

UK Tax Incentives

In March 2006 the British Government confirmed the introduction of the new film tax relief system. The relief applies to films which commence principle photography on or after 1 April 2006 and for films which commence before that date but which are not completed by 1 Jan 2007.

The new tax incentives replace sections 42 & 48 film tax relief's previously accessed via the sale and leaseback mechanism. For films using the outgoing sale and leaseback regime, any acquisition must be completed by 1st October 2007.

Level of Benefit

For films that cost up to £20mil the Film Production Company will be able to claim an enhanced deduction of 100% with a payable cash element of 25% of UK qualifying film production expenditure.

For films that cost over £20mil, the Film Production Company will be able to claim an enhanced deduction of 80% with a payable cash element of 20% of UK qualifying film production expenditure.

Tax relief is available on qualifying UK production expenditure up to a maximum of 80% of total qualifying costs.

Qualifying Production Expenditure

Qualifying UK production expenditure is defined as expenditure incurred on filming activities (pre-production, principle photography and post production) which takes place within the UK, irrespective of the nationality of the person s carrying out the activity.

Cultural Test

The Cultural Test is a revision of Schedule 1 of the films act 1985. The test has a total of 32 points with a pass mark of 50%. There are 3 sections to the test: Cultural Content (4 points), Cultural Hubs (15 points) and Cultural Practitioners (13 points). Where a category has more than one point, points will be pro-rated.

In the cultural practitioners section UK and EEA nationals or residents may be awarded points. The test makes special provisions for animation and documentary films. The Cultural Test and guidance documents are available at the following link:

<http://www.culture.gov.uk/>

Other Information regarding Bi-Lateral Co-Production Treaties and also new Bi-Lateral Treaties are also available from the Film Office.