Consultation Response: Reforming Non-Domestic Rates in Wales

UK Music is the collective voice of the UK’s world-leading music industry across each region and nation of the UK. UK Music represents all sectors of the music industry – bringing them together to collaborate, campaign and champion music (please see the annex for a full list of members). UK Music promotes the music industry as a key national asset to all levels of Government, Local Authority, devolved Parliaments and the UK Parliament and publishes research on the economic and social value of music.

Enabling More Frequent Revaluations

Q1. Do you agree revaluations should occur at least every three years in future, to maintain fairness in the system by ensuring valuations are updated more often to reflect changing economic conditions? What are your reasons for your answer?

Maybe.

On a micro level it may be helpful for businesses to avoid huge individual business rate rises by having more regular revaluation to help stagger rates rises. In the last round of revaluations, music spaces and particularly studios and music venues saw Business rates rise by up to 800% for some venues. Clearly these kinds of shocks are deeply unhelpful for businesses, many of which are currently just trying to survive. However, it does not address the broader issue of continually rising business rates.

On a macro level, this is a fundamental issue with this Review which is that mitigating the sharp rise of business rates with a staggered rise does not address the root issue. The core issue is the way that business rates are calculated based solely on the potential value of the property and land. This particularly disadvantages music businesses and means they face taxes completely out of line with the productive capacity of the space which eventually will force them out of business.
It should be highlighted that the rise in business rates has directly caused music venues in Wales to close. For example, Buffalo's in Cardiff, which had hosted the likes of Adele and Stormzy early in their careers, closed in 2019 due to "massive rises" in business rates.

UK Music is clear that a moratorium on business rates for music spaces should be put in place to allow this unique sector to recover and generate wider value for local economies, from encouraging tourism to stimulating local hospitality and transport businesses. Research by UK Music in our This Is Music 2021 report found that a medium sized venue (600 capacity) generates around £140,000 for the economy with each event, around seven times its direct box office.

Government needs to ensure that it is addressing rather than simply rearranging one of the greatest burdens that music spaces currently face.

**Q2. Do you think revaluations should occur more frequently than every three years? If so, how often would you suggest?**

Maybe.

While again avoiding steep individual rises would be welcome we would have concerns over the amount of admin and uncertainty rates revaluation below three years would potentially cause. Given the current path of business rates rising inexorably it would be unwelcome for businesses to face a higher business rate bill every other year, this would increase the strain on businesses and cause disruption.

Addressing the issue of constant business rate rises is the only true way to help physical music spaces play the energising role that they can do, for our local communities and on high streets. These spaces support local culture and cross-cultural appreciation, but also stimulate local economic growth.

**Q3. Do you think the gap between the antecedent valuation date and the revaluation taking effect should be less than two years, if possible, in future?**

No.
To deliver this would place businesses in ceaseless cycle revaluation with no respite from rising bills and cost businesses more.

Q4. Do you have any views on the proposals to create a duty on ratepayers to inform the VOA if certain information relating to the hereditament changes, and the new duty to provide annual confirmation to support more frequent revaluation and the maintenance of accurate rating lists?

Music businesses are currently facing an intensely difficult and changing situation due to COVID-19 debt and energy price rises. Therefore, additional reporting requirements are unwelcome at this time and in any case, may provide unusual results over unusual times. In 2020 the music sector lost 35% of jobs in the sector and 46% of its GVA, while music venues specifically lost around 75% of their income. COVID-19 hit 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 2022, in many ways disruption continues with COVID-19 isolation forcing performers to cancel gigs.

In this context it is unwelcome for the Welsh 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.

Q5. Do you have any views on the proposals for a proportionate compliance regime to support the duty to provide information? In particular, do you consider the proposed penalties to be fair and proportionate?

Given the ongoing energy crisis it is unfortunate that the Welsh Government is taking this moment to introduce a compliance regime alongside the requirement to provide information. Businesses are facing urgent decisions to try stay afloat and now is not the time for further obligations and potential penalties to be imposed. Any steps the Welsh Government feels it can take to delay and amend the implementation of this compliance regime would be welcome.

Q6. Do the proposed timescales provide ratepayers with enough time to meet their obligations? If not, under what circumstances would this not be possible?
No.

The last 24 months have been very difficult therefore UK Music would not be in favour of the current timescales. Issues facing music venues and studios include the supply chain crisis, energy crisis, Brexit issues and repeated waves of COVID-19 in 2020 to 2022. These 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, as they should be allowed to do currently.

Providing Reliefs and Exemptions

Q7. Do you have any views on the proposal to undertake a review of relief schemes and any views on how their effectiveness should be considered? What factors should a review take into account?

Any review must take into account the body of work that suggests that business rates as currently constituted are a significant and specific drag on the performance of music spaces in our communities.

The way that the business rates specifically disadvantage businesses like music venues, studios and rehearsal spaces which need a large floor space should be a factor.

The way that music spaces bring value to an area, which then drives up houses prices which in turn fuels a rise in business rates that can drive out music businesses must be considered.

Various reports have found that the pressure on music spaces from business rates is rapidly increasing, the UK Government’s Music Studio Market Assessment found that business rates were a “significant financial burden” and noted stakeholders saw them as a “primary cause” of closures of studios. Business rates were a key driver in the 35% fall in Grassroots Music Venues (GMVs) between 2008 and 2018. Research by UK Music has previously found that music businesses have seen rises up to 800% in their rates in their last revaluation.
If the Welsh Government wants to have a thriving music scene in Wales with the attendant benefits that brings to the economy and local quality of life it is vital that the question of how business rates actively discourage the establishment and maintenance of music spaces is addressed.

Q8. Do you have any views on our proposals to enable the Welsh Government to amend, remove and create new statutory reliefs by secondary legislation to align to policy priorities?

UK Music is agnostic on the legislative aspects of how support and relief are delivered, if the Welsh Government decides to create a new statutory relief for music spaces.

However, it should be noted that given the significant costs music spaces incur through business rates, if they were removed and then rapidly reimposed through secondary legislation that could create a severe shock for the system. Therefore, the Welsh Government should carefully consider how any proposal to remove any statutory relief that had been created would work in practice.

Q9. Do you have any views on the proposal for the Welsh Government to have greater flexibility to provide for exemptions by secondary legislation, to align to policy priorities?

UK Music welcomes the Welsh Government giving itself the tools to react quickly and flexibly in creating exemptions for business rates. The COVID-19, cost of living and energy prices crises that have hammered the music sector in Wales highlight the importance of Government being able to respond swiftly to support businesses, as well as the importance of legal clarity around the nature and timescales of any support package.

Q10. What is your view on the proposal to give local authorities greater flexibility to award retrospective discretionary relief?

Granting Local Authorities this power is welcome in some ways and could help Local Authorities to build local music communities by providing retrospective support to music spaces. For example, Cardiff Council could use this power to build into their Cardiff Music City strategy.

However, in general UK Music would prefer more standardised relief delivered by Welsh Government to ensure that all music spaces benefit from relief.
Q11. What is your view on proposals to provide the Welsh Government with the ability to vary the multiplier for properties of different use, rateable value and geographical location, to align to policy priorities?

We would welcome the Welsh Government exploring how it can use the multiplier to incentivise different forms of ownership, for example disincentivising landlords to sit on empty properties by installing a higher multiplier for unused spaces, or providing a lower multiplier for not for profit, community owned spaces or cultural spaces in general.

Q12. Do you have any other suggestions for parameters that could be considered in varying the multiplier?

N/A

Improvements to Valuation and Rating List Administration

Q13. Do you have any views on proposals to ensure that changes in economic factors, market conditions or changes in the general level of rents are addressed through more frequent revaluations, rather than as material changes of circumstances between revaluations?

Switching to more frequent revaluations rather than addressing issues as Material Changes of Circumstances between rate revaluations risks removing flexibility from the system and the ability to react quickly to material changes in circumstances, and it would be unfortunate if a switch to a three year revaluation cycle led to a delay in action through the removal of Material Changes of Circumstances.

Q14. Do you think the proposed changes to completion notice procedures will help to ensure all relevant properties are listed for NDR in a timely manner?

N/A

Q15. Do you have any views on proposals to improve administration of the central rating list?

N/A

Q16. Do you have any views on proposals for a general anti-avoidance rule for NDR in principle?

Non-Domestic Rates properties should be listed accurately and correctly as promptly as possible.
Q17. Do you think local authorities should have more powers to enable them to counteract NDR avoidance effectively?

No.

It is unclear what these powers would look like and how much they would infringe on the rights of businesses to operate. However, UK Music is clear that Non-Domestic Rates avoidance should not be tolerated.

Other Approaches to Raising Local Tax

Q18. What are your views on taking an alternative approach, such as a local land value tax, to raising local taxes, over the longer-term?

UK Music does not have a specific stance on the question of local taxation in general. However, what is clear is that the business rates system is taxing bricks and mortar music spaces out of existence. This tax is entirely unconnected to the productive value of the space, specifically disadvantages music spaces that require large floor space and often prices venues and studios out of areas that they have successfully occupied for some time.

The COVID-19 crisis with its business rates holidays for Retail, Hospitality and Leisure businesses represented an opportunity to tackle this problem head on, and while UK Music welcomes this question more concrete action on this is urgently needed to supported high street music businesses.

Other aspects of NDR reform

Q19. We have asked a number of specific questions about the reform of NDR. If you have any related points which we have not specifically addressed or if you wish to comment on other aspects of NDR reform, please use this space to record your comments.

N/A

Q20. The Welsh Government would like your views on the effects these proposals would have on the Welsh language, specifically on:

1. opportunities for people to use Welsh; and
2. on treating the Welsh language no less favourably than English.
While these changes may not make the situation significantly worse they potentially represent a missed opportunity to tackle a key issue facing Welsh language cultural spaces. Business rates are strangling physical music spaces, given the importance of music and specifically Welsh language music to Welsh language communities the Welsh Government needs to give serious and urgent thought to how physical music spaces can be supported and protected through the rates system.

Q21. Please also explain how you believe the proposals could be formulated or changed so as to have:

1. positive effects or increased positive effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language; and

2. no adverse effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.

Retaining physical Welsh language cultural spaces, and particularly spaces where Welsh language music can be played, enjoyed and recorded is vital to the future of the Welsh language and the Welsh Governments aim to reach 1 million Welsh speakers. Therefore, the Welsh Government should give serious thought to providing total exemption from business rates for music spaces, including music venues, rehearsal spaces and studios in Wales to support the creation and maintenance of Welsh language culture and Welsh language imagined communities across Wales.

Q22. We have asked a number of specific questions. If you have any related issues which we have not specifically addressed, please use this space to report them.

N/A
Annex

UK Music’s membership comprises:

- The Association of Independent Music – the trade body for the independent music sector and community which make up more than a quarter of the UK’s recorded music market. Representing 1000+ independent record labels and associated businesses, AIM’s members range from globally recognised brands to the next generation of British music entrepreneurs.
- BPI - The British Phonographic Industry - The representative voice of the UK’s recorded music sector. Their membership consists of approximately 500 music companies, ranging from hundreds of SME independent labels to the major global record companies Universal, Sony and Warner. They also organise the BRIT Awards, the Mercury Prize and administer the Music Exports Growth Scheme (MEGS).
- FAC – The Featured Artists Coalition - 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 - 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 licenses recorded music in the UK when it is played in public or broadcast and ensures that revenue flows back to our members. These include independent and major record companies, together with performers ranging from emerging musicians to globally renowned artists. In 2021 we collected £252.8 million while also distributing money to 147,000 performers and recording rightsholders.
- 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.