



**Department for
Communities and
Local Government**

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PROPOSAL FOR NEW SHOPS & SUPERMARKETS TAX

You submitted a proposal under the Sustainable Communities Act to impose a new tax on large shops and supermarkets. You asked that town halls be given the power to levy an additional tax of up to 8.5 per cent of the business rate on large supermarkets or large retail outlets in their area, with an annual rateable value over £500,000. I note that this is not just a tax on supermarkets, but also a tax on department stores and shopping precincts.

The Coalition Government does not support these calls for higher taxation. Larger premises already pay higher business rates, as a business rate bill is directly related to the Rateable Value of the premises. In any area, bigger premises have a bigger Rateable Value; moreover, larger firms are not eligible for many of the various reliefs and also pay a higher multiplier.

Imposing new, additional taxes on supermarkets and larger shops will ultimately push up the price of food and the cost of living, hitting low-income families the hardest. Supermarkets should certainly act with social responsibility, but equally, we should also recognise they play an important role in our society and free market in providing convenient, accessible and competitively priced food.

We ruled out such a similar bid for higher taxes on supermarkets under the last round of the Sustainable Communities Act proposals. Such tax would invariably reduce investment in new and existing stores and hit jobs.

Your submission cited the example of Scotland. However, it failed to mention that the Scottish Government is now abandoning their new tax because of the negative consequences. It also cited Northern Ireland, however, it did not consider that their system of small business rate relief is less generous than that currently available in England.

There are much better ways to support small shops – not least by cutting taxes, rather than increasing them. The Coalition Government’s long-term economic plan has supported local high streets with a billion pound package of investment that includes a £1,000 discount for smaller shops, doubling small business rate relief, making small rate relief easier to claim and a new relief to get empty shops back into productive use. We have also introduced sensible planning changes to get empty buildings back into use and increase the resident population of town centres, as well as action to tackle over-zealous parking practices.

The Localism Act 2011 has also given councils new powers to introduce local business rate discounts. Following the reforms in the Local Government Finance Act 2012, central government now funds half the costs of all local discounts granted. This is part of a series of steps by the Government to help support local shops and local high streets and spread best practice by councils.

Certainly high streets face challenges, but this is as much about the way that the internet is changing the way we shop in the 21st Century: and it is as challenging for supermarkets’ old business models, as much as it is for small firms. In that context, your proposal is sadly an all-too predictable siren call from some parts of local government: namely, the solution to every policy issue seems to be how to impose new taxes. This is a lazy way of thinking.

Councils already have a wide range of powers to support local high streets and small shops – across parking, planning, licensing and the night-time economy, street markets, improving the street scene, supporting ‘click and collect’, tourism promotion, to exercising their role as a landowner in their own right. The Localism Act also gives councils a new general power of competence. My department’s high streets team would be happy to provide some further advice and best practice.

Of course, the Sustainable Communities Act gives a council that is not content with the decision on a proposal the opportunity to challenge it through the ‘Selector’, which is the Local Government Association for principal councils. The Selector can request that the Secretary of State reconsider his decision on a proposal if it believes that it would promote the sustainability of local communities and should be agreed to. More information is available from selector@local.gov.uk or Sustainable Communities Act Selector Panel, Local Government House, Smith Square, London, SW1P 3HZ. However, as I have indicated above, I would instead encourage some more constructive and creative thinking on ways to support free enterprise and business.

The contents of this letter will be included on the barrier busting website [<http://barrierbusting.communities.gov.uk/>].

I am also placing this letter in the public domain on my department’s website, given the number of other interested parties which have written to me on this issue.

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