**September 2020**

## UK Music response to HM Treasury fundamental review of business rates: call for evidence

### Introduction

1. UK Music is the umbrella body representing the collective interests of the UK's commercial music industry, from songwriters and composers to artists and musicians, studio producers, music studios, music managers, music publishers, major and independent record labels, music licensing companies and the live music sector. UK Music exists to represent the UK's commercial music sector, to drive economic growth and promote the benefits of music to British society (see annex for full list of members).

2. UK Music welcomes the opportunity to respond to this consultation on business rates and their impact on business practice. Our interest in this area is based on the impact business rates are having on the live and recorded music industries. Even before the impact of the COVID pandemic, live music has been impacted by business rates with many grassroots venues struggling to afford rates alongside other overhead costs for putting on gigs. Recording studios have also had issues in affording and maintaining a variety of studios inside their properties with business rates restricting their ability to develop. This has been further compounded by the COVID pandemic and the impact of the subsequent and necessary 'lockdown' and social distancing measures to protect public health on the music industry.

3. The Business Rates system has improved for Grassroots Music Venues (GMVs) in recent years. Those GMVs with a rateable value of under £51,000 were granted a 50% discount to their future Business Rates in January 2020. This relief was extended in response to the COVID crisis. Business Rates Relief has been extended to all live music venues in England in line with relief for other businesses, the devolved Governments have done similar.[1] Though this relief has not been universally extended to include recording studios, we understand that Councils have in some cases used their discretionary funds to provide relief for recording studios.[2]

[1] https://www.gov.uk/guidance/check-if-your-retail-hospitality-or-leisure-business-is-eligible-for-business-rates-relief-due-to-coronavirus-covid-19
[2] https://www.gov.uk/introduction-to-business-rates

4. However, even reformed Business Rates that currently will be payable for 2021/2022 remain a significant barrier to maintaining music venues and music studios, particularly in city centres, as we laid out in our paper last year.[3] Furthermore, there remain issues with how recording studios and festivals fit within the Business Rate system.

5. We recommend that the Government place a three-year moratorium on Business Rates for live music venues and recording studios to support them through the current crisis and into the recovery phase. This time could be used to formally review whether keeping live music venues and recording studios within the Business Rate system is an equitable tax on grassroots cultural activity. Festivals on agricultural land should be removed from the Business Rates system without review.

**Business Rate and the Non-Domestic Rates (Listings) Bill**

6. In our submission to the Public Bill Committee on the Non-Domestic Rates (Listings) Bill last year we welcomed the move from a five year to a three year revaluation cycle as this would help disperse the effect of continually rising rates.[4] We were disappointed, however, at the specific exclusion of small music venues. The later inclusion of music venues with a rateable value of up to £51,000 in the 50% retail discount announced in January 2020 was welcome.[5] Recording studios remain outside of the discount.

7. The spiralling costs of Business Rates over the last decade have had an adverse impact on both live music venues and recording studios. The 2017 revaluation for instance, raised the iconic Abbey Road's studio bill by 56.74%. Our research found that Business Rates for 124 GMVs across the country had risen by 35% on the back of the 2017 valuation with one venue, The Macbeth, seeing a rise of over 800%.[6] The Music Venue Trust (MVT) found that 35% of GMVs had closed over the last decade and that Business Rates rises has contributed to the cost of staging live music, increasing by 4% in 2018. These difficulties trouble the rest of the sector, affecting opportunities for talent and restricting the options for venue and multi-venue festivals.

8. Since 2014 the Valuation Office has increasingly taxed festival sites as rateable businesses, this is particularly unfair as festivals are not active on their sites for the vast majority of the year, only 5% of festivals have any permanent infrastructure, therefore it is grossly unfair to tax them on the year round value of the land. This is having an adverse effect on an immensely valuable and (pre-2020) growing sector. Additionally, festivals that are charged business rates are likely to renegotiate rent with farmers and landowners or consider another site altogether, which will lead to lower income for these parties. This decreases the attractiveness of holding an

[3] https://www.ukmusic.org/assets/general/UKMusic_NonDomesticRatingListsBill.pdf
[4] https://www.ukmusic.org/assets/general/UKMusic_NonDomesticRatingListsBill.pdf
[5] https://www.bbc.co.uk/news/newsbeat-51263579
[6] https://www.ukmusic.org/assets/general/UKMusic_NonDomesticRatingListsBill.pdf

event on such land and the benefits of diversification. This does not create strong conditions for rural business growth or support farm competitiveness.

9. The consequences this has for our musical talent pipeline have been set out in our report *Securing Our Talent Pipeline*.[7] In brief, while UK music is very popular domestically and globally this is sustained by older artists and bands while newer artists and bands struggle to make an impact, UK talent at festivals is having an increasingly older age profile, while Ed Sheeran is the only UK act who debuted in the 2000s to consistently feature in Global Tour Top 10s and Spotify yearly top 5s.[8] His own career highlights the collapse in GMVs with only 214 of the 366 grassroots venues he played in 2006 – 2008 still being open in 2019. The closure of recording studios also reduces the opportunities for artists and bands to professionally produce music. GMVs are vital for musicians to perform and earn an income, either directly through ticket or through merchandise sales and promoting releases as well as allowing emerging talent to develop and grow a fan base.

10. The Covid-19 crisis has intensified the strains on live music venues and recording studios. This has triggered Government action on the Business Rate situation of GMVs and other live music venues. As it stands, wide ranging relief for Business Rates is in place which covers live music venues but not recording studios (as we have previously raised with Government). This will last until April 2021 and presents an opportunity to re-think how Business Rates interact with the commercial music sector. It could perhaps be time to recognise the broader benefits of live music venues, festivals recording studios and follow the example of Westminster Council which totally protected the iconic 100 Club in Soho from Business Rates in January this year.[9]

## Reform Going Forward

11. The COVID crisis has hit businesses throughout the music ecology, as set out in our response to the House of Commons Digital, Culture, Media and Sport (DCMS)

---

[7] https://www.ukmusic.org/assets/general/Talent_Pipeline_2018.pdf

[8] https://www.pollstar.com/article/the-year-end-top-tours-pop-tops-record-breaking-year-143014
https://www.billboard.com/articles/news/5812365/macklemores-cant-hold-us-spotifys-most-streamed-song-of-2013
https://www.billboard.com/articles/business/chart-beat/8545427/ed-sheeran-rolling-stones-2019-touring-charts
https://www.theverge.com/2014/12/3/7326049/spotify-most-popular-streamed-artists-tracks-2014-taylor-swift-missing
https://newsroom.spotify.com/2019-12-03/the-top-songs-artists-playlists-and-podcasts-of-2019-and-the-last-decade/
https://newsroom.spotify.com/2018-12-04/the-top-songs-artists-playlists-and-podcasts-of-2018/
https://www.forbes.com/sites/hughmcintyre/2017/12/05/spotifys-most-popular-albums-and-songs-of-2017-ed-sheerans-latest-ruled-the-world/#1f8014eb43c8
https://www.nme.com/news/music/spotify-most-streamed-artists-albums-songs-2016-drake-1884803
https://www.nme.com/blogs/nme-blogs/this-is-what-your-year-sounded-like-2015s-most-streamed-artists-according-to-spotify-13527
https://www.ukmusic.org/assets/general/Talent_Pipeline_2018.pdf

[9] https://iq-mag.net/2020/01/the-100-club-london-venue-gets-full-biz-rates-relief/#.X1i5UHlKhPY

Select Committee Inquiry on the effect of COVID on the creative sector.[10] The live sector faces losing three quarters of its income or over £900 million GVA in 2020. This had a domino effect on the rest of the sector that is reliant on recording studios, festivals and live venues as places for paid engagements. One fifth of employment in the sector is in live performance, the live sector and recording studios are also vital to the creation of content IP that is the key product of the industry.[11]

12. The statistics on the monetary impact of this are stark. 90% of musicians have seen a drop in income, the BPI reported a 50% fall in physical music sales, the National Arenas Association estimates that its 23 members have lost £235 million worth of ticket sales and five million visitors over six months and the Music Producers Guild has found that producers and sound engineers have lost an average of 70% of their income. This has hit live music venues of all sizes which have mostly been closed since March, as well as recording studios that were entirely closed until June and have been operating below full capacity since in light of the social distancing measures which are in place to protect the public. Festivals have also been hard hit, they have on average had £375,000 non-recoupable costs sunk into this year, leaving 92% of independent festivals at risk of closure.

13. Given this extensive damage to the music eco-system, continuing the Business Rates discount until 2023/24 and explicitly extending it to recording studios and music venues of any size, as well as removing festivals situated on agricultural land from the levy, should be considered as a relief measure to give live music venues and recording studios the chance to recapitalise and recover. With the Job Retention Scheme (JRS) and Self-Employment Income Support Scheme (SEISS) ending in October we are entering perhaps the period of greatest vulnerability for the sector as we are still unable to resume a full programme of live performances, both due to Government restrictions and practical issues around restarting such as how to insure events against COVID enforced cancellation.

14. Including recording studios in the relief would preserve an important part of the industry talent and production pipeline that is as crucial in creating and developing new talent as live music venues. Preserving and ideally increasing the number of recording studios reduces barriers to new talent entering the market and encourages the development of a wide pool of talent.

15. A multi-annual tax relief has the further advantage of providing stability. As it stands, music businesses are already having to look at how they can possibly meet Business Rates payments for 2021/2022 when they may well have had no income for most of 2020 (unlike many other high street retailers). To support the recovery of the music sector, the tax system should recognise that even in the best case scenario these businesses will have had one, possibly two, quarters of normal trading in 2020/2021 and therefore will struggle to meet their tax in 2021.

16. The £1.57 billion Culture Recovery Fund was welcome and it as well as other emergency funding from Arts Council England (ACE) will be key to the survival of many venues, studios and other music organisations. However, its competitive

---

[10] https://www.ukmusic.org/assets/general/UK_Music_Submission_to_DCMS_Select_Committee_ImpactCOVID_7_May2020.pdf

[11] https://www.ukmusic.org/assets/general/UK_Music_Submission_to_DCMS_Select_Committee_ImpactCOVID_7_May2020.pdf p. 2

application process risks favouring those who are familiar with ACE processes and have a track record of public funding, which is lacking in the commercial music sector in comparison to other sectors. We have seen how in previous rounds of ACE funding music applications have been 10% less likely to be approved than the average application, while the DCMS Select Committee highlighted in 2019 ACE's historic lack of engagement with commercial music.[12] Whereas Business Rate Relief is the continuation of a simple mechanism that supports all the businesses covered by the relief.

17. A three-year timescale for the moratorium would also match what we feel is a potentially reasonable timeframe for the industry to recover to February 2019 levels. Music and the creative industries were high growth industries pre-crisis, and have been hit hard by COVID, this has created a massive opportunity gap between where we would have been (on which business plans were based), and where we are now.[13] This is the same length of time as the DCMS Select Committee recommended for a VAT cut for tickets in the culture sector for similar reasons.[14]

18. The other advantage this pause would bring is time to reconsider what the Business Rates system should look like in relation to culture. The Business Rates system is particularly onerous for live music venues and recording studios which are often finding themselves priced out of their locations through changes in their local area when their business model is still viable. The pause would give time for a formal Government review of the relationship between Business Rates and culture venues as well as cultural businesses, and we would strongly urge that the Government consider alternate methods of taxing cultural assets to ensure they remain a competitive option for investment. A simple change that could go through before this is removing festivals that take place on agricultural land from the Business Rates system. We would be happy to work with the Government in developing these proposals.

## Conclusion

19. As in many other areas, the COVID crisis has intensified existing problems and prompted unprecedented Government action. This action while necessary is not sufficient to preserve the medium and long-term health of the music sector. We would urge the Government to look at a three-year Business Rates moratorium for live music venues and recording studios to allow the sector time to recover from this crisis, and in that time conduct a full review of the relationship between cultural venues and businesses and the Business Rates system.

---

[12] https://www.artscouncil.org.uk/sites/default/files/download-file/Data%20report%20-%20Emergency%20Response%20Funds%20for%20Individuals%20and%20Organisations%20outside%20the%20National%20Portfolio.pdf p. 6
https://publications.parliament.uk/pa/cm201719/cmselect/cmcumeds/733/733.pdf p. 31
[13] https://www.creativeindustriesfederation.com/sites/default/files/inline-images/20200716_OE_Slides_new%20ACE%20data%20-%20Clean%20-%20with%20NEMO%20caveat.pdf
[14] https://committees.parliament.uk/publications/2022/documents/19516/default/

**Annex**

UK Music's membership comprises: -

• AIM – The Association of Independent Music – the trade body for the independent music community, representing over 850 small and medium sized independent record labels and associated music businesses.

• BPI - the trade body of the recorded music industry representing 3 major record labels and over 300 independent record labels.

• FAC – The Featured Artists Coalition represents and promotes the interests of featured recording artists in the music industry.

• The Ivors Academy - The Ivors Academy is an independent association representing professional songwriters and composers. As champions of music creators for over 70 years, the organisation works to support, protect and celebrate music creators including its internationally respected Ivors Awards.

• MMF – Music Managers Forum - representing over 900 UK managers of artists, songwriters and producers across the music industry with global businesses.

• MPG - Music Producers Guild - representing and promoting the interests of all those

involved in the production of recorded music – including music studios, producers, engineers, mixers, remixers, 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 over 32,000 musicians from all genres, both featured and non-featured.

• PPL is the music licensing company which works on behalf of over 100,000 record companies and performers to license recorded music played in public (at pubs, nightclubs, restaurants, shops, offices and many other business types) and broadcast (TV and radio) in the UK. PPL also collects royalties for members when their recorded music is played around the world through a network of international agreements with other collective management organisations (CMOs).

• PRS for Music is responsible for the collective licensing of rights in the musical works of 114,000 composers, songwriters and publishers and an international repertoire of 10 million songs.

• UK Live Music Group, representing of the live music sector with a membership consisting of: Agents' Association (AA), Association for Electronic Music (AFEM), Association of Festival Organisers (AFO), Association of Independent Festivals (AIF), Concert Promoters Association (CPA), International Live Music Conference (ILMC), National Arenas Association (NAA), Production Services Association (PSA), Music Venue Trust (MVT), with contributions from PRS Foundation, MU, MMF, FAC and BPI.