



British Institute of Innkeeping (BII) submission to the All Party Parliamentary Beer Group Call for Evidence on Business Rates February 2022

Introduction

The BII (British Institute of Innkeeping) is the leading independent membership body for individuals working in the licensed trade. We have 10,000 individual members independently operating pubs across the UK - predominantly tenanted, leased, managed and freehold pubs.

The BII's purpose is to keep great pubs thriving at the heart of every community. It aims to inspire, develop and support its members through a range of services including eight independent expert helplines including areas covering legal, licensing, employment law & Landlord matters, comprehensive online business support, regular actionable information via weekly INNFocus emails, interactive guides and access to a network of Trusted Partners supplying products & services. It also operates two nationally recognised awards through the National Innovation in Training Awards (NITAs) and the Licensee of the Year Award (LOYA) both celebrated at large scale member events.

We thank the All Party Parliamentary Beer Group for the opportunity to contribute our views and evidence to support their enquiry into business rates.

Background

Over 80% of Britain's circa 47,000 pubs are run as individual SMEs and, even prior to the current pandemic, they were facing some major challenges with one in three pounds spent in pubs going to the treasury. Hospitality businesses make up 11% of all business rates payments although they only represent 3 % of eligible income. Specifically, pubs are estimated to be overpaying by £570 million per year.

In the latest revaluation of 2017, the situation was further exasperated as our sector's business rates as a percentage rose 14.6% compared to the average increase of 9.1%. The rates burden on our pubs is unsustainable and must be reduced if pubs are to survive and thrive. We are grateful that the unique position of pubs has been recognised with specific relief in recent years and it is crucial this continues to be the case.

The pandemic has had a devastating and ongoing impact on our sector, and we have welcomed the extensive Government support during this period. Profitability is under considerable pressure with the majority of our members trading unprofitably through 2021 with overall revenues down by between 20 to 40%. As they attempt to start their recovery in 2022 they are subject to a perfect storm with subdued trading (still below 2019 pre-pandemic levels), crippling inflation with many seeing over 10% increases on their costs



and the majority still having pandemic specific debts of over £40,000. Unsurprisingly this is leading to a cash flow crisis with 1 in 3 having no cash reserves and for those that do 1 in 2 have less than two months of cash left.

Our members are gravely concerned for their ongoing survival as they attempt to start their recovery with fragile businesses and Government support falling away. 1 in 10 believe their business is unviable and will be leaving their pub. 1 in 2 believe that their survival is now dependent upon ongoing Government support for the next twelve months. Their priorities for support are a continued low rate of VAT, a full suspension of business rates & long-term reform alongside a prompt implementation of the draught beer duty cut at a level that will be meaningful for our member's businesses.

Government has intervened to deliver a 50% business rates holiday for pubs in 2022/23 which is welcomed, a full suspension although will be needed to offset the economic pressures now being experienced. We appreciate that Government have recognised the economic, employment and social value of our nation's pubs alongside their critical role in being at the heart of rebuilding communities and high streets.

Business rates remain an unfair and disproportionate tax on these essential small business in every community. With many of our pubs being drinks led businesses which do not significantly benefit from lower rates of VAT, support with ongoing business rates is highly valued and seen as critical to safeguard their futures.

Hospitality businesses, by their very nature, have to occupy more expensive properties, particularly in our towns and city centres, to conduct business, adding a further disproportionate cost to businesses that are already very tight on margins.

We believe that this has been recognised by Government introducing the current reliefs, however, we strongly feel that until there is fundamental reform of the rating system which we hope will spread the burden of rates across all industries, then a full suspension of rates will be needed for the next 12 months.

Investment in communities & high streets

The BII investigated the effect that the 2017 revaluation had on one of the nearest towns to our offices, Aldershot. It has changed dramatically in recent years, from being a thriving army town to one which now resembles many others in the country - a town with closed shops, charity shops, banks and cafés. Well-known brands such as Marks and Spencer, Next, Top Shop and Burtons have long since disappeared. Our sector, however, has continued to invest in the community.

There has been investment in and renovation of several pubs in Aldershot town centre. The companies or private owners of these pubs have invested hundreds of thousands of pounds into a town centre which badly needed it. Not only have they improved the premises, they



have also contributed significantly to the local economy – employing local staff with skilled jobs, supporting local suppliers and through generating footfall in the town, supported local businesses.

Rateable values have however continued to increase. The 2017 valuation guidance continues to be based on the latest annual accounts of actual turnover rather than Fair Maintainable Trade (FMT). When an excellent operator takes a poor to average pub and transforms it, they are often heavily, and unfairly, penalised in terms of a large increase in business rates such as some of those below.

	RV pre 1/4/17	RV 1/4/17	Inc/Decrease
Wetherspoons	£30,000	£126,500	Up 321%
Goose	£88,250	£87,500	Down 1%
Funky End	£22,750	£26,500	Up 17%
Queen Victoria	£50,000	£72,500	Up 45%
Alexander	£10,500	£14,000	Up 25%

Government support

In terms of further support and reform, we would like to see:

- a. A full suspension of business rates for 2022/23. Our members firmly believe that this will give them the best hope of surviving the next 18 months.
- b. An extension to small business relief (SBRR) by increasing the 100% SBRR threshold from £12,000 to £15,000. This would move over 2,500 pubs out of the rating system thus helping the smaller SME's.
- c. That SBRR should be applied to all premises even those owned by businesses with multiple premises.
- d. A permanent relief on the rating burden for pubs that recognises the unique role they play in community life, health and wellbeing. We believe that a pub and hospitality business specific multiplier is a way to deliver this and even out the unfair burden, rebalancing with the proposed online sales tax. This should be fixed, at this lower rate, to allow our businesses to plan for the future knowing their costs.
- e. To encourage investment across the sector no revaluation of a premises post investment for a minimum of two years. This could include sites that have been previously closed and will require a period of time to re-establish the business.

The recent business rates holidays for 2020/21 showed the ability of the system to operate in an administratively efficient fashion. There are clear definitions for which parts of the economy deserve support and we strongly believe that reliefs need to be targeted by sector to deliver the most advantageous economic advantages, particularly in terms of



employment. Our sector provides flexible jobs and career opportunities in many of the smaller rural towns and villages which are so important to ensuring their future existence.

This is particularly important with the increasing decline in retail employment in recent years. The loss of the pub means that many workers lose their employment in areas that often offer little alternative, leading to younger people moving away from the rural towns and villages thus threatening their very existence. Over 40% of the beer and pub workforce is under 25, compared to 12 per cent in the overall economy as measured by the Labour Force Survey with over half are female. In addition to accessible and flexible employment opportunities, hospitality employers remain committed to professional development and in particular apprenticeships.

The current pandemic has meant that for many that online purchasing is now the first port of call before making a purchase enjoying the flexibility afforded to them. To offset this, we believe Government needs to address the effect of the digital economy on our high streets ensuring on-line businesses pay a fairer share of the business tax burden. We urge Government to ensure that any review's objectives should be to share the burden of business rates fairly across all sectors rather than a way to increase revenue for the exchequer.