



Rt Hon Phillip Hammond MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
Westminster
London
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8 January 2019

Dear Chancellor

On behalf of UK Music, the umbrella body for the commercial music industry, and the Music Venue Trust (MVT), we are writing to you concerning the new retail business rates discount scheme following the letter from your official TA Hetherington (Enterprise and Property Tax, HM Treasury) to the MVT dated 21 December 2018.

Live music venues, both large and small, act as important centres for cultural activity in our towns and communities. Grassroots music venues in particular act as hubs for local music talent and offer a means by which musicians and performers can grow fan bases.

The UK music industry contributes £4.5bn to the economy, with live music alone contributing around £1bn yet the Government's policy on business rates, as set out in the letter and accompanying guidance, is discriminatory towards grassroots music venues. It fails to acknowledge these venues are similar in nature to pubs and bars and that they should be eligible for the retail business rates discount as a result.

The Government's business rates revaluation in 2017 has resulted in a substantial rise in the rateable value of many music companies. We remain concerned that solutions have not yet been put in place to avoid damaging impacts on the industries that we represent.

According to the Music Venue Trust, 35 per cent of grassroots music venues across the UK have closed over the past 10 years. The margins that many music businesses operate within means that even the slightest increase in costs can create a significant challenge. A recent report by the Mayor of London's Music Board estimated that 21 of London's much-loved grassroots music venues are at risk of closure due to business rate increases, with a further 18 expected to

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experience significant challenges. An additional 23 venues are at risk of cutting the number of new artists they book.

Enclosed within this letter is an annex containing 9 examples which illustrate the sharp rise in rateable values that small and grassroots music venues have experienced since 2017. These examples are not isolated to the capital city and demonstrate the vulnerability many high profile venues across the country experience as a result of business rate rises.

We remain wholly unconvinced by a system, for example, which enables Arsenal Football Club's Emirates Stadium to receive a 7 per cent cut in business rates whereas the nearby Lexington music venue gets hit with an increase of 118 per cent.

The negative impact of business rates on music venues has already been in the news in 2019 with the announcement that the Buffalo Bar in Cardiff at which Adele, among many others, launched her career, is closing with immediate effect because it cannot meet the demands of the huge increase in business rates. We fear that if the Government continues to fail to address this issue many more closures may follow.

Any local discretion in the implementation of the business rates policy is made impossible by paragraph 15 of the guidance which explicitly states that music venues are not similar in nature to pubs and bars and so are outside the scope of the scheme.

Bars, pubs and music venues have a number of obvious similarities: they are all customer focused experiences whose core business is to provide entertainment, food and drink for the benefit of patrons.

We kindly ask that you change the guidance by stating that music venues are similar in nature to pubs and bars for the purposes of the scheme.

If HM Treasury do not revisit this policy, your message to grassroots music venues is that if they wish to obtain similar tax advantages to other similar licensed premises, or even relief from additional taxes, they should turn off the music or close down.

Kind regards

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CEO, UK Music

Mark Davyd
CEO, Music Venue Trust

Annex:

The following tables set out the increase in the rateable values¹ in certain music spaces as a result of the revaluation in April 2017²:-

<u>Smaller and grassroots venues</u>	<u>2017 increase in rateable value</u>
100 Club, London	52%
Moles, Bath	21%
The Fleece, Bristol	304%
Jazz Café, London	73%
Norwich Arts Centre, Norwich	40%
Wedgewood Rooms, Portsmouth	25%
The Joiners, Southampton	19%
The Horn, St Albans	40%
The Lexington, London	118% ³

¹ "Rateable value" is the value used to determine payable business rates, based on size, location and other factors.

² Percentage increases in rateable values have been calculated using <https://www.gov.uk/calculate-your-business-rates> Estimates of specific business rates payable are not provided. Business rate relief, transitional relief and other deductions may apply.

³ A revision to the Lexington's business rates in October 2017 resulted in a 118% increase from the level set prior the revaluation in April 2017. Originally the Lexington's rateable value increased by 234% as part of the revaluation in April 2017.