

# Retail Insight

## *In this issue:*

Why are retailers facing staff shortages?

UK's independent stores record first rise in four years

Contactless spend limit increased to £100



**Hawsons**

Big firm expertise,  
small firm personal attention



## Pete Wilmer Partner



### Introduction

Welcome to our latest retail newsletter. The retail sector has had a particularly tough time over the past 18 months due to physical stores being forced to close during the height of the pandemic.

In this newsletter we discuss why retailers are facing staff shortages. The increase of the contactless spend limit to £100 and the fraud concerns raised because of this change. Finally, we report on the first rise of independent stores in four years and why the number of independent stores increased.

We hope you enjoy the contents of this newsletter and as ever if you have any questions please do not hesitate to contact us using the contact details on the back of this newsletter.



WE ARE AN INDEPENDENT MEMBER OF  
THE GLOBAL ADVISORY  
AND ACCOUNTING NETWORK

A member of HLB UK Ltd., which is a member of HLB International. A world-wide network of independent professional accounting firms and business advisers, each of which is a separate and independent legal entity and as such has no liability for the acts and omissions of any other member. HLB International Limited is an English company limited by guarantee which co-ordinates the international activities of the HLB International network but does not provide, supervise or manage professional services to clients. Accordingly, HLB International Limited has no liability for the acts and omissions of any member of the HLB International network, and vice versa.





## Why are retailers facing staff shortages?

### Retail staff decrease

Retailers have now resumed trading as they seek to get business back on track following the forced closures of the pandemic. However, since their return, they now face a new challenge, staff shortages. Recent data shows that in the second quarter of 2021 the UK retail industry lost 89,000 jobs compared to the same period in 2020. Although retail sales have been strong over the past few months, the number of jobs in retail fell to around 3.015 million (latest figures from Office of National Statistics).

### Why are retailers facing staff shortages?

It has been found that the decrease in the retail workforce is down to a number of factors. Firstly, the low footfall in city centres and shopping centres, secondly, the increasing number of vacant stores and finally being in direct competition with the hospitality sector for jobs. Vacancies in the retail sector reached over 1 million between June and August 2021, the first time this unwanted milestone has been reached since records began.

On the face of it, it is surprising that retailers are

struggling to find new staff considering that many retail staff lost their jobs during the pandemic. However, retailers are usually reliant on EU nationals to fill vacant retail roles and the combination of travel restrictions and the new Brexit rules explain why retailers are currently facing such staff shortages. Industry commentators are also suggesting that the sector has become less attractive to potential recruits due to a perceived lack of job security.

In combination, these factors are resulting in a very challenging employment market.

### Retailers seek to improve employee retention

Unsurprisingly, research has found that the retail and hospitality sector were the highest recruiters over the past three months and the majority of candidates have been removed from the market. Therefore, retailers will need to think creatively about their benefits packages to entice people in to the sector and retain current employees.



Keep up to date  
with our latest news and updates





## New Penalty Regime for VAT Returns

The budget has confirmed that HMRC is to introduce a new penalty regime for VAT. The new system will be in place for VAT returns beginning on or after 1 April 2022.

Currently, late submission and payment of VAT returns are penalised by a single default surcharge. For the first default businesses receive a surcharge liability notice which acts as a warning. Subsequent defaults are surcharged at 2%, 5%, 10%, and a maximum of 15% of the tax owed. The surcharge is imposed at a fixed amount for a late filing – it currently does not increase according to how late the submission is, and no interest is charged on late payments.

Current default interest charges can result in unexpectedly large fines for those who submit and/or pay just a few days late.

**New Regime** – This will impose up to 4 different penalties parallel charges on businesses that do not submit and/or pay their returns on time.

**Late submission penalty** – HMRC will issue a single penalty point for late submission of a VAT return and once a business has exceeded a points threshold for multiple missed returns, a flat penalty of £200 will be charged.

**Late payment penalties** – this is a two-part penalty. The first charge will be imposed at 2% of the outstanding tax if the tax due on a return remains unpaid after 15 days after its due date. After 30 days the penalty increases to 4%.

The second late payment penalty is a daily penalty (set at 4% per year of the tax still outstanding at that point), starting from 31 days after its due date until the business pays the tax that is due.

**Late payment interest** – is calculated at 2.5% above the Bank of England rate and will be payable on tax outstanding after the due date for the VAT return. Where a payment is made after the due date, late payment interest will be payable from the due date until the date full payment of that tax is received by HMRC.

This new system appears fairer and although it is complicated, businesses who might occasionally submit and/or pay their VAT return less than 15 days late (for example, because of an administrative or bank error or a short cashflow-related delay) will benefit as they will only pay relatively small amounts of penalties and interest.

However, should a business fail to submit their VAT returns on time and are frequently more than 30 days late paying any VAT owed, they may find themselves in a situation with various penalties to pay.



## UK's independent stores record first rise in four years

Due to 5,251 chain stores closing during the first half of 2021. Many independent retail stores have decided to fill the gaps left resulting in a rise in independent stores for the first time in four years.

A total of 804 new independent retail stores opened during the first half of 2021 according to data from the Local Data Company (LDC), including:

- Barbers
- Bakers
- Cafes
- Convenience stores
- Fast-food outlets

The LDC said that independent stores were able to benefit from government support schemes, enabling them to remain open to take advantage of cheaper rent deals from landlords as many wanted to encourage tenants into their vacant premises quickly and mitigate rates liabilities. By the end of 2021, it is expected that an additional 10,549 stores will become vacant and landlords will be hoping that small business owners will step in to help fill these vacancies. Failing that, landlords may have to be prepared to consider redevelopment or conversion of

their commercial properties for alternative purposes.

Approximately half of Topshop's stores have been let to independent retailers when they exited the high street at the beginning of the year. Furthermore, it has been reported that independent retailers are benefitting from customers becoming increasingly concerned about sustainability, the origin of products, and supporting local businesses.

However, retailers are being warned that the true impact of the pandemic may not be felt until March 2022 when the moratorium on evictions is lifted on commercial properties.



Keep up to date  
with our latest news and updates







## Contactless Spend Limit Increased to £100

### Introduction

On 15th October the contactless spending limit increased to £100. Although the limit has been increased, the retail industry has said that it could take months to implement this change before all shoppers can use the new payment threshold. The 15th October 2021 marks the day where the gradual introduction of the new limit began.

### Why is the contactless spend limit increasing?

The Treasury and the City regulator, the Financial Conduct Authority (FCA), made the decision to increase the contactless spending limit. Chancellor Rishi Sunak said that increasing the contactless spending limit would increase convenience for shoppers and would help high street retailers after a difficult lockdown period.

Over the last five years, the frequency of contactless payments has continued to rise as the payment thresholds have gradually increased. The only exception was during the national lockdown where spending decreased across the board. This latest contactless spending increase has come because fewer consumers are now paying with banknotes and coins, in part, driven by people wishing to reduce person-to-person contact.

### Is the new contactless limit safe from fraud?

The cumulative contactless payment cap was increased from £130 to £300 on the 15th of October. Therefore, you can now spend £300 via contactless payment before the pin number is requested.

Some have expressed concerns that this increased contactless limit will encourage more thieves to steal wallets, purses, and bags, etc. Professor Graham Farrell (Professor of crime science at the University of Leeds) has suggested using a tap and pin approach, where shoppers would tap their card and enter their pin without needing to insert the card into the machine. Professor Farrell believes that this approach would make the idea of theft less attractive.

However, the authorities counter that with data that has shown that there was no increase in crime when the last payment limit increase was implemented. In addition, an FCA spokesman said that there was no increase in fraud in other countries where contactless spending was increased to the equivalent of £100 or more.

# Get in touch



## Our experts

Hawsons has a dedicated team of specialist retail, wholesale and e-commerce accountants in Sheffield, Doncaster and Northampton.

Our specialist team offers a wide range of services which are tailored to meet your individual needs. Our understanding of the issues faced by the retail, wholesale and e-commerce sector means that we can proactively seek out ways for you to maximise your profitability and minimise your tax liabilities.

We can help in these areas through improving stock control, purchase re-ordering and reconciliation procedures. For retailers we have in-depth knowledge and experience of the sector from single sites to multi-channel retailers covering retail shops, e-commerce shops and many other sites such as Amazon, eBay, Shopify and Play.com.



**Pete Wilmer**

Corporate Finance Partner  
0114 266 7141  
pjw@hawsons.co.uk

**Sheffield Office**  
Pegasus House  
463A Glossop Road  
Sheffield, S10 2QD



**Richard Burkimsher**

Partner  
01604 645600  
richardburkimsher@hawsons.co.uk

**Northampton Office**  
Jubilee House  
32 Duncan Close, Moulton Park  
Northampton, NN3 6WL



**Paul Wormald**

Partner  
01302 367 262  
maw@hawsons.co.uk

**Doncaster Office**  
5 Sidings Court  
White Rose Way  
Doncaster, DN4 5NU



HLB UK is a member of HLB International. A world-wide network of independent accounting firms and business advisers.



**Sheffield:** Pegasus House | 463a Glossop Road | S10 2QD

**Doncaster:** 5 Sidings Court | White Rose Way | DN4 5NU

**Northampton:** Jubilee House | 32 Duncan Close | Moulton Park | NN36WL

[www.hawsons.co.uk](http://www.hawsons.co.uk)