Submission by Scottish Retail Consortium, 22 January 2026

Local Government, Housing and Planning Committee

Scottish Budget 2026-27: Post-Budget Submission

Retail trading conditions

1. Retail trading conditions in Scotland aren't buoyant at the moment given lingering concerns over the cost of living, the weak economy, and the elevated cost of doing business. The total value of retail sales in Scotland grew by a meagre 0.8% across 2025[1]. This was essentially in line with shop price inflation meaning real growth was flat.

2. Consumers continue to take a cautious approach towards spending. Indeed, the Scottish Fiscal Commission's forecasts for average real earnings growth are decidedly modest which suggests trading will remain tough for the foreseeable future.

Scottish Budget – overall reflections

3. The Scottish Government has a substantial £68 billion annual budget with many key levers of direct relevance to the retail industry and the customers they serve. As such SRC published its Scottish Budget recommendations paper[2] last autumn with several key recommendations: no new taxes or levies on retail, ensuring retailers of all sizes benefit from a business rates regime at least as competitive as England, sustained funding for Police Scotland's Retail Crime Taskforce, a plan to narrow income tax rate divergence between taxpayers in Scotland and the rest of the UK, scepticism over any further tax devolution to councils which impacts consumer spend or retailers' costs.

4. We're pleased that the Budget contained several positives and that Ministers have listened to and acted on several of the industry's recommendations, even if at times they didn't go nearly as far as we would have liked.

5. Thankfully, there appear to be no new levies or taxes on retail included in the Scottish Budget and which could have compounded the costs crunch that retailers have been facing. Neither were there any further indications of tax devolution to councils which are likely to impinge on retailers' outgoings. Whilst there was no plan to narrow the differential income tax rates between Scotland and the rest of the UK there was at least an above-inflation uplift to the thresholds for the two lower income tax bands.

6. Our calls for continued funding for Police Scotland's Retail Crime Taskforce have been realised with £3 million annual funding for each of the three years of the

[1] Scottish Retail Sales Monitor – January 2026, SRC
[2] Ailes of Ambition: Delivering Growth for Scotland's Retail Industry, SRC September 2025

Spending Review period. This will help the Taskforce continue their positive efforts so far to bear down on the blight of thieving from shops and tackle persistent offenders.

7. Ministers heeded our warnings about the cost pressures facing retailers and our call to reduce the cost of running a retail business by introducing a business rate discount for retailers, at least in part. The new 15% Retail Hospitality and Leisure (RHL) sectors' rates relief is an encouraging start, but the convoluted restrictions and cap on eligibility being applied means it will only benefit a limited part of the retail industry in Scotland and that it is less generous at every level than England's RHL relief. Indeed, the total value of Scotland's new RHL relief is about 40% of the equivalent RHL relief scheme being introduced in England from April 2026. Instead of a business rate which is at least as competitive as England for all Scottish stores, regardless of size, stores here will be liable for a business rate that is above (often substantially so) that applied to equivalent sized stores in England. Given all of this the RHL relief whilst welcome is a pale imitation of and certainly doesn't match the more competitive rates regime for retailers in England being introduced from April 2026. A far more ambitious approach is required to deliver a level playing field with England.

Retail crime funding

8. Crime against retailers is a scourge on communities across Scotland and soaring levels of shop thefts are the main factor behind abuse and threats towards store workers. Despite record spending by retailers on crime prevention, thefts from stores have risen by a sixth[3] over the past year.

9. Ministers have clearly listened to our representations. We applaud the continuation of the dedicated £3 million of funding for Police Scotland's Retail Crime Taskforce and its focus on tackling shop theft, prolific offenders, and anti-social behaviour. We note this level of funding is set to continue for each of the three years of the Spending Review period.

Business rates

10. The new 15% Retail, Hospitality and Leisure (RHL) relief applicable to retail properties in the Basic and Intermediate property rate bands is a step in the right direction, and follows SRC's extensive advocacy. It's encouraging to see this recognition that property intensive sectors such as retail and hospitality are paying too much, accompanied by a plan to address it.

11. However, we are disappointed that the poundage rate retailers will pay – whether their store is liable for the Basic, Intermediate or Higher property rate - will be above that applicable down south and therefore less competitive. We understand the applicable RHL rates will be:

[3] 15% rise in thefts from shops, Recorded Crime in Scotland, 25 November 2025

Rateable value	Scotland	England
Up to £51k	40.9p in £[4]	38.2p in £
£51k to £100k	45.5p in £[5]	43.2p in £
Above £100k	54.8p in £	43.2p in £[6]

12. The restrictions placed on availability of the relief, including the cap per business per year on what can be claimed and the total exclusion of stores liable for the Higher Property Rate, means the RHL relief falls well short of what the industry sought and is inadequate to the task ahead. Indeed, we estimate the total value is about two fifths of the equivalent RHL relief scheme being introduced in England from April 2026. Once the cap per business is exhausted each subsequent store in a retailers' portfolio will be liable for the headline Basic or Intermediate property rate (rather than the RHL rate) which is substantially (circa a quarter) above the equivalent rate applying in England.

13. Given the nature of retailing a high proportion of retail premises are liable for the Higher Property Rate. These restrictions mean RHL relief will only apply to a limited part of Scotland's retail industry. It certainly doesn't match the more competitive rates regime for retailers in England being introduced from April.

14. Indeed, in many respects it is materially less competitive with likely unwelcome consequences for retailers' investment plans and the health of Scotland's retail destinations including high streets and town and city centres. For retailers of scale it will be materially less attractive to operate and invest in Scottish retail destinations than in England. That is deeply worrying for already struggling high streets as once business investment is directed elsewhere a cycle of decline can be difficult to avert. It also raises questions around how deep the Scottish Government's commitment is to the shared ambition with industry to make Scotland the best place in the UK to grow a retail business.

15. To be clear, some 2,380 medium-sized and larger Scottish stores with a rateable value of £100,000 or above will not be eligible for RHL relief. Yet these are the stores which anchor our high streets, underpin the vitality and ecosystem of our town and city centres, drive footfall and help sustain smaller stores and neighbouring businesses, expand the range and diversity on offer, and account for a large share of retail employment. Instead of being eligible for RHL relief, they will be liable for a poundage rate of 54.8p in the £, compared to 43.2p in the £ for equivalent sized stores in England[7]. As such these Scottish stores will be paying a tax rate which is 27% above that down south, substantially more than England-based counterparts.

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[4] Capped at £110,000, thereafter subsequent stores (under £51k RV) are taxed at the headline Basic (48.1p in £) rate – substantially above the 38.2p that equivalent stores in England will pay.

[5] Capped at £110,000, thereafter subsequent stores (between £51k and £100k RV) are taxed at the headline Intermediate (53.5p in £) rate – substantially above the 43.2p that equivalent stores in England will pay.

[6] England: above £500,000 RV a higher business rate applies

[7] England: above £500,000 RV a higher business rate applies

16. For the past decade the 2,380[8] shops liable for the Higher Property Rate in Scotland have paid a business rate about 1-2p in the £ above that of counterparts down south, however that gap is set to become a chasm from April 2026. The gap in 2025-26 was 1.3p in the £ which equated to £9.1 million[9] extra that Scottish retailers had to stump up compared to English counterparts, however the gap in 2026-27 is set to shoot up to 11.6p in the £ (£81 million more based on 2025-26 figures). Actual examples of what this means for individual stores include:

    - A high street retailer (rateable value (RV) of £120,750[10]) in Perth will pay £14,007 more in business rates each year than a similar sized store down south.
    - A grocery store store (RV £165,750) in Edinburgh will pay £19,227 more in business rates than a comparably sized shop in England.
    - A furniture retailer (RV £304,000) in Fife will stump up £35,264 more each year.
    - A garden centre (RV of £360,000) in Fife is set to pay £41,760 more in business rates each year than a similar sized store down south.

17. We believe this less competitive rates regime for retailers is at odds with the Budget's expressed aim to "support regeneration of town centres"[11]. Furthermore, it is at odds with the Scottish Government's own Tax Strategy which talks of supporting "business growth, investment and competitiveness"; contradicts the New Deal for Business Group Implementation Plan recommendation to maintain the 'most competitive environment to do business' on business rates; and is at completely at odds with the SNP's 2021 manifesto pledge[12] (and subsequent Scottish Government Framework for Tax pledge) to restore rates parity with England for larger commercial premises[13]. It falls well short of the joint government/industry vision[14] of "Scotland – the best place in the UK to grow a retail business".

18. We note that a 100% relief for eligible Electric Vehicle-charging points for 10 years is being introduced April 2026. This sounds encouraging as a number of retailers provide EV-charging points for customers. We look forward to seeing the detail.

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[8] Ministerial response to written parliamentary question S6W-31992
[9] Ministerial reply to written parliamentary question S6W-32778
[10] New RV as per Scottish Assessors website
[11] Page 8 of Scottish Budget
[12] Page 47 of SNP's 2021 election manifesto ('Scotland's Future'): "We will gradually reduce the Large Business Supplement over the course of this Parliament to ensure that the largest businesses pay the same combined in Scotland as in England."
[13] Ministerial response to written parliamentary question S6W-39481
[14] Scottish Government's Retail Industry Leadership Group's vision

Personal and household taxation

19. Buoyant household disposable incomes and confident consumers are critical to the health of Scotland's retail industry and all who rely on it. A key determinant of that is personal and household taxation. Elevated levels of personal taxation can leave pay packets lighter and dent shopper spending. We were relieved there were no further increases to Scotland's six rates of income tax in the Budget, and welcome the above-inflation uplift in two of the thresholds (Basic and Intermediate).

20. The Budget document notes that the Scottish Government's income tax policy choices will generate £1.8 billion extra in revenues compared to matching UK income tax policy. However, that commensurately means less is in the pockets of Scots to spend in shops and other consumer-facing sectors.

21. It remains the case that Scotland's elevated income tax rates for higher earners do make it more expensive for retailers to hire and attract specialist and senior staff from elsewhere in the UK, with firms telling us they often have to pay a premium to secure talent to come and work here. That's why we have suggested[15] government has a plan to narrow the divergence between Scottish and UK income tax rates.

22. The changes announced on income tax thresholds are unlikely to outpace potential rises in council tax for the coming year, if last year's steep rises of almost 10% on average are any guide. Given the cap on council tax rises was rescinded two years ago there may well be some households hoping the next Scottish Government listens to our call for rises in council tax of above 5% to be put to local referenda.

23. We note the Budget document talks of exploring wealth taxation and previously the Tax Strategy mentioned that consideration would be given to handing councils more revenue generating powers. A kaleidoscope of differing local taxes can add complexity and cost to the running of a retail business and impinge on customers' disposable incomes. Before any further tax devolution to councils which might affect retailers and consumer spending is considered, we would wish to see a more strategic approach to the overall funding and cost structure of local government and in terms of specific taxes the earliest possible dialogue with industry and a clear understanding of the impact on firms or consumers.

Conclusion

24. We hope Ministers and MSPs from across the political spectrum can work collegiately to pass a pro-business Scottish Budget, one which avoids adding extra costs onto business and supports economic growth. Any failure to pass a Budget in good time would add a thick layer of uncertainty at an already challenging time for retail. Whilst this Budget contains several positives it is far from perfect, indeed on RHL business rate relief falls well short of what its required which is a business rate which is at least as competitive as that in England and applicable to all Scottish retailers. There is much more to do to

[15] Ailes of Ambition, SRC's Scottish Budget recommendations paper, Sept 2025

deliver on the industry/government vision to make Scotland the best place in the UK to grow a retail business.

Scottish Retail Consortium
January 2026