M&S

Written evidence submitted by M&S (NDRB03)

- **M&S serves 32 million customers a year and employs 65,000 colleagues in over 1000 stores.** Many of our stores are in town centres and on high streets, so we care deeply about the future of the business rates system and how it impacts our customers and the communities we serve.

- **We believe the business rates system is broken.** It penalises firms who invest in a bricks and mortar presence in places across the UK, contributing to rising vacancy rates and declining footfall. The system also places a disproportionate tax burden on retail, which makes up only around 5% of the economy but pays 7.4% of all taxes borne by business, and 21% of business rates. Rates have no link to profits or trading conditions, and despite an increasingly challenging environment for high street retailers the multiplier has risen by almost two thirds since 1990 from around 35p to 55p.

- **We were therefore pleased to see a commitment to "overhaul" and "replace" the business rates system in the Government's election manifesto.** Reforms could not only support the high street but also contribute to the Government's central aim of increasing economic growth and unlocking investment.

- **But the Government's proposed reforms don't fundamentally change the rates system – and could even make it worse.** The measures in *Transforming Business Rates* involve marginal tweaks to the system, largely redistributing the burden of taxation within the retail sector. They will leave M&S's business rates bill relatively unchanged, at around £170m a year, doing little to unlock investment, support growth, or address the inherent unfairness in the system.

- **It is frustrating that this new model is being rushed through so soon after the election, with minimal consultation.** Without a full analysis of the impact of the proposed changes, there is a risk that the policy doesn't fulfil its aim and could primarily benefit "pureplay" online retailers or international firms and accelerate high street decline.

M&S Store Estate

- **The description of the new approach as targeting "online giants" or "out-of-town businesses that draw footfall away from high streets" is misleading.** 21% of our stores in England are over the £500k threshold, and they account for 54% of our business rates bill for our store estate (see Table 1 below). One in three of our stores over the £500k threshold are in high street locations.

Table 1: M&S Store Estate in England, broken down by location and RV above or below £500k (Note: does not include warehouses or offices)

	Number of Stores				Annual Rates Liability £m			
	Under £500k	Over £500k	Total	% Over	Under £500k	Over £500k	Total	% Over
London	86	23	109	21%	10.7	17.8	28.5	62%
South East	86	21	107	20%	12.4	11.5	24.0	48%
Eastern	42	13	55	24%	5.1	6.1	11.2	54%
South West	36	12	48	25%	4.5	5.9	10.4	57%
Yorkshire and The Humber	38	10	48	21%	3.8	5.1	8.9	57%
West Midlands	36	10	46	22%	4.5	4.3	8.8	49%
North West	52	10	62	16%	6.6	6.7	13.3	50%
East Midlands	30	6	36	17%	3.2	2.8	6.1	47%
North East	17	6	23	26%	1.6	2.4	4.1	60%
Total	**424**	**111**	**535**	**21%**	**52.7**	**62.6**	**115.3**	**54%**

- **Stores over £500k are found across the country, particularly in areas where young people are struggling to find jobs.** 1 in 5 stores in the West Midlands are over £500k, and 1 in 4 in the North East – both areas where youth unemployment is around 18%.

- **Given larger retailers are often anchor tenants on the high street, taxing them to support smaller stores is a false economy – if larger shops close, smaller shops suffer.**

- **The proposed reforms could therefore accelerate the decline of the high street** by encouraging retailers to close larger high street stores. Particularly when these measures come on top of recent changes to National Insurance which are particularly difficult for retail, and at a time when vacancy rates are up and footfall down in towns and cities across the country.

- **After a Budget which placed a cumulative burden of £7bn on the retail sector,** it cannot be right that these reforms leave many of the biggest retail employers either worse off or still left with a disproportionate business rates bill.

Our Asks

- **The Government should deliver what it promised: a fundamental review of Business Rates** to secure the future of the high street and support investment and job creation in the retail sector. Individual suggestions in *Transforming Business Rates* around incentivising investment by reforming reliefs or reducing uncertainty through more frequent revaluations are welcome, but do not amount to an "overhaul".

- **If the current proposals are pursued, then stores should be exempt from the over £500k multiplier.** This exemption could be delivered in a way that is revenue neutral for the Government.

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