SUBMISSION FROM CBI SCOTLAND

1. I refer to the Committee's current scrutiny and deliberations on the above regulation.

2. CBI Scotland does not support the proposed new £30m levy on larger retailers and asks that the Committee rejects the measure. We have a number of specific objections and concerns about this proposed extra tax, the key ones being:

3. The proposed levy contradicts and is wholly at odds with the Scottish Government's stated aim[1] of ensuring Scotland is "the most attractive place for doing business in Europe." Government and Parliament should be promoting Scotland as an attractive destination for business investment, not sending out the opposite message to potential investors and undermining the credibility of efforts to tempt large retail inward investments to our cities.

4. The proposed levy marks a decisive departure away from the Uniform Business Rate and poundage rate parity with the rest of the UK, which business fought long and hard for and which our members want to see government and parliamentarians honour. Unpicking poundage rate parity opens the door in subsequent devolved Budgets to the retail levy threshold being lowered or other successful sectors being targeted with similar levies, particularly if the Government's programme of spending reductions and efficiency savings fail to generate the desired savings.

5. This proposed levy is at odds with the Scottish Government's stated aim[2] of "delivering a competitive tax regime which incentivises business growth and attracts mobile factors of production". The levy will make it more expensive for retailers to invest in Scotland and could put at risk much needed investment, for example from retail chains which are often able to choose locations elsewhere in the UK or indeed abroad for their investments. The refusal to re-introduce non-domestic rates transitional relief following last year's commercial property revaluation, when rates bills south of the border remain capped, can already make Scottish retail premises more expensive over the short to medium term.

6. The proposed levy will undermine Scottish Government policy and funding streams designed to support the creation of town centre Business Improvement Districts (BIDs). BIDs are funded by a mandatory BID levy related to their non-domestic rates liability, and this hefty new retail levy will diminish the appetite of larger retailers to support, vote for and fund Business Improvement Districts. This levy could hold back the creation of new BIDs and poses a threat to the renewal of existing ones when their term expires. In addition to this proposed new levy, larger retailers are already subject to (a) their normal rates bill which may have increased this year by double digits due to revaluation and the lack of transitional relief, (b) the existing supplementary levy that all larger firms - including retailers

[1] *Scotland's Spending Plans & Draft Budget 2011-12*, Scottish Government, p81

[2] Scottish Government's economic strategy, p29

– pay towards funding the Small Business Bonus, and (c) a BID levy if they fall within a Business Improvement District area.

7. The absence of a Business Regulatory Impact Assessment, as noted in the Executive Note accompanying the Regulation, is a serious omission and contradicts the best practice guidance and thrust of the Scottish Government's better regulation agenda (i.e. to genuinely consult with business prior to the introduction of new regulations) and the recommendations of the Scottish Government's own Regulatory Review Group. The lack of a BRIA means that a full and proper assessment of the implications of the levy has not been undertaken, e.g. on the implications for BIDS, the potential to cede jobs to online retailers based out-with Scotland resulting in lower tax revenues[3], the cost of the added complexity to the system of non-domestic rates etc.

8. CBI Scotland has deep misgivings about the proposed retail levy and both its short and longer term implications, and believe that it puts at risk Scotland's reputation as a welcoming destination for business investment.

David Lonsdale
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[3] Report to the Finance Committee on the Draft Scottish Budget 2011-12 by Professor David Bell, November 2011