SOCIETY OF LONDON THEATRE & UK THEATRE
Theatre Tax Relief Brief – November 2023

Theatre Tax Relief – an introduction

- Theatre Tax Relief (TTR) is a creative industry tax relief incentive funded by the UK Government.
- TTR offers Theatre Production Companies a corporation tax rebate against the money spent on qualifying costs of productions – currently 45% – or 50% for touring productions – against 80% of the total qualifying costs.
- The higher rate of TTR, first introduced in October 2021, has been pivotal in enabling the development of new theatre productions in the UK.
- We estimate that at least £163 million was invested into theatrical productions in 2021-22 as a result of £38 million of Theatre Tax Relief.
- Reducing the TTR rate from April 2025 would reduce the number of home-grown productions and risk stunting the growth of our world-class industry.
- An American Producer and investor based in the U.S. and producer or co-producer of over 60 productions on Broadway has increased investment in the UK by 250% since the introduction of the higher rate of Theatre Tax Relief. This increase in FDI will likely fall if the rate of relief tapers as planned.
- Had TTR been at the current higher rate for its lifetime (since its introduction in 2014), HM Treasury would have still seen a ROI of 63%.

The current economic situation facing theatres:

- January 2023 analysis by Salvatore Di Novo and Eliza Easton for the Creative Industries Policy and Evidence Centre suggests that between 2009/10 – 2019/20[1]:
  - Local Authority revenue expenditure on Theatre and Entertainment fell by 15%
  - Arts Council England Grant-in-Aid funding fell by 7%
- Further to the fall in UK funding, a recent report has highlighted the opportunity cost of the loss of Creative Europe funding since the UK's departure from the EU. UK Trade and Business Commission analysis suggests this figure could be as high as £163 million[2].

How can an incoming government support and enhance TTR?

1. Maintain Theatre Tax Relief at the higher rate of 50/45% in Perpetuity.

SOLT & UK Theatre members state that the higher rate of Theatre Tax Relief (TTR), introduced in 2021, has been vital in driving economic activity and job creation by incentivising

[1] https://cdn2.assets-servd.host/creative-pec/production/assets/publications/PF2C-dataset_11Jan23.xlsx
[2] https://www.independent.co.uk/news/uk/politics/brexit-arts-creative-funding-eu-b2269175.html?r=58058

increased private investment, including Foreign Direct Investment, and amplifying the value of existing support mechanisms directed towards the not-for-profit sector.

2. Include 50% of marketing spend in the qualifying costs of Theatre Tax Relief

Including 50% of marketing spend in the qualifying costs of TTR would drive demand, economic growth and boost regional employment in markets outside of London and help to safeguard the sector's global competitiveness by ensuring parity against new incentives offered in New York.

> *"British theatre generates significant revenues for HM Treasury, both directly and by drawing people into the night-time economy of towns and cities across the country. The increased rate of Theatre Tax Relief has proven critical for the sector as it recovers from the pandemic, driving economic activity and creating jobs. In light of increasing costs and an extraordinarily challenging economic outlook, such continued measures are essential to support growth."*
>
> **Sonia Friedman CBE, Producer and Founder, Sonia Friedman Productions Limited**

> *"While sales have gradually strengthened in some places, less affluent areas have failed to achieve pre-covid sales levels and are a long way off. We have used the additional TTR to subsidise operating losses in these smaller theatres. Most of these theatres are in the areas identified by ministers as key to the "Levelling Up" agenda and would be disproportionately affected by a reduction in the volumes of content being produced."* [3]
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> **Tom De Keyser, Co-Founder of theatre company, ROYO.**

Supporting Data

Between its introduction in 2014 and 2019 (the latest year with non-provisional figures) **TTR was funded at £280 million** nationally. In the same period, HM Treasury saw **£910 million in VAT returns from SOLT & UK Theatre members** alone, representing at least a **225% return on investment** (Figure 1). This is before any of the wider impact of increased direct economic activity and the spending of theatre audiences is considered. **Had TTR been at the current higher rate for its lifetime (£280 million x 2 = £560 million), HMT would have still seen a ROI of 63%.**

	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21 (P)	FY 21/22 (P)	TOTAL
TTR	**12**	**42**	**76**	**79**	**71**	**75**	**38**	**393**
SOLT VAT	106	107	118	128	133			592
UK THEATRE VAT	76	79	78	85				318
TOTAL VAT SOLT & UK THEATRE	**182**	**186**	**196**	**213**	**133**			**910**
	Unit = £millions, nominal							

Figure 1 – TTR paid on a receipts basis & SOLT UK Theatre VAT Contributions 2015-22

[3] Case study response for submission to HM Government, November 2022

Higher Rate of TTR Boosts Inward Investment and Export Potential

Prime Minister Rishi Sunak describes Britain's theatre reputation "*as one of our great exports around the world*".[4] Theatre productions attract inward investment from a global pool of predominantly private investors, with some productions achieving over a third of their capitalisation from overseas investors. The higher rate of relief offers a greater incentive to invest. It positions the UK market as a leading investment environment for theatre products enabling UK domiciled theatre producers to compete internationally against markets such as the USA and Australia, which offer similar tax incentives and grant structures to the UK.

*"Although I am based in the U.S. and have produced or co-produced over 60 productions on Broadway, **since the introduction of the higher rate of Theatre Tax Relief I have concentrated my focus in the UK, increasing my investment by over 250%.** The appeal of the higher rate has also meant I am more likely to develop new productions in the UK, thus engaging the services of more British creatives. This includes an original commission by an Academy Award-nominated playwright based on an iconic moment in U.S. history. Despite the uniquely American subject matter, the increased rate of Theatre Tax Relief makes it more appealing to engage a British creative team and actors to launch it in the West End rather than on Broadway".*

Scott M. Delman (Tony and Olivier Award-winning Producer)

Impact of not maintaining the higher rate of TTR

Theatres and producers have made it clear to us that reducing TTR from the higher rate would limit the size and number of productions with commensurate impacts on employment, tax returns, and local economies. Uncertainty and the downturn could lead to shows closing or companies falling into risky levels of debt. Even if companies do not close, current pressures mean producers may look to mount smaller productions and many are already considering delaying new productions – especially tours – in the face of continued economic uncertainty.

Competitor Schemes Introduced in Overseas Markets

NEW INTERNATIONAL COMPETITOR SCHEME
New York City Musical and Theatrical Production Tax Credit

This scheme was introduced to jump-start the New York entertainment and tourism economies post COVID-19 and applies to productions opening after 1 January 2021 and runs until June 2023, but may extend.

Qualified production companies can receive tax credits of 25% of qualified production expenditures, up to $3 million per production. This includes 50% of marketing spend in New York State.

https://esd.ny.gov/new-york-city-musical-and-theatrical-production-tax-credit

[4] https://hansard.parliament.uk/commons/2020-05-12/debates/7B585642-7EC5-456E-8CFF-AC3605AF5473/Covid-19EconomicPackage

Conclusion

SOLT & UK Theatre are keen to work with the incoming government to deliver growth, not only in the theatre sector, but in the wider economy. Our recommendations are designed to:

- Stimulate economic growth.
- Boost tax returns.
- Increase employment.
- Increase the potential for inward investment and overseas growth.

Contact

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About the Society of London Theatre & UK Theatre

The Society of London Theatre (SOLT) &UK Theatre are employer bodies for those who are actively producing or presenting theatre and managing or owning theatres. Our memberships are made up of over 500 organisations and 1200 individual practitioners across the UK, predominantly presenting theatre in large and medium scale venues.

SOLT & UK Theatre's mission is to champion theatre and support our members to thrive, ensuring a dynamic, sustainable and world-class theatre sector in the UK.

As part of this mission, SOLT & UK Theatre work with our members and government to influence policy which has an impact on the UK theatre sector, providing the external conditions for theatre to thrive.

SOLT is the producer of the Olivier Awards and, in partnership with Westminster City Council, West End Live. UK Theatre is the producer of the UK Theatre Awards.