



UK Trade
& Investment

Creative Sector Tax Reliefs

April 2014

Withdrawn 17 May 2019

Background:

In April 2013 the Chancellor of the Exchequer, George Osborne, introduced new UK tax reliefs for the production of animation and high-end television programmes.

In addition, UK video games tax relief was introduced in April 2014, alongside enhancements to the UK's existing and highly successful film tax relief.

Film Tax Relief:

Qualifying a film as British can enable producers to access the UK's film tax relief as well as apply to the British Film Institute's Film Fund, or for funding in the UK's nations and regions.

In simple terms, the credit is paid by HMRC as part of the film production company's tax return. From April 2014, film tax relief is available at an improved rate of 25% on the first £20 million of qualifying production expenditure and 20% thereafter, for all films.

The minimum UK expenditure required to access the tax credit is now 10% of the budget (previously it was 25%). Relief can only be claimed on up to 80% of the film production company's UK core expenditure.

Films can qualify as British in one of two ways:

- Under the UK's cultural test for film
- As an official co-production, e.g. under one of the UK's ten bi-lateral agreements (treaties), or under the European Convention on Cinematic Co-production.

Following European Commission state aid approval, the cultural test for film and some elements of the tax relief for film are being revised.

Along with the improved film tax relief rate outlined above, the changes being made are:

- The cultural test will be modernised to allow for European content. This is in line with the other creative content tax reliefs.
- The pass mark will be 18 points, out of a possible 35 points.
- There will be an increase in the points available for principal photography / special effects / visual effects and English / EEA language content.

Applications can be submitted under the existing guidelines or revised draft guidelines. The BFI Certification Unit will be able to offer advice as to which is the most appropriate for a project.

To apply for the British certification, there must be one Film Production Company (FPC) that is registered with Companies House and within the UK corporation tax net. The FPC must be set up before principal photography begins and have responsibility for all aspects of the filmmaking process from pre-production through to delivery.

Applicants can apply for interim certification at any point before or during production. Interim certification is essential if producers wish to claim film tax relief during production.

A final application must be submitted once the film is complete and ready to be viewed by an audience.

Application forms and guidance notes are available on the BFI's website: <http://www.bfi.org.uk/film-industry/british-certification-tax-relief/cultural-test-film>

High-End Television Programmes:

High-end television programmes can qualify as British either under the UK's high-end television cultural test or as an official co-production under one of the UK's six bi-lateral treaties which allow television co-production.

Qualifying as British can enable producers to access the UK's high-end television programme tax relief.

The high-end television cultural test is a points-based test where programmes must achieve 16 of a possible 31 points to pass.

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Specific criteria for high-end television programmes:

- Rate of relief is set at 25 per cent (up to a maximum of 80 per cent of the company's qualifying core expenditure on programme production).
- Qualifying programmes include: drama, documentary and comedy.
- There must be one Television Production Company (TPC) that is registered with Companies House and within the UK corporation tax net. The TPC must be set up before principal photography begins and have responsibility for all aspects of the programme-making process from pre-production through to delivery.
- The programme must not fall within one of the excluded categories (e.g. advertisements, current affairs).
- The average qualifying core expenditure per hour of slot length must be not less than £1million per hour.
- The slot length in relation to the programme must be greater than 30 minutes.
- The programme must be intended for broadcast.

Application forms and guidance notes are available on the BFI's website: <http://www.bfi.org.uk/film-industry/british-certification-tax-relief/cultural-test-high-end-television>

Animation Programmes:

Animation programmes can qualify as British either under the UK's animation cultural test or as an official co-production under one of the UK's six bi-lateral treaties which allow television co-production.

Qualifying as British can enable producers to access the UK's animation programme tax relief.

The animation television cultural test is a points-based test where programmes must achieve 16 of a possible 31 points to pass.

Specific criteria for animation programmes:

- Rate of relief is set at 25 per cent on qualifying production expenditure (up to a maximum of 80 per cent of the company's qualifying core expenditure on programme production).
- 80 per cent of the company's qualifying core expenditure on programme production).

- To qualify as an 'animation programme' at least 51 per cent of the core expenditure on the completed programme must be on animation. Once qualified, expenditure on non-animated elements are also considered for relief.
- There must be one Animation Production Company (APC) that is registered with Companies House and within the UK corporation tax net. The APC must be set up before key animation begins and have responsibility for all aspects of the programme-making process from pre-production through to delivery.
- The programme must not fall within one of the excluded categories (e.g. advertisements, current affairs).
- Further information can be found on the BFI's website: <http://www.bfi.org.uk/film-industry/british-certification-tax-relief/cultural-test-animation-programmes>
- The programme must be intended for broadcast.

Video Games:

Video games can qualify as British under the UK's video games cultural test. Qualifying as British can enable businesses to access the UK's video games tax relief.

Specific criteria for video games:

- Rate of tax relief is set at 25 per cent for all UK games development expenditure (up to a maximum of 80 per cent of the company's qualifying core expenditure).
- No minimum budget threshold for games to qualify for relief.
- There must be one Video Games Production Company (VGDC) that is registered with Companies House and within the UK corporation tax net. The VGDC must be set up before design work begins and have responsibility for all aspects of the video game making process from design through to testing and delivery.
- The game must also not be for advertising or promotional purposes or anything produced for the purposes of gambling.
- A minimum of 25% of the qualifying core expenditure must be EEA expenditure. (The relief only applies to EEA expenditure on goods or services that are provided from within the European Economic Area).

- There is a sub-contracting cap which operates at the level of the game and will be set at £1m. (Any subcontracting expenditure in excess of the £1m cap will not qualify for relief.)
- The proposed tax relief scheme recognises the new business models and ways of making games which stretches beyond 'release'.
- Application forms and guidance notes are available on the BFI's website: <http://www.bfi.org.uk/film-industry/british-certification-tax-relief/cultural-test-video-games>

Why are these industries being targeted for tax relief?

The UK excels in innovative, high-tech industries like high-end television, animation and video game production. These industries have a significant cultural value to the UK and the Government is determined to support them as part of its efforts to grow the economy.

When will the legislation be in force?

The legislation for animation and high-end television programmes is now in place, and applicants can claim for tax relief with HMRC once they have received an interim or final certificate from the BFI. For video games, the legislation needed to implement the tax relief is being taken forward now by the Government. The Draft Finance Bill 2014 was published on 27 March 2014 and draft Cultural Test (Video Games) Regulations 2014 were published in April. Changes to the film Cultural Test and film tax relief will be in force by the end of this year.

Relevant organisations and contact details:

British Film Institute:

www.bfi.org.uk/film-industry/british-certification-tax-relief

Anna Mansi, Head of Certification

T +44 (0)20 7173 3214

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HM Revenue and Customs:

Creative Industries Unit (Film, Television/Animation and Video Games Tax Reliefs)

T +44 (0)161 288 6310

Trade Associations and useful support organisations:

British Film Commission

www.britishfilmcommission.org.uk

The British Film Commission (BFC) works to promote the UK as the best place to produce feature films and high-end television.

PACT

www.pact.co.uk

Producer Alliance for Cinema and Television (Pact) is a trade association representing and promoting the commercial interests of independent feature film, television, digital, children's and animation media companies.

Creative Skillset

www.creativeskillset.org

Creative Skillset is the Creative Industries' Sector Skills Council, supporting skills and training for people and businesses to ensure the UK creative industries maintain their world-class position.

UKIE

www.ukie.info

UK Interactive Entertainment (UKIE) is a trade body for the UK's wider interactive entertainment industry.

TIGA

www.tiga.org

TIGA is a trade association, representing the UK's video games industry.

UK Trade & Investment (UKTI)

www.gov.uk/ukti

UKTI is a UK Government department working with businesses based in the United Kingdom to ensure their success in international markets, and encourage the best overseas companies to look to the UK as their global partner of choice.

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