

Creative sector tax reliefs

A range of creative sector tax reliefs are available to qualifying companies with the aim of encouraging investment in the UK's creative industries. HMRC paid out a total of £1.1bn in such reliefs in the 2018/19 financial year showing just how valuable the reliefs can be, however they are still overlooked by many qualifying companies.

The reliefs specifically aimed at the creative sectors are as follows:

- Film Tax Relief
- Animation Tax Relief
- High-end Television Tax Relief
- Video Games Tax Relief

All of the reliefs work in a similar way, by giving a deduction for qualifying expenditure against trading profits for the period. This can result in a lower taxable profit for a company, or a loss which can be surrendered in return for a cash credit from HMRC.

For all of the reliefs, the production being claimed against must be a qualifying British production and must pass a cultural test to be able to demonstrate this. The cultural tests are administered by the British Film Institute, who will issue interim and final certificates which are then used to support the tax relief claims made to HMRC.

There are, of course, additional conditions which must be met in order to benefit from the relief and the key features of each are outlined as follows:

Film Tax Relief (FTR)

A company can claim FTR if the film qualifies against all of the following requirements:

- There is an intention for a theatrical release
- At least 10% of the total production costs relate to activities in the UK
- The first day of principal photography took place on or after 1 January 2007

Animation Tax Relief (ATR)

A company can claim ATR on an animation programme if the animation qualifies against all of the following requirements:

- The programme is intended for broadcast (this includes on the internet)
- At least 51% of the total core expenditure is on animation
- At least 10% of the total production costs relate to activities in the UK

High-end Television Tax Relief (HETR)

A company can claim HETR on a programme if the programme qualifies against all of the following requirements:

- The programme is intended for broadcast
- The programme is a drama, comedy, or documentary
- At least 10% of the total production costs relate to activities in the UK
- The average qualifying production costs per hour of production length isn't less than £1m per hour
- The slot length of the programme must be greater than 30 minutes

Video Games Tax Relief (VGTR)

A company can claim VGTR if the video game qualifies against all of the following requirements:

- The video game is intended for supply
- At least 25% of core expenditure is incurred on goods or services that are provided from within the European Economic Area (EEA)

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How the relief is achieved

A claim under one of the above reliefs is submitted to HMRC through the company's Corporation Tax return. Interim claims can be made while the relevant production is in production, with a final claim being made once it has been completed.

Relief is given by an 'enhanced deduction' being available, which gives qualifying companies an additional deduction in computing their taxable profits.

In the event that the company is in a loss-making position following the enhanced deduction, the total losses can be used in one of two ways:

1. The entire amount of the loss is set against the income of the production company
2. A proportion of the total loss can be surrendered to HMRC in return for a payable tax credit, being 25% of the surrendered loss

If you think that your production qualifies for one of the above reliefs, or for more information about tax reliefs within the creative sector, please contact your usual haysmacintyre advisor, or Sarah Wilson-Nolan, Senior Tax Manager.

Contact



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