Brexit: An Opportunity for the British Art Industry?

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What is at stake?
The UK Arts & Culture Sector

- **Funding:**
  - The sector accesses EU funds for a range of small to large scale projects and programmes (EU Creative Europe programme, European Regional Development Fund, European Social Fund) – Total €7.1 billion (2014-2020), particularly benefiting the regions. A smaller part of this benefits arts and culture (no data for how much).
  - A number of smaller UK arts organisations are particularly reliant on EU funding, and the loss of these funds would have an impact

Source: Arts Council England - The arts and culture contents sector and exit from the European Union, November 2016 – survey of more than 1000 artists and arts organisations.
The UK Arts & Culture Sector

• **Ease of movement**
  – 75.3% of arts organisations said this would affect their UK based productions by reducing their ability to bring artists and organisations into this country
  – 64.7% of arts organisations said that reduced freedom of movement of goods, services and people would impact negatively on employment of staff from EU countries in their workforce

Source: Arts Council England - The arts and culture contents sector and exit from the European Union, November 2016 – survey of more than 1000 artists and arts organisations.
The UK Arts & Culture Sector

• **Legal and regulatory framework**
  – The sector benefits from EU laws and regulations relating to copyright, intellectual property, artist re-sale rights, VAT exemption as well as employment legislation

Source: Arts Council England - The arts and culture contents sector and exit from the European Union, November 2016 – survey of more than 1000 artists and arts organisations.
The UK Art Market in a global perspective

- **Second largest market worldwide** in 2016 (after US), with a 21% share of all global art and antique sales by value.
- **Annual sales:** $12 billion (£9.2 billion) of art and antique sales by value
- **Changing competitive landscape:** Between 2006 and 2016, while global sales values have advanced by 4%, sales in the UK have fallen by 18%.

Source: BAMF - The British Art Market 2017
The UK Art Market in a European perspective

- **UK is a big player:** The UK dominated the EU art and antiques market in 2016 and accounted for 62% of the value of all EU sales.
- **Auction sales in Europe:** For some of the major auction houses, consignments from EU member states accounted for up to 25% of their UK sales on average, while up to 20% of their exports were destined to EU buyers.
- **Dealer sales in Europe:** The main dealer associations reported that on average between 10% and 22% of dealers’ purchases for subsequent sale were made in the EU, and EU purchasers accounted for 15% – 20% of all their sales.

Source: BAMF · The British Art Market 2017
The UK Art Market in an employment perspective

- **Employment**: In 2016 there were over **7,580** businesses operating in the British art market, directly providing an estimated **41,700** knowledge-intensive and gender-balanced jobs.

- **Ancillary Expenditure**: In 2016, auction houses and dealers spent over **£3.3 billion** on specialised services in ancillary industries, including art fairs, packing and shipping, conservation and restoration, advertising and marketing, IT and others. It is estimated that this expenditure directly supports a conservatively estimated **94,710** further jobs in the economy.

Source: BAMF - The British Art Market 2017
Protecting and enhancing this legacy

- **Legacy:** EU funding of arts (particularly benefiting the regions), current ease of movement (ability to attract and move talents), $9.2bn in annual sales of art and antiquities (2nd largest art market in the world), up to 25% of trade into/from EU, employing 135k people.

- **Collaboration and communication:** A need to coordinate efforts between the stakeholder groups in the art industry to protect and further enhance this legacy, leaving partisan views behind.
Professional Advisors to the International Art Market
- PAIAM -

- Professional network set up in 2011
- Membership open to professionals
- Clients: art collectors, art businesses and art not-for-profit
- Networking platform
- Run by a small group of volunteers
- PAIAM New York – Launch October 2016
- Nearly 300 members
- **PAIAM Brexit initiative**
  - PAIAM = potentially a useful resource for the government
  - PAIAM not a lobbying body
Professional Advisors to the International Art Market
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• 10 topics:
  – Endangered species
  – Consumer protection
  – Anti-money laundering
  – Trade sanctions
  – VAT
  – Customs
  – Artist’s Resale Right
  – Copyright
  – Export controls
  – The return of illegally exported cultural property
Professional Advisors to the International Art Market – PAIAM -

• PAIAM members have volunteered to prepare a memorandum on each topic
• Memoranda are published today on PAIAM’s website
• www.paiam.org
• Any opinion expressed in the memoranda is the opinion of the author
VAT/ import & export – The present situation

• Principles of free movement of goods
• B2B supplies
• B2C supplies
• Temporary Admission
• The margin scheme
And post-Brexit?

• “Hard” Brexit? (VAT)
  – Greater use of Temporary Admission?
  – Alternatively:
    • recover the 5% and sell at 20% OR
    • do not recover the 5% and sell on under the margin scheme
  – UK collectors’ position with regards to EU originated works?
  – EU collectors’ position with regards to UK (or RotW) works?
And post-Brexit?

• “Hard” Brexit? (other considerations)
  – Increase in import and export documentation
  – Decrease in ESLs/ Intrastats
  – Delays at the border
  – Greater emphasis on AEO status
VAT/ import & export – final comments

• Would maintaining status quo/ equivalence be better?
• Await the Government’s White Paper in the Autumn
• Businesses should consider their preparedness
The Brexit timeline: the textbook version

• 29 March 2017: **Article 50** triggered

• 19 June 2017: negotiations with EU opened

• Negotiation of **withdrawal deal**? December 2017

• Agreement of regulatory framework for future relations October 2018

• Ratification of exit deal by March 2019......or

• **Transitional arrangements**
Bumps along the road

• The Great Repeal Bill
• Transitional arrangements
  – Customs Union
  – Single Market
  – Freedom of movement
• Political landscape
Meanwhile...

- DCMS information gathering and considering every outcome
- Importance of industry lobbying
Now let’s vote