Written evidence submitted by Directors UK

About us:

1. Directors UK is the professional association of UK screen directors. It is a membership organisation representing the creative, economic and contractual interests of over 7,500 members — the majority of working TV and film directors in the UK.

2. Directors UK collects and distributes royalty payments and provides a range of services to members including campaigning, commercial negotiations, legal advice, events, training and career development. Directors UK works closely with fellow organisations around the world to represent directors' rights and concerns, promotes excellence in the craft of direction and champions change to the current landscape to create an equal opportunity industry for all.

3. We welcome the opportunity to contribute to the 3rd stage of the Treasury Committee Inquiry into the economic impact of the coronavirus. We have focused our response on the core issues which affect the Creative Industry and Directors UK members.

Response

4. The TV and film sector, which was almost entirely shut down during the first lockdown in March, has developed and introduced COVID protocols which have enabled some productions to begin to return and to continue operating during the recent second lockdown. Although this return to TV and film production is good news, the industry is still not at capacity and many of our members and other creative workers remain out of work. Just this week we heard from a member who has only had 4 weeks work since March, and no support. As with other industries, the new COVID precautions required to ensure the safety of everyone involved have also had a significant impact on TV and film production budgets and schedules, putting downward pressure on all involved.

5. Given the significant impact of the pandemic on the creative sector we are grateful to the Government for the support it has made available to date through the £500 million Film and TV Production Restart Scheme, and the £1.57 billion Culture Recovery Fund, to help get the sector through these challenging times. However, there are still economic issues that remain to be resolved.

6. With regards the DCMS Film & TV Restart Scheme, providing £500million to underwrite insurance for UK based production, this is a much-needed support mechanism to enable productions struggling to secure insurance for COVID-related costs to be able to guarantee the funding to restart. The recent extension of the scheme until February 2021 is welcomed, however in light of the ongoing outbreaks and the likelihood of further lockdowns in 2021, we would urge the government to extend this deadline to ensure that UK TV and film production will be in a position to continue after February if the COVID-situation has not improved.

7. With regards the Cultural Recovery Fund, which is also greatly welcomed, there are limitations to the scheme which is aimed at venues and public facing organisations and institutions, with limited access for individuals. We appreciate that the aim of the fund is to safeguard cultural and heritage organisations across the UK from the economic impact of COVID-19, which should in turn secure jobs for those working in them, however much of the creative sector is made up of large numbers of self-employed freelancers who may not be eligible to access or benefit from this fund. Of the 2.1 million in the creative industries, 33% (694,000) are self-employed, compared to 15% in the country as a whole. We continue to urge the Government to look at

how it can also provide targeted support to the freelance/self-employed individuals in the creative sector workforce, whose livelihoods and professions have been impacted, as well as to the organisations/businesses.

8. Despite repeated lobbying since March, the Chancellor has not to date addressed the significant gaps in the CJRS and SEISS support affecting the freelance workforce leaving them extremely vulnerable and unsupported. Many creative freelancers are so disillusioned that they are leaving/considering leaving the sector as they simply cannot afford to work in such a precarious and unsupported manner. The level of coverage and sustained assistance needed by freelancers to make it through future lockdowns and be an active part of the economic recovery is simply not in place. Those self-employed individuals whose employment and tax status falls outside the traditional PAYE system, who legitimately operate within the parameters of employment and tax rules but whose status is reportedly harder to track, have been left to fend for themselves as they fall between the gaps of both the SEISS rules and the CJRS. The offer of loans rather than grants to those who are not eligible brings additional worry about how they will repay the loans when they have limited/no income - even with recent loan repayment and tax payment extensions. Many have used their tax savings just to pay their bills.

9. In the immediate term we believe there is scope to improve the support available, or to retrospectively address the gaps to enable many more self-employed creative workers in real need to financially survive this ongoing crisis and help the industry to retain its talent and skills. This includes amending the eligibility criteria allowing dividends from Limited Companies/PSCs to be included in income calculations, removing or tapering the cap on income eligibility for SEISS, reviewing the 50% PAYE threshold, and including those who had only recently become self-employed. All of which the Treasury Select Committee rightly recommended in its report to the Treasury in July. Given that we are continuing to experience local, national and regional lockdowns, with more expected in the new year, it is imperative that these eligibility criteria are reviewed.

10. We note that in recent weeks the Association of Chartered Certified Accountants (ACCA), Federation of Small Businesses (FSB), former Senior Advisor to the Office of Tax Simplification (OTS) and Forgotten Ltd have devised a proposal for a 'Directors Income Support Scheme (DISS)' which has been put forward to the Treasury. Directors UK has long been advocating that it would be possible to use the information provided in company tax returns to identify dividends relating to self-employed individuals operating as Ltd Company directors. We encourage the Government to consider this proposal. We also believe the Government should be more transparent in showing how it is assessing such proposals, and the impact/risk and cost-effectiveness analysis it has undertaken to decide whether to implement/not implement this support for self-employed Ltd Company directors. We have yet to receive an adequate response to our question sent to the Treasury asking what further advice has been sought from HMRC/accountants to find a solution to the issue of identifying self-paid dividends separately from other dividends.

11. With regards the use of a £50,000 cap as a mechanism for limiting support in the SEISS, no such cap exists for the employed and the argument for why they have introduced the cap appears to be based on far-ranging figures skewing the average; "*Of all the people who are majority self-employed, 95% earn under £50,000, and the average income of those over the £50,000 limit is about £200,000*[1]."

12. As we have previously highlighted, Directors UK's research in April found that the majority of our members working as Ltd companies/PSCs and sole traders earn well below this assertion of £200,000. It is not acceptable to dismiss their situation with sweeping statements that those who are ineligible are earning an average £200,000. Another affected member wrote to us in November: "*Being self-employed I have good years and bad years, but I've never earned that amount [£200,000]. My average across the last three years is £60K, I have a wife and two children to support and I haven't worked since March. […] We have well and truly been allowed to fall through the cracks. I certainly am in an increasingly desperate situation. I have spent all of my savings and any money I had set aside to pay income tax owed. I'm sure I'm not alone. The levels of anxiety and stress have become unbearable. Things need to change. None of us is in this situation through any fault of our own.*"

13. We have yet to receive an adequate response from the Chancellor to our question of what assessment the Treasury has undertaken to understand the actual financial position of those millions of self-employed workers who have not been able to access either the SEISS or CJRS due to the cap? And why a tapering or raising of the support cap has not been considered?

14. The Government should also consider tax reliefs at an individual level as well as sectoral. How could the self-employed/freelancer workforce, who have largely been excluded from financial support during the pandemic, be supported back to work through tax incentives that make them more appealing to hire?

15. With regards differences in approach among the nations and regions, it is important to note that the devolved nations have all provided additional support for self-employed workers. The Scottish Government provided additional funds for freelance or self-employed creative workers through Creative Scotland and Screen Scotland funds[2]. The Welsh Government recognised the importance of self-employed workers in Wales and included them in additional funds they made available[3]. The Northern Ireland Executive has also opened a fund for the newly self-employed to support those unable to access the SEISS[4].

16. Longer term, the Government needs to review the status, categorisation and monitoring of freelance workers in order to prevent this gap in support happening again. The pandemic has highlighted the inherent flaws in the current taxation and employment system that shows it does not recognise the working models of the self-employed freelancer.

17. The challenges faced by the Treasury and HMRC in their efforts to devise and deliver support measures for self-employed sections of the workforce during the pandemic have very effectively highlighted the urgent need for a review of tax and employment status to reflect the realities of the modern world of work. There is no longer a "one-size fits all" approach that covers the different ways people are engaged to work. Any such review would also need to recognise the differences between employment practices in different sectors.

18. As highlighted, many of those excluded from the schemes work in the creative industries, which are of enormous value contributing £111.7 billion to the UK economy. Supporting the self-

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[1] Quote from the Chancellor, Economy Debate, 5th November 2020

[2] https://www.creativescotland.com/what-we-do/latest-news/archive/2020/03/COVID-19-impact-funds

[3] https://www.bbc.co.uk/news/uk-wales-politics-51954135

[4] https://www.economy-ni.gov.uk/news/dodds-announces-new-support-scheme-newly-self-employed

employed/freelance workforce in this sector is vital to our future economic recovery. It is therefore imperative that the Government understands how the creative workforce is being engaged in work and how it can be more effectively tracked and supported in the future, given this group of workers are growing faster than any others according to DCMS figures[5], and in light of the high chance of future pandemics.

19. Much work has already been completed around the shifts in working models that have taken place in the last 20 or more years, but the system has yet to respond in a wholesale way that ties together the incongruence between the tax and employment statuses that plague freelance workers and remain outside of their control.

20. In terms of how innovation and technology impacts or is impacted by the pandemic, in the screen sector COVID and advances in technology have led to changes in how audiences are now consuming audio-visual content. These changes were already occurring in the market, creating both challenges and opportunity, but COVID has accelerated the pace of this as highlighted in Ofcom's Media Nation report[6]. During lockdown traditional linear TV audiences seeking more content have moved more towards digital, on-demand consumption. While in film, closures to cinemas across the country and worldwide have resulted in changes to how films are distributed and exhibited, with many studios choosing to go straight to streaming/on-demand home viewing[7]. In recent weeks we have seen more film studios and distributors announcing changes to future release exhibition windows, which now include straight to streaming/on-demand distribution strategies. Similarly, in TV the shift to create content straight for on-demand use is growing. This will inevitably have impacts on the investment and funding models for both film and TV which will need to be fully explored and understood.

21. We continue to advocate that a key crisis learning, which will support a stronger economic recovery, is better engagement with and involvement of professional organisations and guilds representing the freelance creative workforce. In the creative sector there is still some way to go to ensure that perspectives from the workforce, and not just the 'businesses', are adequately represented when devising and delivering support measures and recovery interventions. Directors UK is part of a group of workforce representatives calling for the establishment of a UK Creators Council, which could provide a forum for DCMS to engage with the creators and to listen to practical proposals to help sustain recovery.

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[5] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/811903/DCMS_Sectors_Economic_Estimates_2018_Employment_report.pdf
[6] https://www.ofcom.org.uk/__data/assets/pdf_file/0010/200503/media-nations-2020-uk-report.pdf
[7] https://www.screendaily.com/news/comment-global-exhibitors-must-accept-the-world-has-changed-and-embrace-their-place-in-it/5155614.article