

**The UK's Creative Industries are a global success story and a key driver of growth.** Our creative content, products and services are world-renowned, exercise significant soft power and deliver social benefits to people and communities across the UK. The Sector Vision, expected soon, confirms the Creative Industries as a priority industrial sector, and creates an opportunity to capitalise on the sector's growth potential.

**The creative sector has long outperformed the wider economy and other industries in driving economic growth and job creation.** Prior to the pandemic, the Creative Industries contributed £115.9 billion in GVA and supported 2.1 million jobs in the UK (with a further 1.4 million supported via supply chains).<sup>1</sup> The sector was growing at four times the rate of the UK economy and creating jobs at three times the UK average. It has shown remarkable resilience - with post-pandemic growth in the Creative Industries higher than the rest of the economy.<sup>2</sup> And it is through creative clusters, like the video games and design industries in Dundee, and film, TV and immersive tech in Greater Manchester, that this growth has touched all parts of the country.

**And the sector's future growth potential is greater still:** Independent economic modelling undertaken in 2021 revealed that, by 2025, with the right investment and support, the UK's Creative Industries could contribute £132.1 billion in GVA – more than the financial services, insurance and pension industries combined.<sup>3</sup> The sector is also set to create 300,000 jobs by 2025 – enough to employ the working-age population of Hartlepool and Middlesbrough twice over.

**The UK's Creative Industries tax reliefs are a critical enabler of this success.** A recent Government evaluation of Creative Industries tax reliefs showed that these reliefs have made the UK a more attractive production location and led to more productions taking place in the UK than would happen otherwise.<sup>4</sup> Between 2017-2019, the audio-visual sector produced a return on investment (ROI) of £13.48 billion in GVA from UK government tax reliefs for film, TV and games production.<sup>5</sup> Over the same period, 219,000 new jobs were created in this sector, UK screen production increased by 74% and £1.02 billion of tax relief seeded £5.11 billion in direct production spend in 2019 (a 61% increase on 2016).

Government can unleash this significant opportunity by bolstering their commitment to existing Creative Industries tax reliefs and optimising those elements that could leverage major investment into the UK:

- **Commit to using the existing tax relief regime to strengthen our audio-visual sector - ensuring changes pose no threat or additional burden** to these thriving sectors. As part of this, government should undertake a review of the global competitiveness of our audio-visual tax reliefs regime.
- **Remove the 80% audio-visual sector cap, without reducing overall rates of relief, for VFX and animation.** Solutions have been modelled for these sectors alone, removing the risk of deadweight.
- **Ensure the competitiveness of Video Games Tax Relief by retaining EEA expenditure and removing the subcontracting cap.** Removing EEA expenditure would negatively impact UK games companies and losses would not be offset by gains from raising or removing the subcontracting cap alone.
- **As a matter of urgency, retain the current higher rate of tax relief for Theatre and Orchestras until at least April 2024** to provide financial security for live cultural events in the coming period.
- **Remove the Museums, Galleries and Exhibitions Tax Relief sunset clause (March 2024) - making it permanent - and retain the higher rates of relief announced in 2021.** Identified as energy and trade intensive<sup>6</sup>, these sectors depend upon this additional support.

<sup>1</sup> <https://www.gov.uk/government/statistics/dcms-economic-estimates-2019-gross-value-added/dcms-economic-estimates-2019-provisional-gross-value-added>

<sup>2</sup> <https://lordslibrary.parliament.uk/arts-and-creative-industries-the-case-for-a-strategy/>

<sup>3</sup> Creative UK (2021) 'The UK Creative Industries: Unleashing the power and potential of creativity'

<sup>4</sup> <https://www.gov.uk/government/publications/creative-industry-tax-reliefs-evaluation>

<sup>5</sup> <https://www.bfi.org.uk/news/screen-business-report>

<sup>6</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1128021/230104\\_ETII\\_List\\_for\\_gov.uk.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1128021/230104_ETII_List_for_gov.uk.pdf)

There is also scope to facilitate the growth of other creative sectors – in the same way that the audio-visual sectors have benefitted - by exploring the feasibility and potential return-on-investment of new reliefs. This will ensure other parts of our world-leading Creative Industries remain internationally competitive:

- **Music and Live Events tax reliefs:** While UK musical exports are growing (by 13.7% between 2020 and 2021), the UK industry's share of the global recorded music market is declining (from 17% in 2015 to 10% in 2020). Government should explore a potential new tax relief to i) incentivise inward investment in the creation of new music and ii) provide an incentive to grow the UK's share of the live events market and iii) grow skilled jobs in the nations and regions of the UK.
- **Publishing Tax Relief:** Tax relief would incentivise the production of published works and help grow global sales - ensuring the UK's leading role in publishing exports at a time of supply chain volatility.

This paper outlines other essential recommendations to enable creativity to grow and prosper everywhere:

1. Supercharge inclusive growth by **optimising Creative Industries tax reliefs** and **showcasing creative exports**.
2. Unleash creative innovation across all industries by **reforming R&D tax relief to reflect the internationally recognised Frascati definition**, aligning the UK with other high-growth economies.
3. Stimulate consumer spending by **cutting VAT from cultural experiences and creative products, including event tickets and audiobooks**.
4. Ease the pressure of rising costs by **applying Business Rate Relief to all cultural sites, venues and hubs** and **providing financial support to improve energy efficiency**.
5. Invest in our future workforce at all stages by **delivering the £270 million Arts Premium promised in the Conservative Party Manifesto** and **enabling FE and HE to upskill the next generation**.
6. Incentivise a new era of creative entrepreneurship by **establishing a new compact with freelancers, retaining the UK's Intellectual Property framework and boosting competition**.

The Creative Industries are not immune to the challenges currently facing the UK economy, including high inflation, high energy costs, rising wage pressures, workforce shortages, supply chain issues and heightened global competition for trade and investment. Those sectors reliant on audiences and footfall are still experiencing the impacts of the pandemic, with patterns of consumption and consumer behaviour still in flux. Our recommendations are designed to address these challenges – by strengthening sector resilience, stimulating growth and restoring the confidence of consumers and markets.

Local, national and devolved public investment in creativity, the arts and public service broadcasting is critical to the sector's success and must be strengthened. New research by the Creative Industries Policy and Evidence Centre (PEC) shows that, in real terms, government spending on the arts has fallen over the last decade.<sup>7</sup> Public funding for culture must be considered an investment, not a cost.<sup>8</sup> It primes the pump for the creative talent, innovation and ideas that the UK is renowned for, delivers essential health and wellbeing benefits to people and communities and opens up creative opportunities to those who would not otherwise have them. A well-funded, mixed investment ecology – built upon public subsidy and private finance – is crucial in ensuring the vitality, creativity and resilience of our Creative Industries.

**About Creative UK:** [wearecreative.uk](https://wearecreative.uk)

Creative UK champions the Creative Industries and their ability to catalyse change, socially and economically. We fuel the creative sector by investing in people and businesses, empowering innovators and entrepreneurs by connecting them to each other, and with finance, business development, and skills training, to enable them to reach their full potential – without compromising their ideas.

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<sup>7</sup> <https://pec.ac.uk/blog/a-new-deal-for-arts-funding-in-england>

<sup>8</sup> See transcript of oral evidence given by Caroline Norbury OBE to the House of Lords Communication and Digital Committee (6 September 2022, p.17): <https://committees.parliament.uk/oralevidence/10909/pdf/>