

Murdo Fraser MSP
Convener
Energy, Economy and Tourism Committee
Room M2.07
Scottish Parliament

19 February 2015

Dear Murdo

Thank you for the opportunity to appear before the Energy, Economy and Tourism Committee on 4 February in order to provide evidence to its inquiry on the economic impact of the creative industries in Scotland.

I would like to follow up on some of the questions that were raised regarding the £2 million Tax Credit Loan Fund for the screen sector announced by the Cabinet Secretary for Culture, Europe and External Affairs on 3 February.

The loan fund, to be administered by Creative Scotland, will use financial transactions (soft loans) to cash-flow the UK Tax Credit for film and TV productions over 2015/2016. There is currently no shortage of commercial lending companies that cash-flow UK Tax Credits to eligible producers. However, the Scottish Government's loan fund will offer a rate that is more favourable to producers than loans already available in the marketplace. In addition, those existing loans can sometimes only be secured by approaching multiple potential lenders and would be cash-flowed to the production over a period of time whereas the Scottish Government, through Creative Scotland, will provide a single point of access to finance and will provide the full loan amount upfront.

Currently, a producer budgets a TV or film production at a figure and then goes out to secure third party finance to cover the budgeted costs of production. That is always an extremely difficult task to achieve. If the producer can secure a greater percentage of the tax credit from a tax credit lender, such as that being offered from the Scottish Government loan fund, it mean the producer has to find less funding from elsewhere.

Equally important is the fact that if the producer finds it difficult to find third party finance to fund 100% of the budgeted cost of the production, very often, the producer has to agree to defer some or all of its production fee and/or individual producer fees otherwise payable out of the budget and accept that these fees will be payable out of the revenues from the film - which may or may not ever materialise.

What is more, the production company is expected to cover the tax credit lender's legal fees (which are around £5,000) out of their production budget. However, the loan fund being offered by the Scottish Government will pay the legal fees up-front and recoup it out of the Tax Credit return, rather than the producer having to find that out of their budget which brings another overall benefit to the production sector

The specific terms of the loan fund, and other information regarding the application process, will be made available by Creative Scotland by April 2015 which is when the fund will become available. The fund will operate as a one year pilot over financial year 2015/16.

I trust this information is helpful.

JOHN SWINNEY