[GB] Film Tax Credit Scheme Extended to TV, Video Games and Animation

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In his annual budget statement, the UK's Chancellor of the Exchequer announced that he is extending the tax credit scheme, previously available to film production (see IRIS 2012-1/29), to high-end television productions, video games and animation. This will be subject to state aid approval and a consultation process, but is likely to be introduced by April 2013.

The film tax credit scheme was introduced under the Finance Act 2006. Under the provisions of the Act, the credit is available for British films intended for theatrical release costing GBP 20m or less at 20%, which means that tax is not liable to be paid on 20% of the UK expenditure on the film. For films which cost more than GBP 20m, the level of eligible tax relief rises to 25%. For films to qualify for a tax credit (or tax relief) they must conform to certain measures, including that they are made by a UK film production company; are intended for theatrical release; pass a cultural test for 'British qualities', as set out in the Films Act 1985; and are administered by the UK Film Council or made under one of the UK's film co-production treaties.

The test of 'British qualities' is complex, but in summary ranges across four categories: cultural content (setting, characters); cultural contribution (heritage, diversity); cultural hubs (photography, post-production); and cultural practitioners (director, actors). A 'cultural test' is applied with scores attributed in each of these categories - for a film to qualify, it must score at least 50% overall. The cultural test is applied by the UK film council.

The details of the application of the new scheme will be worked out during the consultation process. It has been warmly welcomed by the industries affected.

Budget 2012: Tax Breaks for TV Production, 21 March 2012

http://www.bbc.co.uk/news/entertainment-arts-17461121

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