10 September 2012

Creative Sectors Tax Reliefs Consultation
Enterprise and Excise Tax Team
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

Dear Sir,

UK Music welcomes the opportunity to respond to the Government’s consultation on creative sector tax reliefs.

The UK music industry (music publishing, recorded/live music) generates £3.8bn p/a. The UK is one of the few countries in the world which can claim to be a net exporter of music. Our share of trade in recorded music is four times the UK’s overall share of world trade in goods and more than double its share of trade in services. Yet the UK risks losing its position if it does not respond to the potential for growth in new markets.

Despite demand for music remaining high in the UK and worldwide, the growth of illegal downloading has had a serious effect on the UK music industry. Revenues of UK record labels have fallen by 35% since 2004, from £1,220.4m to £795.4m.

As the representative body for the commercial music industry (see attached annex) UK Music supports the announcement in the 2012 Budget to introduce targeted tax reliefs for animation, high end television and video games. We endorse the proposals set out in the consultation document and believe it will enable the Government to meet policy objectives.

Providing the tax reliefs are targeted effectively, there is a great potential for the wider creative sector to benefit from the proposals too. Those members of UK Music who are involved in the production of animation, high end television and video games, be it musicians, producers and composers from a performance side or record labels and publishers from a licensing perspective, will be indirectly aided by the initiative.

However, an explicit tax relief targeted directly at the UK music industry does not exist, establishing an imbalance amongst producers of creative content.

UK Music would therefore ask the Government to initiate a policy appraisal to consider the economic gains of extending their proposals to include a creative sector tax relief focused on Artists and Repertoire (A&R), the music industry’s research and development expenditure for future investment.

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The music industry’s capacity for growth is driven by investment in new artists and composers. In the UK market, each year’s new releases make up over half of album sales. Record labels and publishers find, nurture and develop artists and composers, meaning there is a strong incentive to invest in A&R.

The A&R investment takes a variety of forms – e.g. funding rehearsal and studio time, sustaining and maintaining the artist through the writing and/or recording period, subsidising tours.

The A&R process requires significant time and financial investment whereby the final results, much like scientific research and development activities, are unpredictable. The risk is spread across a large range of acts. Some make it, yet for others there is no return on the A&R expenditure. An A&R tax relief would enable the UK music industry to maintain its position both domestically and internationally by taking risks on artist development, thus creating a more varied and dynamic music industry that appeals to a wider range of audiences.

HMRC’s existing Research and Development Corporation Tax Relief, where there are separate schemes for large companies and small and medium enterprises, is the most suitable model for a UK A&R music industry tax relief. For example, targeted financial help via tax reliefs for independent labels in Canada exists via the Canada Music Fund in order to develop artists in the face of competition with global majors. An A&R tax relief would therefore be of particular relevance to the UK’s commercial music sector which is made up of SMEs. 92% of the UK’s 8,000 music businesses employ less than 10 people.

Whilst welcoming the positive impact for animation, high end television and video games, UK Music would support a Government policy appraisal of creative sector tax reliefs in order to look into the economic gains of a similar measure for A&R in the music industry.

Yours sincerely,

Jo Dipple
Chief Executive
Annex

UK Music’s membership comprises of:

- AIM – Association of Independent Music - representing over 850 small and medium sized independent music companies

- BASCA - British Academy of Songwriters, Composers and Authors – with over 2,000 members, BASCA is the professional association for music writers and exists to support and protect the artistic, professional, commercial and copyright interests of songwriters, lyricists and composers of all genres of music and to celebrate and encourage excellence in British music writing

- The BPI representing over 440 record company members

- MMF - Music Managers Forum - representing 425 managers throughout the music industry

- MPG - Music Producers Guild - representing and promoting the interests of all those involved in the production of recorded music — including producers, engineers, mixers, re-mixers, programmers and mastering engineers

- MPA - Music Publishers Association - with 260 major and independent music publishers in membership, representing close to 4,000 catalogues across all genres of music

- Musicians’ Union representing 30,000 musicians

- PPL is the music licensing company which, on behalf of 50,000 performers and 6,500 record companies, licences the use of recorded music in the UK

- PRS for Music is responsible for the collective licensing of rights in the musical works of 85,000 composers, songwriters and publishers and an international repertoire of 10 million songs

- UK Live Music Group, representing the main trade associations and representative bodies of the live music sector