Snapshot by:

The cost of doing business:

Foundational Sector Snapshot

Retail

Key messages

- Retail contributes **£117.2bn in GVA to the UK economy** and directly employs **2.81 million people**, while supporting a further **2.7 million jobs** through its supply chain. CBI analysis shows the sector contributed **£19.3bn in total business taxes in 2025/26 compared to £17.4bn in 2024/25**, an increase of 11.0% within a year. The retail sector's tax contribution as a percentage of **GVA in 2025/26 was 16.3%, up from 15.1% in 2024/25**[1].

- Cost pressures are reshaping business decisions across the sector. Changes to Employer National Insurance Contributions (NICs) added **£1.1bn to sector costs, from £4.9bn to £6.0bn**, contributing to retailers reducing hours, freezing recruitment and cutting headcount[2]. While UK retail is extremely competitive, **higher business costs inevitably feed through to higher consumer prices**. Where positive competitive pressures or weak demand prevent costs being passed on, they will instead be absorbed through weaker hiring or lower margins, in an already low margin sector.

- Government can strengthen retail's contribution to growth by **reducing avoidable policy and regulatory costs**. Reforming business rates, preserving labour market flexibility and simplifying overlapping packaging and reporting requirements would support investment, competitiveness and lower costs for consumers.

Table 1: Key business tax contribution figures for the retail industry[3]

Analysis produced on behalf of the British Retail Consortium (BRC) indicates that the total tax contribution for the retail sector was £39.1bn in 2025/26[4]. The CBI's figures below do not include a net figure for VAT, while other differences reflect smaller methodological variations.

	2024/25	2025/26	Difference
Business tax contribution	£17.39bn	£19.30bn	+11.0%
Tax contribution as a share of GVA	15.1%	16.3%	+1.2 ppt
Employers' NICs	£4.85bn	£5.96bn	+22.9%

Strategic importance

Retail is a critical enabler of economic activity across the UK, with 212,900 businesses operating across the sector, ranging from independent retailers and SMEs to large multinational employers. As the primary route to market for many businesses, retail generates demand throughout domestic supply chains, supporting activity in agriculture, food and drink manufacturing, consumer goods, logistics, utilities and professional services.

The sector has a footprint which extends into every region and local economy. Previous CBI analysis found that almost a quarter of employment in some regions is reliant on retail and wholesale activity or its supply chain, including 24% of employment in the East Midlands and 22% in the North West. In Northern Ireland, retail and wholesale activity supports 22% of employment[5].

Retail also plays an important role in supporting consumer confidence, local investment and community resilience. High streets, shopping centres and retail destinations remain significant contributors to local economic activity, while retailers continue to invest in stores, distribution networks and digital infrastructure.

Beyond its economic contribution, retail plays a key role in the vitality of towns, cities and local communities, supporting employment, attracting footfall and sustaining the businesses and services that depend on thriving local centres. Policies that strengthen retail competitiveness therefore have benefits that extend well beyond the sector itself, helping to create vibrant places, resilient communities and stronger local economies.

Growing cost pressures

Cost pressures are being felt across all aspects of the retail operating environment, but the most significant challenges are arising from employment costs, business taxation and regulatory compliance. Labour market pressures remain the sector's primary concern, with 84% of retail CFOs ranking labour and employment costs among their top business risks[6]. Rising Employer NICs, increasing wage costs, packaging compliance obligations and energy-related charges are all placing pressure on margins and reducing capacity for investment. As a result, retailers are increasingly focused on cost reduction measures, including reducing staff hours, freezing recruitment and prioritising productivity improvements.

Improving the operating environment

Retailers are operating in an increasingly challenging environment, with a number of structural pressures increasing costs and reducing capacity for investment. The following issues are having a particularly significant impact on business competitiveness, productivity and long-term growth across the sector:

1. Business rates and property costs

The business rates system continues to place a disproportionate burden on retail businesses. Prior to the introduction of permanently lower multipliers for retail properties valued below £500,000, the sector paid more than 20% of all business rates despite accounting for only around 5% of the UK economy[7]. This creates a significant fixed cost for businesses operating stores, distribution centres and retail destinations, reducing capacity for investment and placing additional pressure on physical retail locations at a time when retailers are also investing heavily in digital channels and changing consumer expectations.

2. Employment costs and labour market flexibility

Employment cost pressures are particularly acute in a sector that provides significant levels of part-time, flexible and entry-level employment. Changes to Employer National Insurance Contributions (NICs) added an estimated £2.3bn to sector costs in 2025, contributing to retailers reducing hours, freezing recruitment and reviewing workforce structures[8]. BRC survey evidence shows that 52% of retail CFOs plan to reduce staff hours or overtime, while 32% plan to freeze recruitment in response to rising employment costs[9]. These pressures risk reducing the availability of flexible employment opportunities and limiting the sector's ability to create new jobs and support workforce participation.

3. Energy costs and retail competitiveness

Energy costs remain a significant challenge for retailers, particularly as non-commodity costs now account for between 57% and 65% of electricity bills and are projected to increase further. These charges are becoming increasingly difficult for businesses to manage and are reducing the resources available for investment in stores, logistics networks, digital infrastructure and productivity improvements[10]. For a sector operating on relatively tight margins, rising energy costs add further pressure to absorb higher operating expenses or pass costs through supply chains and ultimately to consumers.

Tackling the regulatory burden

Retailers operate within a complex and increasingly crowded regulatory environment, spanning employment law, environmental policy, consumer protection, product safety, data, sustainability reporting and trading standards. The cumulative burden is not only driven by individual regulations, but by the volume of requirements landing simultaneously and the way they are interpreted, enforced and communicated by different regulators.

Retailers report that recent guidance from some regulators has become excessively detailed, sometimes going beyond what is strictly required by law. This is particularly challenging where the same body is responsible for guidance, enforcement and penalties, creating uncertainty about how businesses should interpret and evidence compliance. Enforcement culture also matters. Retailers are committed to complying with new regulation, but an approach that moves too quickly to enforcement action or fines can increase risk and cost without improving outcomes. A more outcome-based, cooperative regulatory approach, focused first on education, awareness and practical implementation, would better support compliance.

Duplication across enforcing bodies can also create confusion, particularly where regulators or local authorities interpret requirements differently or ask for similar information in different formats. Inconsistent local enforcement adds further burden for national retailers operating across multiple areas, requiring businesses to manage different expectations for the same underlying regulation.

Across the sector, retailers are managing a wide range of regulatory requirements, including the non-exhaustive list below:

Department for Business, Innovation, Science and Trade (BIST)	
Regulation	**Regulator**
DMCC Act	CMA et al
Green Claims	CMA
UK/EU Timber Regulation	OPSS
Product Regulation and Metrology Bill (UK Product Safety Framework)	OPSS
Product Regulation and Metrology Bill – Online Marketplace Duties	OPSS; Local Authority Trading Standards
General Product Safety Regulations 2005	OPSS; Local Authority Trading Standards
Furniture and Furnishings (Fire) (Safety) Regulations 1988	OPSS; Local Authority Trading Standards
Electrical Equipment (Safety) Regulations 2016	OPSS; Local Authority Trading Standards
Toys (Safety) Regulations 2011	Local Authority Trading Standards
EU General Product Safety Regulation/ EU General Product Safey Act (NI Application)	Local Authority Trading Standards (NI); OPSS
UK Cosmetics Regulation	Local Authority Trading Standards
Supply of Machinery (Safety) Regulations 2008	HSE
EU Machinery Regulation (NI Market)	Market Surveillance Authorities (NI)
Digital Markets Competition and Consumer Act	CMA
The Companies (Strategic Report) (Climate-Related Financial Disclosure) Regulations 2022 (TCFD Mandate)	Financial Reporting Council
Labour market enforcement	Fair Work Agency
EU Ecodesign for Sustainable Products Regulations (ESPR) - NI only	Market Surveillance Authorities (NI)
Data Use and Access Act	LCO

Department for Environment, Food and Rural Affairs (DEFRA)	
Regulation	**Regulator**
F-Gas Regulations	Environment Agency
UK REACH Regulation	HSE
UK CLP Regulation	HSE

UK Biocidal Products Regulation	HSE
Waste Electrical and Electronic Equipment Regulations 2013 (UK WEEE)	OPSS (product aspects)
UK Persistent Organic Pollutants (POPs) Regulation	Environment Agency
Groceries Code of Supply	Groceries Code Adjudicator
Extended Producer Responsibility for Packaging	PackUK

Department for Energy Security and Net Zero (DESNZ)	
Regulation	**Regulator**
The Companies (Director's Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (Streamlined Energy and Carbon Reporting (SECR))	Financial Reporting Council
Minimum Energy Efficiency Standard (MEES) Regulations	Local Authorities
Ecodesign and Energy Labelling – Tumble Dryers	OPSS
Ecodesign for Energy-Related Products Regulations	OPSS

Home Office	
Regulation	**Regulator**
Building Safety (RAAC, Cladding etc.)	HSE / Building Safety Regulator
Modern Slavery Act	Fair Work Agency / Home Office
UK Explosives Precursors Regulation	Police

Department of Agriculture, Environment and Rural Affairs (DEFRA)	
Regulation	**Regulator**
Movement of food under the Windsor Framework	DAERA

Department of Health and Social Care (DHSC)	
Regulation	**Regulator**
Regulation of HFSS Promotions In-Store	TSO / EHO
Tobacco and Vapes Bill	Local Authorities; Trading Standards
Food Labelling regulations	Trading Standards/Environmental Health Officers
Food Safety regulations	Environmental Health Officers

Food Contact materials (packaging safety)	Environmental Health Officers
Broadcast advertising of food	DCMS/Ofcom

HM Treasury	
Regulation	**Regulator**
Consumer Credit regulations	Financial Conduct Authority
Buy Now Pay Later regulations	Financial Conduct Authority

Office for Equality and Opportunity (OEO)	
Regulation	**Regulator**
Single-Sex Spaces	EHRC

UK Government / European Union	
Regulation	**Regulator**
Windsor Framework – Moving Food GB-NI	DAERA

Within this wider regulatory landscape, the BRC has identified three areas where the burden is particularly acute for retailers.

1. Employment Rights Act – guaranteed hours

Challenge: The Employment Rights Act introduces a requirement for employers to offer permanent contracts with guaranteed hours to employees on low or zero-hours contracts. Key aspects of the policy, including the reference period, definition of low hours and calculation of regularly worked hours, remain subject to secondary legislation. Retailers are concerned that if implemented incorrectly, the policy could significantly reduce labour market flexibility, increase administrative costs and reduce the availability of flexible employment opportunities.

BRC recommendation: The BRC is calling on government to ensure the final regulations strike the right balance between worker protections and labour market flexibility. Specifically, the BRC recommends defining low hours as fewer than eight hours per week, adopting a reference period of 52 weeks with no period shorter than 26 weeks, and ensuring the regulations reflect seasonal trading patterns and the operational realities of retail businesses.

Expected impact: A proportionate approach would provide greater certainty for workers while preserving the flexible employment opportunities that are valued by both employers and employees.

2. Reform the triple packaging tax burden

Challenge: Retailers face a growing and increasingly overlapping packaging compliance regime. Extended Producer Responsibility (EPR) added approximately £1.6bn in direct and indirect costs, while Plastic Packaging Tax and the Packaging Recovery Note (PRN) system create additional compliance costs and administrative burdens[11]. Businesses are concerned that multiple schemes are operating simultaneously without delivering corresponding improvements in recycling infrastructure or outcomes.

BRC recommendation: The BRC is calling for a more coherent and proportionate packaging framework. Specifically, the BRC recommends postponing the introduction of EPR modulated fees, removing the Plastic Packaging Tax, phasing out the PRN system as EPR and other replacement schemes become established, and ensuring future packaging policy focuses on improving recycling outcomes rather than layering additional costs onto businesses.

Expected impact: A simplified framework would reduce the £1.6bn burden associated with packaging compliance, improve regulatory coherence and allow businesses to direct more resources towards investment, innovation and delivering environmental outcomes.

3. Align and simplify sustainability reporting requirements

Challenge: Retailers are increasingly required to comply with multiple sustainability reporting regimes, including UK reporting frameworks, EU Corporate Sustainability Reporting Directive requirements and devolved administration obligations. Many of these requirements seek similar information but require it to be reported in different formats, creating duplication, complexity and additional cost.

BRC recommendation: The BRC is calling on government to create a more streamlined reporting framework by developing a single UK sustainability reporting framework aligned with international standards, aligning requirements across carbon disclosure, packaging and supply chain transparency obligations, and ensuring any new requirements consolidate existing obligations rather than adding further layers of reporting.

Expected impact: Reducing duplication would lower compliance costs, improve reporting efficiency and allow businesses to focus resources on decarbonisation, innovation and operational improvement. The BRC estimates that alignment could reduce compliance costs by £250m-£300m annually and cut reporting requirements by 30-40%[12].

Endnotes

[1] CBI (2026). Different methodologies can be used to calculate the business tax burden, with Flint Global analysis forecasting that the retail sector will contribute £41.1bn in business taxes in 2026/27, compared to £32.4bn in 2024/25, an increase of 20% in two years.
[2] CBI (2026)
[3] The CBI used its business tax contribution analysis in which taxes are broken down by industry on a 2-digit SIC level. For employers' NICS we used the latest ASHE and BRES datasets to distribute Employer NICs by industry. To estimate the contribution as a share of GVA, we used the latest ONS GVA estimates by industry to estimate the sectoral business tax contribution. Where it was not possible to assign the sector firmly to one or multiple 2-digit SICs, we asked TAs to provide data which we used and scaled accordingly. It should be noted that for some sectors there is a larger margin of error in the contribution statistics given 2-digit SICs do not necessarily fully align with the specific activities progressed in certain sectors. For the retail sector, we used SIC 47.
[4] This analysis includes Net VAT which refers to the difference between the VAT charged by businesses on their sales (output VAT) and the VAT paid on their purchases (input VAT). It captures the amount of VAT the sector pays on goods and services it receives, before any refunds provided by HMRC. As the sector primarily makes non-exempt supplies to its customers, HMRC will generally refund any input VAT paid.
[5] CBI Economics
[6] BRC. 2026. Retail CFOs (Chief Financial Officers) and Finance Directors Survey. Link.
[7] Valuation Office Agency and Office for National Statistics.
[8] BRC HR Benchmark Q1 2025.
[9] BRC. 2026. Retail CFOs (Chief Financial Officers) and Finance Directors Survey. Link.
[10] BRC Analysis
[11] BRC Analysis.
[12] BRC Analysis.

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