

Charity Retail Association

Budget 2025 Representation

October 2025

Charity Retail Association[®]
The voice of charity retail **25 YEARS**

1.0 Executive Summary

- 1.1 The UK's 10,100 charity shops are vital to supporting growth, environmental sustainability, helping those on lower incomes, and raising money for charitable activities. However, whilst charity shop sales continue to increase and the sector continues to innovate and grow, the last year has been tough for charity shops due to rising business costs and, in particular, the increase in workforce costs resulting from the increase in employer national insurance costs.
- 1.2 The charity retail sector's calls for the Autumn Budget 2025 are:
- Business rates:
 - Reform of business rates to permanently reduce the burden on retailers
 - Funding and encouragement for local authorities to provide discretionary business rate relief for charity shops
 - Removal of an anomaly in relation to charity-operated trading subsidiaries, which prevents some charity shops from qualifying for Charitable Rate Relief
 - Retention of Charitable Rate Relief for charity shops
 - Workforce costs:
 - An increase in the employer's National Insurance Secondary Threshold from its current level of £5,000 to reduce the impact on the cost of employing part-time staff
 - A further increase in the Employment Allowance to benefit smaller employers
 - Delivering higher levels of reuse
 - Support for the implementation of an Extended Producer Responsibility scheme for textiles
 - Support for local authorities to work with charity shops to increase reuse
 - Charity Shop Gift Card
 - Using the UK's first nationwide gift card for charity shops to help distribute support funds to those in need
 - Support for the charity sector
 - Modernisation of the Gift Aid system
 - A Government campaign to promote Gift Aid
 - Addressing the crisis in local government funding

2.0 Introduction

- 2.1 The Charity Retail Association is the membership body for charity retailers with around 450 retailer members, who together run around 90 per cent of all charity shops in the UK. Our members range from national chains running several hundred shops to local charities running a single shop. As an association, we support our members through advocacy, research, providing policy and operational advice, and offering networking and learning opportunities.
- 2.2 Charity retail makes a significant contribution to the UK economy, providing 23,500 full-time equivalent paid roles and 203,600 volunteer opportunities. Both the Department for Work and Pensions and the Probation Service encourage volunteering in charity shops as a means of boosting employment skills and experience.
- 2.3 Charity shops are generating green economic growth, with 80.8% of all charity shop income coming from the sale of second-hand goods compared to 7.7% attributed to new goods.¹ It is estimated that if all UK adults bought half of their wardrobe second-hand instead of new, it could prevent an estimated 12.5 billion kilogrammes of carbon dioxide emissions entering the atmosphere.²
- 2.4 Charity shops help reduce public expenditure by reducing the volume of household waste that local authorities have to pay to collect and dispose of. Each year, we estimate that charity shops facilitate the reuse or recycling of 339,000 tonnes of clothing, which saves local authorities over £34 million in annual waste disposal fees from clothing reuse alone.³
- 2.5 Charity shops are a highly effective means of enabling people to convert their unwanted items into cash donations to fund the delivery of charitable services to those in need. In total, we estimate that charity shops contribute around £387 million each year to fund good causes, which in turn generates additional economic benefit by boosting economic growth and reducing pressure on public services.
- 2.6 We commissioned a social return on investment (SROI) analysis⁴ to quantify the value generated by charity retail that goes beyond what can be captured in purely financial terms. This analysis found that in 2022, a total of £75.3 billion of social value was generated by UK charity shops, representing a SROI ratio of £1: £7.35 – i.e., for every pound invested in charity retail, £7.35

¹ Quarterly Market Analysis Q2 2025 – Charity Retail Association

² [https://oxfamapps.org/scotland/2023/08/30/buying-second-hand-fashion-would-prevent-the-equivalent-emissions-of-flying-around-the-world-17000-](https://oxfamapps.org/scotland/2023/08/30/buying-second-hand-fashion-would-prevent-the-equivalent-emissions-of-flying-around-the-world-17000-times/#:~:text=If%20all%20UK%20adults%20bought,world%20more%20than%2017%2C000%20time)

[times/#:~:text=If%20all%20UK%20adults%20bought,world%20more%20than%2017%2C000%20time](https://oxfamapps.org/scotland/2023/08/30/buying-second-hand-fashion-would-prevent-the-equivalent-emissions-of-flying-around-the-world-17000-times/#:~:text=If%20all%20UK%20adults%20bought,world%20more%20than%2017%2C000%20time)

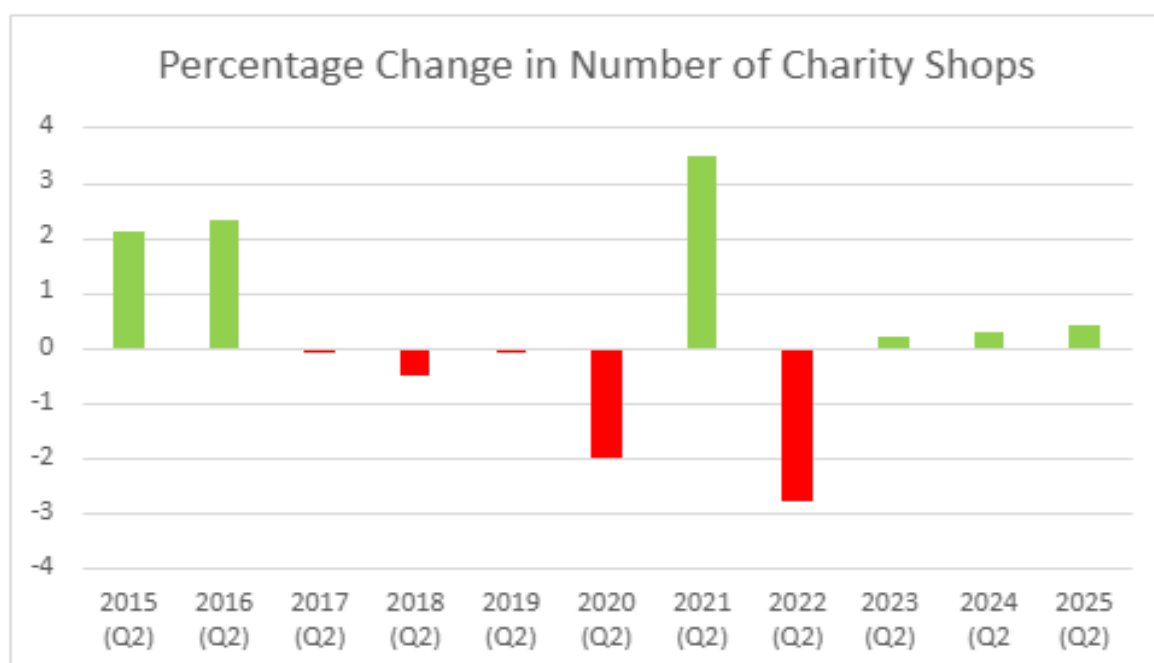
³ Mean costs of Energy from Waste disposal of £101 a tonne: <https://www.letsrecycle.com/prices/efw-landfill-rdf/efw-landfill-rdf-2025-gate-fees/>

⁴ <https://www.charityretail.org.uk/social-value-and-social-return-on-investment-sroi-of-charity-shops/>

of social value is generated – a vast positive impact on those people whose lives charity shops touch:

- 29% of the social value generated is related to giving back to others
- 20% of the social value generated is related to giving back to the planet
- 20% of the social value generated related to being met by charity shop staff with friendliness and compassion
- 14% of the social value generated related to a positive shopping experience
- 9% of the social value generated is related to feeling part of a community
- 7% of the social value generated is related to financial choice and independence

2.7 The number of charity shops in the UK has remained largely stable over the past three years at around 10,100, whilst there has been a move towards larger store sizes.⁵ In the past year, we estimate the number of charity shops increased by 0.4% and that the total footprint occupied by charity shops increased by 1.4% with a growing number of charity shop superstores. Over the coming year, however, we anticipate a net loss of shops based on announced closure plans, due largely to rising business costs.



2.8 In quarter 2 of 2025, charity shop income increased by a steady 2.2% compared to the same period last year. Factors behind this increase are the continued increase in online sales, combined with an increase in the number of transactions in stores. The average value of a transaction in a charity shop increased by only 0.15% to £7.32.⁶

⁵ Charity Retail Association – Quarterly Market Analysis reports 2015 - 2025

⁶ Charity Retail Association – Quarterly Market Analysis Q2. 2025

3.0 Business Rates

- 3.1 Whilst most charity shops are eligible for mandatory 80% Charitable Rate Relief, the remaining 20% of business rates payable by charity shops remains a significant burden. In addition, a high business rates burden on high street premises contributes to struggling businesses and high vacancy rates, which reduces customer footfall for all retailers, including charity shops.
- 3.2 We welcome and support the Government's manifesto commitment to permanently cut business rates for the high street. We note that this will be paid for with a higher tax rate for properties with a rateable value of at least £500,000, including large distribution warehouses, such as those used by online retail giants.
- 3.3 We agree with the proposal that business rate reductions should be focused on properties with a rateable value of less than £51,000, as this will help target support for high street premises.
- 3.4 We urge the Government to provide financial support for local authorities to grant discretionary rate relief for charity shops, or to consider increasing mandatory Charitable Rate Relief to 100%. Charity shops reduce waste management costs incurred by local authorities, generate volunteering opportunities, ensure access to affordable second-hand goods and fund local charitable activities. Removing the business rate burden from charity shops entirely would support the sector in expanding and would increase the contribution charity shops can make to the local community.
- 3.5 Many charities operate wholly owned trading subsidiaries to run their charity shops. This model is adopted to protect the parent charity from the inherent risks of trading, and especially the risk of taking on long-term property obligations. The use of trading subsidiaries is both encouraged and endorsed by the Charity Commission. Unfortunately, the overzealous application of Section 43 of the Local Government Finance Act 1988, by some local authorities, is resulting in a limited number of charity shops being denied Charitable Rate Relief. We therefore urge the Government to look at options to address this anomaly.

4.0 Workforce Costs

- 4.1 The increase in employer National Insurance Contributions and, in particular, the reduction in the Secondary Threshold to £5,000, have put the UK's charity shops under financial strain. Following this change, over one-third of charity retailers indicated they would be forced to cut paid staff, reduce employee hours, or both. In addition, there was an increase in retailers planning to close shops or scale back on shop opening plans.⁷
- 4.2 Charity shops are increasing sales, but the pace is not fast enough to outpace rising business costs, such as the increase in employment costs. This will inevitably lead to less money being raised for charitable activities than would otherwise be the case. Since last year's Budget, Scope has announced plans to close 74 charity shops, and Cancer Research UK announced plans to close 190 charity shops.
- 4.3 The average charity shop operates with a team of volunteers and 1.9 paid staff members, calculated on a full-time equivalent basis.⁸ The low number of paid staff in charity shops means there is limited scope to compensate for higher employment costs by reducing staff numbers or hours, without reducing trading hours or closing stores.
- 4.4 As a sector, charity retailers simply do not have the same access to economies of scale or pricing power that major supermarket chains or other major retailers do. And, so we are urging the Government to look at measures to reduce the impact of last year's employer National Insurance increases by:
- Increasing the employer's Secondary Threshold from its current level of £5,000 to reduce the impact on the cost of employing part-time staff
 - An increase in the Employment Allowance, which would disproportionately benefit smaller employers

⁷ <https://fundraising.co.uk/2024/12/03/higher-employer-nics-national-living-wage-increase-will-severely-impact-charity-shops/>

⁸ Charity Retail Association – Workforce Report 2025

5.0 Delivering a circular economy with reuse at the heart

- 5.1 Prioritising reuse through the charity sector will support economic growth, reduce emissions and raise money for charitable activities. In particular, reuse supports job creation, with research showing that 36 jobs are created per 10,000 tonnes sent for recycling and 296 jobs are created for every 10,000 tonnes reused.⁹
- 5.2 An Extended Producer Responsibility (EPR) for textiles is an essential prerequisite to generating dramatic growth in reuse, which will create jobs and cut emissions. To support reuse, we believe it is essential that EPR includes:
- Eco-modulation of EPR fees to favour clothing made to a high standard of durability, with the aim of incentivising producers to reduce the volume of low-quality items that are unsuitable for reuse, being placed on the UK market.
 - Financial support for charity retailers and textile merchants for handling clothing donations, which are unsuitable for reuse, and so must be disposed of as waste or sent for recycling, paid for either by the retailer or merchant.
 - The transfer of a proportion of EPR funds to export markets receiving used clothing exports from the UK to support the costs of managing those items.
 - A public marketing campaign focused on buying second-hand and donating items when no longer needed.
- 5.3 When resourced to do so, local authorities have undertaken some positive initiatives to support reuse and the charity retail sector. The two case studies below provide an example of what can be achieved:
- Up For Yorkshire, Selby's Council for Voluntary Services (CVS) secured local government funding for a new initiative: Shop for the Future, to bring new energy and life to Selby's high street by working in collaboration with all the charity shops. The aim of the project is to boost high street vibrancy by creating a powerful, collaborative network from the 14 second-hand shops, helping them work together to improve recycling, reuse, and upcycling practices, ultimately attracting more visitors, benefiting each charity, the local economy, the community and the environment.
 - Sunderland City Council decided to use a substantial part of its regeneration budget to encourage and empower charity shops to lead its town centre renewal strategy.

⁹ <https://www.rreuse.org/wp-content/uploads/Final-briefing-on-reuse-jobs-website-2.pdf>

6.0 The Charity Shop Gift Card

6.1 Following a successful rollout, the Charity Shop Gift Card can be redeemed in 2,100 charity shops, with an increase to over 4,000 shops expected by early next year. As well as being purchased as a gift, the card can be used to distribute government support to those in need. The Charity Shop Gift Card is a not-for-profit organisation.

6.2 We urge the Government to incorporate the Charity Shop Gift Card into its existing and future financial assistance packages for those in need. Using the Gift Card has several major benefits:

- Supporting the circular economy by enabling the purchase of second-hand rather than new goods
- Enabling funds to go further, meaning that recipients can buy more goods with the same amount of money
- The organisation funding the card only pays what is spent, not what is loaded, ensuring that every penny contributes to the support of the recipients.
- Ensuring choice for recipients by enabling them to browse a range of goods in an everyday retail setting
- Boosting income raised for charitable purposes

6.3 Some examples of where the Charity Shop Gift Card has been successfully used to disburse financial support include:

- Enabling refugees to access essential clothing: Solihull MBC issued gift cards to refugees being supported in a designated hotel. To enable the residents to shop easily, a local charity shop procured suitable items and ran a pop-up shop to enable the recipients to shop with dignity and choice.
- Making a house a home: Worcester City Council issues cards to residents who are moving into their own accommodation. The card allows residents to shop for the items that they need to set up a home, creating a sense of ownership whilst ensuring that funds are maximised.

6.4 We urge the Government to take steps to promote the procurement of second-hand goods through existing and future financial support schemes by:

- Specifying that a set percentage of funds provided to local authorities and support agencies should be set aside for expenditure on second-hand goods
- Specifying that, wherever possible, recipients should be given the option of receiving support via the Charity Shop Gift Card

7.0 Support for the charity sector

- 7.1 Gift Aid is vital in promoting charitable donations, and around 7% of charity retail income comes via Gift Aid claims. We urge the Government to launch a public awareness campaign to promote and explain the Gift Aid system to encourage people to donate more, and to ensure Gift Aid is fully utilised as the incentive it is intended to be.
- 7.2 Gift Aid regulations and guidance have not kept pace with technological developments. This results in higher operation costs, a poor donor experience, errors and unclaimed gift aid. This should be addressed by progressing the work of the Future of Gift Aid project¹⁰ which aims to utilise automation to help simplify the current complex and cumbersome process. This could include the use of universal Gift Aid Declarations and automated checks to verify whether a donor had paid sufficient income or capital gains tax.
- 7.3 Local authorities also have a major role in promoting reuse in their areas, but they are heavily constrained by the ongoing crisis in local government finances. This leads to short-term thinking, resulting in some charity shops being denied business rate reliefs, being charged for the waste disposal of unsaleable household donations, which under the Controlled Waste Regulations should be free of charge and charging charities large amounts to locate bring banks on public land. All these steps act to hamper the growth of reuse, but could be avoided if the funding crisis for local government were resolved.

¹⁰ <https://www.charitytaxgroup.org.uk/tax/donations/future-gift-aid-project/>

8.0 Conclusion

- 8.1 The UK's 10,100 charity shops generate a triple bottom line benefit; they raise much-needed funds to support good causes, generate huge social value for local communities and play a vast role in the journey towards a circular economy.
- 8.2 The decision in last year's Budget to increase Employers' National Insurance is now acting as a barrier in the way of charity retailers being able to expand, and furthermore has been a consideration in two large retailers deciding to reduce their number of stores.
- 8.3 Charity shop sales remain robust and continue to grow, but over the past year have not been sufficient to outpace rising costs and in particular rising employment costs
- 8.4 This year's Budget is an opportunity for the Government to support the growth of charity retail, which will increase funding for charitable activities, promote sustainability and underpin the social value delivered by charity shops.

