European Commission: UK's New Tax Credits for Film Production Approved

IRIS 2007-1:1/2

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A new system of tax relief, based on the Cultural Test, was announced by the UK's Chancellor of the Exchequer in his Budget speech and approved by Parliament in April 2006 (see IRIS 2006-2: 13).

However, the Test, as approved by Parliament and as submitted to the European Commission in order to clear the State Aid test, in December 2005, was not approved at the European level.

Subsequently, the UK Government has been working with the Commission to evolve a revised test. This was approved by the European Commission on 22 November 2006; the scheme has been approved until 31 March 2012, assessed on the basis of criteria outlined in the 2001 Communication on cinema and audiovisual production (as revised in 2004). This Communication is due to expire on 30 June 2007, so the UK has committed itself to make any changes required by any new EU rules.

As revised, the Cultural Test means that:

- the Cultural Content section has been increased from 4 to 16 points;

- the Cultural Hubs section has been reduced from 15 to 3 points; and

- the Cultural Practitioners section has been reduced from 13 to 8 points.

There is also a new section: the "Cultural Contribution" (worth four points).

Overall, a film has to "score" sixteen out of thirty-one points, subject to a "golden points" rule as follows: A film scoring all 15 of the points available in sections C, D and A4, and less than two points in section A1 and less than two points in section A2, must additionally obtain the points in section A3 to pass the Cultural Test. If a film scores two points in section A1 or two points in section A2, it will not require the additional points from section A3 in order to pass the test.

The next step is for the Department of Culture, Media and Sport to lay a draft Order before Parliament to modify the Cultural Test as set out in Schedule 1 to the Films Act 1985. The Order will provide that the new test "will apply to films commencing principal photography on or after 1 January 2007".

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DCMS Press Release 147/06, British Film Test Gets Green Light

http://www.culture.gov.uk/Reference_library/Press_notices/archive_2006/DCMS147_06.htm

DCMS Press Release, Revised cultural test for British film, 22 November 2006

http://www.culture.gov.uk/what_we_do/Creative_industries/film/culturaltest_britishfilm.htm

"State aid: Commission approves revised UK film tax incentive scheme", press release of 22 November 2006, IP/06/1611

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1611&format=HTML&aged=0&language=EN&guiLanguage=en

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