

FOCUS ON

A Video Games Tax Relief

Video Games tax relief was introduced in April 2014 after receiving EU approval following the original announcement in Budget 2013.

This relief can provide a cash tax saving or payable credit of 16- 25% of the core UK expenditure. It is important to work with experienced advisors in order to obtain the optimal tax relief.

Video Games Tax Relief (VGTR) was introduced to promote the UK games industry. Although many costs of the games were (and still are) eligible for R&D tax relief (such as increasingly realistic graphics, sound or playability or development of existing games to work on new platforms) many were not and it was felt that the UK was falling behind, especially to countries with specific reliefs for video games.

The relief is available for UK development companies, i.e. those primarily responsible for designing, producing and testing the game and actively engaged in the planning and decision making.

Eligible games

In order to be eligible for the relief, the following criteria must be met:

- The game must be intended for supply to the general public.
- It must be certified as British.
- At least 25% of core expenditure on the game must be EEA expenditure.
- Video games do not include anything for advertising, promotional or gambling purposes.

Cultural test

In order to be certified as British, the game must pass a cultural test.

The cultural test includes criteria such as setting, location of developers and subject matter, with points available for each. In order to qualify, a game must gain at least 16 points out of a total of 31.

Certification is granted by the Department for Culture, Media and Sport (DCMS), and the relief cannot be claimed until it has been granted. Interim certificates can be obtained if the game is not yet complete, with a final certificate being issued on completion.



Minimum 25% core EEA expenditure

The relief is only provided on core, rather than total, expenditure. Core expenditure relates to:

- Designing
- Producing
- Testing

Core expenditure does not include designing the original concept or debugging the completed game or post release maintenance.

In order to qualify, a minimum of 25% of the core expenditure must be EEA expenditure - defined as 'expenditure of goods and services which are consumed in the EEA' i.e. it is the recipient, not supplier, of the goods or services that is relevant in determining the location.

Calculation

The relief can be claimed on the lower of:

80% of the total core expenditure
Actual EEA expenditure incurred.

It is important to note that each game must be treated as a separate trade in the development company, and therefore the accounting and allocation of costs between games is important.

Rates of relief

The video games development company can claim an additional deduction of 100%, or a payable tax credit of 25% if the programme is loss making.

Where can I get help to establish my claim?

The tax relief available is generous, but claims must be properly made to ensure they meet HMRC and DCMS requirements. Claims will be reviewed carefully so it is important to work with experienced tax advisers to ensure your claim meets the necessary criteria.

In addition, as some costs can be claimed on either VGTR or R&D tax relief, it is important to work with advisers experienced in both to ensure you obtain the optimal relief over the course of each game

MHA MacIntyre Hudson works with a number of development companies and has made countless R&D claims over the years and so understands how to make successful claims in the most efficient manner.

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