

Transforming Business Rates: ACS Position Paper

Overview

ACS (the Association of Convenience Stores) represents 50,387 local shops and petrol forecourt sites including Co-op, BP, One Stop and 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 is in secondary shopping areas close to where people live and work.

Business rates are a significant fixed cost for convenience retailers, directly shaping business planning and investment decisions in a sector with already tight profit margins. Over the past year, the convenience sector paid approximately £199 million in business rates. With the reduction in Retail, Hospitality, and Leisure (RHL) relief from 75% to 40%, this figure is projected to rise to £267 million, adding to the financial pressures faced by retailers.

Convenience stores play an essential role in local communities, with only 27% located on a typical high street or in city centres. The vast majority operate in primary trading areas close to where people live and work, either on small parades with up to five other retail or service businesses nearby or in isolated locations with no other shops close by¹. This proximity to residential areas ensures that convenience stores are uniquely positioned to meet the daily needs of their customers, providing vital goods and services within walking distance.

During the pandemic, convenience stores cemented their status as "essential businesses" by stepping up to support elderly, vulnerable, and isolating customers². Many stores established strong links with local councils and introduced delivery services, often as simple as providing a phone number for customers to call and request the items they needed. These efforts demonstrated the integral role that convenience stores play in sustaining local communities, particularly during times of crisis, highlighting their value as a cornerstone of everyday life.

The structure of the business rates system must prioritise competitiveness for retailers, supporting their vital role in serving communities while enabling investment, growth, and the continuation of essential services. Retailers are already grappling with escalating costs, particularly rising labour expenses compounded by increases in employer NICs. It is crucial that the system does not become punitive against any type of premises but instead provides a fair reflection of the economy, balancing the competitive landscape and allowing all businesses to thrive and contribute to their communities.

ACS' Recommendations on Business Rates are listed below:

- Set the new RHL multipliers at least 5p lower than the current standard and small business multipliers to offset the cost of reduced business rates relief and unlock investment in villages, parades, and high streets.
- Index SBRR thresholds to account for rising RVs at the next revaluation to prevent businesses from losing eligibility.
- Avoid assessing businesses eligible for 100% SBRR relief unnecessarily; instead, use established estimates or lease values, as already utilised in Stamp Duty Land Tax (SDLT), to free up VOA resources for more complex cases.

¹ ACS Local Shop Report 2024

² [The Health Protection \(Coronavirus, Restrictions\) \(England\) \(No. 4\) Regulations 2020](#)

- Extend Improvement Relief from 12 months to five years to align with typical business investment cycles, and ensure the relief aligns with Minimum Energy Efficiency Standards (MEES) requirements to facilitate investment in energy saving initiatives.
- Implement a 'Fresh Start Scheme', similar to the one in Scotland, providing 100% relief for businesses occupying long-term empty properties for the first year of their tenancy to reduce operational costs and encourage investment.
- Improve and accelerate the "Check, Challenge, Appeal" process to resolve disputes over rateable values efficiently and fairly, reducing uncertainty and enabling businesses to reinvest confidently.
- Move towards more frequent revaluations once the VOA is adequately resourced to manage the increased workload.
- Shorten the gap between the AVD and implementation date while ensuring administrative burdens, such as frequent submissions to the VOA, are reduced for small businesses.
- Simplify the business rates system to reduce complexity and make it more user-friendly for ratepayers, especially smaller, independent retailers, thereby reducing the reliance on rating agents.

This submission is structured around the main themes outlined in the government's *Transforming Business Rates* paper.

Protecting the High Street

We welcome the measures in the Non-Domestic Rating (Multipliers and Private Schools) Bill to introduce permanently lower multipliers for retail properties in England. This is a positive and much-needed step that will benefit not only local shops but also the villages, local parades, and high streets where these businesses play a central role. Convenience stores provide essential, low-margin services, such as click + collect services (37% of stores), other parcel collection services (24%), post office services (20%), and bill payment facilities (82%)³, which are vital to local communities but often challenging to sustain without sufficient support.

It is essential that the lower multipliers are set at levels that provide meaningful financial relief to retail businesses and the communities they serve. Significant savings will enable retailers to reinvest in their businesses, drive growth, improve customer services, and support the resilience of local economies. A sustainable approach is key to ensuring the sector continues to thrive and fulfil its vital role in everyday life.

Setting the RHL Multipliers

To achieve this, multipliers must remain consistently low and free from unpredictable changes driven by budget announcements or inflation rates. Stability and certainty are critical for retailers to plan investments, manage costs, and make informed business decisions. Avoiding a "cliff edge" in multiplier levels will help ensure that the financial benefits are impactful, enabling retailers to maintain operations and contribute to vibrant local communities.

We welcome the introduction of a 20p maximum reduction for the Retail, Hospitality, and Leisure (RHL) multiplier compared to the existing small business multiplier. This flexibility offers an opportunity to deliver substantial savings, alleviate cost pressures, and support

³ ACS Local Shop Report 2024

investment in local businesses. Setting the RHL multiplier at an appropriate level is crucial to ensuring that retail businesses, whether on high streets or in local parades, can continue to operate and serve their communities effectively.

The tables below demonstrate the potential savings for retailers based on varying reductions of 5p, 10p, and 20p below the existing small business and standard multiplier. For the RHL multipliers to have a meaningful impact, they need to be set at least 5p lower than the small business and standard multipliers. For example, if the Small Business Multiplier remains frozen at 49.9p through 2026/27, setting the RHL multiplier at 44.9p would save a convenience store with a £23,000 RV approximately £1,150 on their rates payable. These savings represent a significant opportunity for retailers to reinvest in their businesses and sustain their essential services.

Table 1: Sample Properties with Rateable Values <£51,000 with savings across different lower multipliers

Store size (Sqft)	Location Type	Typical Rateable Value	Rates Payable with 25/26 SB mult. (49.9p)	SB mult. -5p (44.9p) Rates Payable (difference)	SB mult. -10p (39.9p) Rates Payable (difference)	SB mult. -20p (29.9p) Rates Payable (difference)
≈ 1500	Urban	£14,400*	£5,748.48	£5,172.48 (-£576)	£4,596.48 (-£1,152)	£3,444.48 (-£2,304)
≈ 2000	Urban	£23,000	£11,477	£10,327 (-£1,150)	£9,177 (-£2,300)	£6,877 (-£4,600)
≈ 2500	Urban	£40,000	£19,960	£17,960 (-£2,000)	£15,960 (-£4,000)	£11,960 (-£8,000)
≈ 2000	Suburban/rural	£16,000	£7,984	£7,184 (-£800)	£6,484 (-£1,600)	£4,784 (-£3,200)
≈ 3000	Suburban/rural	£30,000	£14,970	£13,470 (-£1,500)	£11,970 (-£3,000)	£8,970 (-£6,000)

*property eligible for 20% relief through Small Business Rate Relief Scheme

Table 2: Sample Properties with Rateable Values >£51,000 with savings across different lower multipliers

Store size (Sqft)	Location Type	Typical Rateable Value	Rates Payable with 25/26 Standard mult. (55.5p)	Standard mult. - 5p (50.5p) Rates Payable (difference)	Standard mult. - 10p (45.5p) Rates Payable (difference)	Standard mult. - 20p (35.5p) Rates Payable (difference)
≈ 3000	Urban	£52,000	£28,860	£26,260 (-£2,600)	£23,660 (-£5,200)	£18,460 (-£10,400)
N/A	Petrol forecourt	£80,000	£44,400	£40,400 (-£4,000)	£36,400 (-£8,000)	£28,400 (-£16,000)

Such savings can make a significant difference to retailers:

- A £500 saving could enable investment in new HR management software to support with managing shifts more efficiently, especially in light of the new employment reforms coming in 2026⁴.
- A £1,800 saving could be invested in upgrading shelving or installing electronic shelf edge labels (currently used in 12% of stores)⁵ to enhance customer experiences and improve operational efficiency⁶.
- A £2,500-£3,000 saving could allow investment in updating CCTV systems or installing energy efficient refrigeration units or LED lighting^{7 8}.

⁴ <https://www.sage.com/en-gb/sage-business-cloud/hr/>

⁵ ACS Local Shop Report 2024

⁶ <https://www.ers-online.co.uk/p10257/sunmi-esl-electronic-shelf-label-solution>

⁷ <https://www.businesswatchgroup.co.uk/how-much-do-commercial-cctv-systems-cost>

⁸ <https://www.shopequip.co.uk/refrigeration-C323.html>

- A £4,500 saving could fund the installation of parcel collection points⁹, currently used by 24% of retailers, or a self-service checkout, provided by 17% of retailers, enabling retailers to modernise and better meet customer needs.

These investments are crucial for helping retailers adapt and thrive in challenging economic conditions. Last year, 56% of retailers who made investments prioritised refrigeration, and 36% focused on shelving improvements—both critical to store operations¹⁰. Beyond these immediate benefits, the savings could enable retailers to continue trading during difficult periods.

Impact of the Higher Multiplier

While convenience stores typically operate from small-format premises with rateable values below £500,000 and are not directly subject to the new higher multiplier, its introduction may still have indirect impacts on our members. Increased costs for larger premises, such as distribution centres, could be passed through the supply chain, ultimately affecting the operational costs of convenience retailers. While this is unlikely to undermine the financial stability of local shops, it is challenging for retailers to absorb product price increases, which are likely to be passed on to customers through higher prices.

We are supportive of the overarching aims outlined in the Transforming Business Rates paper, particularly the goal of “rebalancing the burden” to support high streets. However, the Bill does not fully achieve this objective, as it distinguishes solely by the size of premises rather than addressing the fundamental differences between online and physical businesses. The business rates system should not be punitive but should strive to provide a fair reflection of the economy. To this end, ACS has advocated for an alternative rating methodology that specifically targets online distribution centres, to enable a more sustainable and competitive retail environment by reflecting the shift in consumer spending across the economy.

Encouraging Investment

The current business rates system actively discourages investment. Small shops face disproportionately high business rates on their physical locations, placing them at a disadvantage compared to online-only businesses, which often have lower property-related costs. Additionally, expanding a business often means losing Small Business Rate Relief, leading to sharply increased rates that deter high street businesses from growing and reinvesting.

Reduction in Business Rates Relief

While we understand that Retail, Hospitality, and Leisure (RHL) relief could not be a permanent feature of the business rates system, its existence has been vital for the convenience sector. The relief has provided much-needed financial support during a period of significant economic challenges, helping retailers to navigate tight margins and rising costs while continuing to serve their local communities effectively.

The reduction in RHL relief from 75% to 40% for 2025/26 will cost the convenience sector an additional £68 million. This increase in rates liability comes at a time when many retailers are already grappling with rising operating costs, including labour and energy expenses, further straining their financial sustainability. Since COVID-19, RHL relief has been instrumental in enabling retailers to invest in their businesses and maintain confidence in their operations.

⁹ <https://www.parcelpending.com/en-gb/locker-solutions>

¹⁰ ACS Local Shop Report 204

Recent polling conducted in November 2024 revealed that one in four retailers reported rate relief as a critical factor in keeping their stores open when closure was a serious concern, and one in five credited it with enabling them to make essential business investments. This is why it is so important to set the new RHL multipliers at a level that encourages significant cost savings, enabling retailers to remain financially sustainable and invest in their businesses¹¹.

Small Business Rate Relief

Small Business Rate Relief is essential for sustaining the provision of low margin but vital services, such as bill payments, access to cash, and Post Office operations, particularly in secondary areas like villages and neighbourhood parades. It plays a critical role for convenience retailers by offering targeted support to the very smallest businesses.

Looking ahead, it is essential that SBRR thresholds are indexed to reflect rising RVs at the next revaluation. Although the rating list for the 2026 revaluation has not yet been published, we anticipate that many businesses could lose their eligibility for SBRR due to increased RVs. Updating the thresholds for 100% relief beyond £12,000 and partial relief beyond £15,000 in line with these changes is crucial to prevent a loss of support for businesses that depend on SBRR to manage costs and continue serving their communities.

SBRR should remain accessible to businesses that open a second premises to avoid creating a barrier to investment and growth. Expanding operations is a key way for small businesses to grow and serve more customers, but losing eligibility for SBRR could discourage this type of investment. Allowing businesses to retain relief across multiple premises within appropriate thresholds would support sustainable expansion.

Additionally, businesses eligible for 100% relief (those with a RV < £12,000) should not require detailed assessments by the VOA. Instead, established estimates could be used to determine eligibility, freeing up VOA resources to focus on larger and more complex hereditaments. The Government could consider using lease values to simplify rating calculations and reduce the VOA resources required for valuations. Lease values are already used as a basis for Stamp Duty Land Tax (SDLT). Low-value leases could be exempted from business rates, enhancing efficiency and enabling more accurate valuations elsewhere in the system. This approach would improve the fairness and effectiveness of the business rates framework.

Improvement relief

The introduction of Improvement Relief in April 2024 was a positive step toward fostering investment. Allowing businesses to claim full relief for 12 months on eligible property upgrades provided initial support for essential improvements. However, to truly align with typical business investment cycles, we advocate for extending the Improvement Relief scheme to five years. A longer relief period would offer a substantial incentive for long-term investments, giving retailers sufficient time to recoup costs and realise returns on major refits and upgrades. The current one-year framework falls short of achieving this.

This is particularly important given that more than half of retailers (56%) source their funding for investment from their own reserves, with only 7% relying on bank loans¹². Retailers are generally conservative in their approach to investment, carefully managing their resources. A

¹¹ ACS Voice of Local Shops Survey, November 2024

¹² ACS Voice of Local Shops Surveys 2022-2023

longer relief period would provide the stability and confidence needed to encourage greater reinvestment in their businesses.

Improvement Relief should also be expanded to support the decarbonisation of premises in line with the Minimum Energy Efficiency Standards (MEES). Providing relief for energy-efficient upgrades would not only help businesses comply with environmental regulations but also enable them to reduce energy usage sustainably, cutting costs and enhancing operational efficiency.

Fresh Start Relief

Another way to incentivise investment in England through the business rates system would be to consider implementing a Fresh Start Relief scheme, similar to the one in Scotland. This scheme offers businesses occupying certain long-term empty properties a 100% business rates discount for their first year, provided the property has been vacant for at least six months, has a rateable value of up to £100,000, and is actively occupied. Introducing this relief in England would encourage the reuse of empty properties by reducing operational costs for tenants, making it more attractive for businesses to occupy and invest in these spaces. Such a measure would likely prove more effective and beneficial than high street rental auctions, as it directly reduces financial barriers to occupancy while revitalising high streets and supporting local economies.

Creating a fairer system

More Frequent Revaluations

We welcome the proposals in the policy paper to make the business rates system more agile and accurate through more frequent revaluations. Increasing the frequency of revaluations will ensure that rateable values more closely reflect current market conditions, providing a fairer and more responsive system for retailers.

To fully realise the benefits of this change, the Government should seek to simplify and streamline the business rates system to make it more user-friendly for ratepayers. Simplifying the process would reduce the dependency of smaller, independent retailers on rating agents, who are often relied upon to navigate the complexities of the system. This would not only make compliance more accessible but also help prevent the exploitation of small businesses by rating agents.

While we support the shortening of the gap between the AVD and the implementation of new rating lists, it is crucial to minimise the administrative burden on retailers. Frequent revaluations will require businesses to submit more regular information to the VOA, which poses its own challenges, particularly for small businesses with limited resources.

The Government must work to reduce the time and effort businesses spend on compliance, appeals, and disputes. Ensuring a straightforward and transparent process will allow retailers to focus on their operations rather than navigating complex regulatory requirements. We would be supportive of more frequent revaluations, provided that the VOA is adequately resourced to manage the increased workload. Given the challenges the VOA already faces in handling the existing three-yearly cycle, it is essential that sufficient investment is made to ensure the system operates efficiently and delivers timely and accurate valuations.

Improving Check, Challenge, Appeal

There is a pressing need to improve and accelerate the "Check, Challenge, Appeal" process to address disputes over Rateable Values efficiently and fairly. Retailers frequently report having millions of pounds worth of rating challenges unresolved, creating significant uncertainty and stifling investment. As of June 2024, 12,620 Challenges (from all types of premises) had been registered against the 2023 rating list, but only 1,870 had been resolved, leaving 9,190 outstanding—highlighting the backlog and the VOA's limited capacity to manage cases within the statutory 18-month deadline¹³. A streamlined and timely resolution process is essential to ensure that businesses are not left in limbo, enabling them to plan with confidence, reinvest in their operations, and contribute to local economies.

Business Rates Avoidance & the General Anti-Avoidance Rule

We recognise the importance of tackling avoidance and evasion in the business rates system, as these issues undermine fairness and place an undue burden on compliant businesses. Efforts to close loopholes and ensure everyone pays their fair share are essential for creating a level playing field and funding vital local services.

The last Government sought to tackle business rates avoidance by reforming Empty Property Relief to address practices like repeated artificial occupation or "box shifting." However, little has been done to address the underlying reasons why properties remain empty in the first place. Regulatory challenges, such as meeting MEES, escalating operating costs, and rising business rates, all contribute to prolonged vacancies. Property owners often struggle to let properties when RVs are inaccurately assessed, highlighting the need for a faster and more efficient "Check, Challenge, Appeal" process to prevent unfair liabilities and support business confidence.

We welcome the Government's consideration of a General Anti-Avoidance Rule (GAAR) for business rates as a step toward addressing avoidance practices. We will work with the Government to ensure the rule is targeted, proportionate, and fit for purpose.

**If you have any questions about this paper, please contact ACS Public Affairs
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¹³ VOA: Non-domestic rating: challenges and changes statistical commentary: August 2024