

August 2021

UK Music Response to the Proposals from the Fundamental Review of Business Rates

UK Music feels that Business Rates are an anachronistic, cumbersome and unfair method for taxing activity in music spaces such as live music venues, studios and rehearsals spaces. Business Rates unfairly penalise these spaces that often require a large floor space and are in city centres or regenerating locations. Business Rate rises are completely divorced from the ability of the business to pay, often effectively taxing otherwise viable small businesses out of existence.

A more staggered rise will help in some cases but is only partially alleviating the symptoms not the cause of the problem. Furthermore, the costs to the sector of the shift to a 3-year model laid out in these proposals mostly obviate even this partial advantage.

Instead we recommend:

- 1. A 3-year moratorium on Business Rates for music spaces to help them recover from COVID and a review of whether they should remain covered by Business Rates.**
- 2. An extension of the 50% Business Rate cut from music venues to all music spaces for 2022/23.**
- 3. Clearer definitions and codes for music studios.**
- 4. Removing festivals based on agricultural land from the Business Rates system.**
- 5. Oppose a charge on appeals to valuations.**

1 Does the proposed package of measures represent a fair and balanced trade-off for ratepayers between new benefits and new requirements? If not, please detail what adjustments you would like to see, to ensure a balanced package of measures that would support a 3-yearly cycle while taking account of deliverability constraints. (2000 words)

No. While the shift to a 3-year cycle might be helpful in some ways UK Music does not feel that this package does enough to address the underlying issues around Business Rates and music spaces, while also posing additional concerns in its implementation.

Businesses Rates have a range of issues when applied to music spaces. These include the use of Fair Maintainable Trade as an assessment criteria, and the emphasis on land value for music spaces that are often both large in floor space and in desirable or redeveloping locations, these issues lead to huge and unsustainable Business Rates rises. For example, the London venue The Macbeth saw its Business Rates rise by 800% in 2017, while the iconic Abbey Road Studios saw their bill rise by 56.2%.¹

For the Macbeth and Abbey Road, having that same increase brought in two stages in six years instead of one stage does not address the fundamental issue that the tax being charges is entirely divorced from the business and its productive capacity. Rising Business Rates lead directly to business closures, such as Buffalo's Bar in Cardiff that despite having hosted acts like Adele and Stormzy closed in 2019 citing a "massive" increase in Business Rates in 2017 as a key cause. Our research found that between 2008 and 2018 there was a 35% fall in the number of GMVs, partially due to high Business Rates.² The recent Music Studio Market Assessment conducted by Sound Diplomacy for the Department for Digital, Culture, Media and Sport noted that for music studio owners in focus groups Business Rates were cited as a "primary" reason for music studio closures.³

The unfairness of Business Rates on music venues has been recognised by the UK Government who brought a in 50% Business Rate discount for GMVs (venues with a rateable value under £51,000) in England in 2020.⁴ This was a welcome and helpful step that should be extended to other music spaces. **We would welcome this cut being extended to other music spaces such as music studios and rehearsal spaces, and venues with a value of over £51,000.**

However, the fact it is necessary suggests we need to fundamentally address how we tax music spaces.

As we recover from COVID and the Government looks to level up, the importance of music spaces has been readily acknowledged. The *Build Back Better High Streets* paper set out a role for entertainment venues in renovating disused space and reenergising our high streets.⁵ We have also repeatedly pointed out the cultural and economic value that music spaces bring to an area (for every £10 spent in a music venue £17 goes into the local economy).⁶ Yet, our Business Rate system penalises rather than encourages these spaces.

¹ https://www.ukmusic.org/wp-content/uploads/2020/12/UKM_Final_HMTreasuryBusinessRates_18.09.pdf p.2

² <https://www.walesonline.co.uk/whats-on/music-nightlife-news/cardiff-bar-buffalo-close-business-15626307>
<https://www.ukmusic.org/campaigns/talentpipeline/>

³ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/100812/3/DCMS_Studio_Market_Assessment.pdf p.6

⁴ <https://www.theguardian.com/music/2020/jan/27/small-music-venues-to-get-50-reduction-in-business-rates>

⁵

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1005041/Build_Back_Better_High_Streets.pdf p. 9

⁶ <https://www.ukmusic.org/wp-content/uploads/2021/05/UKM-Submission-to-Treasury-Committee-Inquiry-Jobs-Growth-and-Productivity-after-Coronavirus-Policy.pdf>

Finally, as a tax on bricks and mortar retail space Business Rates negatively impact high street music retailers, in comparison to companies that operate purely online and incentivises companies to leave the high street and work through international intermediaries like Amazon.

We would therefore welcome a moratorium on Business Rates for music spaces for the first 3 year cycle, this would allow a specific review of whether Business Rates should apply to music spaces.

In our initial submission we also noted that temporary festivals on agricultural land should be explicitly exempt from Business Rates as they are not in permanent occupation of the land, and the land is used for an alternate land use for most of the year. Festivals on rural sites currently rely on the agricultural exemption, UK Music is keen to ensure that this exemption remains in place and this is particularly important given the difficulties that festivals have faced in 2020 – 2021 due to COVID as noted in the Digital, Culture, Media and Sports Committee's recent *Future of Festivals* inquiry.⁷ If business rates are applied to agricultural land for business use then music festivals, which are temporary annual events, will be passed on the entire cost by landowners making many festivals untenable.

We reiterate the desirability of exempting temporary festivals on agricultural land.

2 What steps could be taken to support ratepayers to comply with the new duties? For example, elements to reflect in the design of the reporting portal, or content that would be helpful to include in the supporting guidance. (500 words)

We would emphasise that at a time when many music spaces are facing an existential crisis due to COVID an incentivised rather than a punitive system for compliance would be welcome.

A practical step that could be taken is ensuring that studios have much clearer guidance on where they sit within the Business Rates system. The Music Studio Market Assessment pointed out that the Business Rates system does not have a specific code for music studios and that "studios are most often classified as retail

<https://www.ukmusic.org/wp-content/uploads/2021/05/UKM-Submission-DCMS-Select-Committee-Major-Sporting-and-Cultural-Events.pdf>

https://www.ukmusic.org/wp-content/uploads/2021/01/UKM_Inquiry-into-Covid-19-and-the-Night-Time-Economy_final.pdf

⁷ <https://committees.parliament.uk/publications/6136/documents/68377/default/>

https://www.ukmusic.org/wp-content/uploads/2020/12/UKM_Final_HMTreasuryBusinessRates_18.09.pdf

(shop) or leisure”.⁸ This needs to be sorted to ensure that music studios have a clear place in the Business Rates system and be more effectively provided with support.

As set out previously studios face similar Business Rates pressure to live music venues, and play an important role in the music ecosystem and therefore should also be extended a 50% Business Rate discount.

Music studios should have their own code in the Business Rates system and be provided with a Business Rates discount similar to music venues.

Clear communication with each business owner on the Duty of Notification is also vital, where possible direct support should be provided if requested to ensure owners understand what their new legal duties are. It should also be noted that many businesses will have undergone internal changes due to the requirements of COVID.

3 Are you supportive of the proposed approach to Transparency? Are there further elements you think should be made available as part of a Transparency offer? (500 words)

Given the historic issues of inconsistencies and wild jumps in Business Rates for music spaces the concept of greater Transparency is welcomed, if that can be communicated clearly to the sector through guidance. However, this will not reduce antagonism between the sector and the system if the fundamentals of that system continue to directly disadvantage music spaces.

4 What steps could the Government, stakeholders, or industry take to support a smooth move to a 3-yearly cycle? (1000 words)

We believe that a moratorium on Business Rates for music and cultural spaces for the first of the 3-year cycles would be of use for a number of reasons. Firstly, it would give the sector breathing space after the damage inflicted by COVID.

The necessity for breathing space for music spaces has been partially recognised by the provision for music spaces of support through the COVID pandemic, including the 100% Business Rate Relief for music venues and festivals up to July 2021, and the 66% relief rate for the remainder of 2021/22.

However, the debts accrued in 2021/22 will take a long time to clear, as research for the Night Time Economy APPG has found, 75% of night-time venues are facing bankruptcy due to rent arrears.⁹ GMVs lost 75.1% of their income in 2020, Arenas lost 74% and 73% of studios lost more than 25% of their income.¹⁰ The picture on

8

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1008123/DCMS_Studio_Market_Assessment.pdf p. 105

⁹ <https://www.ntia.co.uk/appg-officers-responds-to-commercial-rent-challenges-across-the-night-time-economy-with-letter-to-mhclg-beis/>

¹⁰ https://concertpromotersassociation.co.uk/wp-content/uploads/2020/10/REPORT_UK-Live-Music-at-a-Cliff-Edge.pdf p.6

the recovery is mixed, for example footfall in London at night is still well down on pre-pandemic levels, the sector runs a very real risk of an economic long COVID without further support.

We predict that the sector will need at least 3 years to recover, therefore to ensure the recovery is as effective and sustained as possible the Treasury should look to a 3 year moratorium on Business Rates for music spaces to allow recapitalisation and recovery in a sector that will have a significant COVID hangover.¹¹

The Welsh and Scottish Governments have recognised the need for an extended Business Rate moratorium to give businesses breathing space, with qualifying businesses having 100% Business Rate Relief to the end of 2021/22.¹²

A 3 year moratorium would also give time to fundamentally review whether there should be a blanket exemption for cultural spaces from Businesses Rates. Council run and charitable spaces e.g. museums already do not pay. Yet, music spaces of all sizes culturally and economically enrich their local areas, but are unfairly penalised by Business Rates. We would be happy to discuss further what alternatives could look like.

5 Do you have any other comments on the proposed approach to the move to a 3-yearly cycle? (1000 words)

We do not support the introduction of a charge on a Challenge as set out on page 10 of the consultation and the 3 month window for Challenges to the compiled list. Where the state has made a mistake it should be accessible as possible for small and medium businesses to correct it. Business Rates are a complex legal area and some owners with genuine claims for a Challenge may be put off by a charge, or unable to access the legal advice they need within the timeframe. Particularly given the extra duties envisaged on the applicant in lieu of the check stage of the appeal process.

Therefore, UK Music would suggest the removal of the Charge and time limit on Challenges.

6 Do you agree that that moving to a three-year cycle should be the Government's priority for this stage of reform, and that going further should remain an option for the future? (1000 words)

We disagree that the three year cycle should be the priority and believe a far more far reaching reform of how we tax cultural spaces is urgently needed. Particularly, given the pressures facing music spaces post-COVID and the potential benefits that music spaces could bring to the levelling up agenda as we look to re-energise areas and places.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1008123/DCMS_Studio_Market_Assessment.pdf

¹¹ https://www.creativeindustriesfederation.com/sites/default/files/inline-images/20200716_OE_Slides_new%20ACE%20data%20-%20Clean%20-%20with%20NEMO%20caveat.pdf

¹² <https://gov.wales/business-rates-holiday-extended-12-months>

7 Would you support a move to an annual revaluations cycle or a shorter AVD in the future, accompanied by the necessary enabling reforms set out in this chapter?
(1000 words)

UK Music would have concerns that an annual revaluation cycle would create uncertainty and unnecessary administrative burdens for music spaces that would offset any gains from the incrementing of any increases in Business Rates.