

[GB] New Arrangement for Tax Relief for British Films

IRIS 2004-10:1/24

*David Goldberg
deejee Research/Consultancy*

As already noted (see IRIS 2004-4: 10), the UK Chancellor announced in his 2004 Budget speech that the so-called "Section 48 relief" was going to be abolished on its expiry in July 2005.

A new system of tax relief for "qualifying British films" was announced during September 2004. It will take effect from July 2005 and the legal basis will be the Finance Act 2005. Transitional arrangements will apply to films in production on 2 July 2005.

The new arrangements mean that "The production company will be entitled to a deduction of 150% of total production expenditure which it can offset against income when computing its business profits." Furthermore, "The company will be able to surrender losses, up to a limit of 100% of production expenditure, to the Inland Revenue for a cash payment equal to 20% of the amount of the loss surrendered."

In comparison with the old "Section 48 relief" the new system will mean that (i) the relief is paid directly to the film-makers and not through third parties as before; (ii) will cover 20% of "production costs" (previously 15%); (iii) films which qualify may have a budget of GBP 20 million (up from GBP 15 million), so relief may be claimed on up to GBP 4 million of expenditure rather than GBP 2.25 million; (iv) there will be an incentive for the film to be profitable; (v) the relief applies to all production expenditure (i.e. not just as regards money spent in the UK); and (vi) the maximum relief could be around GBP 4.5million.

Tax relief for the production of low-cost British films

<http://www.inlandrevenue.gov.uk/ctsa/tax-relief-films.pdf>

Treasury announces new tax relief for British films

http://www.hm-treasury.gov.uk/newsroom_and_speeches/press/2004/press_79_04.cfm

