



## **AudioUK response to House of Commons Treasury Select Committee inquiry on Tax after Coronavirus**

**August 2020**

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### **About AudioUK**

1. AudioUK is the trade body for the audio-led production sector. It has over 100 member companies based across the whole of the UK. These creative SMEs produce high-quality content including: radio for BBC and commercial networks; podcasts for brands, broadcasters and for self-publishing on major audio platforms; audiobooks and audio drama; as well as a variety of other audio-led content.
2. AudioUK has four core priorities: Business; Representation; Community; and Excellence. We produce the annual Audio Production Awards, celebrating craft skills across the industry. We also run the successful Audiotrain craft skills training programme, with a wide range of learners attending - latest figures showed 60% identifying as female, 21% as BAME and 5% as disabled.
3. AudioUK, along with commercial radio trade body Radiocentre, oversees the administration of the Audio Content Fund, which distributes a grant of up to £3m from the UK Government to fund public service content on commercial and community radio. AudioUK is a member of the DCMS Broadcasting, Film and Production Working Group, and has produced COVID-19 guidelines for use in the audio production sector<sup>1</sup>.

### **The importance of creative tax reliefs**

4. This response is primarily concerned with the Committee's request for evidence relating to 'The role of tax reliefs in rebuilding the economy'.
5. The Government first introduced a tax relief for British film in 2007 and following its success in attracting further investment, many more creative tax reliefs have been introduced. These are for: Animation (ATR); Children's Television (CTR); Film (FTR); High-end Television (HETR); Video Games (VGTR); Museums and Galleries Exhibition (MGETR); Orchestras (OTR); Theatre (TTR).
6. These tax reliefs are widely recognised to have attracted more investment into our creative industries, with investors encouraged by the lower tax costs of financing production. In 2018 the BFI reported that *"production supported by the UK screen sector tax reliefs<sup>2</sup>, reached a record total of £3.16 billion in 2016. Film production represented 54% of this total, but there are strong contributions from HETV (28%) and video games (12%)"*<sup>3</sup>.

### **The case for an Audio Production Tax Relief (APTR)**

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<sup>1</sup> [Keeping Workers and Customers Safe during COVID-19 - Guidelines for use by UK audio production companies](#)

<sup>2</sup> 'screen sector tax reliefs' refers collectively to the ATR, CTR, HETR, VGTR, FTR

<sup>3</sup> [Screen Business: How screen sector tax reliefs power economic growth across the UK - Summary report. BFI, Oct 2018, p11](#)

7. This investment in screen-based content, encouraged by the tax reliefs, has led to an increase in production facilities in the UK and aided the development of creative hubs in London, Cardiff, Glasgow, Manchester and elsewhere. With an already-established professional sector, the UK is in a good position to become one of the major global centres of audio production.
8. Audio production is increasingly becoming involved in other forms of media and creativity – museum audioguides have long been used to enhance the experience of attending an exhibition and we are now increasingly seeing audio content used to enhance other creative sectors, such as the increasing use of podcasts to accompany TV series (for example, UK audio company Somethin' Else makes the podcast for Netflix's *The Crown*) or as cost-effective ways of piloting content.
9. An APTR will help empower audio production companies to court inward investment to develop and expand audio content (e.g. audiobooks and podcast drama) for commercial exploitation in the domestic and global audio market. We are already seeing some signs of this, for example Audible and Spotify have significant London bases, and US podcast companies Stitcher (now part of SiriusXM) and Wondery have invested in UK company Podfront. If tax incentives were available, then the opportunities to co-produce would exponentially increase.
10. UK audio production companies are already targeting the US for commissions as they see a mature podcast sector with money to spend. A growth in UK-led big ambitious ideas, internationally viable projects and 'co-pro' relationships requires a clear and unique incentive, in the form of a tax relief, to kick-start more investment.
11. Podcasting as a content form is showing significant growth. RAJAR figures<sup>4</sup> published earlier this year showed that podcasts have an 18% weekly reach among the adult UK population, up from 11% in 2018. 79% of listening is done via smartphone, usually accompanying travel or other activity, showing how modern portable technology has aided the consumption of audio.
12. Ofcom summed up the reasons behind the rise of podcasting in its 2019 Media Nations report: *"There is no firm definition of a podcast, but in essence they are episodic speech-based pieces of content, primarily audio-based though some also have accompanying video content. They lend themselves to the current era of convenience: they are generally relatively short and can be consumed as and when it suits the individual. Podcasts are heterogenous; the range of organisations publishing podcasts, their genres, business models and production schedules are all very broad"*<sup>5</sup>.
13. An increasing number of brands are turning to podcasts as a way of communicating with niche audiences, however there is a reluctance to invest at the high end to allow a more innovative approach to the content - for example a proposed BBC 'blockbuster' podcast drama, announced last year, is at £150k considered to be a relatively low budget for what is being expected to be produced. A tax relief could serve to encourage greater overall spend on productions. It is worth noting that half of our member companies are based outside London, so increased investment in the sector would help to support the Government's 'Levelling Up' agenda.
14. Clearly however where there is opportunity there is also threat, and other countries will no doubt be looking to invest in the fast-growing mediums of podcasting and audiobooks. The current UK tax reliefs have undoubtedly helped in keeping the UK at the forefront of other

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<sup>4</sup> [MIDAS Spring 2020. RAJAR 2020](#)

<sup>5</sup> [Media Nations: UK 2019. Ofcom Aug 2019. p99](#)

types of creative content production and we believe it could achieve the same result in professional audio.

### **ping the audio production sector recover from the impacts of the coronavirus pandemic**

15. The coronavirus outbreak has affected every area of the creative industries, and the skills base, which in audio has a significant freelancer element, is in danger of being eroded. In a survey of the sector carried out this April, AudioUK found that 72% of the 47 companies responding had experienced a downturn in business, leading to the releasing of 25% of freelance workers overall. This effect on freelancers is continuing, as evidenced by the ongoing demand continuing demand for the Audio & Radio Emergency Fund (AREF), set up by AudioUK and others to alleviate financial stress among these production workers. The AREF has administered over 130 grants, totalling over £70,000.
16. The virus has continued to have an impact on commissioning and the production of certain types of content, although the relaxation of lockdown in most of the country has helped to restart some of this activity.
17. The comparative flexibility of audio production has meant more production has been able to continue on some level, however there has been a decline in commissioning, both by brands and broadcasters, plus a substantial decline in ad revenue from self-publishing. As we see commissioning continuing to rebuild in Q4 this year/Q1 next year, an audio production tax relief would be a genuine boost to aiding recovery in the sector.

### **The initial cost of introducing an APTR would be relatively low but have significant impact on the sector**

18. It is worth noting that the cost of an audio production is significantly less than that of visual formats such as TV programmes or video game and therefore, even in the case of projects which would have taken place in the UK anyway, the reduction in tax income to the Treasury would be relatively modest compared to those other sectors. In new projects generated by the tax incentive, this is offset by an overall increase in VAT, PAYE, Corporation Tax and National Insurance contributions.
19. Regarding the screen industry sectors, where content budgets are greater, the BFI noted that even the smaller sectors have gained significantly in ways that go beyond the additional financial investment: *“The tax reliefs for animation and children’s programmes supported production of £97.1 million and £61.0 million respectively in 2016, and whilst these are smaller sectors, the tax reliefs underpin their future economic sustainability. Animation in particular, supports a wide variety of screen sector activity across film (supported by the FTR), visual effects and video games (supported by the VGTR)”*<sup>6</sup>.
20. This illustrates how the tax reliefs constitute a holistic approach to ensuring our creative sectors are healthy.
21. Given that there is significant increase in investment in podcasting, audiobooks and studios, it is clear that this is a pivotal time to be making the UK audio production sector more attractive. We believe that an APTR will help secure larger budgets – either UK investment in a project or co-production money from more than one territory. We therefore believe there would be a net growth in Treasury receipts from the APTR’s introduction.
22. We also believe the APTR would incentivise investors to get involved in the sector through seed investment opportunities or EIS schemes. This could be used to create new studios and facilities.

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<sup>6</sup> [Screen Business: How screen sector tax reliefs power economic growth across the UK - Summary report. BFI, Oct 2018, p11](#)

## Conclusion

23. Given the impacts of COVID-19; the growth of brands investing in podcasting; and the potential for other sectors elsewhere to gain a lead if they themselves create such a scheme, we believe that there is a clear and timely opportunity to implement this in the near future, to give our sector a stepping stone to become more internationally competitive.
24. In order to convince Government of the case for an APTR, we have had initial conversations with DCMS on the matter and will continue to be seeking further dialogue. We would ask the Committee to give its support for the addition of an Audio Production Tax Relief to the existing creative tax schemes.