

Cinemas in crisis: Tax changes could lead to venue closures across the UK

The UK cinema industry has issued a warning that the increased taxes on employees' wages, as announced in [the Budget](#), could be the last straw for some venues in this key cultural sector.

Chancellor Rachel Reeves raised the amount employers have to contribute in National Insurance Contributions (NICs) by 1.2 per cent and reduced the wage threshold at which employers must start paying the tax from £9,100 to £5,000, as reported by [City AM](#).

Phil Clapp, chief executive of the UK Cinema Association, said: "We already know that many are considering reducing operating hours or pulling back on recruitment plans, but it is inevitable that it may lead to the closure of some sites,".

The tax alteration will predominantly impact industries that heavily rely on labour, such as hospitality. The industry is particularly vulnerable to the threshold change, as businesses often employ numerous part-time workers who were previously exempt from the tax.

However, Clapp added: "The impact of changes... will not only affect those [lower-paid] staff but also those at higher rates of pay, who will understandably want to maintain 'differentials' with more junior staff."

'Post-Covid, we're pretty lean as it is'

Clapp anticipated the cost impact to reach double figures for many, although he noted that costs would naturally vary

between companies.

Larger firms, which employ more staff, will face a higher overall bill, while smaller operators, who have less cash and thinner margins, will face smaller bills but lack the capacity to absorb increases.

Simon Burke, co-founder of Revolting Spaces a group of LGBTQ+ hospitality venues in London that owns independent cinema The Ardzner expressed concern that the additional tax will exacerbate existing issues with energy bills and rental costs.

“The whole sector, especially the lower-margin areas such as independent theatres and cinemas, are going to take a hit as a result of the incoming tax environment. These taxes are nothing but political choices.”

“Cinemas are culturally important spaces, these changes will undoubtedly lead to independent cinemas struggling to stay open or to expand,” he said.



The UK cinema industry may have to change the way it operates
(Image: Jam Jar Cinema)

Burke proposed that the government needs to intervene to support the industry with business rates, a VAT reduction, and a “crackdown on energy companies and corporate landlords squeezing us beyond viability”.

According to the UK Cinema Association, Britain has seen a loss of 54 cinemas over the past four years, while a survey by the Independent Cinema Office last year revealed that 45 percent of indie cinemas were operating at a loss.

“We are not against raised taxes at all – but that kind of raise is really substantial... We are a charity. We are fulfilling a social impact, cultural impact [agenda]. We are not putting our profits to shareholders like some of the big chains are,” Clare Reddington, CEO of Bristol venue Watershed told Screendaily.

“We are certainly having to ask ourselves really serious questions before any new hires are made,” Reddington added. “I don’t think we will reduce our staff because post-Covid we are pretty lean as it is – but we are certainly asking the staff who work for us to do more.”

Will cinema prices rise?

As cost pressures mount, UK hospitality and retail sectors, along with many businesses, have signalled potential price hikes. Nonetheless, Clapp suggested cinemas may buck this trend.

“Pricing is very much an issue for individual companies and venues but there is an understanding that audiences remain conscious of costs so I think it unlikely many will feel able to pass all of this additional burden on to customers,” explained Clapp.

Meanwhile, the director of Acton Arts, which manages independent cinema Act One, disclosed that they don't intend to increase ticket prices. "We feel confident that we can [deal with] the extra costs imposed on us... We've got a very loyal customer base, a lot of members. We think there are better times to come ahead," he commented.

There might be slight price changes at their associated cafe, The Ardzner, rather than at the box office. "It may be that some price increases are seen in that area more than ticket pricing, but we've not made any hard and fast decisions yet," he pointed out.

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