail Jobs Alliance would be "making the case for an overall cut in business rates for all retail premises, and we are open to the possibility of funding this through the introduction of a new online sales tax (OST)".

The latest intervention by heavyweight industry names comes amid a years-long debate about the balance between the taxation of physical and online retailers as consumers increasingly shift to digital channels.

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In February, the Treasury launched a consultation on the merits of an online sales tax in the wake of a business rates review that it claimed would save companies £7bn.

"Whilst we've made no decision on whether to introduce such a

tax, it's right that, given the growing consumer trend to shop online, we work with stakeholders to assess the appropriate taxation of the retail sector," Lucy Frazer, financial secretary to the Treasury, said at the time.

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In their letter to Mr Sunak, the retailers said: "We are all, like you, acutely concerned with pressures on household

budgets and the rising cost of living, and we all have a role to play in keeping costs down as far as we can.

“Business rates – the Shops Tax – are a significant part of retailers’ overheads.

“A meaningful cut in the Shops Tax would make a big difference to retailers’ ability to invest more in the shops and stores that we know customers value, as well as to create jobs.

“This would make it easier for everyone in the retail sector to mitigate inflationary pressures, keep existing shops open and open new ones.”

The group added that the business rates burden had become most onerous for retailers in areas of the country with the highest shop vacancy rates, according to research carried out last year.

It pointed out that several of the Retail Jobs Alliance’s members “are businesses with significant online operations as well as physical shops, so would expect to pay any new OST as well as benefiting from a business rates cut”.

It went on: “But we agree that cutting the Shops Tax must be a policy priority, and that an OST would be acceptable as part of a package of retail tax reform that rebalances the system so that it better reflects how retail works now and helps protect the shops which so many people want to see in their communities.

“Given this, it is important that all retailers, not just smaller ones, are included in any cut in business rates which an OST helps to fund.”

Doing so “could therefore significantly boost the social fabric of our villages, towns and cities,” it claimed.

Signatories of the letter to Mr Sunak include Ken Murphy, the Tesco CEO; Sainsbury’s boss Simon Roberts; Thierry Garnier,

Kingfisher chief executive; Shirine Khoury-Haq, interim chief executive of the Co-op Group; and Rosin Currie, CEO-designate at Greggs.

The group, which will be temporary, said it intended to respond to the Treasury's consultation, which closes this month.

"We welcome the commitment that any OST would be used to fund reductions in business rates for retailers," the letter added.

"This would help to level the playing field between online and bricks-and-mortar retailers at a time when COVID-19 has accelerated shifts in retail which were already in evidence before the pandemic."

WPI Strategy, the political and economics consulting firm, is advising the new coalition.