



## DEBATE PACK

Number CDP - 0051, 25 February 2016

# Future of high streets

## Summary

This pack has been prepared ahead of the debate on the **Future of high streets** to take place in Westminster Hall on Tuesday 1 March 2016. The subject for the debate has been chosen by Mr. Mark Menzies MP.

Please see also Library Briefing Paper [The Retail Industry: Statistics and Policy](#)

The House of Commons Library prepares a briefing in hard copy and/or online for most non-legislative debates in the Chamber and Westminster Hall other than half-hour debates. Debate Packs are produced quickly after the announcement of parliamentary business. They are intended to provide a summary or overview of the issue being debated and identify relevant briefings and useful documents, including press and parliamentary material. More detailed briefing can be prepared for Members on request to the Library.

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# 1. Summary

The UK high street has faced pressure over the past several decades due to a variety of factors, including the growth in digital retailing. Recent data has suggested that in some areas, such as the number of vacant shops, the decline may be beginning to slow although it is not yet clear whether that is a long-term trend.

Research conducted by Javelin Group, a retail strategy consultancy, has found that in 2020:

...ecommerce will capture 34% of the sales in Clothing & Footwear, Electricals, Furniture & Floor Coverings, and Health & Beauty (up from 14% today), with the internet influencing 75% of sales (up from 44% today). Sales through stores (including those researched online) will decline to 66% (down from 86% today). The growth in ecommerce will be at the expense of town and shopping centre store sales especially, which will shrink by 27%. This will result in 21% less retail space and 31% fewer stores in town centre venues. But the impact across retail venues will be far from uniform. Performance will continue to polarise, with secondary shopping venues declining further while prime venues such as Westfield will thrive, attracting customers and driving strong performance.<sup>1</sup>

The Coalition Government commissioned the Portas Review and funded the subsequent Portas Pilots to try and counter the decline of high streets.

In addition, to assist with the rejuvenation of town centres, the Coalition Government implemented the National Planning Policy Framework which included specific tests to be applied when planning for proposed "town centre uses" which are not in an existing town centre: the sequential test and the impact test. The tests apply to all town centres which may be affected by the proposals and not just those closest to the proposed development. New permitted development rights (i.e. where planning permission is not required), were introduced in April 2015 designed to help businesses adapt their premises more easily and support high streets.

Recent discussion of high streets has also included the role of charity shops and business rates, for example, in the 2014 Business, Innovation, and Skills Select Committee report, [The Retail Sector](#).<sup>2</sup> This has been part of a wider discussion on business rates, which included a Government consultation in May-June 2015, the responses to which are currently being evaluated.

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<sup>1</sup> Javelin Group press release, [31% fewer town centre stores by 2020, says Javelin Group report](#), October 2011

<sup>2</sup> Business, Innovation and Skills Committee, [The Retail Sector](#), 4 March 2014, HC168-1 2013-14

## 2. Planning

### Definition of town centres

The Government's [National Planning Policy Framework](#) (NPPF) offers specific planning protection for what are described as "town centres". These are defined in the NPPF as follows:

#### Town centre

Area defined on the local authority's proposal map, including the primary shopping area and areas predominantly occupied by main town centre uses within or adjacent to the primary shopping area. References to town centres or centres apply to city centres, town centres, district centres and local centres but exclude small parades of shops of purely neighbourhood significance. Unless they are identified as centres in Local Plans, existing out-of-centre developments, comprising or including main town centre uses, do not constitute town centres.

### Protection tests for town centres

For an area which does fall under this definition of town centre then the protection in the NPPF works as follows. The NPPF sets out two key tests that should be applied when planning for town centre uses which are not in an existing town centre and which are not in accord with an up-to-date Local Plan – the sequential test and the impact test.

According to Government planning practice guidance, the sequential test should be considered first as this may identify that there are preferable sites in town centres for accommodating main town centre uses (and therefore avoid the need to undertake the impact test).<sup>3</sup> The sequential test guides main town centre uses towards town centre locations first, then, if no town centre locations are available, to edge of centre locations, and, if neither town centre locations nor edge of centre locations are available, to out of town centre locations, with preference for accessible sites which are well connected to the town centre.<sup>4</sup>

The impact test determines whether there would be likely significant adverse impacts of locating main town centre development outside of existing town centres (and therefore whether the proposal should be refused in line with policy). The purpose of the test is to ensure that the impact over time (up to five years (ten for major schemes)) of certain out of centre and edge of centre proposals on existing town centres is not significantly adverse. The test relates to retail, office and leisure development (not all main town centre uses) which are not in

<sup>3</sup> HM Government, Planning Practice Guidance, [Ensuring the vitality of town centres](#), Paragraph: 001 Reference ID: 2b-001-20140306 HM Government, Planning Practice Guidance, [Ensuring the vitality of town centres](#), Paragraph: 008 Reference ID: 2b-008-20140306

<sup>4</sup> HM Government, Planning Practice Guidance, [Ensuring the vitality of town centres](#), Paragraph: 008 Reference ID: 2b-008-20140306

accordance with an up to date Local Plan and outside of existing town centres. The impact should be assessed in relation to all town centres that may be affected, which are not necessarily just those closest to the proposal and may be in neighbouring authority areas.<sup>5</sup>

For further information about these tests see HM Government, Planning Practice Guidance, [Ensuring the vitality of town centres](#).

### Recent changes

In April 2015 the Government introduced a range of new permitted development rights, through the *Town and Country Planning (General Permitted Development Order) 2015* some of which were aimed at supporting high streets. Permitted development rights automatically grant development rights and take away the need for someone to apply for full planning permission. The [explanatory memorandum](#) to these regulations set out the scope of the new permitted development rights which relate to supporting high streets:

- A new permitted development right to allow the change of use from **shops** (A1) to **financial and professional services** (A2) “to help businesses adapt more quickly to market changes and support high streets.”
- A new permitted development right to allow the change of use from **shops (A1), financial and professional services (A2), betting offices, pay day loan shops and casinos to restaurants and cafés (A3)** and for limited building works to allow the installation of extraction and ventilation units, and for waste storage and management. “This will enable businesses to adapt and support high streets.”
- A new permitted development right to allow the change of use from **shops** (A1) **and financial and professional services** (A2) to **assembly and leisure uses** (D2), with an upper threshold of 200m<sup>2</sup> of total floor space. “This will make it easier for businesses to provide a mixed range of leisure and entertainment uses on the high street and in town centres.”
- A new permitted development right to allow retailers to **erect click and collect facilities** within the curtilage of their existing shop, for example, on car parks.
- A new permitted development right to allow retailers to **modify the size of their existing shop loading bay** by up to 20% in any dimension.
- A permitted development right to make permanent the time limited increased permitted development rights introduced in May 2013 for **extensions to shops, offices, industrial and**

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<sup>5</sup> HM Government, Planning Practice Guidance, [Ensuring the vitality of town centres](#), Paragraph: 013 Reference ID: 2b-013-20140306

**warehouse buildings** to support business expansion and the economy.

Many of these permitted development rights have specific exclusions and limitations, such as not applying in conservation and other protected areas. Anyone wanting to use them should check carefully in the legislation to see whether these rights apply to their own specific circumstances.

## 3. Charity Shops

### What can charity shops sell?

The Charity Retail Association, which represents the interests of charity retailers, provides information about charity shops, including the type of goods they sell, and the percentage of new goods sold for profit:

#### Where do the goods in charity shops come from?

85% of goods sold in charity shops are from donations.

Some shops sell 'bought-in' goods. These are new goods which are sold for profit. From our surveys, we know that the average charity shop sells 3% new goods.

Many shops sell only donated goods, but others sell both bought-in and ethically produced 'fair trade' goods.

However, a shop must sell wholly or mainly donated goods in order to retain its status as serving a "charitable purpose".<sup>6</sup>

### Competition from charity shops

In 2013, the think tank Demos published a [report](#), commissioned by the Charity Retail Association, which specifically considered the issue of competition provided by charity shops to other shops. It found that the percentage of new goods sold by charity shops, and the percentage of charitable income that comes from them, constitute only a very small proportion of income and total goods sold:

Competition is typically a good thing because it drives down prices for consumers and ensures a good product and service. Yet, in the context of the current suffering high street, competition with small, independent shops – particularly when 'charity shops provide that competition – is sometimes discussed in a negative light.

As noted above, these complaints often crop up in reaction to the increasingly professional face of charity retail. Criticisms cluster in particular around the proportion of new goods, as opposed to donated goods, sold by charity shops. However, both our review and independent surveying by Charity Finance show that the percentage of new goods sold by charity shops, and the percentage of charitable income that comes from them, constitute only a very small proportion of income and total goods sold. Overall, sale of new goods accounts for just 6.8 per cent of shops' income on average.<sup>7</sup>

Of the charity shops we surveyed, 22 of 25 reported selling new goods and these made up between less than 1 per cent and a third of total sales, averaging at less than 5 per cent. This variation is in part due to different definitions of 'new goods', which can encompass brand new samples or defective goods donated by other retailers, bought in goods such as confectionery and stationery, including Christmas cards.

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<sup>6</sup> Charity Retail Association, [Charity shops](#) [accessed 22 February 2016]

<sup>7</sup> Civil Society, *'Charity shops survey 2013: standing out'*, 2013

Nonetheless, despite arguments from some about charity shops selling new goods as opposed to donated goods, the fact remains that the income generated by charity shops goes towards charitable aims, including supporting the most vulnerable members of society.<sup>8</sup>

### Trading by charities

The Charity Commission has published guidance, [Charities and trading](#).<sup>9</sup> Another publication, [Trustees trading and tax: how charities may lawfully trade](#), provides further information about trading by charities.<sup>10</sup> This includes a summary of the tax advantages available to charities, compared to ordinary commercial companies, the restrictions on charities engaging in trade, and issues related to the use of trading subsidiaries.

Selling donated goods does not generally amount to trading.

The Charity Commission pages on the Gov.UK website provide information on [selling goods and services](#).<sup>11</sup>

### Business, Innovation and Skills Committee report

In 2014, the House of Commons Business, Innovation and Skills Committee considered the reduction in business rates for charity shops as part of its report on the retail sector.<sup>12</sup>

The Committee recognised the important role of charity shops but recommended that the Government should outline tighter definitions on what constitutes a charity shop:

Charity shops play an important part in our High Streets, by raising much-needed revenue for good causes and by providing a community space for local shoppers and volunteers. However, charity shops benefit from 80% relief on business rates, and this blanket reduction has loopholes which can be abused by businesses purporting to be charities. It also has the potential for charities to threaten other shops, especially bookshops, which have to pay the full amount of business rates. The Government needs to outline tighter definitions on what constitutes a charity shop, and to report on its findings by the Autumn of 2014.<sup>13</sup>

In its response to the Committee, the Coalition Government said that it had no plans to change the rules regarding charitable rate relief, pointing instead to its business rates package:

The Government agrees with the Select Committee that charitable organisations play an important role in our local communities. That is why we fund business rate relief for charitable organisations which occupy non-domestic property. The Government notes that there are a range of views represented in

<sup>8</sup> Ally Paget and Jonathan Birdwell, ["Measuring the social value of charity shops..."](#) *Giving Something Back* Demos, 2013, p77

<sup>9</sup> Last updated 6 April 2015 [accessed 22 February 2016]

<sup>10</sup> April 2007

<sup>11</sup> 23 May 2013 [accessed 22 February 2016]

<sup>12</sup> Business, Innovation and Skills Committee, [The Retail Sector](#), 4 March 2014, HC168-1 2013–14

<sup>13</sup> *Ibid* para 97

the Select Committee's report about the role played by charities and charity shops. We understand that some groups support greater use of charitable rate relief to encourage more charitable activities in local communities, while others propose policy changes to address what they describe as a 'threat' to other businesses and organisations. The Government has no plans to change the rules regarding charitable rate relief. Our £1 billion business rates package demonstrates our commitment to support all businesses on the high street.<sup>14</sup>

### Charities and business rates<sup>15</sup>

The business rates system includes a nationwide discount which can apply to charities, though it does not apply simply because an organisation is constituted as a charity. Business properties which are occupied by charities **and** wholly or mainly used for charitable purposes are entitled to a mandatory reduction of 80% in business rates, as are community amateur sports clubs (CASCs).<sup>16</sup> Billing authorities have the discretion to increase this to 100%.<sup>17</sup>

It is established in case law that the use of the property, not merely whether the occupant is a charity, is key to establishing entitlement to the mandatory reduction. For instance, a 'charity shop' which sold entirely or mostly new goods might be regarded as not being 'wholly or mainly' used for charitable purposes. In the first instance, it is for the billing authority (the local authority, with district councils taking the role in two-tier areas) to determine whether a property is 'wholly or mainly used for charitable purposes'. An organisation which disagreed with the billing authority's decision in this regard can appeal to the Valuation Tribunal for England.

A 'Review of Business Rates' is expected to report alongside the Budget on 16 March. It is not anticipated that this will make any changes to the treatment of charities for business rates purposes. There is a single reference to charitable relief in the [Review of Business Rates's terms of reference document](#):

The government recognises that some sectors, such as farming and charities, play an important part in the community. The government does not intend to increase business rates for those most deserving of relief or exemption and it wants to consider carefully the impacts of any change.<sup>18</sup>

The Chancellor has proposed that local government as a sector (as opposed to individual local authorities) is to retain 100% of business rates 'by the end of the 2015-20 Parliament'. Details of how this will be

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<sup>14</sup> Business, Innovation and Skills Committee, *The Retail Sector: Government Response to the Committee's Eighth Report of Session 2013-14*, 16 June 2014, HC 189 2014-15, p10

<sup>15</sup> Contributed by Mark Sandford, the Library's Local Government specialist

<sup>16</sup> A list of registered CASCs is available at <http://www.hmrc.gov.uk/casc/clubs.htm>. For a definition of the category, see the *Community Amateur Sports Clubs Regulations 2015* (SI 2015/725).

<sup>17</sup> See the *Local Government Finance Act 1988*, sections 43 and 47.

<sup>18</sup> p24



implemented have yet to emerge (and are not expected as early as 16 March).

Some charities have expressed concern that, when full retention of business rate relief is introduced, local authorities may be less inclined to grant the discretionary element of charitable rate relief, because they will be under pressure to maximise revenue. The issue has been raised in a number of blogs; see, for instance, [What Osborne's Business Rates Devolution Means for Charities](#). The argument is that, if local authorities retain 100% of business rates revenue and become entirely dependent upon this and other locally-raised revenue – as intended by the Government – they will be less likely to give discretionary business rate relief to charities, because of the budgetary pressures they will face.

### **Proposed changes to business rate relief in Wales: not implemented**

In April 2013, the Welsh Government Minister for Economy, Science and Transport launched a [consultation](#) on the Business Rates Task and Finish Group's Review into Business Rates Relief for Charities and Social Enterprises.<sup>19</sup>

Proposals include changing the mandatory relief rate from 80% to 50%.

Recommendation 7 dealt with diversity on the High Street:

New thresholds for charity shop rate relief should be created that will limit the amount of relief available for charity shops occupying premises of higher Rateable Value. These changes should be phased in for existing charity shops.

Recommendation 10 dealt with monitoring of new goods sales

To further address the issue of unfair competition on the high street, the amount of new goods being sold by charity shops be more effectively monitored by charitable organisations themselves (e.g. the CRA) - particularly in the run up to the Christmas period.

Recommendation 9 dealt with future rating list:

When the next Rating List for 2022 is introduced, consideration be given to reducing the mandatory 80% charitable relief to 50% for all charity shops and that as much as possible of charitable reliefs should be left to the discretion of the local authorities.

The consultation closed on 28 June 2013. The charity sector in Wales opposed the proposals.

In July 2013, the Welsh Government published a [Summary of Consultation Responses](#). On 1 October 2013, Edwina Hart, Welsh Government Minister for Economy, Science and Transport made an oral Statement in the Siambur on [Update on Business Rates Policy](#). The Minister said she had written to the UK Government and the other devolved

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<sup>19</sup> Welsh Government, [Business Rates Relief for Charities and Social Enterprises](#), last updated 17 July 2013 [accessed 22 February 2016]

administrations to “initiate a discussion” on the recommendations on relief for charities and social enterprises.

...Prior to the summer recess, I undertook a consultation on the task and finish group’s report into business rates relief for charities and social enterprises. I made all the individual responses available on the Welsh Government website and I am sure that Members have taken the opportunity to see the variety of views that emerged. I have listened carefully and remain sensitive to the issues that have arisen and have taken views from Cabinet colleagues. Some of the specific recommendations raised by the task and finish group would need primary legislation. Those include the recommendations to reduce the mandatory relief available to charities. Therefore, I am keen to understand how the proposals of the task and finish group sit within a wider UK context. As such, I have written to the UK Government and the devolved administrations to initiate a discussion on the recommendations that concern relief levels for charities and social enterprises, as well as the wider issues of tax avoidance....

Media coverage of the issue includes:

- [Rate relief: Cuts delay brings charities mixed reaction](#), BBC News, 2 October 2013;
- Chris Kelsey, [Welsh Government announces plans for rates relief on new developments and empty properties](#), Wales Online, 1 October 2013;
- Hannah Fearn, [Debate over tax relief means the climate for charity retail has turned chilly](#), Guardian, 16 September 2013;
- [Charity shop rate relief: 'Nearly 20% may shut in Wales'](#), BBC News, 19 June 2013.

### **VAT relief for charity shops<sup>20</sup>**

Charities are liable to pay VAT in just the same way as other businesses. However, they benefit from a number of specific VAT reliefs – including a zero rate of VAT on the sale of donated goods in charity shops, and this has been a long-standing complaint from retailers competing with these stores.

VAT is charged on the supply of all goods and services made in the course of a business by a taxable person, unless they are specifically exempt. All businesses must register for VAT if their turnover of taxable goods and/or services is above a given threshold, which is currently £82,000.<sup>21</sup> VAT is charged on the additional value of each transaction, and is collected at each stage of production and distribution. A business pays VAT on its purchases - known as input tax, and charges VAT on its sales - known as output tax. It will settle up with HM Revenue & Customs (HMRC) for the

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<sup>20</sup> Contributed by Antony Seely, the Library’s taxation specialist

<sup>21</sup> Guidance on registration thresholds is published [by HM Revenue & Customs on Gov.uk](#).

difference between the two. In the end the cost of the tax is borne by the final consumer.

VAT is charged either at the basic rate – currently 20% – or the zero rate, though there is limited use of a reduced rate of 5%. The exemption of goods and services from VAT should be distinguished from their being charged a zero rate. In the latter case these supplies are technically taxable and though no actual tax is paid on them, they still count as part of a business' taxable turnover. VAT charged on inputs relating to zero-rated activities can be reclaimed, unlike the VAT incurred by a business in the course of an exempt activity; in effect, a business making exempt supplies has to absorb the VAT charged to it by its suppliers.

There is no general relief from VAT for charities purely because of their charitable status. However, there are a number of specific VAT reliefs which benefit many charities. Certain supplies are zero-rated if they are made by a charity: for example, goods that have been donated for sale and exports of any goods. Certain goods and services, when supplied to or for a charity, may be zero-rated as well: for example, advertising and medicinal products.<sup>22</sup> All registered charities are entitled to claim these reliefs: no distinctions are drawn between charities with regard to, say, the purposes for which they are established.<sup>23</sup>

In the past it has been argued that as charity shops sell similar items to normal businesses, the VAT reliefs they receive bestow an unfair competitive advantage. Of course, although charity shops benefit from zero rating of VAT, this only covers donated goods, not new ones. One could make the argument that second hand goods donated for sale are less likely to be bought in preference to new ones, and pose less of a threat in terms of competition with other stores. Furthermore it could be argued that VAT should not be charged on the sale of donated goods as they represent a charitable gift.

In 2010 the Chancellor, George Osborne, established the Office of Tax Simplification (OTS), to provide independent advice on simplifying the UK tax system. In March 2011 the OTS published a survey of tax reliefs in which it recommended that a number of reliefs should be reviewed or abolished. In the case of zero-rated sales of donated goods, the OTS argued that this VAT relief should be retained, as it provided "significant benefits to the charity sector":

**VAT: supplies to charities/ sales by charities**

I.11 Sales by charities of donated goods and some supplies to charities are zero rated under VATA 1994 Sch 8 Group15.

*Is the policy rationale still valid, does the relief achieve it and what might be the impact of repeal?*

I.12 The zero rating of, inter alia, supplies to charities was negotiated by the UK prior to entry into the EU in 1973. If a

<sup>22</sup> Zero rated supplies are set out in schedule 8 to the *Value Added Tax Act (VATA) 1994*; group 15 to the schedule specifies these zero rates for charities.

<sup>23</sup> Further detail on the scope of zero rating for donated goods is published by HM Revenue & Customs: [VAT Notice 701/1 – Charities](#), October 2014 para 5.5

category of zero rating is amended or abolished it will be subject to the standard or reduced rate of VAT thereafter.

I.13 Other zero-rated supplies for charities include: the construction of certain buildings to be used for charitable purposes<sup>24</sup>; supplies to charities of lifeboats and their repairs and maintenance, for providing rescue or assistance at sea;<sup>25</sup> and supplies to charities of talking books and wireless sets for the blind.<sup>26</sup>

I.14 On 19 October 2010, the Exchequer Secretary to the Treasury stated in Parliament that the Government was committed to retaining those zero rates which charities currently benefit from.<sup>27</sup>

*Taxpayer take up and awareness*

I.15 This relief is available to all charities in the UK of which there are in the region of 250,000.<sup>28</sup> The number of charities benefiting from this relief is not known.

*Complexity, compliance costs and administrative burden*

I.16 The Exchequer cost of the supplies to charities relief is estimated to be over £200m,<sup>29</sup> however we understand that there are no available figures for the sales by charities of items covered by the relief.

I.17 We understand that this zero-rating is sometimes a complex relief for the charities to claim, owing to the need to determine whether certain goods or services are eligible for relief. Zero-rating does increase the administrative burden of accounting for VAT on the sale of such goods, because a record must be kept of why the supply was zero-rated. However the savings in VAT help to preserve charities' income.

*Summary*

I.18 There is a current commitment to retaining the charities zero rates and these provide significant benefits to the charity sector.

I.19 We therefore recommend that this relief be retained; however the guidance could be revised and clarified to simplify the administrative burden.<sup>30</sup>

Following this, the Coalition Government reiterated its position on retaining these VAT reliefs, as well as other tax reliefs which benefit charities, in answer to a PQ in March 2012:

**Alun Cairns:** To ask the Chancellor of the Exchequer if he will review his policy on VAT insofar as it affects charitable organisations who serve their local communities.

**Mr Gauke:** The Government value the contribution of charities across a wide spectrum of national life and interests.

The UK has one of the most generous tax systems for charities in the world. Existing reliefs for charities are worth over £3 billion a year. Within this, are existing VAT reliefs worth over £200 million

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<sup>24</sup> VATA 1994 Sch 8 Group 5

<sup>25</sup> VATA 1994 Sch 8 Group 8

<sup>26</sup> VATA 1994 Sch 8 Group 4

<sup>27</sup> Hansard, 19 October 2010, Vol 516 col 925

<sup>28</sup> HMRC

<sup>29</sup> HMRC estimate. In addition, this includes the impact of charity building relief (no. 996 in our original list) and sea rescue relief (no. 1026 in our original list)

<sup>30</sup> OTS, [Review of tax reliefs: final report](#), March 2011 pp122-3. Details of this historical review [are on Gov.uk](#).

per year. These include zero rates for charities on sales of donated goods, medical equipment and the construction of charitable buildings. In addition Gift Aid, the largest single relief, is now worth nearly £1 billion to charities each year.

In terms of whether we could extend the VAT reliefs further; in many cases, EU VAT rules mean that it would not be necessary or possible to provide a refund scheme to any contracted provider of public services. The provision of any services under a contract, by a charity or a business, will normally be regarded as a business activity and thus within the scope of VAT. Therefore, if the services provided are taxable (in other words, they are not specifically exempted from VAT) the provider will be able to recover their VAT costs through the normal VAT system.

However, if the services provided are VAT exempt, any form of VAT refund is prohibited under EU VAT law. Where a provider does incur irrecoverable VAT in the provision of public services, these costs should be taken into account by the contracting public sector organisation when agreeing funding.<sup>31</sup>

The issue does not appear to have come up recently.<sup>32</sup> Finally, it should be noted that Gift Aid allows income tax relief for single donations by individuals, and in general, it covers only donations of money. That said, when individuals allow charities to sell goods of their own, and then donate the proceeds of the sale to the charity, charities may be entitled to claim Gift Aid relief on this donation. Detailed guidance on the way in which this works is published by HMRC.<sup>33</sup>

## Planning

(This information on planning applies to England, but the rules here are almost identical in Wales and work in the same way, they just stem from a different SI – the *Town and Country Planning (general permitted development) Order 1995*.)

**In summary**, there are no planning rules or policies which specifically relate to charity shops only. What often happens however, is that by using permitted development rights planning permission is often not required to change former shop buildings into charity shops. This can make it difficult for a local authority to control the number and location of charity shops in a particular area.

The *Town and Country Planning (Use Classes) Order 1987* puts uses of land and buildings into various categories known as “Use Classes”. The categories give an indication of the types of use which may fall within each use class. Class A covers shops and other retail premises such as restaurants and bank branches. Charity shops, like other shops, are covered by use class A.

Related to this, permitted development rights are basically a right to make certain changes to a building without the need to apply for planning

<sup>31</sup> HC Deb 21 March 2012 cc777-8W

<sup>32</sup> In the BIS Committee report on the retail sector – published in March 2014 – the Committee discussed the business rate relief enjoyed by charity shops, but did not mention VAT relief at all ([HC 168 of 2013-14, 4 March 2014](#) paras 94-7).

<sup>33</sup> HMRC, [Charities: Detailed Guidance Notes – Chapter 3: Gift Aid](#) – see in particular [section 3.42](#)

permission. These derive from a general planning permission granted from Parliament, rather than from permission granted by the local planning authority. They are now contained in the [Town and Country Planning \(General Permitted Development\) \(England\) Order 2015](#) (No. 596) (the 2015 Order). Schedule 2 of this Order sets out the scope of permitted development rights. Under this order planning permission is not needed for changes in use of buildings within each class and for certain changes of use between some of the classes. The permission of the local planning authority is not therefore required to change former shops into charity shops. The only exception to this is where permitted development rights have been withdrawn, by what is called an "article 4 direction" which is often the case in conservation areas. Further information about article 4 directions is set out in the Library briefing paper, [Permitted Development Rights](#).

Over the past few years there have been reports in the press expressing concern about the increased proliferation of charity shops on the high street and their impact on existing businesses. For examples see:

- [Is this the charity shop capital of Britain?](#) *Daily Mail*, 22 January 2015;
- ["We can't stop charity shops opening in town"](#) *Leyland Guardian*, 20 March 2013
- [Traders unite over charity shop stance](#) *Lytham St Anne's Express*, 9 May 2014

When the previous Government was last asked about this issue in Parliament it ruled out any extra planning regulation for charity shops:

### **Charities: Shops**

**Simon Danczuk:** To ask the Secretary of State for Communities and Local Government pursuant to the answer of 8 November 2010, Official Report, column 30W, on charity shops, if he will consider the merits of introducing powers for local authorities to regulate the (a) number and (b) location of charity shops in their areas. [26774]

**Robert Neill:** The Use Classes Order is concerned with the land-use impacts of development rather than the owner or occupier of the premises. The order is intended to be a deregulatory mechanism which removes unnecessary applications from the planning system because the impacts would be minimal or similar to the pre-existing development. It is not the role of the planning system to give preference to one type of retailer over another.

As I outlined in my previous answer, charity shops deliver a public benefit to society. Singling them out for extra regulation and effectively banning them from opening would be a disproportionate and heavy-handed statist intervention.<sup>34</sup>

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<sup>34</sup> [HC Deb 29 Nov 2010 c472-3W](#)

## 4. News items

[Predictions of high street's demise prove exaggerated](#)

Simon Neville

Independent

15 February 2016

[Adult colouring book craze brightens up WH Smith high street profits; Demand for books helps drive sales up 2% over Christmas, the first such rise in its high street figures in more than 12 years](#)

Sarah Butler and Sean Farrell

Guardian

20 January 2016

[Season's bleatings as the traditional kings of Christmas are humbled; Traditional high street players are a long way off from working out how to deal with seismic changes](#)

Ben Marlow

Daily Telegraph

9 January 2016

[Britain's first ever pedestrian fast lane introduced; Markings painted onto the pavement to allow those who are hurrying to bypass crowds](#)

Daily Telegraph

4 November 2015

[Rate of shop closures on the British high street at its lowest in five years](#)

Joseph Millis

City AM

15 October 2015

[Fewer vacant shops give rare fillip to high street](#)

Simon Neville

Independent

17 August 2015

[Battle begins to revitalise empty high streets; Sunday shopping](#)

Elizabeth Rigby and Andrea Felsted

Financial Times

5 August 2015

[High streets 'must embrace internet'](#)

Graham Ruddick

Daily Telegraph

10 March 2015



## 5. Press releases

The [Portas Review](#), 2011, concluded:

My vision for the future of high streets is of multifunctional and social places which offer a clear and compelling purpose and experience that's not available elsewhere, and which meets the interests and needs of the local people. We need to start a conversation about what we need and what we want our high streets to be. To put the heart back into our high streets, inspire that connection between local people and their home town, and instill pride in belonging to a unique place.<sup>35</sup>

Shoppers have been flocking out of town. This shows up starkly in the statistics – in the last decade the amount of out-of-town retail floorspace has risen by 30% whilst that in-town has fallen by 14%. Our planning rules have allowed these new out-of-town developments to flourish.<sup>36</sup>

[Digital High Street 2020 Report](#) made four principle recommendations:

- 1 Sufficient access through infrastructure
- 2 Basic digital skills
- 3 High street digital lab
- 4 High street digital health index<sup>37</sup>

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<sup>35</sup> Portas Review, 44

<sup>36</sup> Portas Review 10

<sup>37</sup> The Digital High Street Report 2020, 27.

## 6. Parliamentary material

The Business, Innovation and Skills Committee report on [The Retail Sector](#) included significant discussion of how business rates impact the high street:

Business rates are a substantial cost to doing business in the United Kingdom, and are one of the highest forms of local property tax in the European Union. Our evidence overwhelmingly cited the issue of Business Rates as one of the principal threats to the survival of existing retail businesses in the High Street. It was also cited as the biggest obstacle to new retail businesses starting up, not only for ‘bricks and mortar’ shops.<sup>38</sup>

The United States has a different tax structure, but lessons could be learned from its approach to local taxation and rent. We appreciate that this is complex, but it is something that the Government should explore as an alternative to the current system. The Government should look into encouraging a more flexible approach from landlords, and discouraging upward-only rent revisions. This would will result in a fairer and more sustainable system.<sup>39</sup>

The Government ran a consultation ran from 16 March to 12 June 2015 on this topic. Responses are [currently being analysed](#).

The report also discussed how localised policy should be in this area:

In the retail strategies, the Government’s answer to tackling the demise of the High Street is to shift responsibility onto local areas, local authorities and local communities to use their powers as they see fit to revitalise their local High Streets. Some help is given from Government funds—such as funding for the Portas Pilots—but the majority of help is from local government. When confronted with issues concerning local retailers suffering under the crippling effects of Business Rates, Brandon Lewis, the Minister for DCLG, replied that local authorities already have the power to offer Business Rate relief, if they feel that businesses need to go into a particular part of their town, and need an extra boost to get it going.<sup>40</sup>

### 6.1 Parliamentary Questions

**Out of Town Shopping Centres** [[HC Deb 29 August 2013 c 1008](#)]

**Mr Sanders:** To ask the Secretary of State for Communities and Local Government what steps his Department is taking to assist local authorities in identifying and offsetting any negative effects of out of town shopping centres on town centres.

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<sup>38</sup> BIS Committee, 3

<sup>39</sup> BIS Committee, 20

<sup>40</sup> BIS Committee 13

**Nick Boles:** The Government are fully committed to supporting town centres. Our National Planning Policy Framework sets out clearly that local councils should recognise town centres as the hearts of their communities and pursue policies to support their viability and vitality. Specifically, it requires that local planning authorities apply a sequential and impact test to planning applications for certain uses, such as retail, leisure and office, that are not in an existing centre and are not in accordance with an up-to-date local plan. Where an application fails to satisfy the sequential test or is likely to have significant adverse impact it should be refused.

Our policy also supports the retention and re-introduction of markets in town centres, makes clear that local approaches to parking should support town centres, and that the needs of retail, leisure and other main town centre uses should be met in full. We have taken action to help rejuvenate high streets by backing communities across the country with a multi-million pound package of support, providing over £80 million in loans for start-up companies and doubling small business rate relief to help small entrepreneurs. Since the publication of the Portas Review into the future of our high streets last summer, we have established 27 Portas Pilots and 333 Town Teams to test different approaches to revitalising the high street, while the 500 neighbourhood plans being developed give local communities the opportunity to support their town's high streets.

#### **Urban Areas** [[HC Deb 6 November 2013, c 213W](#)]

**Ann Coffey:** To ask the Secretary of State for Communities and Local Government what assessment he has made of the recommendations of the Grimsey review into town centres; and if he will make a statement. [173804]

**Brandon Lewis:** The “Grimsey Review—An Alternative Future for the High Street” was an independent piece of work which was commissioned and led by Bill Grimsey.

The Grimsey review is one of many reports published, and we welcome all contributions to the debate on the future of high streets.

The Government recognise the important role that high streets and town centres play in today's society and have delivered a series of initiatives to revitalise them. This includes changes to business rates, parking guidance, planning and funding for over 350 town teams of which 27 were also Portas pilots.

## 6.2 Debates

### High Streets

[HC Deb 16 October 2013 c 802 – 847](#)

## 7. Useful links and further reading

### Charity shops:

- Jenna Pudelek, "[Limiting the number of charity shops in an area would be a mistake, charities minister says](#)", *Civil Society Fundraising*, 6 November 2014;
- "[Are charity shops threatening small businesses?](#)", *Guardian*, 2 February 2014;
- "[Are Charity Shops harming the High Street?](#)", *Charity Finance Group*, December 2009.

### Portas Review:

- Mary Portas, "[The Portas Review: an independent review into the future of our high streets](#)", December 2011
- Department for Communities and Local Government, "[The Future of High Streets: Progress since the Portas Review](#)", July 2013
- LSE Spatial Economics Research Centre, "[Problems with Portas Pilots](#)", 6 March 2013
- Digital High Street Advisory Board, "[Digital High Street 2020 Report](#)", March 2015

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