

Behind the scenes: The making of a new tax relief for UK filmmaking



“This is a dramatic moment for UK film, and the most significant policy intervention since the 1990s.”

That was how Ben Roberts, the Chief Executive of the British Film Institute (BFI) described the UK Government’s decision to increase the Film Tax Credit to 40% for UK films with budgets of up to £15m, announced during the Spring Budget on March 6th.

Messages of support hailing the move also poured in from renowned filmmakers, actors, and producers, many of whom began their careers in the world of UK independent film. Idris Elba called it “great news”. Sir Ridley Scott noted it “has never been more needed”. And Christopher Nolan said it “will create new opportunities for British crews, filmmakers and cast members for years to come”.

The change was widely reported in the press (including in the [Telegraph](#), [Guardian](#), and [Standard](#)), while a [list released by the BFI](#) of filmmaking



film world, featuring the likes of Benedict Cumberbatch, Bill Nighy, Colin Firth, Danny Boyle, Gillian Anderson, Helena Bonham Carter, Phoebe Waller-Bridge, Ralph Fiennes, Sam Mendes, Saoirse Ronan, Steve McQueen, Tilda Swinton, and Tom Hiddleston, among many others.

But much like the Oscar speeches that many of the above have delivered in the past, the words of joy have come only following extensive efforts by entire teams labouring behind the scenes. Through the provision of independent research, Alma Economics played an integral role in supporting this work, which offers an interesting case study of how sound evidence can guide policy and ultimately have real-world impacts.

From research to filmmaking

Back in October of 2021, the BFI issued an invitation to tender seeking to commission, “a new report on the detailed economics of the current value chain for UK independent film”. With traditional models of independent film financing and distribution being upended thanks to the rise of streaming platforms and other changes, the aim of this was to investigate the economics and viability of the UK’s independent film industry in the face of the changing landscape. Following a competitive tender process for the work, Alma Economics was the successful bidder for the project, which commenced shortly afterwards.

Over several months, we collected and analysed data from multiple sources to illustrate historical and projected trends in key economic performance measures for independent film, including revenue, costs, and level of investment. Our review also analysed the evolution of business models for independent film, including the shift from more traditional routes to market (such as sales to exhibitors via a network of sales agents and distributors) to more varied and flexible approaches (including exclusive streamer deals).

We further complemented our quantitative analysis with extensive fieldwork, conducting research interviews with senior figures involved in independent film production, sales, distribution, and exhibition to address



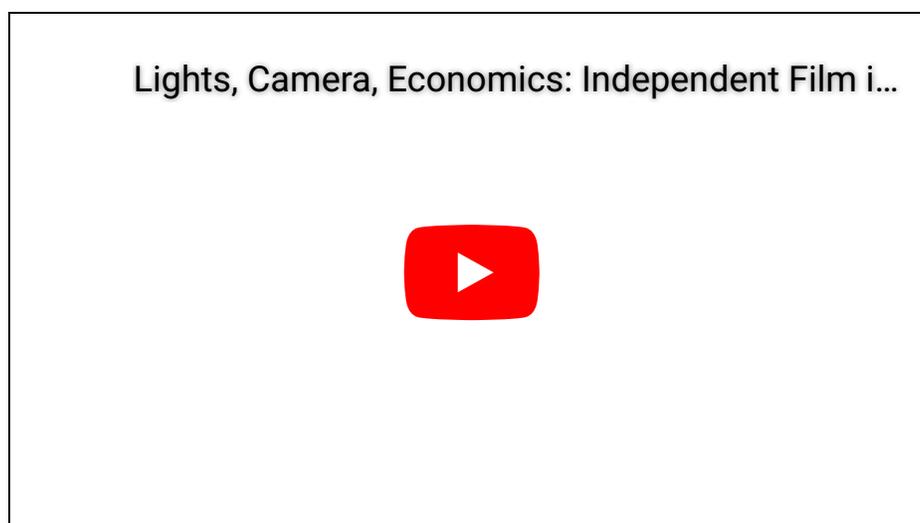
As part of the review, we also developed a set of transformative recommendations. A key measure proposed in our [final report](#) was the provision of additional direct support for independent film production, including a significant increase in Film Tax Relief (FTR) for lower-budget films:

“Given the context of the current policy landscape, a significant increase in the scale of FTR is likely to be the most powerful lever available to generate an increase in small and/or independent film-making in the UK.”

(An Economic Review of UK Independent Film, Alma Economics, 2022).

Our review, published in July of 2022, drew significant attention both from within the industry and in the trade and mainstream press (e.g. in [Screen Daily](#) and [The Guardian](#)). We even took to the medium of film itself to further raise awareness about the challenges facing independent filmmakers in the UK and our key findings, producing the short documentary *Lights, Camera, Economics: Independent Film in the UK*, which was screened at the Edinburgh Short Film Festival and the HB Film Festival.

You can watch it below:



Pact impact

to what extent are market failures holding back UK independent film financing and production? Specifically, we focused on positive externalities (or spillover effects). These are the additional economic benefits that are produced by an activity but are not accounted for in the conventional costing of that activity, which can lead to its under-provision in the absence of intervention.

In the case of independent film, one important such spillover effect takes the form of talent incubation: low-budget films have historically been known as a catalyst for launching emerging on- and off-screen filmmaking talent. To better understand the extent of this effect, we traced the careers of all film directors and producers in the UK since 1990, finding that lower-budget films are much more effective at launching emerging talent than large-budget films.

Employing data science techniques, we estimated the magnitude of this effect, finding that for every £1 spent on the production budgets of low-budget UK films supports about £0.20 of subsequent filmmaking activity. For big-budget films, the equivalent figure is effectively zero.

See below for a short video explainer of this research:



The publication of our report in May 2023 spurred Pact to seek government action. As the [organisation writes](#):

campaigned for the introduction of an increased film tax credit, meeting with HMT officials and advisors, the CMS Committee, Ministers, the Secretary of State for Culture, Media and Sport, and the Prime Minister."

In many of these meetings, Alma Economics assisted with the presentation of our findings as technical experts.

The films you'd never see

The success of these efforts was evident in the Spring Budget and the new tax relief that many hope will make the difficult path to financing and filming lower-budget films in the UK significantly easier to navigate.

Rob Dutfield, a Principal Economist at Alma who played a major role in the research said, "It's fantastic to see the UK Government recognise the valuable contribution of the UK indie film sector with the introduction of the new tax relief for lower-budget films. This measure promises to be truly transformative and help a new generation of filmmakers get exciting projects off the ground and take the kind of creative risks we've seen from much-loved British films in the past. As economists, we are delighted to have played an important role in shaping this policy through our research, and I'm sure it's something I'll think about every time I head to the cinema to see the latest UK indie."

From *Four Weddings* to *Lock Stock, The Full Monty, Bend it Like Beckham*, and many more, the list of low-budget British films that exploded onto the international scene propelling new on and off-screen talent to global stardom, is a long one.

The ultimate success of the latest tax relief will be determined by whether that list continues to grow, with the addition of new mould-breaking films that otherwise would have never been made, opening up career doors for a new generation of creatives that otherwise would have remained firmly shut.



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