Jersey Retail Association
jra.je

Dear Deputy Ahier,

Thank you for the opportunity to contribute towards the Corporate Services Scrutiny Panel's review of the 2019 draft budget statement. Please find below the Jersey Retail Association's (JRA) submission.

The JRA was established by an order of the Royal Court on 16 December 2016. It is the successor organisation to the Retail Development Group (RDG) which was an informal group of retailers who met monthly to pursue opportunities to develop their businesses and the industry overall. In January 2018, the JRA received a start-up seed fund, which facilitated the recruitment of its inaugural Chief Executive Lorie Rault who started on 12 February 2018.

Before the JRA became fully active at the end of February 2018, information pertaining to the Island's retail sector was difficult both to source and to communicate to retailers, government and the media.

This lack of information has led to decisions – such as the States Assembly approving a 20% retail tax – which are damaging to the industry. The JRA maintains that had a retail champion existed to provide meaningful consultation, this tax rate would have been set at 10% in line with that levied on the finance industry.

Retail tax rate:

The JRA's ability to lobby on behalf of the industry is proven through the Assembly's second vote on the retail tax. In March 2018, the association worked with the Chamber of Commerce, The Town Centre Manager and the Jersey Consumer Council to campaign in favour of reducing the 20% tax rate to 10%.

As a result of this work, and the increased information about the sector which was provided to the Assembly:

- The number of votes cast against the 20% rate increased from 3 to 24;
- 21 States members changed the way in which they voted;
- The tax would have been abolished if St Brelade Connetable Steve Pallett had cast his vote. He subsequently confirmed to the media that he would have voted in favour of reducing the tax, and called for the decision to be reviewed.

Of concern is the complete lack of consultation undertaken with the industry, despite previous claims to the contrary. The failure to engage with the industry was proved through research and a Freedom of Information request which, on 16 January 2018, showed not only that there had been no consultation with the industry over the previous 12 months, but that no consultation at all had taken place.

Equally concerning is the lack of a review by the Treasury Department to ascertain the likely impact of this tax on the industry. It is also worrying that a decision of this significance has been taken in the absence of a current retail strategy – a piece of work which is due to be complete next year.

Further questions which have not been answered include:

- Why has retail been singled out to pay more than the standard 0% rate of corporate tax (and 10% for finance businesses)?
- Why are wholesalers and large retailers, for whom 60% or more of their turnover is business-to-business rather then business-to-consumer, exempt from this tax?

Lack of information

As the JRA has commented before, there is a lack of available data on the retail industry's many financial contributions. Although there are large holes in the information available, the most recent statistics (below) highlight the sector's contribution to the economy:

- 2015: retail sales: £720mn
- 2015: GST returns from retail: £36mn
- 2018: 7,890 people employed by the sector

With the industry making such a significant contribution to the economy, it is clear that investment in the sector is needed to sustain and grow these figures.

A national view

Instead of mirroring Guernsey's 20% retail tax rate, more attention should be paid to the trading environment in the UK.

In the first six months of the year, Britain's high streets have seen a net loss of 1,123 stores, according to the accountancy firm PwC. That is the equivalent of 14 shops closing every day, as UK high streets face their toughest trading climate in five years.

When delivering his budget, UK Chancellor Philip Hammond outlined a £1.5bn package of measures to support retailers. This package included relief on business rates, and a pledge to invest more in town centre infrastructures. He said: 'This package will provide short-term relief for struggling retailers and a long-term vision for town centres, helping them to meet the new challenges brought about by our changing shopping habits.'

In announcing these measures, the UK government showed that it understood and recognised the value of retail, both to the economy and to the local community.

While Jersey's shop vacancy rate is low when compared to that of the UK, it is at its highest level for ten years. In St Helier alone, there is approximately £1 million of rental space available. This represents a significant loss in rental tax, and is also a blight on the high street, discouraging both tourism and inward investment to fill the empty stores.

Corporation tax is currently set at 19% in the UK and is set to reduce to 17% by 2020. Against these figures, a 20% tax for retail businesses in Jersey is uncompetitive and will discourage further retailers from coming to Jersey. This will keep the empty shops empty, cause further losses in tax on rentals, GST, and personal tax from the shrinking workforce.

The 20% retail tax is also a significant barrier to retail investment among stores currently trading in the Island.

It is well documented that owing to advances in technology, the retail business model is changing. In the UK, it is estimated that 20% of all retail sales now take place online.

The future retail model is shifting to an 'experiential' approach with services and events becoming a fundamental part of retail business. All experts agree that an omnichannel approach is needed with click-and-collect, mobile tills in stores and digital catalogue stations all becoming important. Developing businesses in line with this model requires significant investment, which will be stifled by the tax.

The introduction of this tax is likely to result in increased food prices, which will affect the least well-off Islanders the most. It is estimated that costs will be passed onto the consumer at a rate of 1-2%. This price increase will only increase the sales going to off-island internet providers such as Amazon Pantry, who contribute nothing to the Jersey economy.

In conclusion, the JRA calls for:

- The retail tax to be amended to 10% in line with the finance industry.
- A full review of the impact that levying a 10% tax on retailers will have on the future of the industry in Jersey.

Should the Scrutiny Panel wish to discuss these points in more detail, I would be happy to attend a hearing.

Yours sincerely,

Lorie Rault
Jersey Retail Association
12 November 2018