HM Revenue & Customs

Children's television tax relief

Who is likely to be affected?

Companies within the charge to corporation tax that are directly involved in the production of children's television programmes.

General description of the measure

The measure will extend the existing television tax reliefs for animation and high-end TV to children's programming. Relief will apply at a rate of 25 per cent on enhanceable expenditure for all eligible children's TV programmes. Children's programming will not be subject to the £1 million per programme hour threshold or the 30 minute slot length that apply to high-end TV programmes.

Policy objective

The measure aims to encourage the production of culturally British children's television programmes in the UK by introducing changes to the existing television tax relief.

Background to the measure

This measure was announced at Autumn Statement 2014.

Detailed proposal

Operative date

The measure will have effect for qualifying expenditure incurred on and after 1 April 2015.

Current law

The current legislation for specific categories for television production (high-end and animation) is at Part 15A Corporation Tax Act 2009. The relief was introduced with effect from 1 April 2013.

Proposed revisions

As announced at Autumn Statement, legislation will be introduced in Finance Bill 2015 to provide tax relief to the makers of children's television programmes.

The relief will allow eligible companies engaged in the production of qualifying children's programmes to claim an additional deduction in computing their taxable profits, and where that additional deduction results in a loss to surrender those losses for a payable tax credit.

Both the additional deduction and the payable credit are calculated on the basis of UK core expenditure up to a maximum of 80 per cent of the total core expenditure by the qualifying company. The additional deduction is 100 per cent of qualifying core expenditure and the payable tax credit is 25 per cent of losses surrendered.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	-	-5	-5	-5	-5	-5
	These figures are captured within the total Annual Managed Expenditure set out at Autumn Statement 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Statement 2014.					
Economic impact	This measure is expected to have a positive impact on the television industry, but is not expected to have significant wider macroeconomic impacts.					
Impact on individuals, households and families	The relief will only be available to television production companies making qualifying children's programmes, and so is unlikely to impact on individuals and households. The change is not expected to have any impact on family formation, stability or breakdown.					
Equalities impacts	The Government has carefully considered whether this measure impacts on people with protected characteristics and has not identified any equalities impacts.					
Impact on business including civil society organisations	The tax relief for children's television production will allow qualifying companies to claim a payable tax credit, supporting the children's programming sector. There are approximately 25-50 television production companies in the UK that may benefit from the relief. Because this relief is an extension to the existing television relief it is unlikely that many eligible companies will face some one-off and ongoing administrative costs in order to qualify for this relief as they will already have some knowledge of the existing relief. For the very few companies with no knowledge of any of the creative industry tax reliefs there may be one-off costs associated with familiarisation with new legislation, processes and requirements. The ongoing costs include costs of calculating and claiming the relief. It is estimated that, on average, up to 20 companies a year would be affected and companies will make one claim per year. This measure is expected to have a negligible impact on businesses and no impact on civil society organisations.					
Operational impact (£m) (HMRC or other)	The estimated annual cost to HM Revenue & Customs of administering the new tax relief is likely to be negligible.					

Other impacts	Small and micro business assessment: the government recognises that there may be some increase in administration impacts on small businesses. However, overall the tax relief will impact positively on qualifying small companies. There is also a specialist unit set up to help facilitate claims in the creative industries and who will administer claims for children's television tax relief. Competition assessment: this relief is targeted at a specific sector. All companies in this sector are eligible, so introduction is unlikely to affect competition within the sector. There should not be any significant impact on competition with other business sectors. Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be kept under review through regular communication with affected taxpayer groups.

Further advice

If you have any questions about this change, please contact Kerry Pope on 03000 585740 (email: kerry.pope@hmrc.gsi.gov.uk).

1 Reliefs for makers of children's television programmes

(1) Part 15A of CTA 2009 (television production reliefs) is amended as follows.

(2) In section 1216AB(2) (programmes that are not animation can be relevant programmes only if conditions C and D are met in addition to conditions A and B) for "not animation" substitute "neither animation nor a children's programme".

(3) In section 1216AB(3) (condition A: types of programme that can be relevant programmes)—

(a) omit the "or" after paragraph (b), and

(b) after paragraph (c) insert ", or

(d) a children's programme."

(4) In section 1216AC (types of programme: definitions) after subsection (2) insert—

"(2A) A programme is a children's programme if, when television production activities begin, it is reasonable to expect that the persons who will make up the programme's primary audience will be under the age of 15."

(5) The amendments made by this section have effect in relation to accounting periods beginning on or after 1 April 2015.

(6) Subsections (7) and (8) apply where—

(a) a company has an accounting period beginning before, and ending on or after, 1 April 2015 ("the straddling period"),

(b) in the part of the straddling period beginning with 1 April 2015 and ending with the end of the straddling period, the company carries on activities in relation to a television programme that—

(i) is within the definition of "children's programme" given by the new section 1216AC(2A), but

(ii) is not a relevant programme for the purposes of Part 15A of CTA 2009, and

(c) if that part of the straddling period were a separate accounting period, in that separate accounting period—

(i) the programme would be a relevant programme for the purposes of Part 15A of CTA 2009,

(ii) the company would for those purposes be the television production company in relation to the programme, and

(iii) the conditions for television tax relief (see section 1216C(2) of CTA 2009) would be met in relation to the programme.

(7) For the purposes of calculating for corporation tax purposes the company's profits or losses for the straddling period of its activities in relation to the programme—

(a) so much of the straddling period as falls before 1 April 2015, and

(b) so much of that period as falls on or after that date,

are to be treated as separate accounting periods.

(8) Any amounts brought into account for the purposes of calculating for corporation tax purposes the company's profits or losses for the straddling period of its activities in relation to the programme are to be apportioned to the two separate accounting periods on such basis as is just and reasonable.

EXPLANATORY NOTE

RELIEFS FOR MAKERS OF CHILDREN'S TELEVISION PROGRAMMES

SUMMARY

1. Clause [X] introduces a new tax relief for producers of children's television programmes.

DETAILS OF THE CLAUSE

2. Clause [X] amends Part 15A of Corporation Tax Act (CTA) 2009 which:
   - Introduces a new relief for the producers of children's television programmes,
   - Provides for the commencement of the new relief.

3. Section 1216AC is amended to include a new category of qualifying television programme to Part 15A

4. New subsection 1216AC(2A) defines what is meant by a children's television programme. A children's television programme is one where the primary audience consists of persons under the age of 15.

5. The commencement date for the new relief is for accounting periods beginning on or after 1 April 2015. Where a company has an accounting period starting before the1 April 2015 and ending after that day i.e. it straddles the date of commencement, for the purposes of the relief there will be a deemed accounting period ending on 31 March 2015 and another commencing on 1 April 2015.

BACKGROUND NOTE

6. The television production tax relief was introduced by Finance Act 2013. Part 15A provides the rules for claiming tax credits on qualifying expenditure for high-end television or animation productions.

7. This tax relief allows qualifying companies engaged in the production of animation, high-end television, and now children's television, intended for release to the general public to claim an additional deduction in computing their taxable profits and where that additional deduction results in a loss, to surrender that loss for a payable tax credit.

8. This measures adds a new category of qualifying television productions to Part 15A.

9. If you have any questions about this change, or comments on the legislation, please contact Kerry Pope on 03000 585 740 (email: kerry.pope@hmrc.gsi.gov.uk).