

FOCUS ON

# Film Tax Relief

Film tax relief is a well established relief that the government actively promotes. This relief can provide a cash tax saving or payable credit of 25% of the core UK expenditure.

Film Tax Relief (FTR) was introduced in January 2007 to promote the British film industry. So far over 1,000 films have qualified with total claims of over £1bn. The relief has been cited by a number of film production companies (FPCs) as one of the main reasons for producing in the UK, including Lucasfilm with the new Star Wars films.

The relief provides for an additional tax deduction for profitable companies and a payable tax credit for loss making businesses.

## Eligible films

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

1. The film must be intended to be shown to the general public at a commercial cinema.
2. It must be certified as British.
3. At least 10% of core expenditure on the film must be UK expenditure.

“ *In order to qualify, a minimum of 10% of the core expenditure must be UK expenditure.* ”

## Certified as British

In order to be certified as British, the film must pass a cultural test, or be an official co-production. The cultural test includes criteria such as setting, location of cast and crew and subject matter, with points available for each. In order to qualify, a film must gain at least 18 points out of a total of 35.

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 film is not yet complete, with a final certificate being issued on completion.

## Minimum 10% core UK expenditure

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

- Pre-production.
- Principal photography.
- Post production costs.

Core expenditure does not include development, distribution or non-production costs.





In order to qualify, a minimum of 10% of the core expenditure must be UK expenditure - defined as 'expenditure of goods and services which are consumed in the UK' i.e. it is the recipient, not supplier, of the goods or services that is relevant in determining the location.

This criteria can be made more complex when there are co-productions where any co-producers are based overseas. In order to qualify, 10% of the total core expenditure (incurred by all co-producers) must be UK.

### Calculation

The relief can be claimed on the lower of:

- 80% of the total core expenditure.
- Actual UK expenditure incurred.

For example, a film incurs £2m of core expenditure. If all of this were in the UK, the claim will be for £1.6m, however if only 50% was in the UK then the claim will be for £800,000.

### Rates of relief - FTR

The FPC can claim the eligible amount as an additional deduction, or if loss making can surrender this for a cash credit of 25% (i.e. up to 20% of the total core expenditure) (Core expenditure x 80% x 25%).

### 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.

MHA MacIntyre Hudson has worked with a number of FPCs and media clients over the years and so understands how to make successful claims in the most efficient manner.

### Contact us

For further information, please contact our tax specialist Tom Byng or speak to a member of our media and entertainment sector team:



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