

Brexit: An Opportunity for the British Art Industry?

Wendy Philips, Craig Davies, Anders Petterson and Pierre Valentin

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

- PAIAM -

- **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