

Business Rates Review- Call for evidence submission

The Campaign for Real Ale



1. About CAMRA

- 1.1. CAMRA is consumer group representing nearly 190,000 beer drinkers and pubgoers across the UK.
- 1.2. Our vision is to have quality real ale, cider and perry and thriving pubs and clubs in every community.

2. Executive Summary

- The beer and pub sector adds £22.9 billion to the UK economy annually, and provides social and wellbeing benefits to local communities.
- However, the sector currently pays a disproportionate level of the business rates burden - pubs currently pay 2.8% of the business rates bill but only account for 0.5% of total business turnover, which is an overpayment of around £500 million by the sector each year.
- Any changes to the business rates for pubs should recognise the large economic and social contribution of pubs to society.
- As pubs reopen and recover from the COVID lockdown, the business rates holiday must be extended for another year to ensure pubs can return to growth.
- Introducing a new, lower, business rates multiplier for hospitality businesses would provide a longer-term solution for a fairer business rates system that doesn't penalise property-based business, and supports thriving villages, towns and high streets.

3. The economic and social contribution of pubs to society

- 3.1. The beer and pub sector adds £22.9 billion to the UK economy annually. This includes paying £12.7 billion in taxes, £11.1 billion in wages, and £2 billion in investment¹.
- 3.2. The beer and pub sector is a major employer, supporting over 900,000 jobs. 43% of these are held by young people under 25² and the sector also employs a large number of apprentices.
- 3.3. Most of the beer consumed in the UK is produced domestically, supporting British jobs and helping the country's balance of trade. One job in brewing supports 21 more in the rest of the supply chain³. The sector's high level of employment among young adults contributes to the Government's efforts to reduce the number of those not in employment, education or training.

¹ Oxford Economics for BBPA

² Oxford Economics for BBPA

³ ['Facts on Tap'](#) 2017

3.4. Pubs and clubs also make social contributions, to their local communities and wider society, by preventing loneliness, providing essential services to their communities, raising money for charity and providing a supervised, community setting for responsible consumption of alcohol.

3.5. These benefits were recognised by the introduction of a pub-specific business rate relief in 2017. At the Budget, 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.”

3.6. Pubs play a vital role in tackling loneliness; the Government’s Loneliness Strategy⁴ states:

“This strategy recognises the fantastic role that community groups, faith groups, pubs, sports clubs and others already play in creating stronger communities.”

3.7. This is in line with the findings of the ‘Friends on Tap’ report⁵, which CAMRA commissioned from Oxford University in 2016. The report showed that people who consider themselves to have a local pub have more close friends they can call on for support and are happier and more trusting of others, than those who don’t.

3.8. The report also found that people with a local pub feel more engaged with their wider community; ONS data⁶ has identified low sense of belonging and low levels of community engagement as key risk factors for loneliness.

3.9. Furthermore, a survey⁷ by the Campaign to End Loneliness found that more than half of lonely older adults missed simply being with someone the most, and almost one in five missed having a drink in a pub.

3.10. Policies that are supportive of pubs and clubs as a regulated, social space in which to drink also have wider reaching benefits to society, as recognised in the IPPR Report ‘Pubs and Places’⁸:

“it [the current policy framework regarding pubs] is counter-productive, particularly in terms of tackling crime and disorder”

⁴ [‘A connected society: A strategy for tackling loneliness’](#)

⁵ [‘Friends on Tap’ Report 2016](#)

⁶ [Loneliness - What characteristics and circumstances are associated with feeling lonely? ONS 2018](#)

⁷ <https://www.campaigntoendloneliness.org/laughter-really-could-be-the-best-medicine/>

⁸ [‘Pubs and Places’ IPPR 2012](#)

“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”

- 3.11. Pubs also support their communities in ways that contribute both socially and economically. They raise over £100 million for charity every year⁹, and in small rural communities are often the only space that provides essential services including post offices, fresh groceries, library books, and digital hubs¹⁰.
- 3.12. It is vital that any changes to the business rates system continue to recognise the economic and community value of pubs, and the importance of supporting responsible drinking in a community setting.

4. The impact of the Covid-19 lockdown on the beer and pub industry

- 4.1 Pubs were among the first businesses to be affected by the COVID crisis and many are still struggling with reduced footfall and turnover. Some are still not able to reopen viably.
- 4.2 Government support during this period has been a vital lifeline that has undoubtedly saved jobs, and pubs from permanent closure, but this support is now tapering off despite the ongoing impact of COVID on the beer and pub sector.
- 4.3 CAMRA research¹¹ carried out between 20 July and 3 August found that 42% of pub-goers were visiting the pub less than they had before lockdown and almost a quarter had not returned to the pub at all.
- 4.4 Therefore, it is vital that the business rates holiday for pubs is extended for another year. The current holiday is a lifeline for pubs while they cope with increased running costs and decreased turnover due to the implementation of social distancing and COVID secure measures. Extending the business rates holiday will avoid a ‘cliff edge’ drop off in support and help our beloved community pubs to return to growth in the longer term.
- 4.5 Breweries have not been able to access the same level of support as pubs, including the business rates holiday, despite the fact that the two businesses are inextricably linked.

5 Unfair rates burden on the pub sector

⁹ [PubAid](#)

¹⁰ Examples taken from Pub is the Hub [case studies](#)

¹¹ [CAMRA survey carried out between 20 July and 3 August](#)

5.1 Before the business rates holiday was announced, pubs were paying 2.8% of the total rates bill yet contributed only 0.5% of rate-paying businesses turnover, an overpayment equivalent to £500 million a year.

5.2 This burden is unsustainable and must be reduced for pubs to survive and thrive. We are grateful that the unique position of pubs has been recognised with specific relief in recent years, and reforms to the business rates system need to continue to capture this.

5.3 Pubs, clubs and brewery taprooms must, by their very nature, be property-based businesses. Property-based businesses pay much higher levels of tax than online businesses, and we would welcome any moves to use reforms to business rates to ensure that property-based and online businesses are paying fair proportions of business taxes.

6 Business rates multiplier

6.1 CAMRA would like to see the introduction of a new business rates multiplier for pubs or hospitality businesses. Property-based hospitality businesses, such as pubs, clubs, and brewery taprooms should be subject to a multiplier which is a fairer reflection of the realities of the industry.

6.2 This should be lower than the standard multiplier in recognition of the economic and social contribution of the sector, and to reduce the current unfair burden on the sector. The standard multiplier itself now stands at over 50p for each pound of rateable value, placing a huge strain on property-based businesses generally.

6.3 Introducing a lower hospitality multiplier will help ensure the sustainability of public finances and support growth and productivity. Supporting pubs and hospitality businesses growth will benefit public finances through other revenue streams such as income tax, VAT, and greater investment potential.

6.4 CAMRA is opposed to introducing additional multipliers that vary by geography. We feel that this would exacerbate issues in the existing business rates system, and create a 'postcode lottery' for pubs.

7 Reliefs

History of business rate reliefs for pubs

7.1 Several rate reliefs have been made available to pubs in recent years, including a pub-specific rate relief between 2017 and 2019, and these were welcomed by CAMRA. However, multiple reliefs are not a substitute

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for a fair system that recognises the social and economic value of pubs, treats property based and online businesses equally, and removes the unfair burden on pubs rather than seeking to mitigate or mask it.

7.2 A key conclusion of the Treasury Committee's 2019 Inquiry into business rates found that the number of reliefs needed for business rates to operate indicates a broken system.¹²

Issues with business rate relief eligibility for pubs

7.3 The current system uses Fair Maintainable Trade (FMT) to determine rateable value, and rateable value to determine eligibility for reliefs. This can mean that those who invest the most in their businesses are then unfairly penalised by both an increase in their business rates, and the risk of losing access to rate reliefs.

7.4 The pub specific rate relief was a positive step. However, the £100K rateable value cap excluded some of the pubs that saw very large increases in their rateable values in the 2017 revaluation, and therefore the largest increases in their business rates bills. While pub-specific relief was welcome, for those pubs facing an increase in their bill of tens of thousands of pounds, this discount had little effect.

7.5 Therefore, our preferred approach is to introduce a hospitality multiplier which seeks to remove the unfair burden on pubs instead of mitigating it through reliefs from which not all pubs benefit. If the Government chooses not to implement a hospitality multiplier, then we would ask that pub specific rate relief is retained to provide some level of relief from the current rates burden.

7.6 CAMRA supports the introduction of an investment relief to fix an issue with the current system which punishes publicans who want to grow their business. Currently, investment in pubs involving structural alterations makes the premises liable to being revalued and resulting in a significant increase in rateable value.

8 Contact

We would be happy to answer any questions or discuss our submission in more detail.

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¹² [Treasury Committee Business Rates Inquiry 2019](#)