



department for
**culture, media
and sport**

Creative Sectors Tax Reliefs

Cultural Test for British Video Games: Consultation

October 2012

Our aim is to improve the quality of life for all through cultural and sporting activities, support the pursuit of excellence, and champion the tourism, creative and leisure industries.

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1. Context

In the March 2012 Budget, the Chancellor of the Exchequer announced that the Government will introduce corporation tax reliefs for the animation, high-end television and video games industries from April 2013, subject to State Aid approval from the European Commission, and following consultation on design. HM Treasury's consultation on proposals http://www.hm-treasury.gov.uk/consult_creative_sector_tax_reliefs.htm setting out these tax reliefs closed on 10th September 2012.

This Department for Culture, Media and Sport (DCMS) consultation paper separately seeks views on a proposed test to identify culturally British video games that might be considered eligible for the new tax relief. This requirement is in line with the European Commission's rules on State Aid. The final design of the cultural test for video games will therefore be dependent upon input from both this consultation and the European Commission.

Video games play an important role in British culture. The Government's core aim in providing tax relief is to promote the sustainable production of culturally British video games. This aim is supported through:

- (a) Encouraging the production of video games that might not otherwise be made;
- (b) Promoting sustainability in British video games; and
- (c) Maintaining a critical mass of UK infrastructure, creative and technical expertise, to facilitate the production of culturally British video games.

DCMS has been working with stakeholders – particularly the Video Games Tax Relief Working Group - to design the cultural test for British video games. We would now welcome comments from a broad range of interested parties on the proposed test which is set out at Annex A. **We ask for responses by 29 October 2012.**

It is not the Department's intention to dictate the content, or style, of video games. The aim of the cultural test is to apply objective criteria to the measurement of cultural attributes in order to better identify culturally British video games. The proposal is to award points for those elements that contribute to the overall cultural value of a video game. Points will be awarded in following areas:

- Cultural content
- Cultural contribution
- Cultural hubs
- Cultural practitioners

When considering the possible design of the cultural test for video games tax relief, the test currently applying to the UK's existing – and very successful – film tax relief offered a useful starting point as did the cultural dimension of tax credits in other countries. The cultural test for the UK Film Tax Relief can be found here: <http://www.bfi.org.uk/film-industry/british-film-certification-tax-relief/cultural-test>.

The following text details our thinking behind the four sections of the proposed cultural test for video games. It includes a series of questions to help inform the consultation. You need reply only to questions you feel able to meaningfully answer and full explanations for your views would be appreciated wherever possible.

Section A: Cultural Content

This section of the cultural test will measure the British or European content of the video game. The criteria that we propose recognise that a video game may well not feature any dialogue or may be set in a purely fictional environment.

It is envisaged that points will be awarded for:

- A1 - set in the UK/European Economic Area (EEA) or a fictionalised representation of the UK/EEA or set in a location/world that cannot be determined
- A2 - lead characters are British citizens or residents or of a nationality/species that cannot be determined
- A3 - the narrative is a British or European story or the underlying material on which it is based has been conceived by a British or European citizen or resident;
- A4 - the artistic costs¹ represent more than 50% of the production budget
- A5 – the game is produced mainly in the English language (or one of the UK's six indigenous minority languages)

Q1. Does allowing points for “artistic costs” (A4) reflect the creative and cultural input to a video game?

Q2. What should be covered in these costs?

Section B: Cultural Contribution

Points will be awarded for those elements of the production which demonstrate British creativity, British heritage or cultural diversity. We would welcome your views on these categories and what the assessment criteria for these categories might look like. Whilst we anticipate that this section would be similar to the version used in the cultural test for Film, it may be appropriate to make more points available for creativity and innovation to better reflect the nature of video games.

We envisage that points will be awarded based on the following determinants:

¹ Eligible expenditure for the tax credit corresponds to expenditure on conception and creation. Artistic expenditure covers the personnel costs (wages and social security contributions) for the producer, the assistant producer, the artistic director and the persons responsible for the scenario, the animation and the sound environment. It does not include the personnel costs for the persons responsible for programming, depreciation on assets other than buildings directly assigned to the creation of video games, and other operating expenditure.

B1 – Heritage

- Subject: does the production contribute to or reflect British cultural heritage, e.g. does the production explore a historical or imagined event whether or not set in the UK?
- Other factors relating to cultural heritage which can be shown to have an impact on the final content.

B2 – Creativity

- The video game incorporates clear British technical or creative innovations such as innovations in: (i) gameplay; (ii) graphics; (iii) user interface; (iv) Artificial Intelligence, audio or physics; or (v) online or multiplayer functionality.

B3 – Diversity

- Subject/Portrayal: exploring contemporary social and cultural issues of disability, ethnic diversity and social exclusion; promoting and increasing visual, on-screen diversity.
- Other cultural diversity factors which can be shown to have an impact on the final content.

Q3. Is Section B of the cultural test an appropriate model for video games production?

Section C: Cultural Hubs

This section will measure the use of the UK's video games-making facilities. It is envisaged that points will be awarded for using UK facilities for development, visual design, layout and storyboarding, visual effects, special effects, music recording, voice recording, and audio post-production. We would welcome your views on how the points should be weighted on these elements.

Q4. Is the formulation of points available for the use of cultural hubs appropriate for the video games industry?

Section D: Cultural Practitioners

This section will measure the use of personnel with creative input into the cultural value of a video game. Points will be awarded for the use of UK or EEA nationals or residents in key video games-making roles as identified in Annex A.

Q5. Does Section D of the cultural test (as set out in Annex A) identify the key roles involved in video games development?

Clearly the cultural test for video games we propose is based largely on the current cultural test for film with some adjustments, for example to account for the differences in production. We would welcome your views on whether there is anything else unique to video games development that should have a significant impact on this test.

Q6. Are there other elements of video games development that are relevant to the cultural test? If so, how might the cultural test for film be further adapted to take these into account?

Administration of the cultural test

The cultural test is expected to have an overall pass mark of 16 points out of a possible 30. It is our intention that there will be flexible paths to achieving this pass mark although we propose setting a requirement for a minimum of 6 points in Section A. We would welcome your views on this.

Clearly the system we put in place for dealing with applications to the video games cultural test will need to meet a number of minimum standards – for example in terms of viability, ensuring commercial confidentiality for applicants and avoiding conflicts of interest. At present the BFI is responsible for administering cultural test applications for the film tax relief and our initial view is that the most straightforward option would be to ask them to extend their remit to cover administration of the video games cultural test. However, we are aware that stakeholders may have other suggestions and additionally may feel that particular aspects of the administration should be tailored to suit video games companies. When the video games tax relief is introduced, DCMS will also issue detailed guidance on how the cultural test will be applied. We would welcome your views on what this guidance ought to cover.

Q7. Are the proposed point allocations appropriate?

Q8. What are your views on the assessment process for video games cultural test applications?

How to respond to this consultation

The deadline for consultation responses is 29 October 2012. Comments should be sent to:

Creative sectors video games cultural test consultation
DCMS
2-4 Cockspur Street
London SW1Y 5DH

Email: videogames.culturaltest@culture.gsi.gov.uk

Please note all information in responses, including personal information, may be subject to publication or disclosure under the Freedom of Information Act 2000. If a correspondent requests confidentiality, this cannot be guaranteed and will only be possible if considered appropriate under the legislation.

If you have any questions or complaints about the process of consultation on this paper, please contact us on the above email address.

ANNEX A: Video Games Cultural Test

A video game qualifies if it scores 16 points or more out of 30. Applicants need only enter the points they want to claim and not necessarily under every category.

The Secretary of State will not have any discretion to waive or relax the test in a particular case.

Section A: Cultural Content

	Must achieve at least 6 points of the 16 available in section A	Notes	Points
A1	Set in the UK/EEA or a fictionalised representation of the UK/EEA Or Set in a location/world that cannot be determined		Up to 4 2 points
A2	Lead characters are British citizens or residents Or Of a nationality/species that cannot be determined		Up to 4 2 points
A3	British/European narrative structure or the underlying material has been created by a British/European citizen or resident		4
A4	The artistic ² costs represent more than 50% of the production budget		2
A5	Produced mainly in the English language (including official Regional or minority languages of the UK)		2
Total	Minimum 6 points required in Section A		16

Section B: Cultural Contribution

			Points
B	Represents British creativity, British heritage or cultural diversity		Up to 4
Total			4

² Eligible expenditure for the tax credit corresponds to expenditure on conception and creation. Artistic expenditure covers the personnel costs (wages and social security contributions) for the producer, the assistant producer, the artistic director and the persons responsible for the scenario, the animation and the sound environment. It does not include the personnel costs for the persons responsible for programming, depreciation on assets other than buildings directly assigned to the creation of video games, and other operating expenditure.

Section C: Cultural Hubs

		Notes	Points
C1	At least 50% of the conceptual development or the programming or the visual effects takes place in the UK		2
C2	At least 50% of the music recording or the audio post production takes place in the UK		1
Total			3

Section D: Cultural Practitioners

	EEA citizens or residents	Notes	Points
D1	Manager		1
D2	Lead Programmer		1
D3	Lead Artist		1
D4	Scriptwriter		1
D5	Lead Designer		1
D6	Lead music and audio composer		1
D7	At least 50% of the crew		1
Total			7

Total	
Section A – Cultural content	16
Section B – Cultural contribution	4
Section C – Cultural hubs	3
Section D – Cultural practitioners	7
Total points for Sections A, B, C and D	30
Pass mark 16 points – may pass in section A alone	



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