



Response to Treasury Select Committee inquiry into Tax Reliefs

About TAC

1. TAC (Teledwyr Annibynnol Cymru) represents the independent television production sector in Wales. Our sector is a substantial component of the creative industries, in Wales and in the UK overall, with Cardiff alone having the third largest film and TV cluster in the UK¹. This provides economic, social and cultural benefits through supplying creative content. There are around 50 companies in the sector, ranging from sole traders to some of the leading players in the UK production industry. They produce content for the BBC, ITV, Channel 4, Channel 5 and Sky as well as other commercial broadcasters and platforms. Our member companies produce almost all the original television and online media content for Welsh-language broadcaster S4C, and a variety of radio productions for the BBC.

Answers to Questions

Q: Does the current suite of tax reliefs represent good value for money? The Committee would welcome answers in relation to:

- **Economic growth**
- **Employment**
- **Investment**
- **Research and development**
- **Non-economic benefits and desirable behaviours**
- **Any other appropriate measure**

2. TAC members work in the TV production sector and wider creative industries. Our key focus is therefore the suite of tax reliefs which help to stimulate investment in the creative industries², in particular those for the screen production sector:

- High-End television (HETR)
- Animation (ATR)
- Childrens television (CTR)

¹ <https://www.cardiff.ac.uk/news/view/2510538-cardiff-has-third-largest-film-and-tv-cluster-in-uk,-study-shows>

² <https://www.bfi.org.uk/apply-british-certification-tax-relief/about-uk-creative-industry-tax-reliefs>

- Film (FTR)
 - Video Games (VGTR)
3. The BFI's latest report on screen tax reliefs, published in 2021, gives a comprehensive overview of the highly significant benefits the creative screen tax reliefs have brought to the UK economy and creative industries. Just using the high end TV tax relief as an example, the report states that:

*"Since HETR was introduced in 2013, production in the high-end television sector has undergone a very substantial increase, with UK expenditure rising from £392.8 million in 2013 to £1.23 billion in 2017, £1.39 billion in 2018 and £2.08 billion in 2019."*³

4. In addition, GVA for Wales was reported at £214.7m for high end TV and £171.6m for film⁴. This has been through investment in productions including *Sex Education*, *His Dark Materials*, *Six Minutes to Midnight* and *Eternal Beauty*.
5. International competition to produce TV programming is strong and the UK's success in this area has been built on a combination of legislation allowing producers to retain their intellectual property rights when negotiating terms of trade with the UK public service broadcasters, plus the tax relief structure.
6. However the high level of investment is both an opportunity and a threat, as more nations will seek to gain some of this growing investment. The UK creative screen sector tax reliefs maintain a competitive advantage that ensures we can continue to grow and be a leading production sector in the world.

Q: The Committee would also welcome any views on how the various reliefs rank relative to each other in terms of cost effectiveness.

7. The BFI's 2021 report sets out how the different creative screen tax reliefs measure up. In 2019, all of the screen sectors supported by tax reliefs generated ROI in terms of the additional GVA returned for every £1 of tax relief. For the Film this was £8.30 for every £1 spent, for High-End TV it was £6.44 and the Children's and Animation tax reliefs delivered £4.53 and £3.20 respectively.
8. All of these figures represent a significant gain, even animation providing a returning at over three times the level of investment.

³ [Screen Business: How screen sector tax reliefs power economic growth across the UK 2017-2019 – Summary report. BFI; Olsberg-SPI; Nordicity, Dec 2021, p31](#)

⁴ [Screen Business: How screen sector tax reliefs power economic growth across the UK 2017-2019 – Summary report. BFI; Olsberg-SPI; Nordicity, Dec 2021, p15](#)

Q: Do “cliff edges” in the structure of tax reliefs lead to problems for taxpayers, businesses or for the wider economy?

9. We are not aware of any such issues other than the fact that the HETV has a high threshold for broadcasters and producers wishing to develop minority indigenous language productions. We cover this issue further below.
10. We believe tax-payers, businesses and the wider economy greatly benefit from these tax reliefs as they bring investment into the economy, create jobs and increase the amount of UK-produced content.

Q: Are tax reliefs being used in a way that Parliament or Government intended?

11. The Government’s stated aims for introducing the High-End TV, animation and video games tax reliefs were as follows:
 - *To promote the sustainable production of culturally relevant productions in the UK through a tax relief that provides support directly to producers;*
 - *To incentivise investment into UK productions that would otherwise take place outside the UK or that would not be economical without relief; and*
 - *To create the necessary critical mass of infrastructure and skills to enable and support production in the UK both today and in the longer term⁵*
12. We believe the tax reliefs are as intended stimulating additional investment and protecting our creative screen industries against being out-competed by other countries where favourable regimes, either relating to tax or investment, are in operation.
13. There are now more commissioners of TV content than ever and in particular the new international streaming services (Netflix, Disney+ and so on) are focussing on high-end programming. Companies such as Netflix invest in the UK production sector, partly attracted by the UK’s favourable tax regime. There is significant investment in new studio facilities also, for example a £700m investment is being made by the US’ Sunset Studios to create new facilities in Hertfordshire⁶.

⁵ [Consultation on creative sector tax reliefs. HM Treasury, June 2012, p6](#)

⁶ <https://www.theguardian.com/film/2021/aug/02/hollywoods-sunset-studio-to-open-new-base-in-hertfordshire>

14. This has led to the creation of further jobs and building a more sustainable sector. In Wales alone the BFI report shows that for the period 2017-2019, 3,733 full time jobs were created by the HETV tax credit and 2,792 full time jobs by the Film tax credit.
15. In terms of the sustainable culturally relevant productions we feel that while the UK as a whole benefits from this there could be more done to sustain and grow production in minority indigenous languages, as we set out below.

Q: What problems do tax reliefs cause, whether in relation to the tax system including tax evasion or avoidance, or the wider economy? In answering this question, please identify particular reliefs and where possible, quantify the problems caused.

16. We are not aware of any issues caused.

Q: Please outline potential reforms to the system of tax reliefs, whether related to:

- **Adding additional tax reliefs**
- **Removing or reforming current tax reliefs**
- **The administration of tax reliefs, including reforms to reduce complexity or cost of administration**
- **The Government's analysis and transparency around tax reliefs.**
- **Means testing and targeting**

Lowering the HETV Threshold for minority indigenous UK language productions

17. As referenced above it would be beneficial to look at the threshold for HETV when applied to UK minority indigenous language productions.
18. Children's TV and Animation tax reliefs do not have a minimum tariff in terms of cost per hour. However, the High End TV tax relief has a minimum qualification threshold of a minimum £1m per broadcast hour of qualifying production costs.
19. Given that average high-end S4C production costs are £250k-£300k per hour, HETV tax relief is not accessible for almost all S4C productions.
20. S4C is a great enabler for the Welsh TV production sector, often giving companies their first commissions and TAC works with S4C on a training programme to develop skills in the sector and ensure productions are meeting all required standards.
21. However competing for viewers is challenging in the era of ever-greater choice and for S4C to compete it needs to be able to access the same type of tax relief support which is available to the other UK PSBs via the HETV tax relief.
22. £1m+ per-hour budgets for high-end English language television, in particular drama, is usually financed not just from broadcasters but from a number of different sources including distribution advances and presales. While S4C and the independent sector

are working to produce a greater number of co-productions with international appeal, aided by the growing trend among SVOD audiences to watch subtitled content, it is nevertheless not viable to be able to finance minority indigenous language productions at or near the level of £1m an hour.

23. We would therefore like the Committee to recommend the introduction of a lower threshold, for example at £200k per hour, for the HETR for minority indigenous language productions.
24. To do so would not only enhance the production of high-quality programming in languages such as Welsh, but also further the aims of levelling up the economy for the benefit of the whole of the UK, as it would help the sustainable growth of production companies and broadcasters in the UK nations.

Audio Production Tax Relief

25. Some TAC members also make radio and podcast content and in this area of content production there is again a growing amount of investment by international brands, broadcasters and platforms.
26. To take full advantage of this the trade body AudioUK, with which TAC shares some member companies, is proposing the introduction of an Audio Production Tax Relief (APTR). It last year produced a report including analysis which showed that such a tax relief could result in a net benefit to the Treasury⁷. TAC supports this proposal and would welcome the Committee including the introduction of an APTR as a recommendation in its report.

⁷ <https://www.audiouk.org.uk/new-audiouk-report-shows-an-audio-production-tax-relief-would-attract-increased-investment-and-benefit-the-uk-economy/>