INVEST 2035: THE UK'S MODERN INDUSTRIAL STRATEGY

RESPONSE OF THE BRITISH ART MARKET FEDERATION

Membership

The British Art Market Federation (BAMF) represents the interests of the UK's large and diverse art and antiques market.

The members of BAMF constitute the major elements of this significant sector of the UK's economy. They are: The Antiquarian Booksellers' Association; The Antiquities Dealers' Association; Bonhams; The British Antique Dealers' Association; Christie's; LAPADA - The Association of Art and Antique Dealers; Phillips; The Society of Fine Art Auctioneers and Valuers; The Society of London Art Dealers; and Sotheby's.

Market profile

In 2022 the British art and antiques market was comprised of over 7,800 businesses, directly supporting over 45,520 jobs. The majority are SMEs or micro businesses, often with a single proprietor.

Ancillary benefits to economy

The art market is a key part of the cultural infrastructure of the British economy and generates expenditure on a range of specialist services in ancillary industries such as art fairs, packing and shipping, conservation and restoration, advertising and marketing, IT and professional services. In 2022 auction houses and dealers spent over £2.6 billion on ancillary services, supporting approximately a further 37,900 specialised jobs. The art market's fiscal contribution was estimated to be £1,580 million.

London as a global market hub

London is a significant global market hub, in competition with New York and Hong Kong, and it is therefore highly dependent on cross-border trade. Works of art are sent to the UK for sale from throughout the world, attracted by the UK's expertise and long experience as a leading internationally focused art market.

Global status

While the US has dominated the global art market in recent decades, the UK has vied with China for second place. In 2022, the UK had the second largest market with a global share by value of 18%. In 2023, China narrowly overtook the UK with 19% of the global market. The UK fell to 17% in 2023, with total sales of $10.9 billion, but it remained by far the largest art market hub in Europe.

For reference we attach a detailed study of the British art market carried out by Arts Economics in 2023.

1) **How should the UK government identify the most important subsectors for delivering our objectives?**

   We are pleased to note that the Creative industries has been identified as a sector targeted for growth.

   The art market is a cornerstone of the UK's creative economy. Despite the shifts and challenges of the past decade, Britain continued to hold a significant 17% share of the global art market in 2023, with aggregate sales of $10.9 billion. Only the United States, with its 42% market share, and China, at 19%, stand ahead. The UK's global market share is greater than the combined total of all other European markets. However, the UK faces enormous challenges if it is to retain its status. Our position has been in gradual decline over recent years relative to our competitors falling from 34% of the global market in 2008 to 17%in 2023. If we are to grow our market, we must attract the rarest and most expensive works of art for sale here. Unfortunately, there has been a worrying decline in the value of art imports. In 2013, the UK had a 24% share of all global art imports. In 2023 our share fell to 7%. Without this international element, the British art market will be limited to domestic sales, like other European markets, inevitably reducing employment and the other economic contributions.

   The Government's industrial strategy must focus on creating and maintaining a globally competitive environment for art sales. We set out some suggestions below of measures that can be taken to enable the UK to compete with the US and China.

   The UK is recognised globally as a leading centre for art sales, cultural exchange and artistic innovation. However, in the face of fierce competition from other countries there are clear signs that the UK art market is losing momentum and is therefore in need of help. As such it is an ideal candidate for the government's growth plans and for measures designed to build upon that success.

The government must ensure that the UK Art Market is firmly included within its definition of Creative Industries and central to its industrial strategy around the creative sector. This is a natural fit as the UK is recognised globally as a leading centre for art sales, cultural exchange and artistic innovation. While high value sales make the headlines and underpin the UK's global status, art transactions are not only for the wealthy. The vast majority of transactions take place at consumer level price points. A healthy art market provides the public with access to and interest in art at all levels, fosters creativity and provides a livelihood and marketplace for artists.

As well as being a stand-alone success the UK Art Market is also an integral component of the UK's creative ecosystem, connecting artists, galleries, curators, auction houses and cultural institutions. It provides a vital platform for emerging and established UK artists to flourish on both national and international stages. It is also a driver for tourism, attracting collectors, curators and art enthusiasts from all over the world to events like Frieze and the major auction house sales. The art market supports a vast number of jobs, directly and indirectly. Beyond galleries and auction houses, employment opportunities arise in art logistics, insurance, framing, restoration and art tech.

2) **How should the UK government account for emerging sectors and technologies for which conventional data sources are less appropriate?**

3) **How should the UK government incorporate foundational sectors and value chains into this analysis?**

4) **What are the most important subsectors and technologies that the UK government should focus on and why?**

5) **What are the UK's strengths and capabilities in these subsectors?**

See introduction above

6) **What are the key enablers and barriers to growth in these subsectors and how could the UK government address them?**

The UK's art market is an entrepot market – in other words sellers bring their art to the UK to be sold. It is global hub for art sales, and as such, is dependent on the ability of sellers to import art for sale. When compared to our global competitors, the UK's import procedures are both more costly and overly complex. This is a key barrier to growth.

7) **What are the most significant barriers to investment? Do they vary across the growth-driving sectors? What evidence can you share to illustrate this?**

The government needs, in BAMF's view, to take some decisive steps to stimulate growth by ensuring that the British art market remains competitive. We operate in a global market and the UK cannot maintain its leading position and market share unless the costs and complexity of buying and selling art in the UK are equal to or less than those of our competitors in New York, Hong Kong or Europe. If buyers and sellers find the UK market less attractive to transact in they have the ability, in a global market, to opt to transact and invest elsewhere. International auction houses and galleries with branches abroad are able to their investment upon their operations outside the UK. In the absence of major art market participants, the UK will become a less attractive place for start-up businesses selling art. Without businesses selling art, artists will look elsewhere to base themselves and sell their art. There are signs that this is already the direction of travel for the UK market, so it is urgent to take the following action now:

I. Proportionate and Risk-Based Regulation

There has been a tendency in the past decade to increase the burden of regulation, particularly on small businesses. Clear and targeted regulation should be the aim, rather than a blanket approach that creates additional costs and complications on the very businesses that will ensure future growth in the art market. A case in point is the way in which the UK has approached regulation to combat money laundering.

The art world understands the need for Anti Money Laundering (AML) measures. However, the current implementation of the AML legislation is unnecessarily burdensome and fails to distinguish between negligible risk and high-risk transactions.

BAMF has three recommendations that would ease the pressure on businesses without blunting the effectiveness of the regulations:

First - and perhaps most important - it is essential that the Government's 2024 National Risk Assessment formally recognises that, since the introduction of formal regulation, the risks of money laundering through art, while real, have dropped significantly following the 2020 National Risk Assessment, which labelled the art market as being at high risk of money laundering. We were highly critical of the 2020 risk assessment, which was made before Art Market Participants (AMPs) came fully within the regulated sector, and without any evidence being published to support the high-risk conclusion. Since then, anti money laundering measures have been fully implemented and are now in place throughout the art market, and are policed by HMRC. The regulations, which are the strictest in the world, make the UK art market a very unattractive and high-risk target for money laundering. If the art market was being used in any systematic way for money laundering, we would expect to have seen evidence of patterns of behaviour or multiple instances, but to date – despite the now mandatory high levels of due diligence - we have not seen any such evidence. We would suggest that this demonstrates that the money laundering risk has been consistently exaggerated, and, in any case, it will have fallen since the introduction of new anti money laundering measures since 2020.

The re-designation of the art market's money laundering risk, based on a rigorous and transparent examination is necessary. The 2024 National Risk Assessment provides a timely opportunity to do so. If on the other hand the government fails to take this opportunity, and if 2024 National Risk Assessment does not acknowledge the significant drop in money laundering risk exposure since 2020 – or does so in a half-hearted way - the widely held but unevidenced perception that the UK art market has a money laundering problem will continue. This has a tangible effect on UK art businesses. The 'high risk' label has already led to some smaller art businesses being denied banking facilities, not because they are necessarily thought to be at high risk of money laundering, but because banks and financial institutions themselves prefer not to take the risk of involvement with them. The art market will have great difficulty competing on the global stage if our regulations continue to be more complex than in the US, for example.

Second, the regulatory regime must differentiate between high and low-risk transactions. The present rules create a heavy burden on all art businesses, irrespective of their size and the types of transactions they undertake. Our major competitors, the US and Hong Kong, have anti money laundering measures which are focused upon risk rather than compliance administration. Their systems are far less burdensome for business. The British art market will have great difficulty competing on the global stage if it is the only major market which clings to outdated anti money laundering measures.

Third, we are urging the government to consider increasing the transaction value threshold for AML regulation from £10,000 to £30,000, which would take large numbers of low-risk small businesses out of the regulatory framework.

II. Review of Import Procedures

The UK's art market is a global hub for art sales, and as such, is dependent on importing art for sale. When compared to our global competitors, the UK's import procedures are both more costly and overly complex.

There are steps that can be taken which help to provide a competitive boost.

Before the EU harmonised import VAT in the 1990s, the UK allowed artworks to be imported tax free. This was crucial in establishing the UK as a global art market player. Returning to the zero-rating of art imports would at a stroke align our art market with Hong Kong and New York, neither of which levy import taxes on art.

If that is not possible, we have proposed a number of improvements to the import VAT Temporary Admission (TA) arrangements, which would go some way towards improving our competitive position. These include extending the maximum period of TA from 24 to 48 months; permitting objects under TA to be cleaned, restored, and viewed for possible sale in private residences; aligning the time frame allowed for objects sold under TA with those sold in free circulation; and reducing the costs associated with the Customs Declaration Service. These proposals were put to the Consultation launched in 2023.

III. Trade with Europe

The UK's departure from the EU Single Market introduced new barriers for trade between the UK and EU. Whereas before Brexit artworks could move freely to and from Europe without customs checks or import declarations, they now require customs declarations and payment of duties. Border checks also lead to delays. This has led to a perception and reality of added cost and complexity which has made European buyers and sellers more reluctant to sell and buy in the UK. This has in turn allowed Paris to promote itself as an alternative to London for European buyers and sellers – and in turn also for international buyers and sellers (although other factors have militated against the establishment of Paris as an international hub, with France still having a substantially smaller share of the global art market than the UK). Our proposed reforms of the formalities applying to art imports would help to iron out some of these problems. Nonetheless, the existence of a ring-fence import tax into the EU is still a major factor, beyond the reach of the UK to change.

8) Where you identified barriers in response to question 7 which relate to people and skills (including issues such as delivery of employment support, careers, and skills provision), what UK government policy solutions could best address these?

Because of its size and international outreach, the British Art Market is a major employer. However, its ability to provide employment and a career path for young people is dependant upon it maintaining its position in the global art market. The actions outlined in the answer to question 7 above are an essential starting point as a growing and vibrant art market is necessary precursor to employment growth and opportunities in the sector.

BAMF is supportive of changes to the national curriculum to promote the study of art history. We recommend the following measures:

- Reinstate Art & History of Art as A-level choices - Only 8 state secondary schools offer History of Art as an A-level choice although 80 fee-charging schools do (The Art Newspaper December 2023). The technical fine art skills are fundamental to aspiring artists in the same way as studying art history is a requirement for many curatorial, commercial, and managerial roles in the sector. By way of an example, France has a much more pronounced emphasis on arts in schools and runs schemes for participation in the arts among young people that seem to outstrip those provided in the UK.
- Accept an Extended Project Qualification (EPQ) in Art History as part of the entry requirements for higher level study of Art History at university, particularly in the case of differentiated offers to encourage applicants from schools not currently offering Art History A-level.
- Offer Art History as a subject choice at GCSE level (14–16-year-olds). The course could be delivered by history or art teachers already employed there by containing any additional investment.
- Increase the availability of language teaching at all levels – this is an important skill in a global market.

BAMF members have also been engaged in a wide variety of individual training and education initiatives which are designed to encourage young people from diverse backgrounds to consider a career in the art world. One scheme which has enjoyed particular success is the government apprenticeship scheme and we would encourage government to invest further in this scheme so that it can be as widely used as possible.

9) What more could be done to achieve a step change in employer investment in training in the growth-driving sectors?

Welcome and build upon the first 'art market co-ordinator' apprenticeship programme due to launch in September 2025. This is being developed by a cross-industry committee to create a new qualification pegged to the UK's NVQ system. This will increase diversity throughout the sector and allow students without A-levels or university degrees to gain education and training in the arts and build a career through it.

The course will last 18 months and allow students to earn a salary alongside the qualification.

10) Where you identified barriers in response to question 7 which relate to RDI and technology adoption and diffusion, what UK government policy solutions could best address these?

Not Applicable

11) What are the barriers to R&D commercialisation that the UK government should be considering?

Not Applicable

12) How can the UK government best use data to support the delivery of the industrial strategy?

Not applicable

13) What challenges or barriers to sharing or accessing data could the UK government remove to help improve business operations and decision-making?

Not applicable

14) **Where you identified barriers in response to question 7 which relate to planning, infrastructure, and transport, what UK government policy solutions could best address these in addition to existing reforms? How can this best support regional growth?**

Not Applicable

15) **How can investment into infrastructure support the industrial strategy? What can the UK government do to better support this and facilitate co-investment? How does this differ across infrastructure classes?**

Not Applicable

16) **What are the barriers to competitive industrial activity and increased electrification, beyond those set out in response to the UK government's recent call for evidence on industrial electrification?**

Not applicable

17) **What examples of international best practice to support businesses on energy, for example purchase power agreements, would you recommend to increase investment and growth?**

18) **Do you have suggestions on where regulation can be reformed or introduced to encourage growth and innovation, including addressing any barriers you identified in question 7?**

As we point out in our response to Question 7, anti- money laundering regulation, while necessary, imposes a very significant compliance burden upon businesses. Our regulations focus heavily on requiring art market professionals to demonstrate rigid compliance with a set of administrative processes and procedures. There have for instance been numerous cases of businesses being fined by the regulator for inadvertently failing to register or to keep the prescribed records, whereas there have been very few cases of businesses being prosecuted for facilitating or failing to detect money laundering itself.

There are two major problems with this approach. First, and most serious - is that focusing on these administrative requirements may ensure compliance without significantly affecting the industry's exposure to money laundering. Secondly, the administrative burden of the compliance measures puts UK art businesses – particularly smaller businesses which do not present a significant money laundering risk - at a great disadvantage when competing with their overseas peers in the global art market.

Our recommendations for the reform of the anti-money laundering measures are as follows:

1. *Increasing the transaction value threshold for AML regulation from £10,000 to £30,000*
   This would take large numbers of low-risk small businesses out of the regulatory framework.
2. *Focus on the detection of money laundering rather than policing administrative compliance by regulated entities*
3. *Implement Risk Tiers for Transaction Type*
   Rather than treating every transaction as a potential money laundering risk, AML regulations could be tailored to reflect the specific nature and risk level of each transaction:
4. *Refocus Compliance on Transactional Context and Source of Wealth*
   With less reliance and emphasis upon client identity verification, a reformed AML model should place greater emphasis than is presently the case on the context of each transaction and the client's source of wealth.
5. *Incorporate Reliance on Banking Sector AML Checks*
   Allowing art businesses to rely on AML measures taken by banks would relieve them of the need to independently verify source-of-wealth information when funds have already passed through a regulated financial institution.
6. *Grant Art Businesses Greater Discretion in Risk Assessment and Response*
   A reformed AML framework should grant art market participants greater discretion to evaluate risk, through their unique client insights and transaction knowledge. Given the relationship-based nature of the art market, galleries and dealers are often well-positioned to judge client intent, transaction patterns, and other risk factors. By allowing businesses to exercise judgment on how best to assess and respond to specific risks, art

businesses could prioritize meaningful compliance over rigid procedural requirements, addressing genuine threats more effectively. This approach would place responsibility on businesses to demonstrate that they have applied reasonable, context-sensitive AML measures. In cases where businesses are negligent in their risk assessment or deliberately bypass due diligence requirements, consequences could include regulatory penalties or other corrective actions. Such a framework would reinforce the importance of proactive, thoughtful, compliance while deterring wilful non-compliance.

Adopting a risk-based approach to AML compliance would allow art businesses to prioritize resources toward high-risk areas, addressing the core risks in the art market rather than expending time on unnecessary checks. By focusing on context-specific risks—such as cryptocurrency, undisclosed principals, and actual source of funds—regulations can provide genuine protection against financial crime while preserving the art market's dynamic and relationship-driven nature.

21) What are the main factors that influence businesses' investment decisions? Do these differ for the growth-driving sectors and based on the nature of the investment (for example buildings, machinery and equipment, vehicles, software, RDI, workforce skills) and types of firms (large, small, domestic, international, across different regions)?

Galleries and auction houses principal investment decisions centre around employment and real estate. Investment decisions and the extent of the investment are directly determined by the degree to which Britain attracts buyers and sellers of art and upon the extent to which Britain remains a cultural hub and a centre for artistic excellence and innovation.

Domestic art businesses will tailor their investment or decide not invest at all if demand for buying and selling art diminishes and/or moves to competing jurisdictions. Major international art market galleries and auction houses are already invested in other competing jurisdictions in order to respond to the needs of their international clients. Any decline in the market in the UK will inevitably lead to investment being diverted to other jurisdictions that are more attractive to buyers and sellers, and a consequential decline in employment opportunities here.

22) What are the main barriers faced by companies who are seeking finance to scale up in the UK or by investors who are seeking to deploy capital, and do those barriers vary for the growth-driving sectors? How can addressing these barriers enable more global players in the UK?

See our answers to Questions 7 and 18

23) The UK government currently seeks to support growth through a range of financial instruments including grants, loans, guarantees and equity. Are there additional instruments of which you have experience in other jurisdictions, which could encourage strategic investment?

Not Applicable

24) How can international partnerships (government-to-government or government-to-business) support the industrial strategy?

See above.

25) Which international markets do you see as the greatest opportunity for the growth-driving sectors and how does it differ by sector?

Britain's main global competitors are the United States and China. Our aim should be to ensure that our position as the dominant market in the European time zone is consolidated and improved.

26) Do you agree with this characterisation of clusters? Are there any additional characteristics of dimensions of cluster definition and strength we should consider, such as the difference between services clusters and manufacturing clusters?

Not Applicable

27) What public and private sector interventions are needed to make strategic industrial sites 'investment-ready'? How should we determine which sites across the UK are most critical for unlocking this investment?

Not Applicable

28) How should the industrial strategy accelerate growth in city regions and clusters of growth sectors across the UK through local growth plans and other policy mechanisms?

Not Applicable

29) How should the industrial strategy align with devolved government economic strategies and support the sectoral strengths of Scotland, Wales and Northern Ireland?

30) How can the Industrial Strategy Council best support the UK government to deliver and monitor the industrial strategy?

31) How should the Industrial Strategy Council interact with key non-government institutions and organisations?

BAMF would welcome regular face to face meetings with the Industrial Strategy Council

32) How can the UK government improve the interface between the Industrial Strategy Council and government, business, local leaders and trade unions?