

ADVERTISING TAX CREDIT FOR BRITISH BUSINESS

SUPPORTING ECONOMIC RECOVERY AND SAFEGUARDING JOBS

As the Government considers ways to support economic recovery post the Covid-19 pandemic, we propose an Advertising Tax Credit to help British companies recoup some of the cost of their renewed marketing spend and boost investment in advertising-funded UK media.

Many media companies have been at the forefront of supporting public efforts to combat Covid-19. Journalists are deemed key workers, and vital operations have continued at national and local level, despite company revenues from advertising plummeting. Now many are at risk of cuts and closures.

An Advertising Tax Credit will not only support these companies - channelling investment into great UK media content - it will also help British businesses get back on their feet, and stimulate consumer demand and wellbeing.

Impact of Covid-19 on UK media

The impact of the pandemic on the UK economy has been significant and economic recovery has stalled. The impact of Covid-19 has been particularly severe on UK media funded by advertising. **More than £2.2 billion is forecast to be taken out of advertising expenditure in the UK in 2020, according to updated data published in late January 2021.**

Ad revenues fund some of the UK's most valued media content as well as a number of valuable public services, and the loss of revenue risks cuts to this content and the closure of national and local media services across the UK.

Declines in advertising revenue have varied considerably across the sector. UK media businesses such as radio, news brands and magazines are anticipating annual falls in revenue in 2020 of between 15% and 35%, with out-of-home down 44% and cinema down around 76%. In contrast, digital advertising businesses such as online display and search (including Google and Facebook) are expected to see further revenue growth, from an already dominant position.

Introducing an Advertising Tax Credit

An Advertising Tax Credit will be an important catalyst to support economic recovery. Advertising is a major driver of consumer spending, and has the power to support the UK's recovery by changing behaviour and fuelling economic growth.

If carefully timed and targeted, the relief can provide an immediate and short-term economic stimulus, with the net benefit that **every pound invested in advertising returns £6 back into the economy.**

Industry has developed a compelling model involving a rebate by HMRC on a company's advertising spend e.g. returning between 10-30% of total advertising spend on UK media at the end of the tax year. This is currently the subject of discussions between DCMS and HM Treasury.

The public purse will benefit. Increased economic activity and extra tax will far outweigh any costs of the Advertising Tax Credit to Government. **The Treasury could benefit by £1.1bn to £2.3bn in net extra tax revenues from a 10% tax credit and by £2.8bn to £5.9bn from a 30% tax credit.**

Driving recovery and safeguarding UK media

An Advertising Tax Credit would support businesses of all sizes. Small local businesses have been hit particularly by the restrictions on business activity, but can benefit disproportionately from advertising – generating £8 for every £1 spent.

To avoid deadweight losses an Advertising Tax Credit should be targeted at those media sectors that have seen the biggest reductions in revenue, while maintaining investment in valuable content and services.

This means *including* specific categories of media, such as radio, television, newspapers, magazines and out-of-home, but *excluding* social media and search companies, which do not invest in UK content or valuable public services.

This approach will help protect professional jobs in the sector, support investment in the media content supply chain, and play a key role in boosting consumer confidence.

Why now?

Many local media organisations are at risk of cuts or closure without further government support. There is an imperative – for the economy, for jobs, for thriving public services and for media content investment and the creative industries more widely – that sector-specific support is made available as soon as possible. In our view, using a targeted and fiscally-positive intervention like an Advertising Tax Credit will be a win-win for Government and industry.

An early implementation of this policy (first half of 2021) would help maximise effectiveness, to support companies and help them grow. It would provide a major economic boost to life across the UK at a time when the widespread Covid-19 restrictions will hopefully be lifted.

Who supports this initiative?

This proposal is supported by local and national media companies represented by the News Media Association (NMA); Radiocentre; Professional Publishers Association (PPA); Outsmart; Digital Cinema Media; and Pearl & Dean.

How you can help

If you agree with this Advertising Tax Credit proposal it would be extremely helpful if you would write to Rishi Sunak MP (Chancellor of the Exchequer) and John Whittingdale MP (Minister for Media and Data) to indicate your support and call for it to be considered in the 2021 March Budget.

For more information, please contact Michael Ireland (Head of Public Affairs) at Radiocentre, at michael.ireland@radiocentre.org or on 020 7010 0651.