All-party Parliamentary Beer Group (APPBG) Business Rates Inquiry

British Beer & Pub Association Submission, February 17th, 2022

Introduction

The British Beer & Pub Association is the leading trade body representing companies across the UK, which between them own around 20,000 pubs and brew roughly 90 percent of beer sold in the UK. Member companies have many different ownership structures, including UK PLCs, privately-owned companies, independent family-owned brewers, and UK divisions of international brewers.

The brewing and pub industry in the UK makes a major contribution to the local and national economy. The sector generates £23 billion of economic value and supports 900,000 jobs. 85% of pubs in the UK are run as SMEs. However, the sector has also long suffered from over-taxation on business rates. Indeed, pubs pay more in business, per pound of turnover, than any other business sector. The business rates bill for our sector accounts for 2.5% of total business rates paid despite only representing 0.5% of total rateable turnover, an overpayment of £570 million.

As one of the highest taxed sectors per pound of turnover, we do not believe the current system is fit for purpose, nor does it reflect a fair and equitable model for taxing business. Indeed, overall, the multiplier has increased to a staggering 51.2p today from a more manageable 34.8p in 1990/91. In the initial Call for Evidence in July 2020, the Treasury stated that business rates are “easy to collect, hard to avoid and a relatively stable source of income” but made no mention of fairness as a governing principle. BBPA was pleased to see clear references to fairness for ratepayers in its subsequent consultation but believes that fairness should not be confined to just those already captured within a system, but rather as an overall consideration for establishing a system itself. As such, we would again make the case for reviewing how Government can offset the burden borne by physical properties by including the increasingly large section of today’s modern economy: digital business.

Pubs are uniquely assessed by the bedrock principle of a “stand back and look” approach. Investment in staff, expertise, and ideally the combination e.g., locally based experts, with local offices is required to ensure our sector pays its fair share, and no more, of the total Business Rates bill. The current drive to invest in digital platforms ignores the technical expertise required for specialist valuations of pubs under the Fair Maintainable Trade (FMT) approach. It inevitably moves the system towards an annual self-assessment that will undermine the FMT approach and solidify what many in the pubs sector have long suspected is already occurring: FMT will simply become an exercise of copying and pasting a pub’s turnover. Such a move undermines the basis of Business Rates by taxing the business operator rather than the earning potential thus value of a particular building.

More than ever, we need Government to urgently reconsider these planned changes and support the sector, all pub businesses, large and small, and the jobs they provide. We are determined to come through the pandemic and resume a world-leading pub and brewing offer – as an economic powerhouse that plays a positive role in our communities, is a force for good for our mental health and sociability, and employs a disproportionately high number of young adults. However, to do this does require co-investment from Government in the form of a fairer tax burden and a more level playing field with other European nations post EU-Exit to support a world-class domestic industry.

Our sector is taxed disproportionately highly. The pandemic only reinforced this. It is time the overall tax portfolio be rebalanced to level the playing field and reflect the UK's modern economy of today – it's time other sectors also pay their fair share. Extended rates relief must be for all pubs and no longer capped for larger pub operators who face the same challenges, just on a bigger scale.

In summary, our sector can deliver jobs and additional economic value in every part of the UK. We are at the heart of communities fostering social cohesion as we reconnect and recover. Pre-covid, our businesses were already operating under small margins due to the disproportionate tax burden. Coming out of the pandemic it is crucial this is redressed to ensure business survival and a return to sustainable growth. That is why we would recommend the following:

- **The creation of a permanent relief or unique property-based multiplier that is exempt from Subsidy Control limits.**
- **An extension to Small Business Rates Relief to take more small businesses out of scope of rates and smooth the cliff-edges in the system. An increase in the 100% SBRR threshold in England from £12,000 to £15,000 (with a gentler taper to the full rate subsequently).**
- **An Online Sales Tax explicitly used to reduce the burden of rates from physical properties. To prevent dual taxation, it should exclude those physical businesses like pubs where on-trade sales are the primary revenue source. This could be done by property type (e.g., hospitality), location (e.g., High Street), or another method such as physical vs digital turnover.**
- **Address undue burden placed on ratepayers to realise a transition to three-yearly revaluations. This includes recognising pubs as unique in valuation methodology and as such more narrowly defining the Duty to Notify (DTN) obligations, elongating DTN timelines and timelines for Challenges, and removing residential changes and Business Rates-exempt SBRR properties from receiving penalties for failing to comply with notifications.**
- **Increase funding and resource for the VOA to invest in developing pub-specific expertise and a workforce capable of truly going out to 'stand back and look' when assessing pubs.**

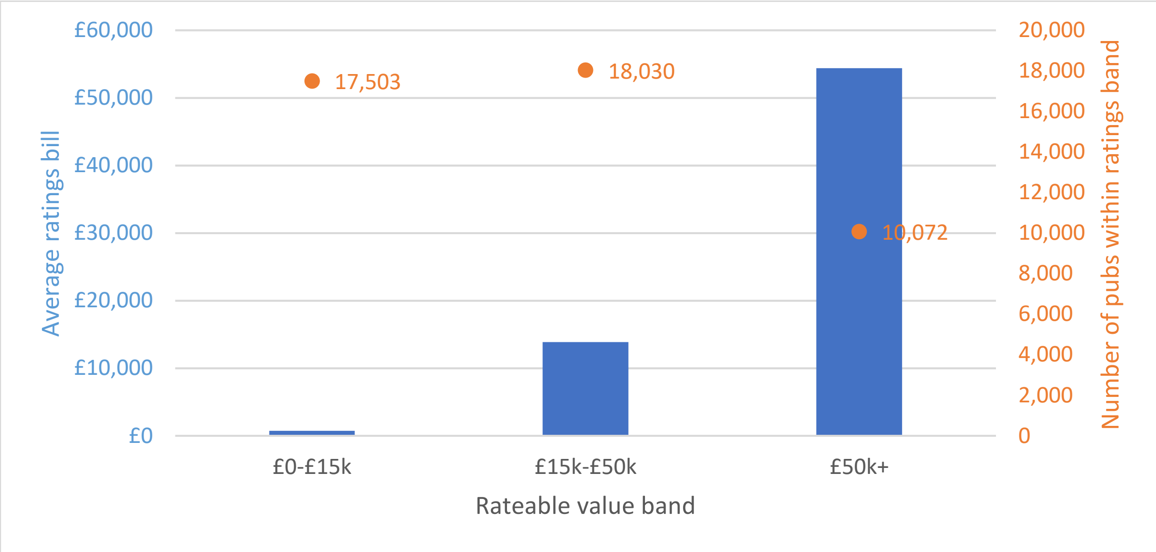
Background

Unlike the vast majority of sectors, pubs are rated on a turnover (rather than a square footage) basis and a huge part of this turnover is made up of taxes and regulatory costs. As well as this, any capital investment in pubs generating greater additional turnover is effectively penalised by a higher business rates bill, although we recognise recent steps to provide a twelve-month freeze for the ratepayer. Pubs cannot fully move online and by their very nature are inefficient users of space. All these factors have led to a situation where pubs are hit harder than other sectors. Indeed, after the 2017 revaluation, the average rateable value for pubs rose further compared to the average across all sectors.

The Government recognised the particular situation for pubs in the immediate years prior to the pandemic with either a specific pub sector relief and/or a wider retail relief, which included pubs. For example, in 2019/20, pubs with a rateable value up to £51k had their bills discounted by one-third from this relief worth up to £8,500.

Since March 2020, pubs and retail businesses have been supported with 100% relief and following the October budget 2021, in England, with a 50% relief, albeit capped at £110,000 per business.[1] When the current rates holiday ends as scheduled on 1st April, publicans will see costs rise by thousands of pounds overnight. Indeed, the average pubs rates Bill for 2023/4 will be £18,000.

Chart 1: Average ratings bill and number of pubs per rateable value band



Source: BBPA analysis of Rating Databases from VOA, SAA

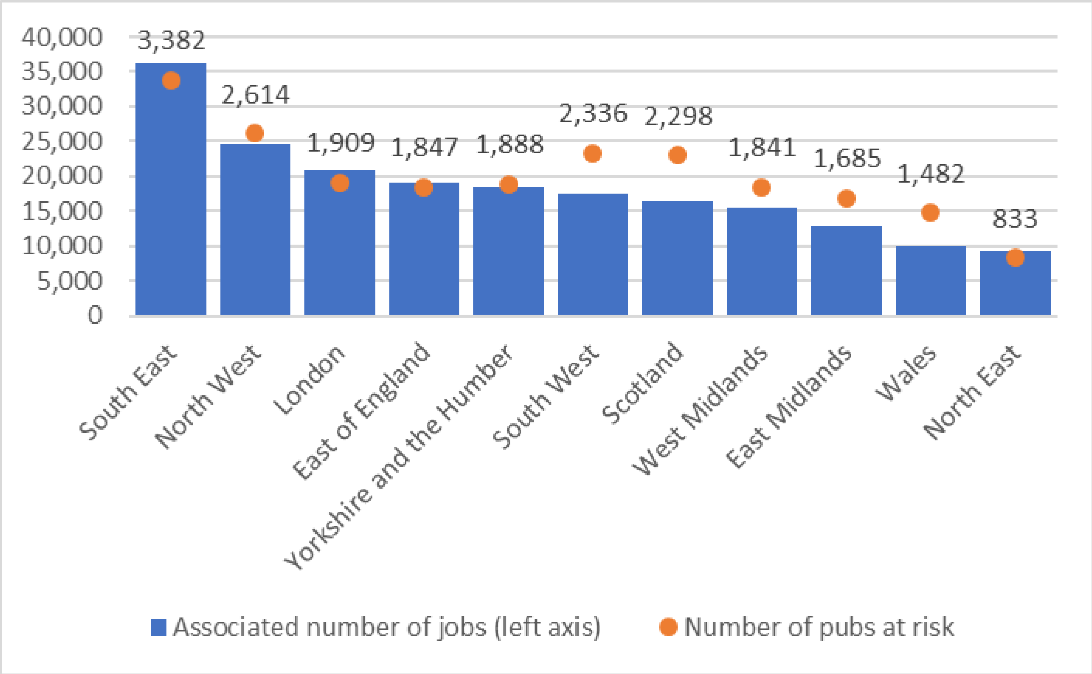
This relief is critical as the sector recovers and enable the debts incurred over the past two years to start to be repaid and trade rebuilt to full pre-pandemic levels. The £110,000 cap must be urgently reviewed though as this unfairly targets those companies operating managed pub businesses who face exactly the same challenges as independent publicans, just on a much larger scale. Increasing or removing the cap alongside the extended relief will all allow pubs to continue their recovery ahead of any wider reform that is still critical post 2022/3 and ensure a fairer system for pubs for the long term.

To gain a greater understanding of how business rates impact net pub income, Europe Economics undertook a wide-scale analysis of pub costs and revenues across different pub types and sizes. Europe Economics compared the post-Covid position with rates returning to standard rates in April 2022 with a pre-Covid baseline, also with standard rates. It then scaled this up using the latest Valuation Office rating database of all pubs. Europe Economics then consider the impact of a 20% and 30% lower rates multiplier for pubs, and equivalent relief. Although it would need to be further updated to capture the extension of rates relief by 50% up to a maximum of £110,000 per business until March 2023, the results were stark.

Europe Economics considered that pubs with a reduced net income of greater than 20% would be considered “pubs at risk”. In this scenario, this is c.22,000 pubs across the UK providing over 200,000 FTE jobs (c.300,000 jobs in total). Clearly pub failure on this scale would be devastating, impacting every part of the UK.

[1] This means about 20% of pubs, those operated by managed pub chains, are effectively paying full rates again in England. Scotland and Wales have retained 100% relief for all pubs.

Chart 2: The number of "pubs at risk" and the associated FTE jobs, by region



Source: Business rates research for recovery from the COVID-19 pandemic, Europe Economics

They found a 30% reduction in rates would significantly reduce the number of "pubs at risk" as defined in the report very significantly, by halving the average reduction in net income. Again, this would need to be updated to reflect reliefs announced until March 2023, but the report illustrates very clearly how pubs, as low margin businesses currently fighting to recover and return to growth, will be dramatically impacted by business rates decisions. Reverting to full rates with no reliefs will be crippling for many.

Covid has further highlighted the high burden of business rates, and this is perhaps most acutely seen when compared to digital firms' tax liabilities. Not only were those digital businesses able to continue to trade throughout lockdown, but it has also accelerated consumer trends towards online purchasing. However not all businesses can move online, and the pub is a notable example. The overall suite of taxes needs to be rebalanced to reflect a modern economy. In 2020, Amazon paid a mere £492m in direct tax on a turnover of £20.63 billion, with sales up 50% during Covid.[2] That equates to just over 2% of turnover. By BBPA estimates for the average across all sizes and models of pubs, business rates alone account for 3% of a pub's annual turnover. This cannot be a fair share. Amazon must rely on the same roads, NHS services, etc. as those businesses on the high street.

It matters what business occupies a particular space as they impact the social fabric of the UK differently – the pub is the heart of the community, preventing loneliness and isolation. An at home delivery culture does not physically, nor can it socially, replace the community centre that is the great British pub. If the Government want to support the High Street and commit to Levelling Up communities across the UK, they would be wise to start by backing its historical and cultural community centre – the local pub.

[2] Timmins, Beth. "Amazon pays £492m in UK tax as sales surge to £20.6bn". BBC News, 8 September 2021, https://www.bbc.co.uk/news/business-58485816. 15 February 2022.

Recommendations

<u>Reliefs</u>

Good tax design principles involve *predictability* for future planning, *a stable rate* to make effective investment decisions and *simplicity* to avoid errors and minimise compliance costs.

Tax reliefs can serve many different purposes, such as supporting social or economic objectives, improving the progressivity of a tax, or simplifying the tax system. There are numerous reliefs available which can be confusing and lead to businesses and organisations not being fully aware of which ones might apply. Arguably more importantly though is the discretionary nature of some and the consistency of administration. Central government should provide greater guidance for discretionary reliefs to avoid distortive impacts by region and/or sector.

Assuming the current reliefs continue to reflect their purpose and objectives, we believe that until there is a fundamental rebalance towards fairness, they should remain. There is certainly an opportunity to look at how cliff-edges can be smoothed on some reliefs such as small business rate relief where revaluations can lead to significant impacts on businesses such as pubs and smaller breweries.

The granting of current reliefs subject to Subsidy Control rules has meant significant intended relief within the pub sector has not been received by the ratepayer. Large scale announcements of assistance being granted have, unfortunately, been meaningless when subsidy control restrictions are considered. Any future reliefs should be granted to enable them to fall out of any Subsidy Control rules that may apply now that we are fully out of the EU. There is clear opportunity post EU-exit for targeted support to reach its intended recipients.

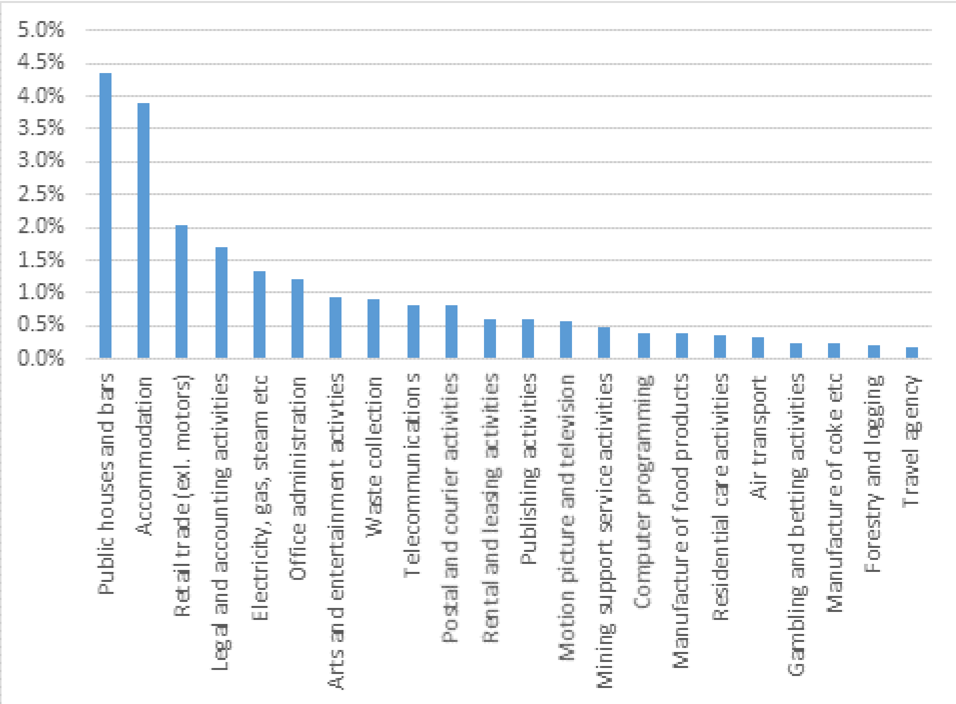
In terms of further enhancements, that support good design and that we would like to see:

- Extension of **Small Business Rates Relief** to take more small businesses out of scope of rates and smooth the cliff-edges in the system. An increase in the 100% SBRR threshold in England from £12,000 to £15,000 (with a gentler taper to the full rate subsequently) would take over one hundred thousand more small businesses out of the rates system altogether at a very small proportion of the total business rates bill, including 2,700 pubs.

- We would advocate that, to support local high streets and communities, Small Business Rates Relief should apply to all small RV properties even where these are owned by businesses with multiple premises. This would be more consistent and fairer in a system designed around individual property value.

- **A permanent relief OR property-specific multiplier** that recognises both the disproportionate burden that pubs continue to face relative to other sectors and the unique role they play in community life, health, wealth, and wellbeing. It would build on the recent pub-reliefs that acknowledged this and the particular challenges pubs continue to face. Pubs are the original social network and by their nature, inefficient users of space. As well as vital local jobs, they provide a comfortable and welcoming environment and often provide free use of this space for local clubs to meet, run sports teams and charitable events at their own expense, and act as tourism information points. Through Pub is the Hub and other schemes this may be taken to the next level in terms of providing post office services, a library, parcel collection, tourist information and so on. Indeed, many pubs are listed as Assets of Community Value. The current pandemic and lockdown have only reinforced the key role pubs play, with countless examples of additional services being offered to support local communities during this time. As noted above, pubs pay more as a percentage of turnover than other business sectors.

Chart 3: **Proportion of turnover accounted for by business rates**



Source: Oxford Economics, 2018

A property-type based multiplier, agreed nationally and automatically applied, would arguably be a simpler and better way to deliver the same outcome. We would strongly support a pub-specific multiplier, at a rate significantly lower than the standard multiplier to address the disproportionate burden relative to turnover compared to other sectors and the unique role pubs play in communities. It would also appear to have the advantage of no obstacles with respect to Subsidy Controls subsidy controls, as evidenced by the recent application of a reduced rate announced by the Chancellor on 17 March 2020 where he waived the rates reduction from the De Minimis threshold. Whether this is because of the multiplier, or within the Chancellor's gift, **we believe that rates support, be it by relief or multiplier, should be exempt from subsidy control limits.**

- We support Treasury's recent announcements of both the twelve-month investment relief and the exemption of green P&M for on-site renewable energy/heat generation and low-carbon heating networks. However, we would argue that both should go slightly further to truly regenerate investment in the sector as we recover. The rate freeze on investments should be two years, or until the next list, whichever is longer. To further incentivise green investment, Treasury should allow relief for installation of electric vehicle charging points, and not just the energy storage system that they require.

Of course, any relief is only as good as the delivery mechanism, both whether the ratepayer can benefit from it e.g., Subsidy Control limits or RV caps, and whether the Billing Authority is willing to issue it. The Covid business grants emphasised this issue with the inconsistency in the application processes posing a major challenge to navigate. Urgently needed monies were often being wrongly rejected or delayed for months.

The challenge with discretionary reliefs being in the hands of the Billing Authorities is that it makes the issue more complicated as each Billing Authority applies their own criteria and there is no consistency across the board. For example, Part Occupied relief. The key point is that central government should set out clear and precise criteria and then the relief(s) are applied by the Billing Authority.

It also creates major administrative challenges for businesses dealing with multiple Authorities. Currently, with 300+ Billing Authorities, ratepayers are dealing with 300+ different criteria/approaches which does not provide clear understanding on behalf of the ratepayer. Whether or not you are a single site operator or operating pubs and breweries across the UK, certainty and fairness is vital.

The Uniform Business Rate multiplier (UBR)

Maintaining a stable revenue stream from business rates in real terms each year is out of kilter with other business taxes and has clearly had a significant adverse impact on business rate payers over the last two decades.

Fundamentally, the rates multiplier must be adjusted downwards if the business rates system is going to remain a viable avenue for tax in the future. It has increased to a staggering 51.2p today from a more manageable 34.8p in 1990/91. Paying an additional 50% of rent in taxes, compounded by changes to consumer shopping behaviour, is unsustainable for property-based businesses and is threatening both businesses and future revenue streams for local councils.

We welcome the Government's announcement to align better the UK's tax regime to the realities of the 21st century economy through the introduction of an Online Sale Tax (OST) and await the consultation announced for later this year. Digital retailers often require the same services from their local councils as the shops on the high street, yet they maintain a substantial tax advantage due to the lack of a Business Rates tax equivalent for online retail. **We support Treasury's view that a new OST should be ringfenced specifically to offset the burden of business rates** to better reflect today's economy. We have previously supported proposals calling for a 20% cut in the business rates multiplier paid for by a 2% online sales tax on goods. At least a 20% cut in the multiplier is now needed. **However, the introduction of an OST should not create a perverse incentive through dual taxation**. Pubs with an online presence, namely food delivery, must be exempt from OST to prevent them paying into the Business Rates tax revenue stream twice.

Regardless of wider reform to significantly reduce the multiplier for property-based business, the **requirement for maintaining revenue from business rates in real terms each year and uprating by CPI should be removed. For simplicity and certainty, the multiplier should simply be fixed**. Changes to bills would solely reflect changes in the property market and property values. The Government would still retain the ability to adjust the UBR periodically if evidence supported this and based on agreed parameters around productivity, growth and supporting public and local finances, but the default position would be no annual adjustments to the UBR. Revaluations would also provide additional evidence of the case to adjust the multiplier subsequently.

Similar to our final point on reliefs and Billing Authorities, BBPA would recommend that for simplicity and fairness, there be a single multiplier across the country. Any supplements should only be for specific projects such as Crossrail. A major issue is in respect of Business Improvement Districts (BIDs). Each BID has different charging criteria and different dates regarding when the RV in force is adopted in calculating the BID payment. This effectively is moving a charge back to local rates with multiple different rates and approaches adopted across the country. A standard set of rules on application of the charge should be mandatory to remove the confusion and provide a simpler model which follows the application of non-domestic rates with respect to the backdating of corrections of errors in the assessment.

A multiplier by property type would arguably be less distortive, particularly if set nationally based on agreed definitions. These could address some the inherent unfairness in the current system, support economic and social objectives, and avoid the need for a such a wide range of reliefs. This would also help to remove cliff-edges with certain reliefs and should be exempt from Subsidy control caps. **We believe a pub-specific multiplier should be actively considered.**

<u>Pub Valuation methods</u>

The BBPA participates in the Pubs Rating Forum (PRF) which contributes to developing the guide to the Valuation of Public Houses. It is an iterative process undertaken by the Valuation Office Agency (VOA) and the PRF. The process of developing the guide is to help the VOA more accurately assess the value of a property for the purposes of establishing appropriate rateable values (RV). The PRF can provide context, help shape overall tone, and in many cases correct percentages and bandings. Its purpose as defined in its Terms of Reference is “to bring together senior representatives from the licensed premises industries and the VOA to discuss matters relevant to the valuation of licensed premises for rating purposes.”

The BBPA is appreciative to the VOA for the collaborative approach. However, there remain elements of disagreement, limitations on information sharing, and areas of compromise. For example, the PRF does not have access to data returns, for confidentiality reasons, so data sharing is necessarily restricted.

The BBPA is pleased that the guide highlights the important final stage needed for all valuers to stand back and look at the outcome of a valuation produced by applying the guide and considering whether the final figure is sensible given the evidence and individual circumstances which apply (e.g., physical characteristics, correct valuation approach, possible overtrading, etc.). We believe more investment is needed to sufficiently resource the VOA in developing a pub expertise with the capacity to physically stand back and look at pubs. The recent announcement of £500 million is therefore welcomed to the extent that it is not disproportionately used for digital platforms to provide rates for physical premises.

It is important to note that the guide is not as a self-assessment tool, but rather a document of principles for enabling reasonably accurate assessments of rateable values. BBPA’s contribution to this guide should not be used to prohibit ratepayers from receiving a fair hearing at tribunal or seeking alternative valuation approaches.

We view the 2023 Guide as an improved iteration of guidance, but also acknowledges that the methodology for pub valuations requires specialist knowledge and expertise. Where disagreements occur, the guide, when interpretated correctly by two experienced licensed property valuers, should in most cases produce outcomes where any differences are capable of being reconciled. The PRF acknowledge that further changes may be required to reflect a changing market in future editions of the guide so that it yields the most accurate valuations possible.

However, BBPA believe that the provision of over trading is likely underutilised and could be improved. Of course, the reality is that where overtrading goes unrewarded, so too does under trading remain unpunished. We certainly would not want to see punitive action taken as a result of getting better utilisation of overtrading, especially following a Covid recovery. We do think it would be useful to see statistics on the percentage of pubs being awarded overtrading as a way of assessing whether this provision is being used and to what extent. This level of transparency could merely be made available as part of the ongoing three-yearly revaluation consultation which includes new measures on transparency.

BBPA recognise that as property-based, people businesses selling excisable goods, our turnover will necessarily be inflated because other tax measures are baked into the price of our products. The current approach to FMT thus creates a tax on tax. We therefore welcomed Treasury's announcement in its Alcohol Duty Review that it would reduce excise for goods sold on draught in the pub and believe that the VAT reduction offered during Covid should be extended permanently. Until FMT is more able to reflect, and tax, profitability, the resulting RV will be unfairly high because turnover hides other onerous tax burdens on pubs and its products.

Finally, we note that there are strong views on the overall approach to FMT and the resultant RVs this methodology produces. Whilst complexity should not inherently exclude FMT from being a viable methodology, we appreciate that it can frustrate many ratepayers. There are calls from within the industry to scrap the Pubs Guide altogether and move away from FMT in favour of something more akin to square footage. There are two problems with this view. Firstly, the VOA are bound to assess value based on the market, and as pubs are not typically leased or sold on square footage terms, they cannot accurately assess market value on terms the market itself does not use. Secondly, there is not clear industry consensus on what a better alternative is. Therefore, while we acknowledge flaws exist within the current approach, we believe that the Pubs Guide and FMT remain relevant for our sector for the time being.

More Frequent Revaluations

BBPA welcomed the announcement that Government would consult on moving to a system of more frequent, three-yearly, revaluations. While we support the principle as we believe it will help, over time, to reduce dramatic changes in RVs by reacting faster to changes in the market, we believe the proposals set out by Treasury and VOA place disproportionate burden on the ratepayer. As such it the transition, and what both sides must do to support it, needs to be rebalanced.

As one of very few sectors valued on Fair Maintainable Trade (FMT) basis and recognising the important role the pub plays in our high street, community, and society, BBPA urge Government to reconsider or provide exceptions for pubs with respect to many of the provisions outlined in the structural changes needed to move to three-yearly revaluations. We recommend that:

- Pubs be given a **minimum quarterly period for Duty to Notify**, and the specific reasons which trigger the obligation for Duty to Notify be much more specific and limited (or exempt pubs altogether). Many current triggers for DTN on rent changes would require ratepayers to notify despite it having no material impact on the determination of their Rateable Value.

- Avoid unnecessary mass filings of Challenges by providing transparency to the ratepayer on the pub's category e.g., High Street, Destination, Community, etc., and a clear resolution mechanism before lists are published.
- Businesses which currently do not participate in the rate system through **exemptions under Small Business Rates Relief, for example, be exempted from Duty to Notify** and its financial penalties.
- In line with the limitations for triggering DTN, reword duties such that it is not any change to a hereditament, but specifically changes related to the non-domestic element of the hereditament. For example, **residential components of pubs should not bear DTN as it is a Council Tax component and not within scope of NDR.**
- Digital platforms create interoperability between VOA and Billing Authorities to create a single form on a single site. Platforms must also be clear on accessibility given potential turnover (pub company must be able to access the portal in between tenants to avoid penalties) and given filing implications for ratepayers who have varied business experience, they **must include online support functions and/or a dedicated hotline**.
- Government reconsider licensing changes to be accepted within scope for Material Change of Circumstance (MCC).

There is currently a consultation on this subject and BBPA will be submitting ahead of the February 22nd deadline. Rather than reproduce our responses here, we would merely reiterate those core points above to emphasise that current proposals are not balanced. They place heavy administrative burdens on a sector that is already overtaxed and uniquely valued such that the 'one size fits all' approach simply will not be practicable.

Pubs as catalyst for growth

The great British pub and the country's proud brewing heritage are cornerstones of national life. Pubs are where communities are strengthened and friends made, a message reinforced by the 2020 Onward study *The State of Our Social Fabric.*[3] They act as social hubs for people from all walks of life with many pubs running public services, as well as putting on community events and cultural activities.

The sector offers the best in contemporary culture, represented through craft ales and microbreweries, building on our nation's great brewing heritage. At the heart of every pub is beer, mostly British, often brewed locally.

In March, the BBPA commissioned respected local Government think tank Localis, to undertake the first independent critique of 12 months of the pandemic, the consequences for the pub and brewing sector and considerations for policy makers going forward.

The report entitled 'The Power of Pubs – protecting social infrastructure and laying the groundwork for levelling up' included several policy recommendations including those set out in this submission. The report determined that failure to support pubs' return from lockdown risks imperilling the government's levelling up agenda for economic and social renewal.

The authors concluded that, put simply, where there's a pub, there's a community. When considering how we renew the nation economically and socially from the scarring of Covid, the pub is a central hub in countless cities, towns, and villages from which the spokes of recovery will radiate.

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[3] https://www.ukonward.com/wp-content/uploads/2020/09/The-State-of-our-Social-Fabric.pdf.

Both the Spring and Autumn Budget gave the pub industry a very welcome short-term shot in the arm with much needed additional grants, extensions to the job retention scheme, five per cent hospitality VAT rate and a partial extension to the business rates holiday. In the medium to long-term, however, the future of the pub as a cornerstone of community life remains under existential threat without additional well-targeted support.

Aside from the economic impact of the lockdown on pubs, the authors stress that their closure has had a wider impact on community cohesion up and down the country. Pubs form a vital part of social infrastructure and are anchors that tie the community together. This is particularly true for rural towns and villages. As one of the biggest contributors to the UK economy, the sector has a vital role to play in the recovery and levelling up journey of the country as well as in maintaining community cohesion and social resilience well beyond the pandemic.

What is at stake here is more than the intangible, "going, going gone" of what was once the heartbeat of British life. Failure to support the nation's pubs return from lockdown risks imperilling economic and social renewal.

This is in large part due to the economic and social vitality of the sector, as well as its potential importance to recovery and growth. Pubs support 831,500 jobs across the UK, £12.1 billion of wages, and £21.6 billion of gross value added across the country. They are a key part of the foundational economy, the essential building blocks of growth in our cities and towns. These pubs are serviced by 2,000 brewers across the UK, themselves key employers in communities throughout the UK.

The pub sector supports jobs in every part of the country, with the greatest number of jobs in the South East (129,000) and South West (92,000), yet still a significant contributor to employment in Northern Ireland, the area with fewest jobs, at 14,000. Support for brewing and pubs is support for the Government's levelling-up agenda. Table 1 reflects this.

Table 1: Economic contribution of pubs, by region

	Jobs	**Gross Value Added (£m)**	**Wages (£m)**
South East	128,732	3,124	1,733
London	88,719	3,493	1,845
East	69,548	1,560	842
South West	91,921	1,872	1,070
West Midlands	89,577	2,499	1,302
East Midlands	61,172	1,340	788
Yorkshire & The Humber	66,499	1,620	926
North West	84,673	2,407	1,432
North East	33,297	805	501
Wales	49,546	1,064	582

Scotland	53,782	1,437	838
Northern Ireland	14,010	373	188
UK	**831,477**	**21,594**	**12,048**

Source: Oxford Economics, August 2021

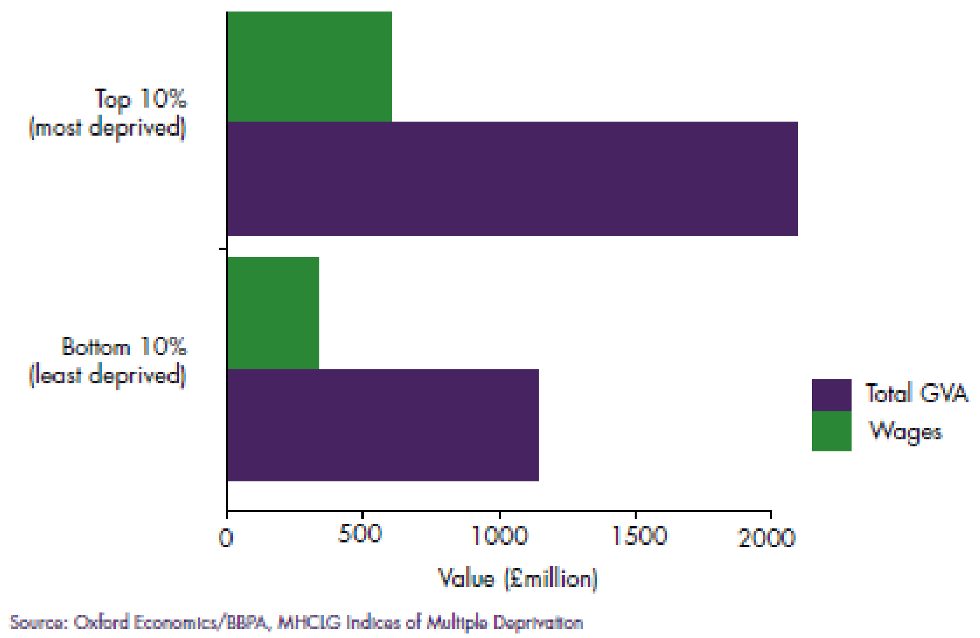
The industry generally employs those that tend to be underrepresented in the workforce. Around 49 per cent of the pub workforce is under 25 according to the latest Oxford Economics report, compared to 12 per cent in the overall economy as measured by the Labour Force Survey. 54 per cent of pub employees are female according to the 2019 Annual Survey of Hours and Earnings.

The jobs available in the sector also provide a great deal of much-wanted flexibility, with 59 per cent of positions being part-time and many in rural areas, small towns, and villages where other local jobs are scarce. Increasingly, employers within the sector are rolling out apprenticeships and providing greater career progression for all employees.

Yet pubs face a disproportionately high tax burden relative to other sectors. Pubs bear the brunt of a number of taxes as property-based, people businesses that sell excise products. One pound in every three spent in the pub goes to the Treasury according to research from Oxford Economics before the pandemic.[4] As demonstrated above, this is particularly acute with respect to business rates.

Localis argue it is vital that as well as the ending of trading restrictions for pubs medium-term support is needed to help place the pub sector at the foundations of a strong recovery. Failure to do so means local economies and community resilience in left-behind parts of the country – including 'blue wall' former industrial heartlands, rural, and coastal areas – would be particularly hit. The chart below from the Localis report illustrates the critical role of pubs in supporting economies in the most deprived areas of the UK.

Chart 4: Economic value of pubs by average Indices of Multiple Deprivation rank



[4] The Tax Burden faced by the Pub Industry. Oxford Economics, Sep 2018.

The authors highlight research showing that a lack of places to meet, whether they be community centres, pubs, or villages is a significant determinant to social and economic outcomes for deprived communities. Areas of deprivation that lack these community assets have higher levels of poverty, unemployment, and poor health than others, leading to them being 'left behind.' Working to avoid the further closure of community assets in left behind areas and ensuring that these areas directly benefit from the levelling up agenda must be a priority moving into recovery.

According to the Onward study, decline in pubs has been felt faster in places with a frayed social fabric: the bottom decile saw a 37% decline in the number of pubs per capita, compared to a 29% decline for the top decile of areas since 2001.

Conclusion

Britain's pubs are quintessential to its economic, social, and mental wellbeing, but the current Business Rates structure is punitive and disproportionately taxes this cultural institution. Whether the methodology of assessing rates itself or the overall package of taxation, pubs are paying far more than their fair share. If we are to support our publicans, and the communities they in turn support, we must review the how pubs are assessed, the resource provided to accurately assessing them, reliefs (and how they are applied, or critically, not), the balance of physical and digital in today's economy, and business rates' role in the total suite of business taxation.