



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Mr William Pryce
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Dear Mr Pryce

Thank you for your email of 10 March to the Chancellor of the Exchequer enclosing the National Federation of Retail Newsagents' 2016 Budget submission on business rates. I am replying as Minister responsible for this policy area.

The Government recognises that business rates represent a higher fixed cost for small businesses including many retail newsagents. That is why, to reduce the burden of business rates, at Budget 2016 the Chancellor introduced a £6.7 billion package of measures providing support for all ratepayers. This package includes:

- permanently doubling and increasing the thresholds of Small Business Rate Relief from April 2017, benefiting 650,000 businesses including many small retailers;
- increasing the rateable value threshold for the standard multiplier to £51,000 from April 2017 taking 250,000 properties, including some high street shops, out of the higher rate of business rates; and
- switching the annual indexation of business rates from April 2020 for all ratepayers. This represents a cut every year from 2020 worth £370 million in 2020-21 and growing significantly thereafter.

The retail discount was introduced to support businesses at an earlier stage of the economic recovery. However, local authorities continue to have the powers to offer business rates discounts beyond pre-defined reliefs at their discretion. This is funded 50% by central Government and 50% by the relevant local authority. We would expect local authorities to take full account of the funding provided by central Government for discretionary rate relief when making their decisions. While I am unable to comment on individual circumstances, I would recommend ratepayers discuss this with their local authority.

Your submission notes that small independent retailers could receive higher rateable values than branded convenience stores. The Valuation Office Agency (VOA) is responsible for rating methodologies for non-domestic rates purposes, and compiles and maintains lists of rateable values of non-domestic properties in England independently of

central government. The VOA is both happy to talk to ratepayers and open to looking at different ways of valuing, providing always that the rateable value of the property continues to reflect the open market rental value of the property at the valuation date. The VOA can be contacted via its website (gov.uk/voa) or by telephone on 03000 501501.

You also raise other issues in your submission. I would like to assure you that the Government is committed to tackling the illicit markets in both alcohol and tobacco. The illicit trade undermines legitimate businesses and is dominated by organised criminal groups often involved in other crimes, such as drug smuggling and people trafficking. While the Government has made significant progress in reducing the tax gap, reducing it further is a high priority.

Budget 2016 announced that the Home Office will receive £31 million to form a specialised group of border officers and intelligence officials to intercept tobacco smugglers and seize illicit tobacco products, protecting over £100m of tax revenue over four years. It also announced that HM Revenue and Custom will consult in the spring on a range of measures to strengthen sanctions for tobacco fraud. This will ensure that sanctions will be more proportionate and targeted, with a particular focus on repeat offenders.

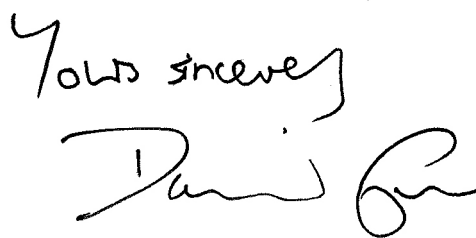
To tackle alcohol fraud, the Government is publishing a new alcohol strategy, setting out its ambition to modernise the alcohol taxes to tackle fraud and reduce burdens on alcohol businesses including retailers. Consultations on the reform of procedures for the collection of alcohol duty, and on the feasibility and impacts of specific anti-fraud measures, will follow in 2016.

As you will know, the Government has also introduced the Alcohol Wholesaler Registration Scheme. This scheme intends to reduce the prevalence of alcohol fraud in the wholesale and retail sectors by ensuring that only legitimate traders may wholesale alcohol.

At Budget 2016 the Chancellor also announced that corporation tax, which has already been lowered from 28% in 2010 to 20% in 2015, will fall to 17% in 2020, benefiting over one million companies, large and small. This will give the UK the lowest rate of corporation tax in the G20.

I recognise that some recent policy changes, like pensions auto-enrolment and the National Living Wage, may mean additional costs for some small employers. However, individuals who work for small businesses should have the same opportunities as those employed by larger firms, so it is important to strike a balance. The Government is doing what it can to minimise the extra costs for small employers.

Thank you again for taking the time to send us your 2016 Budget submission.

Yours sincerely


DAVID GAUKE