[GB] Tax Relief for the Film Industry Extended

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As part of his budget proposals, the British Chancellor of the Exchequer (the Minister for public finance and taxation) announced that tax relief for the film production industry is to be extended until 2005.

The UK currently has three types of tax relief for film production. The most generous form of relief is known as `section 48 relief', having been introduced by that section of the Finance (No. 2) Act 1997, in order to promote growth, employment and investment and assist structural change in the UK film industry. It allows for 100% write-off for tax purposes, on completion, of the production and acquisition costs of "British qualifying" films whose budgets do not exceed GBP 15 million. Films are certified as "British qualifying" by the Department for Culture, Media and Sport if they meet certain criteria, including 70% of the cost of the film being spent on film activity in the UK.

The relief was introduced in 1997 to run for three years, and was then extended to 1 July 2002. Legislation will now be introduced to extend the end-date to 1 July 2005.

This relief is supplemented by "section 42 relief", which permits the writing-off, over three years, of expenditure on British films with budgets in excess of GBP 15 million.

It has been estimated that in 1999/2000, approximately GBP 500 million of film production was generated through the application of section 48 relief, and that it has also led to new forms of financing through the use of equity partnerships. Section 42 relief has been instrumental in increasing inward investment into the UK film production sector from GBP 58 million in 1992 to GBP 539 million in 2000.

Extension of Film Tax Relief, HM Treasury Budget Press Release Rev 4, 7 March 2001

http://www.inlandrevenue.gov.uk/budget2001/rev4.pdf

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