ACS Submission | Autumn Budget 2025

ACS (the Association of Convenience Stores) welcomes the opportunity to provide evidence to the Treasury ahead of the Budget. ACS represents 50,486 local shops and petrol forecourt sites including thousands of independent retailers, many of which trade under brands such as Spar, Budgens, and Nisa. These retailers operate in all locations, such as neighbourhoods, villages, on petrol forecourts, and in city centres, but our primary trading location in secondary shopping areas close to where people live and work.

Retailers are facing challenges directly linked to decisions made at the last Budget that cost an estimated £612 million to the sector, through increases in employer National Insurance Contributions and reductions in business rates relief. ACS' Local Shop Report shows the impact of these pressures: the sector has seen a reduction in both employment and working hours, while investment levels have fallen. These additional burdens risk undermining the role of local shops as stable employers and long-term investors in their communities.

Despite these challenges, convenience retailers make a substantial contribution to the UK economy and remain relevant to the communities they serve. Over the last year, the sector generated over £10.5 billion in Gross Value Added and paid more than £9.5 billion in taxes, underlining its role as a significant source of revenue to the Exchequer. The sector is also a major employer, providing over 443,000 jobs. These are local, secure and flexible jobs that support a diverse workforce and provide vital opportunities for people to work close to home.

The impact of convenience stores goes well beyond economics. They are essential community-led businesses, constantly adapting to meet the changing needs of the people they serve. Local shops provide hubs of interaction and support, often functioning as informal community centres that enhance social cohesion and neighbourhood well-being. Convenience retailers have a strong record of giving back, with 80% engaging in some form of community activity in the past year.

The services offered by local shops are also expanding. From banking and bill payment services, to parcel collection, click-and-collect, and home delivery, retailers are investing in technology and innovation to make life easier for customers. This breadth of services makes convenience stores indispensable to the resilience of local areas.

Our members are weathering a storm of increased costs and will face further pressure in April when their rates bills are expected to rise again as a result of the latest business rate revaluation. We therefore urge the Chancellor to make clear that this Government supports local shops and recognises their potential as engines of local growth, community strength, and economic resilience. Our key asks are set out in the below table:

ACS POLICY PROPOSALS

Theme	Policy Proposal	Costs/Key Data
Business Rates	**Set the new Retail, Hospitality and Leisure (RHL) business rates multipliers at least 20p lower than the standard and small business multipliers from April 2026.** This adjustment is essential to offset the combined impact of rising rateable values at the forthcoming revaluation and the phased withdrawal of temporary RHL relief, both of which will significantly increase fixed costs for retailers. Establishing the RHL multipliers at this level will provide meaningful, long-term financial headroom for convenience retailers, enabling them to plan with greater certainty, invest in store improvements, energy efficiency and security measures, retain and recruit staff, and continue playing a vital role in sustaining high streets and neighbourhood parades. Setting the multipliers at a clear, consistent differential will also send a strong signal of Government's commitment to backing everyday businesses at the heart of communities.	The cost of Business Rates to the convenience sector last year was **£307 million**. This will increase further with the reduction in relief and increases in RV following the 2026 revaluation. Our data suggests that **61%** of convenience retailers used the financial support from business rates relief to invest in store improvement and new services, and **39%** used this for support for store operating costs[1].
	Index Small Business Rate Relief (SBRR) eligibility thresholds to reflect increases in rateable values (RVs) at the 2026 revaluation. Without this adjustment, many small retailers who currently qualify for relief risk being unfairly pushed out of eligibility purely due to inflationary and revaluation-driven RV increases, despite operating under the same trading conditions. SBRR is a vital support mechanism for thousands of local shops, especially in rural locations, helping them to absorb rising costs while continuing to provide essential, low-margin services such as bill payments, access to cash, and Post Office functions that are particularly important in villages and neighbourhood parades. Updating the thresholds in line with RV increases would protect these businesses from sudden and unsustainable increases in their rates bills, provide stability for long-term planning, and give small retailers the confidence to reinvest in their operations.	
	Extend the scope and duration of Improvement Relief to better incentivise investment by local shops. Currently, the scheme provides only 12 months of relief on higher rates liabilities following qualifying improvements, which is insufficient for many small businesses to recover costs and realise the benefits of investment. **Extending the relief period to three years** would give retailers the certainty and financial space they need to commit to major upgrades such as refits, extensions, and energy efficiency measures. The scheme should also be broadened to include plant and machinery installations – such as refrigeration, shelving, or air conditioning systems – which are often essential for modernisation, meeting environmental standards, and reducing long-term operating costs but are currently excluded from relief. In addition, **business rates valuations should exempt the installation of security measures such as CCTV**. Retailers should not face higher tax bills for investing in crime prevention that protects staff, customers, and the wider community. These reforms would ensure Improvement Relief functions as a genuine driver of reinvestment, decarbonisation, and safety in the convenience sector.	

[1] ACS Voice of Local Shops Survey

	To support the rollout of the Deposit Return Scheme (DRS), **Return Vending Machines (RVMs) should be exempt from Business Rates**, recognising their essential role in delivering a circular economy. The Scottish Government introduced such an exemption through the Non-Domestic Rating (Valuation of Sites of Reverse Vending Machines) (Scotland) Regulations 2023, which came into force on 1 April 2023. This ensures that parts of properties solely used for RVMs are not liable for non-domestic rates, setting a clear precedent for targeted relief to aid scheme implementation. The relief should be considered and replicated for DRS rollout across the UK.	
Duties	**Fuel Duty** Maintaining the cut to fuel duty is vital for convenience retailers, helping them to manage operating costs and continue to offer competitive prices to customers. This support is especially important during a period of sustained inflation, when affordability remains a key concern for households and communities across the country.	
	Tobacco and Vaping Products Duty ACS is urging the Treasury to **carefully weigh the impact of raising duty on tobacco and vaping products, as higher rates risk pushing more consumers toward the illicit market**. Illicit tobacco already costs the Exchequer around £1.8 billion a year, while the illicit vape sales are estimated to be at least a third of the total market. With a vape duty set to take effect next year, risks are set to increase further. Our members consistently report that the illicit market is growing in scale without a proportionate enforcement response from Trading Standards, creating major challenges for retailers. Policy changes, such as the recent ban on disposable vapes, have impacted overall vape sales and our research shows at least 14% of disposable vape users continue to use and access disposable vape through illicit channels. Any further increase in duty must be balanced with increased investment in enforcement activity. It is essential that additional funding is directed to enforcement for Trading Standards. This dedicated funding would ensure consistent enforcement capacity across the country, disrupt criminal supply chains that exploit communities, protect legitimate retailers who comply with the law, and secure sustainable revenue for the Treasury by reducing the tax gap. We therefore would implore the Treasury to review how revenue from the forthcoming vape duty could be allocated to this vital enforcement activity.	ACS' Resource Analysis for Vape Enforcement report sets out a clear case for £140.4 million over five years to enhance trading standards. HM Revenue and Customs Tax Gap is estimated at £1.8bn (Duty & VAT combined) 2023-2024. Yonder Consumer Polling commissioned by ACS indicates 14% of disposable vape users continue to use disposables since ban.
	Alcohol Duty Alcohol remains a key product category for convenience retailers. We **recommend the Government freeze duty on these products to avoid exacerbating inflationary pressures on consumers and to offer some relief to retailers** already struggling with rising business costs. The latest ONS data also indicates that prices for alcohol and tobacco rose by about 5.7 % in the year to August 2024. Even if alcohol's share of that increase were somewhat lower, higher duty rates would only exacerbate cost pressures on consumers. A fair and stable duty regime provides businesses with greater certainty, and helps protect the Exchequer by maintaining a secure, reliable revenue stream.	HM Revenue and Customs estimates beer and spirits tax gap has nearly doubled, surging from around £0.5 billion to £0.8 billion in 2023-24. ONS CPI Inflation statistics indicate that alcohol and tobacco rose by 5.7% in the year to August 2024.

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<td rowspan="3">Employment</td>
<td>Ensure that decisions on the NLW strike the right balance between improving pay for workers and the impact on businesses, hours, and job creation. The Government should not go beyond the existing two-thirds median earnings target and avoid setting new or higher thresholds that could undermine job creation or viability in labour-intensive sectors. Retailers have responded to the 2025 NLW increase by reducing profitability, reducing paid working hours in the business, and increasing prices.

We support the ambition to lower the NLW age threshold to 18, recognising the importance of ensuring younger workers are fairly rewarded. However, this change must be introduced with sufficient notice and on a phased basis to allow businesses time to adapt. By phasing the threshold change and reviewing NICs alongside NLW policy, the Government can protect job opportunities for young people, support business investment in staff, and maintain the secure, flexible, and local jobs that convenience stores provide across the country.</td>
<td rowspan="3">98% of retailers describe the recent NLW increase as ‘significant’. More than half of retailers have responded by taking lower profits, reducing staff hours, and increasing prices [2].

SSP cost the sector £14.7m in 2023. 80% of retailers expect absences to rise once employees are eligible for SSP from the first day of illness.</td>
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<td>Introduce a rebate scheme to help employers recover the cost of SSP for the first three days of absence. A scheme modelled on the pre-2014 Percentage Threshold Scheme or the more recent Coronavirus SSP Rebate Scheme would provide targeted support for small businesses, ensuring they can continue to meet their obligations to staff without undermining their own financial stability.
The removal of the three-day waiting period will create immediate additional costs for employers, particularly in sectors like convenience retail where teams are small. Without a rebate mechanism, many businesses will be forced to absorb these costs by reducing investment, cutting hours, or increasing their own workloads to cover absences. A rebate scheme would ensure that SSP reforms deliver improved support for workers while remaining affordable and sustainable for the businesses that employ them.</td>
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<td>The implementation of employment rights reforms must support secure, flexible jobs while avoiding disproportionate burdens on retailers. To achieve this, the threshold for defining a “low hours” contract should be set no higher than six hours per week, and rules on shift notice must remain flexible to reflect the operational realities of the sector.
Convenience stores already provide secure employment alongside significant flexibility, with most colleagues on permanent contracts and working patterns shaped by mutual agreement. However, if reforms are implemented in a way that creates unnecessary complexity or rigid obligations, retailers will be less likely to take risks in offering additional hours or new roles. This could reduce, rather than enhance, opportunities for employees.
A proportionate approach – backed by sector-led guidance and recognising the informal scheduling methods many small businesses rely on – will ensure the reforms achieve their intended outcomes without stifling job creation.</td>
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[2] ACS Employment Survey 2025