



7 January 2016

Kenneth Gibson MSP
Convener Finance Committee
M4.08
The Scottish Parliament
Edinburgh
EH99 1SP

Dear Mr Gibson

I am writing to you in advance of the Finance Committee's scrutiny of the Scottish Government's Draft Budget 2016-17 to highlight Asda's concern over the proposed 100% increase in the Large Business Supplement.

Asda welcomes the Scottish Government's commitment to a full review of the system of Non-Domestic Rates in Scotland. We share the desire of businesses across a range of sectors for a rates system that is fairer, more flexible and equitable across industries. We agree that fundamental reform is required to ensure Scotland's system of business rates minimises the barrier to investment, is responsive to economic conditions and supports long-term economic growth and investment. It is our hope that the rates review will be ambitious and wide-ranging, on the model underway in Northern Ireland rather than the more limited version offered in England.

We note the Scottish Government's stated ambition to make Scotland the best business environment in the UK through its business rate policies, and as a large investor in Scotland we support that principle. We strongly believe, however, that the proposal in the Draft Budget to double the Large Business Supplement from 1.3p to 2.6p undermines this ambition.

This measure, which would have an additional impact on Asda's annual business rates bill in Scotland of nearly £1million, would result in a total Uniform Business Rate (UBR) of 51.0p in comparison to England's 49.7p and would make Scotland a less competitive place to do business than south of the border. As an example, your local Asda store in Ardrrossan with a rateable value of £672,000 would see a 2016-17 rating liability of £342,720, around 2.6% more than a store in England with the same rateable value. We believe that this sends a confusing and ultimately negative message about doing business in Scotland.

As Scotland's second-largest private sector employer, we are committed to Scotland and to up-skilling our colleagues, developing our Scottish supply chain, investing in communities and working with the Scottish Government to get more people into employment and training. At a time of unprecedented competition in the sector, Asda is working hard to keep inflation down and our customers benefit from our low food and fuel prices.

As a business we are already facing the cumulative burden of the new national living wage, the apprenticeship levy and higher employer pension contributions. In Scotland we also face the imposition of an extremely costly Deposit Return System for drinks and other containers. The proposal in the Draft Budget to double the Large Business Supplement represents a significant additional burden on business at a time when costs are under considerable pressure. Of course, unlike other business taxes, business rates are levied irrespective of business profitability and affect disproportionately companies that invest in communities.

I do hope that you will take this into consideration as your Committee considers the Draft Budget, and that you will press the Scottish Government to meet its commitment to making Scotland the best business environment in the UK by maintaining a competitive Non-Domestic Rates regime with England.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Kevin McBride', with a stylized flourish at the end.

Kevin McBride
VP – Retail North

cc: Mr James Johnston, Finance Committee Clerk, The Scottish Parliament, Edinburgh, EH99 1SP