

### **Written evidence submitted by BFI**

In response to the coronavirus crisis the Screen Sector Taskforce, coordinated by the BFI in partnership with the British Film Commission (BFC), the Producers Alliance for Cinema and Television (Pact), the UK Cinema Association (UKCA) and the Film Distributors' Association (FDA), developed a set of policy interventions intended to put back the industry back on the high growth trajectory it was enjoying before the crisis. The Taskforce has also worked closely with Ukie, the video games body, where relevant on cross cutting issues.

One of the Taskforce's suggested interventions was a time-limited uplift to the creative sector tax reliefs to maintain our competitiveness internationally, offset some of the increased 'Covid cost' of new health and safety guidance and support VFX who are out of sync with Covid impact on the rest of the pipeline.

#### **What is the role of tax reliefs in rebuilding the economy and promoting economic growth and efficiency? Does the current regime of tax reliefs perform this role well?**

The UK's existing creative sector tax reliefs have played a critical role in building the UK's screen sectors into a global cultural and commercial success story in the years since their introduction. They have worked alongside our world class infrastructure and skills base to make the UK one of the world's leading destinations for production, securing a rising levels of inward investment across recent years as well as enabling homegrown talent to create distinctive UK content.

But the COVID-19 pandemic forced a shutdown of all UK production activity and has jeopardised the sector's continuing rate of growth and success. Amendments to the existing reliefs would help to ensure the quickest possible recovery.

**About the screen industries:** The UK screen industries have been a cultural and commercial success story in recent years, defining UK identity both at home and around the world. Award-winning titles such as *1917* and *Fleabag* reach audiences around the globe, while titles such as the *Bond* series, *Harry Potter* and *Downton Abbey* are the UK's calling card to the world, underpinning the UK's soft power as well as massively driving exports and tourism. At home, film and television connect people with the most popular and accessible art form of our time. DCMS' Taking Part survey found that cinema is a highly accessible and popular form of culture across the UK public, with 57.8% of the UK population having seen at least one film at the cinema in the past 12 months. The reach of cinema over indexes among BAME audiences, those with a disability and those from a lower socioeconomic background and in particular among young adults and teenagers.

The screen industries have also worked as an economic powerhouse. The BFI's Screen Business report demonstrated that in 2016, the sectors supported by the creative sector tax reliefs (film, HETV, video games, animation and children's programming) generated £7.91 total GVA and employed more than 137,000 people. Total UK production spend for film and HETV in 2019 was a record-breaking £3.6 billion, while 176 million people spent £1.25 billion at UK cinemas. The latest ONS figures show that the industry is the fastest growing part of the

economy, having returned the highest CAGR (9.5%) of any industry in the UK – ahead of the historically fast-growing IT, air transport, and scientific research industries – over the most recent five year reported period from 2013 to 2018. In Q3 2019 (June to August) alone, film and HETV expanded by 9%, and was even credited by the ONS with providing the British economy with a much-needed boost, helping move GDP into the black with an overall increase of 0.3%. The tax reliefs have been central to this rate of growth.

**Recovering from the COVID-19 pandemic:** UK production for film, HETV and children’s was forced to close down under lockdown rules at huge cost. Only £39m of the £1.1bn of film and HETV production spend scheduled for Q1 2020 completed before lockdown measures were enforced. This jeopardises the sector’s ongoing success.

Taskforce members have developed guidance for returning to work in a safe manner that manages the risk posed by COVID-19, which has been developed in consultation with Public Health England and the Health and Safety Executive and endorsed by UK and devolved Governments.<sup>1</sup> But restarting production in accordance with these guidelines will come at considerable extra cost for productions of all types and budget levels. The upfront costs for PPE, additional H&S staff etc combined with a reduction in productivity due to measures such as staggered breaks will increase costs and extend the length of shoots, estimated to be between an additional 9-29% of the original production budget. This increase in costs will lead to a drastic reduction in the number and quality of film and TV shows being commissioned and could mean some projects which had previously secured finance are no longer viable, particularly in independent film.

This in turn will destabilise the UK’s world-class VFX and post-production sector, which faces a long period with little work later in the year due to the suspension of all production during lockdown as well as the extended time it will take productions to complete once they have got back up and running. With the end of the Job Retention Scheme leaving them facing very high fixed costs, prices will increase and undermine their ability to contend with international competitors that benefit from more advantageous reliefs. Industry predicts that this will result in considerable loss of business and jobs in the sector.

The additional costs and time associated with production and post-production will risk the UK’s status as a world-leading production hub and our ability to secure continued inward investment. This danger has been exacerbated by the recent introduction of uplifts in tax relief by a number of international competitors including France, Spain, Italy and Australia.

**Mitigating these impacts via the creative sector tax reliefs:** The Taskforce strongly recommends that a combination of time-limited amendments to the film and TV sector tax reliefs will secure the most rapid recovery possible for the UK screen industries, absorbing the cost of

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<sup>1</sup>This includes guidelines for film and HETV production (led by the British Film Commission and available [here](#)); visual effects and post-production (led by UK Screen Alliance, [here](#)); exhibition (led by UK Cinema Association, [here](#)). These complement guidelines for wider television production developed by UK broadcasters in collaboration with Pact and the Association for Commercial Broadcasters and On-Demand Services (COBA) available [here](#).

restarting production and helping the UK compete with other nations where such measures have been introduced. This includes:

- An uplift in the rate of relief for independent film and domestic TV projects (including children's TV, animation TV and HETV)
- An uplift in the rate of film tax relief for productions with a VFX spend of £2 million or above, where 75% or more of the VFX spend is taking place in the UK

The proposed solution would help avert a disruption to the VFX production pipeline, saving jobs and businesses, and enable the quality productions that the UK is renowned for and exports around the world to continue with no compromise on safety – offsetting the considerable increase in production costs due to H&S. It is estimated that the changes in relief would generate a considerable amount of additional business, with little cost to HM Treasury, and it would keep us competitive internationally as a favorable production destination.

**About the Screen Sector Taskforce:** The Screen Sector Taskforce, coordinated by the BFI, is a group of the UK's leading film, TV and moving image bodies and organisations working together to identify challenges and develop policy interventions in response to the COVID-19 crisis. Originally brought together in response to the Brexit referendum, the Taskforce was quickly repurposed in response to COVID-19, with its membership growing from 30 to more than 100 senior representatives from film, TV, animation, VFX and video games. (Find the list of participants below).

After working to amass evidence of the immediate impact of COVID-19 on the sector and address urgent issues such as emergency support for workers and businesses, the Taskforce has turned its attention to how to get the sector back to work as quickly, safely and efficiently as possible. This paper sets out how this can be achieved.

In the future, the Taskforce will pivot to consider the long-term issues facing industry that have been exposed or exacerbated by the COVID-19 crisis and how they can be addressed. This includes topics such as workforce stability and the sustainability of UK independent film.

The Taskforce currently operates through five working groups focusing on different aspects of the screen sector value chain, which are chaired by leading bodies in this area:

- Inward investment, chaired by the British Film Commission
- Independent film, chaired by the BFI
- TV production and broadcasting, chaired by Pact
- Distribution and exhibition, chaired by UK Cinema Association and Film Distributors' Association

**About the British Film Institute:** The BFI is the UK's lead organisation for film, television

and the moving image, an Arm's Length Body of UK Government and a distributor of National Lottery funding. As an organisation it works to promote these media in a number of ways:

- Curating and presenting the greatest international public programme of world cinema for audiences; in cinemas, at festivals and online
- Caring for the BFI National Archive – the most significant film and television archive in the world
- Actively seeking out and supports the next generation of filmmakers
- Acting as industry's representative to Government, helping to make the UK the most creatively exciting and prosperous place to make film internationally

Founded in 1933, the BFI is a registered charity governed by Royal Charter. The BFI Board of Governors is chaired by Josh Berger CBE.

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