

The Rt. Hon. Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

7 April 2020

Dear Chancellor,

COVID-19 Financial Assistance for Authors

The Society of Authors ('SoA') exists to protect the rights and further the interests of authors across the United Kingdom. Founded in 1884, the SoA has more than 11,000 members who are professional authors across all areas of the profession from novelists, broadcasters and scriptwriters to textbook and ghost writers, illustrators and translators.

Our members, like everyone else, have been badly affected by coronavirus. In contrast to popular impression, median earnings of a full-time professional author are less than £11,000 a year. The creative industries sector, which contributed £111.7 billion in Gross Value Added to the economy in 2018 - up 7.4% on 2017 - has been hit particularly hard by the coronavirus crisis with venues closing and practitioners' incomes devastated.

The SoA broadly welcomes the Government's financial support for authors and workers across the. However, it is vital that the Government is prepared to be flexible about emerging concerns surrounding the eligibility criteria for, and administration of, the schemes announced to date if they are to work well together.

Notably, both the Self-Employed Income Support Scheme ('SEISS') and the Job Retention Scheme ('JRS') need to be complementary in policy terms if they are to be relevant to the creative industries sector. One in three workers in the creative industries are fully or partially self-employed - more than twice in the economy at large - and many of them work on a patchwork of contracts changing within, let alone between, financial years.

We welcome the schemes being strongly led by HM Treasury ('HMT') and we hope that this will simplify the policymaking process. We have, to date, welcomed the opportunity of discussing our existing concerns with the Department for Business, Energy and Industrial Strategy ('BEIS'), but we feel that now is the right time to address these to HMT direct.

Our main concerns are as follows:

Self-employed contracts

1. Many creative professionals have portfolio careers balancing freelance and employed income. An example would be an author who receives royalty income as a self-employed person but also teaches creative writing part-time at a University or Higher Education college.

It appears that such workers may not be able to access support totalling 80% of their combined income where temporary or part-time employment provides more than 50% of their income. Moreover, the SEISS does not seem to benefit authors who may have enjoyed a disproportionately good income in one of the qualifying financial years. Will the Government consider:

- 1.1 averaging total earnings across more than one source of income throughout the qualifying period?
- 1.2 removing the 50% income threshold or reducing it to 25% to ensure that fewer authors and creative professionals lose out?
- 1.3 further removing the disqualifying £50,000 threshold where an author has had an unusually good financial year in one of the qualifying years or raising it to a significantly higher figure?
- 1.4 how income that was due to be paid but was not in fact paid will be dealt with? Specifically, will the Government account for these where payments are not yet considered bad debts in company and sole trading accounts?
- 1.5 enabling financial help under the SEISS and JRS to be claimed simultaneously or, where HMT already envisages such support being claimed together, further revising the Government's updated guidance of 4 April 2020? – Our enquiry 12 below also refers.

SEISS concerns

2. We note that the SEISS is to be calculated on profits. However, profits for many authors and creative professionals are low but have served instead to largely cover business expenses. What will happen to those self-employed workers who have low profits but who are nonetheless obliged to cover their business expenses? Many could be facing severe losses despite the Government's commitment to support the economy.
3. What discounted period(s), if any, will be allowed in the case of self-employed workers who have been off work sick for extended period(s) and/or who may have been on shared parental leave? Periods of absence will clearly affect profits for the purposes of claims made under the SEISS.
4. We understand the need to prevent fraud across the various schemes, but we are extremely concerned to see that there may be a three-month delay in SEISS cases before payments are made. Many of our members will not be able to access benefits due to 'lumpy' royalty incomes paid only once or twice a year. Can the Government set up a Temporary Income Protection Fund through HMRC based on historic income to help those in greatest need?
5. We are concerned about the lack of support for recent graduates and new entrants to the industry who started their creative careers after April 2019. Specifically:
 - 5.1 will the Government extend the filing deadline for 2018/19 by a further four weeks to allow any late filing to take place that may be relevant to SEISS applications?

- 5.2 will it be possible for newer entrants to the profession to submit partial returns for 2019/2020 now and claim on the basis of them?
- 5.3 such emerging authors will be particularly hard hit because they are unlikely to have reserves or savings, nor will they be eligible for grants and help from schemes like our hugely oversubscribed [Authors' Emergency Fund](#) - now in excess of £800,000 - which rely on demonstrating established professional practice and can only help those in greatest need.

Limited companies

6. HMT will be aware that many authors and other creative professionals operate through limited companies and are paid in dividends, whether as their primary source of income or as a means of supplementing their self-employed and other employed incomes. How will such dividends be reimbursed?

Zero-hours contracts

7. Many writers rely on performance or school visits or teach at Universities, Higher Education and Further Education colleges often as employees on zero-hours contracts to supplement their writing incomes. Will the Government:
 - 7.1 give clear direction to employers that they should furlough staff on zero-hours contracts where they are unable to work, rather than refusing to give them any hours during the crisis?
 - 7.2 give further consideration as to what support furloughed workers will be eligible for where they are asked to do work other than that which they are contracted or employed to do?
 - 7.3 support those on zero-hours contracts who are not furloughed, but whose hours are significantly reduced during the crisis where they are able to evidence losses of income?

Furloughing

8. As more particularly set out at enquiry 4 above, we appreciate the need to prevent fraud. However, we are very concerned about the risks associated with not allowing furloughed employees to work in policy and practical terms. We note that similar schemes in other countries do not have such constraints and we would ask that the Government urgently reconsiders this aspect of the scheme. The furlough system appears to be designed for workers on PAYE schemes with single employers and there are serious anomalies between the JRS and SEISS. Specifically:
 - 8.1 what will happen to workers not on PAYE?
 - 8.2 those who are *de facto* self-employed but who are currently paid through PAYE on short-term contracts appear ineligible for SEISS based on their self-assessments yet are ineligible for JRS if their contracts have expired or are due to end soon. Will they be able to claim that income towards the SEISS or will they be forced to rely on UC?

- 8.3 can directors of sole director-shareholder companies who are nonetheless on PAYE unilaterally put themselves on furlough? The Government's updated guidance of 4 April 2020 appears not to address this specifically.

Updated guidance

9. We welcome the Government's updated guidance of 4 April 2020. However, we note that an additional JRS condition appears to have been added requiring employers not to have created and started a PAYE payroll scheme on or before 28 February 2020.

This additional criterion seems at odds with the date of the Government's lockdown announcement on 23 March 2020 and its subsequent announcement on 3 April 2020 that workers and employees could be re-engaged and furloughed where their work was ended by redundancy or some other reason after 28 February 2020. What is the rationale for this and can it be reappraised?

10. Under the Government's original guidance, it was clear that an employee with more than one employer could be furloughed for each job, in which case the £2,500 cap on pay could, presumably, apply to each employer.

The updated guidance, meanwhile, states that an employee who has been furloughed in one job can continue working for another employer and be paid normally in that other job. This appears to create a further unfairness between those authors and creative professionals who are engaged in a combination of freelance self-employed and employed work, and those employed on multiple part-time contracts in terms of the support available under both the JRS and the SEISS. How does the Government intend to remedy this?

11. The Government's updated guidance also confirms that an employer will be able to claim under the JRS where it extends or renews a fixed-term contract that was due to come to an end during the furlough period. This appears to create a further unfairness in the system as against authors and creative professionals with fixed-term contracts coming to an end that are not renewed. What direction is the Government giving to employers that it should extend workers on fixed-term contracts to enable them to be furloughed to ensure that there is parity of treatment?
12. The Government's updated guidance of 4 April 2020 does not appear to address the disparities in treatment between employed and self-employed workers generally. Notably, there remains no cap applicable to JRS claimants meaning that salaried employees earning more than £50,000 per annum could be eligible for monthly furlough payments of up to £2,500 a month, yet those workers among the one in three creative professionals who are self-employed would still be ineligible for support under the SEISS unless they were able to demonstrate trading profits of less than £50,000 within a given financial year. Our earlier enquiry 1.3 also refers in this regard and we would ask that HMT seriously considers whether the SEISS cap can be justified in light of the JRS conditions.

Commercial concerns

13. We remain concerned about the major banks' response to the crisis and we would ask what pressure is being brought to bear to:

- 13.1 make it easier for Business Interruption Loans to be claimed on fair and reasonable terms? The SoA and others within the creative industries are hearing reports of high interest rates being charged (up to 9% in some cases) and disproportionate securities being requested of applicants by way of personal guarantees on property and planned pension savings. This is clearly inappropriate given the Government's commitment to backstop such support.
- 13.2 reduce the rate of interest being charged on overdrafts? Apart from NatWest/RBS, none of the UK's major banks appear to have paused the introduction of excessive overdraft rates (up to 40% in some cases) or passed on successive Bank of England base rate cuts to unsecured overdraft borrowers, despite many major lenders passing on such reductions to mortgage customers. Overdraft rates of up to 40% are clearly unjustifiable at a time when the Bank of England base rate stands at only 0.1%.
14. As a related commercial concern, we would also ask what guidance the Government is giving to industry generally and to the arts and creative industries more particularly about termination and renegotiation of contracts where there are no clear *force majeure* clauses in contracts?

Frustration of contracts remains difficult to prove in law, yet many of our members are already suffering financially following cancellations and indefinite postponement of events (without commitments to pay) and are being pressured to renegotiate contracts or told that royalty payments will be paid late following the crisis. This is a significant concern requiring greater coordination between HMT, BEIS and the Ministry of Justice if we are to avoid more systemic commercial problems arising and more workers in the arts and the creative industries suffering unnecessarily.

We thank you again for your support of the arts and the creative industries to date, and we appreciate both the significance and the scale of the schemes you have announced to date. We are delighted with the support received from industry colleagues towards our [Authors' Emergency Fund](#) but schemes like this, however welcome, will only be able to help at the margins.

We look forward to hearing from you further to our concerns and we would be pleased to discuss these constructively with HMT, with a view to creative policy solutions being found in each case. In the circumstances, we would be grateful for a [response by email](#) to our Chief Executive, Nicola Solomon, copying in our Public Affairs Manager, Eddie Reeves.

Yours sincerely,



Nicola Solomon
Chief Executive