



22nd August 2025

Rt Hon Rachel Reeves MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Open Letter – Business Rate Reform Threatens Further Food and Medicine Inflation

Dear Chancellor,

The cold chain sector contributes over £14 billion to the UK GDP every year. It employs over 184,000 people and they and their companies contribute over £3.7 billion in taxes to the UK government every year.

Over 50% of all food travels through the UK's critical cold chain via 100,000 temperature-controlled vehicles and around 470 temperature-controlled warehouses. In addition, the most life essential medicines and medical supplies such as vaccines and blood have to be temperature-controlled. These make up over 20% of the entire pharmaceutical UK network and they reach vulnerable UK citizens via the cold chain sector.

In the Autumn Budget 2024, the government announced its intention to reform the business rate system, outlining its approach in the Treasury's *Transforming Business Rates* policy paper.

In this policy paper, the government states its intention introduce a new higher multiplier for all properties with Rateable Values (RVs) of £500,000 and above, stating 'this group represents less than one per cent of all properties, but captures the majority of large distribution warehouses, including those used by online giants.'

In the Cold Chain Federation's letter to you dated the 14th of August we highlighted how the impact of recent national crises and government policy had significantly increased cost of operating food and pharmaceutical logistics businesses, including cold stores, resulting in job redundancies in parts of the sector.

These costs have also had a direct impact on food inflation, and food inflation disproportionately impacts the most vulnerable in our society.

Cold Chain Federation

7 Diddenham Court, Lambwood Hill, Grazeley, Reading, Berkshire RG7 1JQ
T 0118 988 4468 E info@coldchainfed.org.uk W coldchainfederation.org.uk
Registered in England and Wales company no. 517554



The proposed reforms for business rates will increase the tax burden on large temperature-controlled warehouses, which contribute the bulk of food and pharmaceutical storage. With these businesses already having to cut costs and shed jobs to cope with the well-publicised barrage of cost increases our members have had to negotiate in recent times, further tax rises as outlined in *Transforming Business Rates* will need to be passed along the supply chain, increasing the cost of products and increasing inflation.

Cost increases in food and pharmaceuticals have an impact on those businesses selling these products, such as convenience stores and pharmacies on the high street. By increasing business rates on cold stores, the government risks negatively impacting its pledge to 'protect the high street'.

In *Transforming Business Rates*, Treasury has made it clear that the new, higher rate business rate multiplier is aimed at large distribution warehouses, including those operated by online giants.

We understand this intent, however by bringing a focus on the operating practices of large online giants and applying a super tax to all warehousing it risks damaging those facilities that form a critical role in storing and supplying food and life essential medicine to the UK citizen.

Companies in the cold chain sector are not large online giants. All are onshore and all pay UK taxes. All have as their primary business the supply of food or pharmaceuticals to the UK market. They are of critical national importance.

We estimate the super tax business rate multiplier would impact around 100 of the largest cold stores, so our proposals outlined below would not have a major impact on HMRC's tax revenue.

These sites and businesses play the most significant role to food and pharmaceutical security in the UK. They are large because this is the most efficient method for operating an energy intensive temperature-controlled warehouse, their size is not a reliable proxy measure for their profit – operators of cold stores should not be punished by higher tax rates simply for operating in an energy efficient manner which serves to keep consumers prices to their lowest practicable level. Doing so is not creating a 'fairer system', one of the main reasons for this reform.

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Due to the critical role of cold stores to UK society and the effect on food and medicine inflation that will result as a result of your department's proposed business rate reforms, the Cold Chain Federation urges you to introduce the following exemptions at the Autumn Budget:

- Any site described by the Valuation Office Agency as operating as 'Cold store and premises' should be exempted from the proposed super tax business rate multiplier for RVs over £500,000.
- Any business site described by the valuation office that can demonstrate at least 50% of its operational costs relate to the industrial process of temperature-controlled storage should also be exempted from the proposed super tax business rate multiplier for RVs over £500,000.

By protecting the cold storage industry from the impact of business rate reforms, the government would be showing its intention to support the operators of critical national infrastructure, be serious in its intention to tackle inflation and protect our most vulnerable populations from further cost of living rises.

Yours Sincerely,

Tom Southall
Deputy Chief Executive Officer

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