



PRESS RELEASE

THE BUDGET

The Budget announcement of a rise in the standard rate of VAT to 20% surprised nobody. However, retailers could be excused thinking that the timing of its implementation is overly cynical. After the last changes in the rate of VAT, many retailers complained, explaining quite reasonably that January is one of the worst months in which to do it, for all sorts of very obvious operational reasons. You would think that if government consultation with the industry had any meaning this lesson might have been taken on board. But no, January it is again. Those of a cynical bent might just think that for the government the price disruption in the January sales forms the ideal backdrop to a VAT increase, masking its effects and ensuring that retailers help to absorb or spread its impact.

Indeed, the Office for Budget Responsibility has assumed in their figures that retailers will take a third share of the pain by not passing on the full rise in VAT in the form of higher prices to consumers. On past form, we all know how this works – the big multiples will use their raw market power to ensure that the pain gets passed firmly down the food chain to their suppliers, with no chance for the latter to decline the chance to “help”. Meanwhile, smaller retailers either eat into their inadequate margins to stay competitive or else put up their prices, losing custom as a result. We have all seen it happen before.

This time, however, there is a difference. There should be a Grocery Ombudsman in office when the change takes place.

Ken Parsons, Chief Executive of the RSA, said, *“This will be a real test of the Grocery Ombudsman. It is clearly a misuse of market power for a large supermarket to make suppliers assume part of the increased VAT bill that is properly a cost to the retailer. We would expect the Ombudsman, when appointed, to immediately ensure that this aspect of the market works fairly and transparently. If the large multiples want to hit their own bottom lines by absorbing part of the VAT rise for competitive reasons, then it is their shareholders who should take the pain. We would then expect these shareholders to hold the directors of these companies to account for their policies”.*

Notes for editors:

The Rural Shops Alliance (RSA) was formed in April 2001 and now represents over 7,200 independent retail members, employing some 40,700 staff. The RSA – a trade association with a difference – exists to be the campaigning voice of the independent rural retailer and the source for practical support particularly in terms of retail best practice. Many ‘blue chip’ and ‘retail service’ suppliers sponsor and partner the work of the RSA and help the organisation with category management and best retail.

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