

# Submission to the Treasury Committee: Business Rates inquiry

CAMRA, the Campaign for Real Ale

April 2019



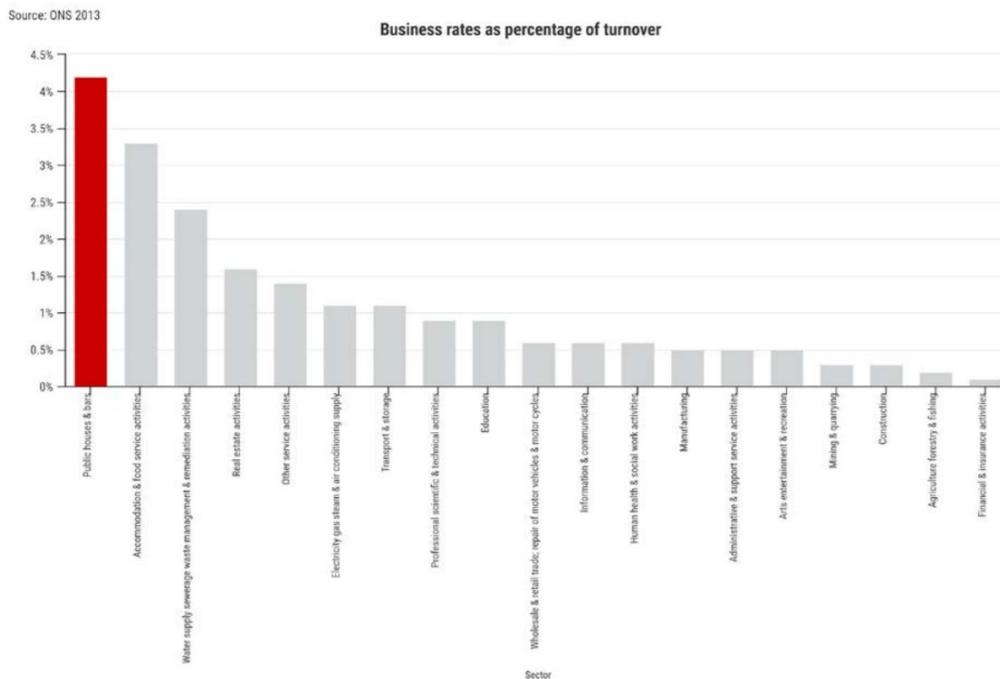
**CAMPAIGN  
FOR  
REAL ALE**

## About CAMRA

- 1) Thank you for providing the opportunity to submit evidence to the Committee. CAMRA, the Campaign for Real Ale, campaigns to promote the social, community and public health benefits of well-run pubs. We have over 190,000 members across the UK.
- 2) In our submission, we outline our position regarding how the current business rates system affects pubs and the communities in which they operate; the case for providing tax relief for pubs; the consequences of rate relief schemes introduced so far; and the findings of a recent survey of publicans on the subject of business rates.

## CAMRA's position on how the business rates system affects pubs

- 3) There is wide consensus in the beer and pub industry that the current business rates system is not fit for purpose. The time has come for a major rethink of business rates, rather than piecemeal and time-restricted reliefs.
- 4) In the 2017 business rates revaluation, four out of ten pubs saw rises in their Rateable Value, which resulted in significant rises in business rates bills for numerous community pubs. Many of the pubs which experienced the largest rises in bills saw their Rateable Value increase to above £100,000, and consequently have been unable to benefit from any business rate relief at all.
- 5) The pub sector as a whole is unfairly taxed. At the point of the last revaluation, pubs paid 2.8% of the total business rates bill but only accounted for 0.5% of total business turnover, as demonstrated by the graph below. This equates to an annual sector overpayment of around £500m.



- 6) The current valuation system unfairly penalises property-based businesses, a fundamental feature of a public house, while online businesses do not pay levels of tax that are proportionate to their market share in a world where shopping is increasingly conducted online.
- 7) CAMRA maintains that the current business rates system is penalising publicans who grow their business, and a full review is needed to tackle issues around sector overpayment and unfair penalisation of property based businesses, whilst ensuring that online businesses are taxed appropriately.
- 8) We would like to see the Committee recommend that robust reform should take place to fix the issues around overpayment of rates from the pub sector, to ensure the future economic viability of pubs in England, which are valued community institutions.

## The case for providing business rate relief due to community value

- 9) CAMRA maintains that there are public health and social benefits to encouraging people who choose to drink to do so in pubs, where the sale and consumption is supervised and in a community setting. The social and community value of pubs is now well-documented, and the Government is seeking to preserve pubs as a social institution through favourable policy initiatives.
- 10) In 2017, CAMRA carried out polling via YouGov which found that 69% of respondents thought that pubs should be given tax relief as they provided a safe, managed space for people to drink responsibly.

- 11) Furthermore, as recommended in an IPPR Report ‘Pubs and Places’:
- *“it [the current policy framework regarding pubs] is counter-productive, particularly in terms of tackling crime and disorder”*
  - *“by making beer in pubs more expensive while beer in shops and supermarkets gets relatively cheaper, policy is drawing people out of the regulated and supervised drinking environment of the pub”*
- 12) The Friends on Tap Report from Oxford University also recommended that the Government should support pub-going through providing business rate relief to help pubs reduce their costs.
- 13) When introducing the £1,000 pub specific rate relief in 2017, the Chancellor said:  
*“Recognising the valuable role that local pubs play in our communities, I will provide a £1,000 discount on business rates bills in 2017 for all pubs with a Rateable Value of less than £100,000 – that’s 90% of all pubs.”*
- 14) The importance of pubs to local communities and the recognition by the current and previous Government of this contribution creates a compelling case to do more to support pubs as social institutions.

## Rate relief since the 2017 revaluation

- 15) The Government has taken steps to attempt to mitigate the negative impacts of the 2017 revaluation for the pub sector. However, this does not fix the root issues with the system of assessing pubs based on ‘Fair Maintainable Turnover’. While rate relief has been welcomed, it must now be recognised by the Government that reliefs are a sticking plaster and not a solution.
- 16) The table below shows the key rate reliefs applicable to pubs that have been in place since the revaluation, and the impacts of these on the sector.

Relief	Start	End	Comments on effect for the pub sector
Pub specific rate relief (£1,000 discount for pubs with an RV under £100k)	2017	2019	The pub-specific relief only applies to pubs that have an RV of below £100,000. This excludes some pubs which have seen very large increases in their rateable values, and therefore the largest increases in their business rates bills. While any relief is welcomed, for a pub facing an increase of tens of thousands of pounds, a £1,000 discount has little effect.
Transitional Rate Relief	2017	2021	Transitional Relief is important for phasing in large increases, but by the end of the relief period another

			revaluation will take place and the rates bill may rise further. Transitional Relief works by phasing in the decreases to pay for the phased increases, so while allowing slight respite to those with increased bills, it denies the immediate discount to other pubs to pay for it.
Small Business Rate Relief (extended to provide a 50% reduction in rates for businesses with an RV under £51k)	2019	2021	<p>Although many pubs will benefit from the new (but still temporary) rate relief package, the £1,000 pub specific rate relief for pubs with a rateable value of under £100,000 has ended. This means that pubs with a rateable value of between £51,000 and £100,000 have lost a small but vital relief to the large tax bill they face.</p> <p>Many of the pubs that have been denied access to this relief are pubs that saw large increases in their rates bill following the last revaluation, and therefore will be struggling most to stay viable as a business.</p>

## CAMRA survey of publicans

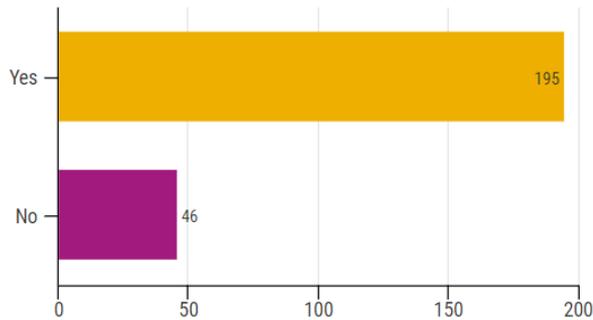
17) CAMRA conducted a survey of publicans in order to gather information and data for our submission to the Committee. CAMRA holds email addresses for pubs within our WhatPub database, and we contacted all pubs in England that we have an email address for with our survey.

18) The survey received nearly 700 responses from pubs across England, and included freehouses, managed and tenanted pubs. Publicans were asked the following three questions related to business rates, along with the option of providing additional comments:

1. If their business rates bill increased, decreased or stayed the same as a result of the 2017 revaluation.
2. If the change in their business rates bill affected the economic viability of their pub.
3. If they think that the current business rates system is fair for pubs.

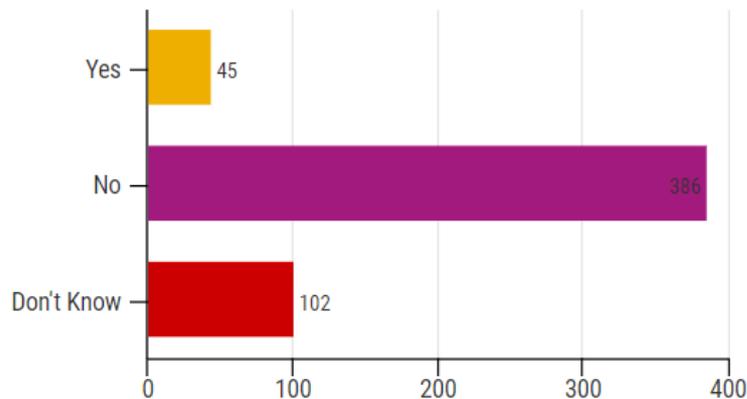
19) Key findings from these questions are summarised in the graphs below.

**Has the change in your business rates bill affected the economic viability of your pub?  
[those reporting an increase in rates bill only]**



20) Of those reporting an increased business rates bill, the vast majority stated that this had affected the viability of the pub. Free text comments for this question told of consequences including having to reduce staffing levels, increase prices and not being able to invest money back into the business to make improvements.

**Do you think that the current business rates system is fair for pubs?**



21) The vast majority of respondents stated that the business rates system is unfair for pubs. Free text comments for this question highlighted the levels of increases experienced, and the seemingly arbitrary results for pubs when compared with shops and other businesses in the local area.

## Appendix - Case studies from CAMRA survey

- 22) We would like to draw the Committee's attention to the following case studies, all of which have been submitted by publicans across England as part of the survey. These detail the personal stories of those affected by increases in business rates and the consequences for the business. Some express frustration at the whole way that business rates work for pubs, and the seemingly arbitrary results of the 2017 revaluation.
- 23) Please note that some publicans indicated that they did not want their pub name or location shared publicly, so these have been credited as 'anonymous'.
- 24) "I am currently appealing our rates increase. [I]t almost doubled overnight. It has put a huge strain on the business finances."  
Emily Sadler, owner of The Windsor Castle Inn in Lye, West Midlands.
- 25) "I have had to raise all prices, I have been unable to reinvest in the kitchen as I would like (and need) and have had to reduce the amount [m]y wife and I can pay ourselves. I pay higher business rates than the local Sainsbury's petrol station and the local Barclays bank."  
Mark Newman, owner of The Hampshire Bowman in Dundridge, Hampshire.
- 26) "My business rates basically doubled! From 32,000 to 61,000 per annum set in 2015 at my peak. [S]ince then my turnover has fallen somewhat and with minimum wages going up yearly I am running at a loss and have had to take out large loans just to keep my doors open and my staff in employment and have now put [the] pub on the market. The government did give us back 1,000 pounds relief but when it goes up 30,000 it seemed a joke."  
Stewart Cross, owner of The Platform Tavern in Southampton.
- 27) "My business rates went up from £19k payable to £45k payable. I've had to cut staff and hold back on reinvestment. If they went down I'd be able to invest more into the business."  
Dan Lightfoot, tenant of The Greyhound in Ipswich.
- 28) "We have reduced our staff levels to the bare minimum and our health is affected because we have to work so hard."  
The tenants of The Three Kings in Fornham All Saints, Suffolk.
- 29) "[The business rates are] just crippling! It means we are less able to attract decent calibre staff, as we are able to offer less than jobs in other lines of employment. This has a knock on effect in trying to grow the business. "  
The owners of The Brewers Arms in South Petherton, Somerset.
- 30) "[I] went from £29,500 to £51,000. I have also missed out on the relief for the next 2 years by £1. Good pubs need to constantly evolve and reinvest but with the extortionate rates and taxes there is no money left to do this."

Tenant of The White Hart in Headington, Oxfordshire.

- 31) “No investment can be made due to lack of any meaningful profits let alone pay the rates and it does negatively impact staffing levels and even [leads to] higher beer prices.”

Tenant of The Macbeth in London.

- 32) “Our Business rateable value increased by 265% which has forced us to look at our overheads including staff levels, we have been fighting this with the help of our local MP.”

Gary Fantom, tenant of The Rutland Arms in Holmesfield, Derbyshire.

- 33) “Staff levels have gone down to cover [the] extra cost of rates, less rates would equal more money to invest.”

Tenant of The Trunch Crown in Trunch, Norfolk.

- 34) “[W]e work 7 full days a week, having to run another business just to keep the bills and major repair bills paid.”

Owner of The Three Sisters in Gillingham, Kent.

- 35) “I will pay 12x the amount a terraced house on the same street pays this year.”

Tenant of The Dolphin in Canterbury.

- 36) “Investment has stopped due to the more we invest, the better the business, the more we give the council to waste. If we leave our business to become wrecked and in need of repair, [w]e get charged less rates because it’s not worth anything. This means our employees’ jobs are at risk and they work in a terrible unrepaired business.”

Owner of the George Wright Hotel in Rotherham.

- 37) “It is increasingly difficult to generate profit. We are frightened to pass price rises directly onto our customers as we feel we are competing with cut price deals in supermarkets.”

Mike Cranney, owner of The Windmill in Bristol.

- 38) “We are competing with a number of cafes in the area that are all exempt from business rates, it impacts on our ability to compete on price and staff wages.”

Owner of the Coach House Inn in Rosedale Abbey.

- 39) “£1 in £3 taken is tax. It can’t survive with those levels. [I] understand there need to be rates but a level playing field [is] required.”

Mark Holden, tenant of The Victoria Inn in Truro.

- 40) “[O]ur business rates level is three times higher than other rival pubs in our location, and this directly impacts on Sky subscriptions etc.

[H]owever, although our turnover is higher than these other pubs; it is because we do a good food offer - so our staff costs are huge and take all the additional profit.”

Tenant of The Thatched House in Exeter.

- 41) “[W]e have seen a rise in rates of nearly 50% over the six years we have had the pub, along with minimum wage increases, PAYE and pensions this has put a huge strain on profitability.”

Tenants of The Windmill Inn in Macclesfield.

- 42) “It’s a crippling amount of money, with no benefits that we can see for our rural location. We can’t even get the road to our pub gritted costing thousands of pounds each year. We’re small but work extremely hard to keep our pub busy and we are penalised for this.”

Owner of The Wheatsheaf in Raby.

- 43) “The rateable value doubled. The increase in expense has prevented us from having a budget for marketing and we have reduced events such as live music at the venue to recover costs. The impact this has had on sales was dramatic, with an £18,000 loss on sales as a result. I have now decided to apply for funding so that we can continue putting on more events so that the pub can remain open.”

Owner of The Three Tuns in Bristol.

- 44) “We are having to increase alcohol and soft drink prices which is resulting in customers going elsewhere.”

Dave Walker, who owns The Green Hops in Billingham.

- 45) “Our business rates have increased dramatically, whilst it isn’t going to cause us to re-evaluate the viability of the business it does make us look very closely at all our other costs including staffing levels.”

Owner of The Castle Hotel in Bishops Castle.

- 46) “The economy is reviewed regularly but Business Rates are set in stone, appeals take too long resulting in closures left, right and centre.”

Anonymous.

- 47) “This is a very challenging industry to be in at the moment, particularly in smaller towns. It feels [like] everything is stacked against you; rents, rates, pricing etc. It is extremely hard to make a living.”

Anonymous.

- 48) “It’s so closely tied to rents that in a city like Durham, to move onto the Bailey (city centre, and only 10 minutes away from where we are), while increasing trade, would make it near impossible to survive. This is because the rents go up massively, AND the rates go up in line with the rent - so you’re getting the increases twice.”

Anonymous.

49) "Tax on alcohol seems disproportionate for our industry. Quite often in rural pubs it is the only hub for a sense of community which is much needed in today's society. We are a place where people know they can go to get assistance for all manner of things. And where a sharing of knowledge occurs, of both people needing help or in trouble social matters, sharing of criminal activity so taxing us at every opportunity does nothing but harming the wider community."

Anonymous

50) "Due to significant increases across a range of our costs including rates, we have had to reduce staffing levels and cut the opening hours of the pub during some quieter periods in order to be as efficient as we can and hopefully remain viable."

Anonymous.

51) "Cashflow is pretty critical most of the year and our biggest cost is business rates... but you can't cut [that] back that so you have to cut back on holding stock or taking on more staff."

Anonymous.

52) "Rates are now 3 times that of our competition and represent 30% of our monthly expenses."

Anonymous.

53) "My business rates trebled, so obviously this put more pressure on the business."

Anonymous.

54) "We have had to trim anything and everything to make [a] profit. I myself do most of the work from cleaning, organising cellar work shifts and gardening. If the rates went down it would mean I would be more comfortable to have a member of staff on a bit more frequently."

Anonymous.

55) "[The business rates] will probably put us under sooner rather than later."

Anonymous.

56) "The business rates aren't realistic and are out of date, how can they treble someone's rates without even visiting the property to see what's actually going on!"

Anonymous