



Rt Hon Sir Keir Starmer MP
Prime Minister
10 Downing Street
London
SW1A 2AA

4 February 2026

Dear Prime Minister,

High Street Growth Measures

We welcome the Government's commitment to revitalising the nation's high streets, including the proposed High Street Strategy announced by the Chancellor and the accompanying £1.65bn of government funding. To support your policy considerations, we propose two deliverable, cost-free measures that together would provide a further £9bn annual boost to high street businesses while delivering a significant net benefit to the Exchequer.

1. Real Business Rate Reform

The current consultation focuses on incremental adjustments, but the system is fundamentally broken and requires structural reform. We support Heart of London Business Alliance's Hybrid Business Rate model, which addresses these challenges directly.

- Based on the principle that all businesses should contribute fairly to the funding of local government services, the model evolves business rates to reflect the growth of the property-light wider digital economy, now over 20% of UK economic activity.
- It introduces a 2% levy on all online sales, administered through the VAT system, generating £6bn annually.
- This enables a 35% reduction in all business rate bills, providing a £2bn saving for high street businesses and creating a fairer, level playing field between high street and digital trading.
- Further details on HOLBA's Hybrid Business Rate are available here:
<https://tinyurl.com/yymb9up8>

2. Boosting International Spending on High Streets

A new VAT refund scheme for all international visitors would make the UK the only European country offering tax-free shopping to both EU and non-EU visitors, positioning Britain as Europe's premier shopping destination for international visitors, investors and brands in retail and hospitality.

- This would recover an estimated £2bn currently diverted each year from UK high streets to EU destinations since 2021.
- It would unlock a new EU shopper market, over six times the size of the new British, shopping-led market for the EU, which last year generated £5bn in additional British spending in shops, hotels, pubs, and restaurants throughout the EU.
- Half of all EU visitor spending takes place outside London, so the new market would see major levels of additional EU spending across all the regions of the UK and a particular boost to regional airports.



- In total, this measure would provide a £7bn annual boost to high street businesses and support an estimated 140,000 jobs.
- Contrary to earlier forecasts, evidence from the EU shows this new market would be revenue-positive for the Exchequer due to additional spending on hospitality and travel and wider tourism. The additional spending on hotels, restaurants and travel would generate a net £800m in additional VAT alone for the Exchequer.

We therefore urge the Government to commit to a full impact review of tax-free shopping in the forthcoming National Visitor Economy Growth Strategy as a cost-free and credible demonstration of support for high streets which would be widely welcomed by businesses across the UK.

Further evidence on the positive impact of tax-free shopping here <https://tinyurl.com/y32yk643>

We would welcome the opportunity to discuss how these practical, deliverable solutions can make a substantial contribution to your high street growth strategy, providing over £9bn annually of cost reductions and additional income for high street businesses at no net cost to the Exchequer.

Yours sincerely,

Paul Barnes
Chief Executive
Association of
International Retail

Ojay McDonald
Chief Executive
Association of Town
and City Management

Ros Morgan
Chief Executive
Heart of London
Business Alliance

Cc

Rt Hon Rachel Reeves MP, Chancellor of the Exchequer
Rt Hon Steve Reed OBE MP, Secretary of State for Housing, Communities and Local Government
Rt Hon Peter Kyle MP, Secretary of State for Business and Trade
Rt Hon Lisa Nandy MP, Secretary of State for Culture, Media and Sport
Rt Hon Douglas Alexander MP, Secretary of State for Scotland