

CONFIDENTIAL



MINISTER FOR THE ARTS

PRIME MINISTER

FILM INDUSTRY TAXATION

I must register my concern to find some means of helping the UK film production industry, in the light of Nigel Lawson's report to you of 12 June.

I believe the industry has received a body blow with the budget changes to capital allowances, and that a concession on the lines sought by Norman Tebbit would be of enormous value. Film making in this country will remain a high risk operation, and the industry, unlike that of the US, does not have continuous production studios which can take advantage of the standard arrangements for offsetting costs against the income from that expenditure.

I am concerned for three reasons. One is that the reputation of British film, film makers and actors is riding very high in the world at present; very few people would understand the arguments and if (as I think likely) there were to be sustained damage to our film industry the Government would be blamed. Two is that the rapid development of cable and satellite broadcasting must open large opportunities for British software. Three is the effect on the quite considerable amount of skilled and unskilled employment here in film support systems, special effects and the like. I believe therefore that the concession sought by Norman would be a profitable and cost effective form of industrial support.

Copies of this minute go to Nigel Lawson, Geoffrey Howe, Norman Tebbit and Leon Brittan.

LORD GOWRIE
21 June 1984

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ECON POL: Film Finance
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