

Offshore killing the music businesss

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HMV, the music store chain, announced [losses of £31.6 million](#) for their first half year last week. They blamed just about everyone but themselves for this.

But what's their reaction been? Well, it's too undermine their own loss making stores by moving heavily into the offshore CD market, basing their operation in their case in Guernsey. But this is the route of economic madness. The standard price of a CD to someone like HMV is £9.30 less a large retailer discount of 16% i.e. about £7.81. In-store this would be sold for about £12.75 plus VAT which comes to £14.99. That's a margin of £4.94 to cover costs.

But HMV are offering all CDs from Guernsey at [£8.99](#), delivered. So, after post costs of £1 that leaves about 18p to cover costs and profit. Losses are guaranteed onshore and offshore on this basis.

This is a world where tax abuse is driving prices down to the point where it will destroy masses of jobs, and maybe large parts of the music industry itself. The madness of offshore is daily becoming more apparent. Worse still is the increasingly obvious inability of managements to prevent their companies disappearing up their own backsides for fear of standing up for properly regulated markets.

When will they learn? Not until long after HMV is dead and buried, I suggest.