

Call for evidence to review the impact of Business Rates on business

House of Commons Treasury Select Committee inquiry

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 managers, music publishers, major and independent record labels, music licensing companies and the live music sector.
2. UK Music exists to represent the UK's commercial music sector, to drive economic growth and promote the benefits of music to British society. A full list of UK Music members can be found in annex.
3. 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. 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 are having issues in affording and maintaining a variety of studios inside their properties with business rates restricting their ability to develop.

Grassroots Music Venues

4. Changes in business rates are impacting the ability of grassroots music venues and recording studios to operate with confidence and certainty. The 2017 revaluation of rateable values led many venues and studios to close due to not having the finances in place to cope with a rise in business rates.
5. In the past decade 35 per cent of grassroots music venues have closed. Increased business rates are often cited as a cause. Research by UK Music has calculated that approximately 124 venues across England would benefit from the retail discount scheme announced in the 2018 autumn budget.¹

¹ <https://www.gov.uk/government/publications/business-rates-retail-discount-guidance>

6. The Music Venue Trust have a detailed definition² of what a Grassroots Music Venue is. This definition is upheld and by bodies such as the Greater London Authority and DCMS. A grassroots music venue, in terms of business rates, is primarily a small venue with a rateable value up to £50,999. The 124 grassroots music venues identified would fulfil this.
7. The average business rate paid by the 124 grassroots music venues is now £12,438 per year following the 2017 revaluation. This amounts to a 31 per cent increase in payable business rates at these venues with rateable values growing by 25 per cent. But even within these average increases, there have been dramatic increases such as The Macbeth in London which has seen an 806 per cent increase in payable business rates.
8. The Music Venue Trust report that the cost of delivering live music events last year rose by 4 per cent in grassroots music venues and amounts to 130 per cent of total gross tickets receipts. This is directly attributable to business rates increases.

Festivals

9. Many venues also participate and host music festivals. The increase in business rates has an adverse impact on multi-venue or venue-situated music festivals with many losing festival locations to host performances and having to change spaces they hire year-on-year. Some festivals have had to close as a result of the revaluation as the costs are often passed on through rent. A retail discount would allow festivals based in venues the opportunity to be consistent and run year-on-year programmes.

Studios

10. As a result of the 2017 revaluation of business rates recording studios has seen large increases in business rates. Studios like The Dairy in Vauxhall have been subjected to business rate rises of 97 per cent. The iconic Abbey Road Studios have been subjected to a business rate increase of 56.74 per cent. These rises have posed a challenge to studios to consider if they can afford multiple recording spaces or have to rent out space for other uses.

Impact of Retail Discount Scheme

11. The retail discount scheme introduced in the 2018 autumn budget currently discriminates against music venues. Guidance provided to local authorities states music venues “are not similar in nature” to pubs and bars. Music venues are serving food and drink and providing entertainment in similar ways to pubs and bars. The message being sent is that if music venues wish to obtain similar tax advantages to other similar licensed premises, they should turn off the music.
12. If the discount was applied to grassroots music venues across England, 124 would qualify saving each venue on average £4,146 per year. Over 2 years, applying the discount to grassroot music venues would cost the Treasury approximately £1.028

² <https://musicvenuetrust.com/wp-content/uploads/2016/09/Defining-Grassrots-Music-Venues.pdf>

million (*UK Music research and analysis independently verified by Southampton Solent University*).

Ed Sheeran Impact

13. Ed Sheeran was the biggest selling artist in the world in 2017 and the most popular global touring artist in 2018. He is also a product of the grassroots music venue circuit. Between 2006 and 2008, Ed played 366 shows at grassroots venues. Sadly, only 214 of these venues remain open. In 2017, Ed Sheeran paid £5.29 million in UK taxes which alone would fund the scheme for approximately 10 years.

Impact of Business Rates on Certainty and Behaviour

14. The exclusion of music venues from the retail discount, and the inconsistency in changes to rateable value for venues, and thus inconsistent changes in business rates, do little to support growth. This presents a clear threat to music venues' business operations as opposed to providing venues with any kind of certainty.
15. The relationship between business rates, music venues, and studios has been challenging. Business rates have put undue financial strain on venues and have driven behaviour whereby venues constantly seek to minimise financial risk. This impacts on the booking decisions venues make, the pay they give musicians and technicians, and on the prices of tickets for events. Studios have also had to diversify their sources of revenue repurposing studio space for other uses, consolidating studios into one, and without revenue to reinvest they have had to cut down on staff.
16. Whilst many schemes, such as the small business rates relief scheme, exist there is difficulty in obtaining information about how venues can receive relief. Similarly the guidance on the retail discount is contradictory and reliant upon the discretion of local authorities. Clearer advice on assistance should be published.

Annex

Methodology behind modelling the impact of discount on grassroots music venues

*The following methodology and statistics in this paper have been independently verified by Jennifer Muskett, Head of Computing at Southampton Solent University, based on venues operating October 2018.*³

- The cost to treasury for applying the retail discount on business rates of a third is £1,028,181 for a two-year period. This was calculated after the application of the existing Small Business Rate Scheme discount.

³ Methodology - UK Music has calculated existing business rates of these grassroots music venues (GMV) across England using the current business rates multipliers. We then used the Valuation Office Agency website to look up venue business rate valuations. We also applied the small business rate relief scheme (SBRS) calculations using a guide by Wandsworth Borough Council. Further to this we have then modelled the impact of the retail discount scheme, which provides a discount of a third on the total business rate, as announced in the Autumn Budget 2018, to assess how it could benefit GMVs.

- Out of all the venues on the Music Venue Trust database we found 124 venues which qualified for the retail discount. These 124 qualify by being valued between £12,001 and £50,999. It is these 124 venues which this briefing focuses on.
- Since 2017, the rateable value for these GMVs on average has increased by 25% or £2,467. The impact of this has been an average increase in business rates of £2,167 (31%).
- Adding these music venues to the list of eligible hereditaments under the retail discount scheme would benefit 124 GMVs across England and cost £1,028,181 over a two-year period.

Top Increases in Business Rates

Venue Name	Town	Previous Business Rate Amount	Current Business Rate	Business Rate Increase £	Business Rate Increase %
The Macbeth	London	£2,544	£23,040	£20,496.25	805.75%
Antwerp Mansion	Manchester	£2,377	£12,840	£10,463.40	440.27%
The Mother's Ruin	Bristol	£4,477	£19,920	£15,443.00	344.94%
The Finsbury	London	£4,375	£17,280	£12,904.75	294.95%
Village Underground	London	£5,800	£17,880	£12,080.25	208.29%
1865 (The)	Southampton	£6,716	£17,040	£10,324.50	153.74%
Craufurd Arms (The)	Milton Keynes	£6,000	£14,784	£8,784.00	146.40%
Lastest Music Bar	Brighton	£10,040	£23,400	£13,360.50	133.08%
Yard Theatre (The)	London	£7,988	£16,320	£8,332.50	104.32%

Other Key Increase Examples

Venue Name	Town	Previous Business Rate Amount	Current Business Rate	Business Rate Increase £	Business Rate Increase %
Crown Inn	Telford	£5,800	£9,000.00	£3,200.25	55.18%
Angola '76	Shaftesbury	£6,171	£8,640.00	£2,469.00	40.01%
The Joiners	Southampton	£10,764	£14,880.00	£4,116.00	38.24%
Komo	Guildford	£13,766	£17,760.00	£3,994.50	29.02%
Village Pump	Trowbridge	£6,309	£8,040.00	£1,731.50	27.45%
The Boilerroom	Guildford	£9,356	£11,880.00	£2,523.60	26.97%
Ashford Arts Centre	Ashford	£6,716	£8,160.00	£1,444.50	21.51%

Cheese & Grain	Frome	£9,936	£12,000.00	£2,064.00	20.77%
----------------	-------	--------	------------	-----------	--------

Impact on Eligible Venues with Highest Increase in Business Rates

Venue Name	Town	Current Business Rate	Retail Discount Amount	Total with Discount
The Macbeth	London	£23,040	£7,680.00	£15,360.00
Antwerp Mansion	Manchester	£12,840	£4,280.00	£8,560.00
The Mother's Ruin	Bristol	£19,920	£6,640.00	£13,280.00
The Finsbury	London	£17,280	£5,760.00	£11,520.00
Village Underground	London	£17,880	£5,960.00	£11,920.00
The 1865	Southampton	£17,040	£5,680.00	£11,360.00
The Craufurd Arms	Milton Keynes	£14,784	£4,928.00	£9,856.00
Lastest Music Bar	Brighton	£23,400	£7,800.00	£15,600.00
The Yard Theatre	London	£16,320	£5,440.00	£10,880.00

Impact on Venues on other Eligible Key Examples

Venue Name	Town	Current Business Rate	Retail Discount Amount	Total with Discount
Crown Inn	Telford	£9,000.00	£3,000.00	£6,000.00
Angola '76	Shaftesbury	£8,640.00	£2,880.00	£5,760.00
The Joiners	Southampton	£14,880.00	£4,960.00	£9,920.00
Komo	Guildford	£17,760.00	£5,920.00	£11,840.00
Village Pump	Trowbridge	£8,040.00	£2,680.00	£5,360.00
The Boilerroom	Guildford	£11,880.00	£3,960.00	£7,920.00
Ashford Arts Centre	Ashford	£8,160.00	£2,720.00	£5,440.00
Cheese & Grain	Frome	£12,000.00	£4,000.00	£8,000.00

Recording Studios

Studio Name	Town	Previous Business Rate Amount	Current Business Rate	Business Rate Increase £	Business Rate Increase %
-------------	------	-------------------------------	-----------------------	--------------------------	--------------------------

Abbey Road	London	£121,095	£189,805	£68,710	56.74%
Air Studios	London	£51,336	£80,852	£29,516	57.50%
British Grove Studios	London	£55,062	£76,415	£21,353	38.78%
The Dairy	London	£9,055.75	£17,880	£8,824.25	97.44%
RAK	London	£51,750	£81,838	£30,088	58.14%
Real World	Box	£49,680	£70,992	£21,312	42.90%

UK Music's membership comprises of: -

- 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 exists to support, protect and celebrate music creators in the UK. We are the independent professional association representing songwriters and composers in all genres, whether they create song, symphony or sync. Previously known as BASCA, we can trace our history back over 70 years. As champions of music creators, we have three main activities: campaigning, cultivating and celebrating.
- MMF – Music Managers Forum - representing over 650 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 producers, engineers, mixers, remixer, 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 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.
- *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 the main trade associations and representative bodies of the live music sector

For more information please contact Sam Murray, Policy & Research Officer, UK Music on sam.murray@ukmusic.org or 02037 138456