

# Rewriting the script on audio-visual creative tax reliefs

## A look at the new system and what it will mean for the UK's animation, film, TV and video games industries.

Against a backdrop of uncertainty in the film and television sector, with ongoing actors and writers strikes bringing much of the industry to a halt, there has been more positive news with the publication of the first draft of proposed new tax credit rules.

The audio-visual expenditure credit (AVEC) will replace the current film, high-end TV, animation and children's TV tax reliefs, while the video games expenditure credit (VGEC) will replace video games tax relief (VGTR).

Under the current schemes, relief is given by way of an additional deduction from profits or surrendering a loss for the tax credit. Under AVEC and VGEC, companies will instead receive an above-the-line tax credit based on qualifying expenditure. This will be taxable at the main rate of corporation tax.

### UK reliefs help boost creative sectors

The news is significant because, according to figures published in February 2023 by the British Film Institute, a record £6.3bn was spent on film and high-end television (HETV) production in the UK in 2022 (up 11.1% on 2021).

The credit rate for films, high-end TV and video games will be 34%, while animation and children's TV will receive a rate of

39%. These net down after the corporation tax deduction is applied to 25.5% for film and high-end TV, and 29.25% for animation and children's TV. This compares with the current credit of 25% for all creative industries.

The qualifying criteria for core spend, including the 'used and consumed' definition and other rules for the current audio-visual reliefs, will mostly be carried across into AVEC and VGEC unchanged – as will the 80% cap on UK qualifying expenditure. AVEC also introduces a new minimum slot length for high-end TV programmes of 20 minutes (as opposed to the current 30 minutes) on an episode-by-episode basis, and a definition for documentary programmes.

Steve Joberns, head of Film and TV at Shipleys, commented: "The UK has established itself as a market-leading base for international production with both the incentives and quality of crew and facilities leading to many of the film studios and streamers committing much of their output to the UK.

"The confirmation given by the government to the ongoing support to the industry in the form of the AVEC will enable the UK to continue to be the production base of choice for international production".

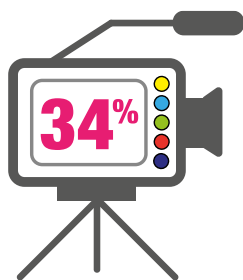
Companies presently claiming for productions under existing tax credit regimes will be able to claim under AVEC in relation to expenditure incurred from 1 January 2024. New productions must be claimed under AVEC from 1 April 2025, and all productions must claim under AVEC from 1 April 2027. The existing tax incentives will cease on 1 April 2027.

### Learning curve ahead

Gurvir Cheema, partner in the Film and TV unit at Shipleys said: "The introduction of AVEC is a big step forward for the industry. Inevitably there will be a learning curve to determine the mechanics of the new credit, and there are some aspects of the draft legislation that will need to be reviewed by government before the rules are finalised.

"We will be contacting clients and holding a number of events in the coming months to ensure that our clients within the creative industries can make the best use of the credits available".

**Shipleys is recognised as a market leader in providing accountancy, tax and business advice to the film, TV, animation and video games sectors so please contact one of our specialists now.**



proposed tax credit rate for films, high-end TV and video games