NFRN
The voice of the independent retailer

The Rt Hon. George Osborne MP
Chancellor of the Exchequer and First Secretary of State
The Correspondence and Enquiry Unit
HM Treasury
1 Horse Guards Road
SW1A 2HQ

Dear Chancellor,

On behalf of the NFRN (National Federation of Retail Newsagents), one of Europe's largest employer's associations, representing over 15,000 independent retailers across the UK and Republic of Ireland, I would like to put before you our 2016 Budget submission. We believe our proposals will strengthen independent retailer confidence and back micro-businesses, enabling them to compete and grow in consistency with the rest of the economy.

There are a number of measures being brought forward which will test our members' confidence and businesses, including the introduction of the National Living Wage in April, the pensions auto-enrolment legislation, the possibility of Sunday Trading being deregulated and the reports we are receiving from retailers on the increasing cost of doing business. As examples, in the period of low inflation, our members are witnessing higher energy costs and rises in carriage charges from news wholesalers.

Therefore, the Spring Budget 2016 will be a key opportunity to help strengthen business confidence among our members and help secure the future of independent retailers, who are part of their local communities across the United Kingdom.

While we support your efforts to restore a strong economy, we feel that small and independent retailers are often forgotten.

We hope our submission provides helpful input to your thinking ahead of 16th March and we would be happy to discuss our proposals further with you and your team.

Yours sincerely,

Paul Baxter
Chief Executive
NFRN

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Business Rates

Business rates remain the priority tax in need of reform. There are substantial variations between ratings in the retail sector, as the NFRN discovered through a business rates survey we conducted in 2015. This revealed that a small independent retailer could be paying 69% more per square metre than a branded convenience store located nearby, while some of our members could be charged nearly 133% more in rates per square metre than a home-style retailer located metres away on an adjoining street.

Business rates represent the second largest fixed rate cost for retailers, yet the system is no longer fit for purpose in the current climate, with online shopping and the increase in supermarket presence. Many organisations, as well as the NFRN, have come out supporting a fair business rates system, internationally-competitive and a way of rewarding investment. NFRN members support their local communities, but sometimes they are forced to close due to the cost of doing business, with business rates being a contributing factor. If their store closes, not only does the high street lose out to a unique choice, but the community loses out too.

The Retail Rate Relief scheme provides a meaningful difference to operating costs of retailers' businesses, especially micro-businesses. This difference contributes towards further business investment, retention of jobs and minimising the cost of operating.

The NFRN believes that small business rate relief has been crucial in preventing independent retailers from further closures and to keep trading during the economic downturn and declining footfall. The NFRN is, therefore, calling for an increase from the current £1,500 to £2,000, providing better security.

We also believe the Government should reintroduce the 2% cap on the annual business rates increase to provide businesses with certainty on future rates bills. The introduction of the 2% cap was supported by the whole business community as it provided businesses with certainty about future business rates increases.

Representing the Trade in The British Isles and The Republic of Ireland
National Federation of Retail Newsagents
Yeoman House Sekforde Street London EC1R 0HF
Telephone 020 7253 4225 Facsimile 020 7250 0927
Website www.nfrnonline.com

Having conducted extensive research into the system and how it affects retail businesses, the NFRN recommends our 9 point business rate proposals.

9 Point Business Rate Proposals

Proposal	Additional
The Government should implement the revaluation of business rates as soon as possible to reset retail valuations, bringing them in line with the current market conditions.	The rating system incorporates revaluations which adjust rating assessments to reflect changes in the property market between the valuation dates. Current rateable valuables are out of line with the economic situation, despite the economic climate or inflation level, business rates remained the same.
Revaluation should take place at more frequent interludes to avoid retail valuation becoming dramatically out of sync with the market environment.	The current valuations used as the foundation for calculating business rates are based on the value of the property in 2008, the most recent valuation date, just before the economic recession and negative business climate.
The effects of the 2017 revaluations should be implemented without transitional reliefs to deliver immediate benefits to the high street.	If the 2017 revaluation is accompanied by new transitional arrangements, many of the hard-pressed retailers will not benefit from the revaluation process until 2019/20 or even 2020/21. By implementing the revaluation without transitional reliefs, the reality of liability will be realised immediately.
Develop a mechanism for deciding the multiplier.	Suggestions to find an alternative measure should be looked at further, with a solution that takes into account the property market preferential for reflecting the current economic situation.
Address the imbalance between small and large retail properties	With changing retail habits characterising the sector, it is important that the zoning method of measuring a property is retired and all properties are made comparable through a uniform valuation measure.
Address the imbalance between online shopping and the High Street.	The current method of calculating rateable values gives online retailers a huge cost advantage over traditional high street occupiers. If the 2017 revaluation adopts rents as the measure of rateable value, this unfairness will continue.
Make rateable relief permanent for micro-businesses, with the amount available lasting for the duration of each rating list.	Current relief measures are temporary, with decisions on their future announced only weeks ahead of the next financial year. This uncertainty caused deters investment and business planning and subsequently, growth.
Re-occupied retail rate relief should be increased from 50% to 100%.	An exemption from business rate is now widely recognised as one of the primary financial stimuli to the Government to encourage entrepreneurs and to create jobs. Increasing existing relief for new occupations from 50% to 100% would greatly reduce costs for start-ups and encourage new retail entrepreneurs and revive local High Streets.
Address the charitable rate relief problem.	Currently, charities and amateur community sports clubs can apply for business rates relief of up to 80% if they use the property for charitable purposes. In addition, local authorities can use their discretionary relief fund to boost their relief to 100%.

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Alcohol & Tobacco

Our members are always extremely cautious about changes affecting the sale of alcohol and tobacco products and are fully aware of how these can fuel the illicit market. Illicit trade continues to be a significant and growing threat to our members' businesses who legitimately sell alcohol and tobacco products.

HMRC's Measuring Tax Gaps 2015 report estimated the mid-point loss to the Treasury is £3.2 billion combined; £1.2 billion loss from alcohol and £2.1 billion loss from tobacco.

This Budget has the opportunity for the Government to effectively boost HMRC to link more effectively with local licensing authorities through some pilot schemes targeted at removing alcohol licenses from retailers selling non-duty paid products. It is well known that those behind illicit trade items, such as counterfeits and smuggling, are contributors to further illegal acts, including; terrorism, human trafficking, violent crimes and gangs.

The NFRN strongly believes that the Government must ring fence and secure HMRC funding in order to disrupt the growing problem of the illicit trade market. The focus should be on greater communication between relevant bodies in resolving and challenging the illicit market, and for local enforcement agencies to better use resources and their powers.

Corporation Tax

The announcement in last years' Budget on the reductions in Corporation Taxes to 19% in 2017 and 18% in 2020 is welcomed by the NFRN and a positive step forward. However, small and mico-businesses are at a disadvantage and we would encourage the Government to look further beyond Corporation Tax cuts and reduce the burden on the costs smaller businesses face.

By exempting small businesses from corporation tax, the Government would therefore be effectively investing in small businesses – which will then reinvest in their business, create jobs and contribute further to the economy and local communities which they serve.

Payroll Cost

The newsagents sector of retail is one of the sub-sections of the industry to witness closures and a loss to jobs, with -3.8% openings in 2014/15. These figures display the difficulties our members face trying to keep their businesses alive.

Businesses are witnessing above inflation increases in the minimum wage, and with the introduction of the auto-enrolment pension scheme, this is an increased burden on small retailers. We call on the Government to analyse the impact of the national living wage has on micro-businesses and whether this can be deliverable and will not result in a reduction in jobs in the retail sector.

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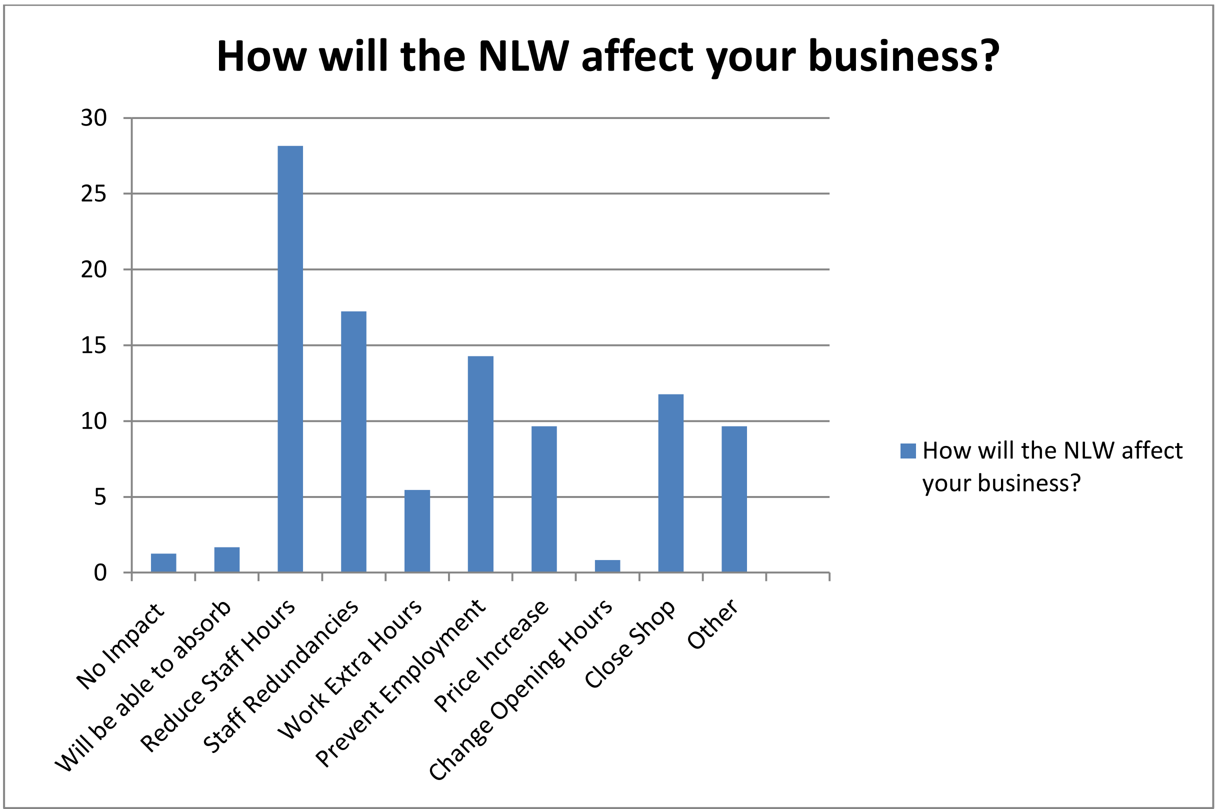
Respondents from the NFRN's 2015 National Living Wage survey analysis.



Our survey shows that just over 28% of our members would have to reduce staff hours, whilst 17% would have to make staff redundancies. The introduction of the National Living Wage would further harm the industry and prevent growth, with 14% stating it would prevent them from expanding or employing more staff.

Should you wish to engage with the NFRN and discuss our proposals further, please contact the NFRN's public affairs team by:

Email – Publicaffairs@nfrn.org.uk
Phone – 020 7253 4225

NFRN
Yeoman House
Sekforde Street
London
EC1R 0HF