

Rt Hon Danny Alexander MP
Chief Secretary to the Treasury,
House of Commons,
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Dear Mr Alexander,

In 2005 we set up sofa.com with a very simple aim: to offer the best value, high-quality, beautiful and comfy sofas (and beds) in the UK, combined with the best customer service in the industry. That may sound a little earnest perhaps, but that really was pretty much it.

So far, we've sold over 45,000 sofas and received tons of feedback from happy customers. We've successfully grown our business, opening stores in Amsterdam and New York. As a result, we object to self-interested calls for a tax on online retailers. A tax, if imposed, could be a barrier to entrepreneurship, negatively impact small business, reduce consumer choice and hit at the heart of the UK's world-leading online retail industry. Below are sofa.com's reasons why we believe Kingfisher and Sainsbury's recent call for an online retail tax is bad for consumers, business and the UK:

- sofa.com, like all profitable online retailers, already pays significant corporation tax and VAT. We employ lots of people who pay national insurance, and all our shareholders also pay tax.
- We believe the greatest negative for the UK high street has been the growth of out of town shopping centres. It seems somewhat hypocritical that retailers like Sainsbury's and B&Q - significant proponents of out of town shopping centres - are now championing themselves as 'defenders of the high street'.
- UK food shopping shifted from local butchers and bakers to supermarkets. High streets evolve, should we deny people more housing on high streets and less traditional retail outlets if society's needs have changed?
- It is consumers who decide which retailers are successful – this is market forces at work. Taxing online retailers won't change this, but most likely lead to reduced consumer choice online.
- Retailers should accept cost variances: e.g. traditionally online retailers have larger technology investment and delivery costs, whereas traditional retailers have higher rents and rates. Additionally, start-ups don't have any kind of rent covenant to offer landlords, so large businesses often get the best retail sites anyway.
- B&Q's owner Kingfisher claims it 'wants a level playing field' - but who has the head start on whom? B&Q was founded in 1969 and its parent Kingfisher made sales of £10.6bn last year. Sainsbury's was founded in 1869 and last year sold £24.5bn of goods. Online businesses often fail; online isn't some magical way of beating the high street, only the best businesses survive and as such, it's absurd to imply that online retail has an "inherent advantage" over traditional shops.
- The government is calling on technology companies and entrepreneurs to help the UK economy. The internet enables entrepreneurs to start businesses quickly and cheaply – it's a great place for the "little guy" with a good idea to bring a product to market. The vast majority of new jobs created in any year in the UK are from small firms (research from the university of Nottingham estimates that small businesses are likely to create 2/3rds of all jobs). Therefore, an online sales tax will not be helpful.



- The UK is the world's leader in online food sales, and Kingfisher claims the UK has "the most advanced e-commerce market in the world". An online retail tax on the sector is an unusual way to support one of the UK's success stories.

As Henry Ford said, "If I had asked people what they wanted, they would have said faster horses", and no doubt the horse traders wanted more tax on motor cars.

Yours sincerely,

Pat Reeves and Rohan Blacker
Co-Founders of sofa.com

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