

February 2022

Business Rates Technical Consultation

1.0 Introduction

1.1 UK Music is the collective voice of the UK's world-leading music industry. UK Music represents all sectors of the music industry – bringing them together to collaborate, campaign and champion music. UK Music promotes the music industry as a key national asset to all levels of Government and publishes research on the economic and social value of music. In the last pre-pandemic year music was worth 197,167 jobs and £5.8 billion in GVA (Gross Value Added) to the UK economy, employing more than steel and fisheries combined.¹

1.2 Business Rates are a critical issue for music studios, music venues and rehearsal spaces that are a key part of the music industry. A range of research (including the UK Government's own Market Assessment of Music Studios) has found the increases in Business Rates to be a key cause of closures, and our *Securing Our Talent Pipeline Report* has noted the knock-on effect the closure of music spaces has on talent development and career progression.² Furthermore, it should be reiterated that music spaces and creators are part of what make communities worth living in, they drive economic growth and provide space for meaningful activity.³

1.3 Government acting on this is welcome in principle, but we have a range of concerns. Firstly, there are a range of tweaks that could make the changes proposed more effective, secondly, on a macro level UK Music feels this review merely replaces steep rises in Business Rates with staggered but still large rises. The core issue is that the way Business Rates are calculated disadvantages music businesses, ergo national level action is needed to remove music spaces from the Business Rate system.⁴ UK Music recommends:

¹ <https://www.ukmusic.org/research-reports/music-by-numbers-2020/>
<https://researchbriefings.files.parliament.uk/documents/SN02788/SN02788.pdf> p.5
<https://researchbriefings.files.parliament.uk/documents/CBP-7317/CBP-7317.pdf> p.8

² https://www.ukmusic.org/assets/general/UKMusic_NonDomesticRatingListsBill.pdf
https://www.ukmusic.org/assets/general/Talent_Pipeline_2018.pdf

³ <https://www.ukmusic.org/wp-content/uploads/2021/10/This-is-Music-2021-v2.pdf>

⁴ <https://www.ukmusic.org/wp-content/uploads/2021/08/UK-Music-Response-to-the-Proposals-from-the-Fundamental-Review-of-Business-Rates-24-08-2021.pdf>

On the Proposals Themselves

- 1. Delaying implementing the duty to report to 2024/25.**
- 2. Creating a responsibility to support for the VOA to match the responsibility to report for ratepayers.**
- 3. Ensuring a mechanism to suspend the 30-day reporting limit in an emergency.**
- 4. Creating a Public Health Improvements indefinite exemption.**
- 5. Encouraging innovative renewable energy sources.**
- 6. Removing the proposed small business multiplier for unoccupied buildings.**
- 7. Limiting the reforms to the MCC.**

General Reform

- 8. Implementing a 3-year moratorium on Business Rates.**
- 9. Extending the 50% Business Rate Relief to all music venues, music studios and rehearsal spaces.**
- 10. Removing of music spaces including rehearsal spaces, music studios and venues from the Business Rates system.**
- 11. Retaining the ability to set national priorities through Business Rate exemptions.**

2.0 Practical Issues with the Proposals

Q2. Can you see any difficulties in collecting this information or providing it to the VOA? Is there any further information that should be provided?

2.1 Music businesses are currently facing an intensely difficult and changing situation due to COVID-19, therefore additional reporting requirements are unwelcome at this time. In 2020 the music sector lost 35% of jobs and 46% of GVA, while music venues specifically lost around 75% of their income.⁵ The omicron wave has smashed consumer confidence and caused widespread disruption resulting in a 40% downturn in live music ticket sales in December 2021 and 50% of venues cancelling gigs into January and February.⁶

2.2 In this context it is unwelcome for the UK Government to be imposing a self-reporting obligation on businesses, particularly with a compliance regime that could lead to fines, music businesses are trying to focus on securing the recovery not on filing forms, and this needs to be taken into consideration when deciding on these obligations to the Valuation Office Agency (VOA). At the least this obligation should

⁵ <https://www.ukmusic.org/research-reports/this-is-music-2021/>
https://concertpromotersassociation.co.uk/wp-content/uploads/2020/10/REPORT_UK-Live-Music-at-a-Cliff-Edge.pdf p. 6

⁶ <https://livemusic.biz/almost-40-downturn-in-live-music-ticket-sales-and-crippling-costs-sector-steadfast-in-call-for-government-support/>

not be introduced until 2024/2025 to allow the sector time to recover before reversing the legal duty of the provision of evidence.⁷

Recommendation 1; Delaying implementing the duty to report to 2024/25.

Q6. What would you wish to see in an online service to best help ratepayers meet their obligations?

2.3 It is vital that the interface for any online service is user friendly, Simplicity should be the driving principle to ensure rate payers are able clearly and easily ascertain, where to go and what needs to be done to be done within the relevant fields. The ways in which online only system disadvantage the less computer literate should also be considered. Given the legal duty to provide accurate information there should always be the option to get support over the phone. If the responsibility to report is going to transfer from the VOA to rate players then on the VOA side it needs to be replaced by a responsibility to support to reduce errors.

Recommendation 2; Creating a responsibility to support for the VOA to match the responsibility to report for ratepayers.

Q7. Under what circumstances would 30 days not be enough time for ratepayers to meet their obligations?

2.4 The current ones. The last 24 months, including the supply chain crisis, Brexit issues and repeated waves of COVID-19 in 2020 to 2022, have shown that national crises can hit businesses very hard and demand everything of a business owner to survive and disrupt even the best laid plans. Therefore, there should be a mechanism to establish a national suspension of the requirement to report in the event of a national crisis, to allow businesses to focus on ensuring their own survival.

Recommendation 3; Ensuring a mechanism to suspend the 30 day reporting limit in an emergency.

Q13. Will the proposed rules for the improvement relief ensure the relief flows to occupiers who are investing in their business?

2.5 In the main yes, however it should be noted that certain improvement work might be taken in the interests of public health, that might not have a direct monetary benefit for the business but would still present a public good that should be encouraged. However, the time limited nature of improvement relief might act as a disincentive, given the lack of direct monetary benefit to the business. As the proposals stand under 4.5 anti-viral air conditioning and ventilation systems would benefit from a waiver for improvement relief for 12 months.⁸

⁷ <https://www.gov.uk/government/consultations/business-rates-review-technical-consultation/business-rates-review-technical-consultation#chapter-1-provision-of-information>

⁸ <https://www.gov.uk/government/consultations/business-rates-review-technical-consultation/business-rates-review-technical-consultation#chapter-1-provision-of-information>

2.6 Yet, as the COVID-19 pandemic has progressed the importance of ventilation and antiviral air conditioning in preventing the spread of the disease has repeatedly been emphasised and has been a core part of range of strategies to safely return live performances, our own *Save Our Summer 2021* report, the MVT's (Music Venue Trust) Test, Clean Prevent scheme and the German Restart 19 project.⁹ Increasing ventilation in a business can also curb the spread of other respiratory diseases, reducing the risk of transmissions in music spaces in future pandemics as well as the current one, potentially allowing spaces to remain open. Therefore, this has a public health benefit beyond the business itself.

2.7 Given the unique circumstances COVID-19 has left the sector in, and in the interests of future proofing businesses against future respiratory pandemics UK Music would recommend the addition of a Public Health Improvements category, wherein if changes were made for the specific purpose of the improvement of public health they would not affect the rateable value of the business. This pandemic has shown that public health cannot and should not be divided from the economy. It is short sighted to charge businesses for taking steps to improve public health.

Recommendation 4; Creating a Public Health Improvements indefinite exemption.

Q16. Do you agree that the proposed changes to the plant and machinery regulations would ensure that plant and machinery used in onsite renewable energy generation and storage used with electric vehicles charging points are exempt?

2.8 The exemption of plant for green energy usage and storage from Business Rate assessment is welcome, though more could be done to actively encourage their take up rather than simply declining to punish them for doing so. There is however some future proofing we would welcome being brought into the language around renewable energy, there are a range of pioneering projects in the music industry such as SWG3 in Glasgow's adoption of BODYHEAT technology which is designed to capture heat from customers and store it to power the building.¹⁰ Given the rapid developments in the renewable energy sector it is vital that the language used in the guidance is routinely reviewed and does not preclude certain forms of renewable energy.

Recommendation 5; Encouraging innovative renewable energy sources.

Q21. Would the proposed reforms to the multiplier improve the administration of the system and if not why not? Do you agree that the deadline for

⁹ <https://www.gov.uk/government/publications/covid-19-ventilation-of-indoor-spaces-to-stop-the-spread-of-coronavirus/ventilation-of-indoor-spaces-to-stop-the-spread-of-coronavirus-covid-19>
<https://www.ukmusic.org/wp-content/uploads/2021/01/Let-The-Music-Play-Save-Our-Summer-2021.pdf> p. 20

¹⁰ <https://swg3.tv/news/2021/october/swg3-unveils-ambitious-plans-to-go-net-zero-by-2025>

confirming the multiplier should no longer be tied to the approval of the local government finance report?

2.9 The questions around scrutiny and the functioning of Parliament are beyond the scope of UK Music and therefore we have no view on untying the multiplier from the Local Government Finance Report. However, one point on the multiplier that does need to be interrogated is the inclusion of unoccupied buildings under the Small Business Multiplier (6.18).¹¹ There is a clear case for allowing charities as a part of the High Street economy to benefit from the Small Business Multiplier on Business Rates. However, an unoccupied property by definition does not have a small business occupier and is not contributing to the High Street.

2.10 It is unclear what policy aim would be achieved by reducing the cost to landlords of sitting on empty properties (often with an angle to get planning permission to develop to housing). The number one priority of the Build Back Better High Streets plan was: “Breathing new life into empty buildings”.¹² At a time when there is already intense pressure on music spaces it is deeply concerning that the Government is considering a change that would make it more rather than less economical for landlords to evict businesses and sit on an empty lot.

Recommendation 6; Removing the proposed small business multiplier for unoccupied buildings.

Q10. Do you consider that the proposed reform to the rules on Material Change in Circumstances (MCC) will ensure that changes in economic factors, market conditions or changes in the general level of rents are reflected at revaluations? If not why not?

2.11 The changes to MCCs go too far, while not wishing to establish a live revaluation process since 2020 the legislation required to suppress COVID-19 such as the various The Health Protection (Coronavirus, Restrictions), and the range of Statutory Instruments used to implement strict rules on social contact has proven beyond doubt that legislation can rapidly impact the profitability of a business, and therefore should not be entirely excluded from the MCC process.¹³

Recommendation 7; Limiting the reforms to the MCC.

3.0 Broader Issues

3.1 However, there are also larger issues at stake. The valuation system as currently constituted does not accurately assess the potential value of music spaces and regardless of the MCC the pressure of increasing land value on businesses like

¹¹ <https://www.gov.uk/government/consultations/business-rates-review-technical-consultation/business-rates-review-technical-consultation#chapter-1-provision-of-information>

¹² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/100504/1/Build_Back_Better_High_Streets.pdf

¹³ <https://www.legislation.gov.uk/uksi/2020/750/contents>
<https://www.legislation.gov.uk/uksi/2021/1416/contents>
<https://www.legislation.gov.uk/ukpga/2020/7/contents>

music spaces that require an accessible location and a large ground surface area is in the long term unsustainable. The market rental value used as the baseline for establishing a Business Rate has rapidly increased as property values across the UK have risen over the last 10 years.¹⁴ This is entirely divorced from the productivity value of the music space and its ability to pay the charge.

3.2 Various reports have found that the pressure on music spaces from Business Rates is rapidly increasing, the Government's own Music Studio Market Assessment found that Business Rates were a "significant financial burden" and noted stakeholders saw them as a "primary cause" of closures, Business Rates were a key driver in the 35% fall in Grassroots Music Venues (GMVs) between 2008 and 2018.¹⁵ We have previously noted music businesses have seen rises up to 800% in their rates, the iconic Abbey Road studio saw a rise of 56.2% in their last revaluation.¹⁶ However, a large rise introduced in two installments rather than one does not address the fundamental issues of long term solvency caused by the rise.

3.3 The COVID-19 crisis has presented a chance to address this issue at a macro level, music businesses have been facing waves of uncertainty for almost 2 years. In 2020, 69,000 music jobs were lost and £2.7 billion in GVA carved off the sector.¹⁷ Further variant waves are causing further issues and disruption, even without restrictions being introduced in England the MVT reported 27% fall in income for GMVs in December with a 23% drop in attendance at events at what should have been the busiest time of the year.¹⁸

3.4 This had led to some music spaces being removed from Business Rates with 100% Business Relief for music venues across the UK in 2020/2021, extending across Northern Ireland, Scotland and Wales for 2021/22 with partial relief in England.¹⁹ UK Music believes UK Government should take this a step further, and instead of responding in an ad hoc manner through the Culture Recovery Fund the Government should provide certainty to the sector by giving 100% Business Rate Relief to all music spaces until 2024/25 to allow time for businesses to recover, but also for the Government to consider if Business Rates are an effective method of taxing music spaces, and the devolved Government should follow suit.

¹⁴ <https://www.gov.uk/introduction-to-business-rates/how-your-rates-are-calculated>

¹⁵ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/100812/3/DCMS_Studio_Market_Assessment.pdf p. 7

<https://www.ukmusic.org/research-reports/securing-our-talent-pipeline/>

¹⁶ <https://www.ukmusic.org/wp-content/uploads/2021/08/UK-Music-Response-to-the-Proposals-from-the-Fundamental-Review-of-Business-Rates-24-08-2021.pdf>

¹⁷ <https://www.ukmusic.org/research-reports/this-is-music-2021/>

¹⁸ <https://musicvenue trust.com/2021/12/grassroots-music-venue-sector-on-brink-of-collapse/>

¹⁹ <https://gov.wales/full-business-rates-discount-continues-wales>

<https://findbusinesssupport.gov.scot/service/funding/business-rates-relief>

<https://www.nibusinessinfo.co.uk/content/rates->

[holiday#:~:text=As%20part%20of%20emergency%20support,financial%20year%20of%202021%2D22.](https://www.nibusinessinfo.co.uk/content/rates-holiday#:~:text=As%20part%20of%20emergency%20support,financial%20year%20of%202021%2D22.)

<https://www.gov.uk/government/publications/business-rates-expanded-retail-discount-2021-to-2022-local-authority-guidance/business-rates-expanded-retail-discount-2021-to-2022-local-authority-guidance>

Recommendation 8; Implementing a 3-year moratorium on Business Rates for music spaces.

3.5 But, this issue has been recognized as an issue by the UK Government pre-pandemic as well, in 2020 music venues with a ratable value of under £51,000 were given a 50% discount on Business Rates, recognising that the Business Rates system was not producing a sustainable outcome for these businesses.²⁰ UK Music would welcome this being extended to studios, rehearsal spaces and all music venues, as the Music Studio Assessment Market assessment found Business Rates were causing similar pressures on music studios, which are a vital part of the music ecology providing professional space for high quality recording acting as the factories of the industry, and in 2020 larger venues lost on average 75% of their income due to COVID-19, meaning they also need support.²¹

Recommendation 9; Extending the 50% Business Rate Relief to all music venues, music studios and rehearsal spaces.

3.6 However ultimately this is addressing the unfair result, but not addressing the system that is producing it. Music spaces are a key part of the national asset that is the UK music sector. Even post COVID-19 music as a sector employs more people than steel and fisheries combined, provides one in ten of the songs streamed in the entire world, and five of the last US Billboard Hot 100 songs for the week commencing 3rd January 2022 were by UK artists), and has been described as dominating the European live scene.²² Therefore, the moratorium should be used as breathing space to remove music spaces from Business Rates altogether and look at alternative methods of taxation.

3.7 To sustain this industry in an increasingly competitive global market talent needs to be developed. A range of spaces where people can play, record and practice are needed. In *Securing Our Talent Pipeline* report UK Music set out how music spaces including GMVs, rehearsal spaces and local studios “act as important hubs for local music talent and offer a means by which musicians and performers can cultivate and nurture their creativity.”²³ They are the forge in which the next Adele, Dua Lipa or Elton John will make their career, providing they are not taxed out of existence.

²⁰ <https://www.gov.uk/government/news/happy-hour-for-pubs-as-government-cuts-business-rates>

²¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1008123/DCMS_Studio_Market_Assessment.pdf p. 7
https://concertpromotersassociation.co.uk/wp-content/uploads/2020/10/REPORT_UK-Live-Music-at-a-Cliff-Edge.pdf p.6

²² The artists were Dua Lipa, Ed Sheeran, Elton John, Glass Animals and Adele
https://www.billboard.com/music/chart-beat/adele-bruno-encanto-elton-john-dua-lipa-kodak-black-hot-100-1235017217/?utm_medium=social&utm_source=twitter
<https://www.ukmusic.org/research-reports/this-is-music-2021/>
<https://researchbriefings.files.parliament.uk/documents/CBP-7317/CBP-7317.pdf> p. 8
<https://commonslibrary.parliament.uk/research-briefings/sn02788/>
<https://op.europa.eu/en/publication-detail/-/publication/4be2f11d-216c-11ea-95ab-01aa75ed71a1/language-en> pp. 15 – 16

²³ https://www.ukmusic.org/wp-content/uploads/2020/08/Talent_Pipeline_2018.pdf

3.8 These spaces also provide benefits to local economies, an event in a small live music venue is worth £50,000 per event in spillover to the economy.²⁴ While also given areas unique places create and spend time in. Yet, a key cause of the closure of these spaces and a threat to this world beating national asset is the UK's own taxation system. This should change.

Recommendation 10; Removing music spaces including rehearsal spaces, music studios and venues from the Business Rates system.

Q19. Do you agree that decisions on the operation of local discretionary relief schemes should be localised to billing authorities in the way proposed. Do you consider any rules should still be imposed from central government and if so why?

3.8 The ability of central Government to exempt certain forms of businesses from Business Rates if this fits in with broader policy goals should be preserved. While there is nothing wrong with a localised system of discretionary relief it does risk creating a Post Code lottery where wealthier Councils are better able to support the kind of cultural venues that should belong to all. If the Government is to deliver its Levelling Up agenda it is vital it retains the ability to nominate its own categories of business that can be exempt from Business Rates as a policy lever to deliver change in line with national priorities.

Recommendation 11; Retaining the ability to set national priorities through Business Rate exemptions.

4.0 Conclusion

4.1 There have been a range of recommendations made in this paper that would improve the current proposals and address general issues with Business Rates including:

On the Proposals Themselves

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²⁴ <https://www.ukmusic.org/wp-content/uploads/2021/10/This-is-Music-2021-v2.pdf>

General Reform

- 8. Implementing a 3-year moratorium on Business Rates.**
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4.2 Ultimately a tax system across the UK that recognized the cultural and broader economic value of music spaces and gave them room to breath would be better for the UKs economy, culture and wellbeing. The UK has no God-given right to its current position at the top table of global music, and the music sector needs spaces for musicians and music workers to practice, hone their craft, set out their skills for the public and build a career. These spaces in turn make their local area worth living in providing space for events and acting as an engine of economic output. The Governments of the UK need to decide if that is something it wants to encourage. If it is, then instead of providing props to help these spaces carry the crushing weight of Business Rates they should simply pull them out from underneath it.

Annex

UK Music's membership comprises: -

- AIM – The Association of Independent Music – AIM – The Association of Independent Music – the trade body for the independent music community, representing 1000+ independent record labels and associated businesses, from globally recognised brands to the next generation of British music entrepreneurs.
- BPI - the trade body of the recorded music industry representing 3 major record labels and over 400 independent record labels.
- FAC – The Featured Artists Coalition is the UK trade body representing the specific rights and interests of music artists. A not-for-profit organisation, they represent a diverse, global membership of creators at all stages of their careers and provide a strong, collective voice for artists.
- 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 1000 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 110,000 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 150,000 composers, songwriters and publishers and an international repertoire of 28 million songs.
- UK Music also has an informal association with LIVE (Live music Industry Venues & Entertainment), the voice of the UK's live music and entertainment business. LIVE members are a federation of 13 live music industry associations representing 3,150 businesses, over 4,000 artists and 2,000 backstage workers.