



## **ACS Submission: Tackling the Hidden Economy: Conditionality**

ACS (the Association of Convenience Stores) welcomes the opportunity to respond to HMRC's consultation on Tackling the Hidden Economy: Conditionality. ACS is a trade association, representing the 50,095 convenience stores trading at the heart of the communities across the UK, which employ 390,000 people (see annex A for more details). Members include the One Stop, Costcutter Supermarkets, Spar UK and thousands of independent retailers.

ACS has responded to the relevant sections of the consultation below and is committed to work with HMRC officials on the tackling the hidden economy programme.

### **Defining Tax Registration**

The definitions in section 1.15 provide a good starting point to define tax registration when thinking about conditionality. Very few convenience stores will fall within the self-assessment tax bracket, but all will be included in the VAT threshold. 71% of convenience retailers employ staff and will therefore require PAYE registration<sup>1</sup>.

### **Assessment of Conditionality**

HMRC's assessment of conditionality is logical, but conditionality will only be effective in certain sectors where licences are required. The very definition of 'hidden economy' means that businesses are operating outside of any established regulatory or licensing frameworks. Therefore, conditionality may have limited impact and established responsible businesses would need to be protected from additional burdens.

Conditionality could promote greater tax registration in sectors where a significant number of licences or applications are required. However, businesses operating in the 'hidden economy' are likely to operate outside of existing regulatory frameworks where conditionality could apply and therefore its impact might be limited.

### **Principles of Conditionality**

We support the principles set out in paragraph 3.2 which place particular emphasis on prioritising high risk sectors and minimising new requirements on existing businesses. We would welcome consistency of approach across different arms of government, enforcement agencies, NGOs or private sector businesses about establishing tax status, if HMRC decide to proceed with conditionality.

### **Conditionality for Public Sector Licences**

Conditionality would most likely impact on convenience retailers applying for an alcohol licence. 84% of convenience retailers have an alcohol licence<sup>2</sup>. The alcohol licensing system

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<sup>1</sup> ACS Local Shop Report 2016 pg 15

<sup>2</sup> ACS Local Shop Report 2016 pg 12

is already extremely burdensome and we are concerned that conditionality would add further burdens for limited returns.

The application process for the alcohol licensing is extremely burdensome, the application form<sup>3</sup> is 18 pages long and each local authorities' applications varies, with differing formats and different information required from the applicant. The Licensing Act 2003 also requires retailers to have personal licence. In order to obtain the personal licence, the applicant must state if they have committed any of the 'relevant offences'.

The list of relevant offences and extent of the fit and proper persons test in the Licensing Act 2003 for securing premises and personal licenses is comprehensive. Adding conditionality to alcohol licensing could add further burdens for retailers for very small returns. Businesses operating in the hidden economy are likely to be deterred from selling alcohol without applying for an alcohol licence given the scrutiny their business would come under in the application process.

### **Demonstrating Tax Registration**

If conditionality is used, there should be a simple system for establishing tax status e.g. VAT registration number or single tax registration number, built into the Government's Making Tax Digital proposals. Requests for various forms of proof of tax registration across different bodies would increase administration processes and costs. We support principles A, B and C set out in the consultation document.

### **Other Issues**

For entrepreneurs looking to enter into the convenience market, securing an alcohol licence is fundamental. Securing an alcohol licence also has an impact on the lease terms or credit terms that a new retailer will need to negotiate to let a premises. HMRC must consider how they will account for some businesses need to secure licences before they are tax registered.

HMRC may have to take a tailored approach depending on sectors and licences. Grace periods or licences subject to established tax status may still impact on the terms that a new business can agree for properties or finance.

**For further information on this submission please contact Steve Dowling, Public Affairs Assistant, [Steve.dowling@acs.org.uk](mailto:Steve.dowling@acs.org.uk) or call 01252 515001.**

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<sup>3</sup> <https://www.gov.uk/government/publications/premises-licence-application-forms>

ABOUT ACS

The Association of Convenience Stores lobbies on behalf of over 50,000 convenience stores across mainland UK on public policy issues that affect their businesses. ACS' membership is comprised of a diverse group of retailers, from small independent family businesses running a single store to large multiple convenience retailers running thousands of stores.



Convenience stores trade in a wide variety of locations, meeting the needs of customers from all backgrounds. These locations range from city centres and high streets, suburban areas such as estates and secondary parades, rural villages and isolated areas, as well as on petrol forecourts and at travel points such as airports and train stations.

WHO WE REPRESENT

INDEPENDENT RETAILERS



ACS represents 22,870 independent retailers, polling them quarterly to hear their views and experiences which are used to feed in to Government policy discussions. These stores are not affiliated to any group, and are often family businesses with low staff and property costs. Independent forecourt operators are included in this category.

SYMBOL GROUPS AND FRANCHISES



ACS represents 15,060 retailers affiliated with symbol groups. Symbol groups like SPAR, Nisa, Costcutter, Londis, Premier and others provide independent retailers with stock agreements, wholesale deliveries, logistical support and marketing benefits. Symbol group forecourt operators and franchise providers like One Stop are also included in this category.

MULTIPLE AND CO-OPERATIVE BUSINESSES



ACS represents 12,165 stores that are owned by multiple and co-operative retailers. These businesses include the Co-Operative, regional co-operative societies, McColls, Conviviality Retail and others. Unlike symbol group stores, these stores are owned and run centrally by the business. Forecourt multiples and commission operated stores are included in this category.

THE CONVENIENCE SECTOR



In 2016, the total value of sales in the convenience sector was £37.5bn. The average spend in a typical convenience store transaction is £6.13.



There are 50,095 convenience stores in mainland UK. 74% of stores are operated by independent retailers, either unaffiliated or as part of a symbol group.



The convenience sector provides flexible employment for around 390,000 people. 21% of independent/symbol stores employ family members only.



24% of shop owners work more than 70 hours per week, while 22% take no holiday throughout the year. 74% of business owners are first time investors in the sector.



Convenience stores and Post Offices poll as the two services that have the most positive impact on their local area according to consumers and local councillors. 84% of independent/symbol retailers have engaged in some form of community activity over the last year.



Between August 2015 and May 2016, the convenience sector invested over £600m in stores. The most popular form of investment in stores is refrigeration.

OUR RESEARCH

ACS polls the views and experiences of the convenience sector regularly to provide up-to-date, robust information on the pressures being faced by retailers of all sizes and ownership types. Our research includes the following regular surveys:

ACS VOICE OF LOCAL SHOPS SURVEY

Regular quarterly survey of over 1200 retailers, split evenly between independent retailers, symbol group retailers and forecourt retailers. The survey consists of tracker questions and a number of questions that differ each time to help inform ACS' policy work.

ACS INVESTMENT TRACKER

Regular quarterly survey of over 1200 independent and symbol retailers which is combined with responses from multiple businesses representing 3,970 stores.

ACS LOCAL SHOP REPORT

Annual survey of over 2200 independent, symbol and forecourt retailers combined with responses from multiple businesses representing 5,765 stores. The Local Shop Report also draws on data from him! research and consulting, IGD, Nielsen and William Reed Business Media.

BESPOKE POLLING ON POLICY ISSUES

ACS conducts bespoke polling of its members on a range of policy issues, from crime and responsible retailing to low pay and taxation. This polling is conducted with retailers from all areas of the convenience sector.