



Theatre **Tax Relief**



WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK



A Tax Incentive often overlooked

The Government introduced Theatre Tax Relief in 2014 to support theatrical production companies. Companies are able to receive a cash payment or reduction in corporation tax for producing a qualifying theatrical production.

We believe that many companies are still missing out on this valuable tax relief.

What are the benefits?

Theatre Tax Relief allows theatre producers to claim additional deductions in the company's tax return for qualifying production costs.

For every £100 of qualifying costs incurred in producing a theatrical production, an additional deduction of £80 can be claimed. So, the net cost is only £55 to £65 for every £100 spent (depending on the applicable corporation tax rate for the period).

If the company is loss making, there is scope to surrender the loss and claim a repayable tax credit from HMRC, of up to 45% (50% for touring productions) of the surrendered loss. So, a refund of up to £36 can be recovered for every £100 of qualifying production costs for non touring productions and a refund of up to £40 can be recovered for every £100 of qualifying productions costs for touring productions. The size of the benefit will depend on when the production took place and the applicable TTR and tax rates at that time.

Who can claim?

A company can claim Theatre Tax Relief if:

- it is a Theatrical Production Company (explained overleaf).
- the production is a dramatic production (a play, an opera, a musical or other dramatic piece) or a ballet.
- the primary focus is to perform the production live to a paying audience or for educational purposes.
- at least 25% of the core expenditure is spent within the European Economic Area (EEA).

The production will not qualify if it includes a competition, uses wild animals or is of a sexual nature. It will also not qualify if the main purpose is to make a recording or advertise/promote goods or services.



Hawsons Limited: Registered in England No. 2645865. Hawsons and Hawsons Limited are registered to carry on audit work in the UK and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales



Keep up to date with our latest news and updates





What is meant by a Theatrical Production Company?

The company must:

- be responsible for producing, running and closing the production.
- be actively engaged in decision making during the production, running and closing phases.
- make an effective creative, technical and artistic contribution to the production.
- directly negotiate, contract and pay for rights, goods and services in relation to the production.

There can only be one Theatrical Production Company for each theatrical production. For co productions, the parties will need to decide which company meets the conditions.

Which costs are allowable?

Each production must be considered separately. To help identify eligible costs, a theatre production is divided into four phases:

- 1 Development the time before a production has been given the 'green light'.
- 2 Production buildings sets, the rehearsals.
- 3 Running the live performances.
- 4 Closing down of sets, props, costumes etc.

Theatre Tax Relief is only available on core expenditure which is expenditure directly incurred in the production and closing phases (phases 2 and 4). This includes, for example, the set, costumes and the actors and directors time during rehearsals.

If the production gets the 'green light', some costs in the development phase (phase 1) may be reclassified as production costs and are included in the claim.

Running and live performance costs (phase 3) are not allowable, but 'exceptional expenditure' related to substantial recasting or set redesigns is often allowed.

Expenditure on financing, advertising, marketing, legal and storage costs are not allowable.

How is the relief calculated?

When calculating the relief, each production must be treated as a separate trade. The qualifying core expenditure and the profit or loss must be calculated for each production.

The company can claim an additional tax deduction equal to 80% of the qualifying core expenditure (or 80% of the expenditure incurred within the EEA if this is lower).

Loss making companies can surrender the lower 80% of the qualifying core expenditure and the adjusted loss as a repayable credit. The rates of repayment are:

- Up to 50% for touring productions
- Up to 45% for all other qualifying productions

Example 1 (additional deduction)

A company put on a non touring production of Peter Pan. It receives income from the production of £3m (after deducting non core expenditure) and has total core expenditure of £1.5m (all EEA expenditure). Without Theatre Tax Relief, the company would be liable to pay Corporation Tax of £375k (25% x £1.5 m profit).

Expenditure on the production is eligible for Theatre Tax Relief. The company is entitled to an additional deduction of £1.2m (80% x £1.5 m total core expenditure) in computing its taxable profits from this production, which reduces the taxable profit to £0.3m. The additional deduction claimed under Theatre Tax relief reduces the Corporation Tax liability to £75k (25% x £0.3m), therefore the benefit of the Theatre Tax Relief claim is £300k (£375k - £75k).

In this example, the Theatre Tax Relief is worth 20% of the total core expenditure on the production.

Example 2 (loss making)

A company put on a touring production of Oliver. Income from the production is £450k (after deducting non core expenditure). The total core expenditure is £500k (i.e qualifying costs incurred in the production and closing phases), all of which is EEA expenditure.

The loss from the production, before Theatre Tax Relief, is therefore £50k (£450k - £500k).

The surrenderable loss is the lesser of

- The £450k trading loss after Theatre Tax Relief £50k loss less 80% of £500k, and
- The £450k additional deduction (£500k x 80%)

The company can surrender up to £400k of losses.

The company is therefore eligible for a repayable tax credit of up to £200k (50% Theatre Tax Credit for touring productions x £400k loss surrendered).

In this example, the Theatre Tax Credit is equal to 40% of the total core expenditure.





FAQs

Can I claim Theatre Tax Relief if I don't pay tax?

Yes - loss making companies can benefit too.

Is there a minimum spend?

No - there is not a minimum spend condition, but a review of your expenditure will determine whether a claim is worth pursuing.

Can I claim Theatre Tax Relief for earlier years?

Yes - you can typically claim Theatre Tax Relief for expenditure incurred in your previous two completed accounting periods.

If you are approaching your year end and believe you may qualify then time is of the essence and you need to act now.

Can a charity claim Theatre Tax Relief?

Yes - charitable companies can benefit too, even if the majority of their income is exempt from tax.

How we can help you

Hawsons offer a specialist tax service to companies who are considering making a claim for [Theatre Tax Relief](#).

Our team is experienced at guiding you through the claims process to maximise the levels of tax relief obtained. Using our knowledge and experience, we can help reduce your company's tax burden or claim a repayable credit.

We pride ourselves on our proven track record of successful claims and high level of customer service. We are committed to assisting our clients in maximising their claims to include all eligible costs.

Our claim process

The process normally starts with a meeting or telephone call with one of our Theatre Tax Relief specialists to find out if your company is eligible to make a claim. This consultation is free of charge. If we think that your company is able to make a claim, we will work with you to identify qualifying productions and allowable core expenditure.

Applying our knowledge and experience of the Theatre Tax Relief regime, we will collate and present the information in a format to expedite the claim and minimise exposure of challenges from HMRC.

We will manage the claim process from start to finish and keep you fully informed of the progress of the claim. We will provide you with a copy of the completed claim and supporting schedules for your approval before it is sent to HMRC and answer any questions you may have. We will also assist with any HMRC enquiries into the claim.

Our claim process has been designed to take away the stress and uncertainty of making a claim.

Our Experience

We have made a number of successful claims for companies and generated significant tax savings and repayments. This has included individual repayment claims in excess of £300k.

Meet our Theatre Tax Relief specialists



Stephen Charles
Tax Partner
0114 266 7141
sac@hawsons.co.uk

Sheffield Office
Pegasus House
463A Glossop Road
Sheffield, S10 2QD



David Cairns
Tax Partner
01604 645 600
davidcairns@hawsons.co.uk

Northampton Office
Jubilee House
32 Duncan Close, Moulton Park
Northampton, NN3 6WL



Craig Walker
Tax Director
0114 266 7141
cw@hawsons.co.uk

Sheffield Office
Pegasus House
463A Glossop Road
Sheffield, S10 2QD



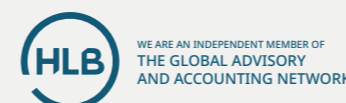
Aaron Hemmington
Tax Partner
01604 645600
aaronhemmington@hawsons.co.uk

Northampton Office
Jubilee House
32 Duncan Close, Moulton Park
Northampton, NN3 6WL



Dan Wood
Partner
01302367262
dw@hawsons.co.uk

Doncaster Office
5 Sidings Court
White Rose Way
Doncaster, DN4 5NU



WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

A member of HLB UK Ltd., which is a member of HLB International. A world-wide network of independent professional accounting firms and business advisers, each of which is a separate and independent legal entity and as such has no liability for the acts and omissions of any other member. HLB International Limited is an English company limited by guarantee which co-ordinates the international activities of the HLB International network but does not provide, supervise or manage professional services to clients. Accordingly, HLB International Limited has no liability for the acts and omissions of any member of the HLB International network, and vice versa.



HLB UK is a member of HLB International. A world-wide network of independent accounting firms and business advisers.

Sheffield: Pegasus House | 463a Glossop Road | S10 2QD

Doncaster: 5 Sidings Court | White Rose Way | DN4 5NU

Northampton: Jubilee House | 32 Duncan Close | Moulton Park | NN36WL



www.hawsons.co.uk