

THEATRE TAX RELIEF

TAX RELIEF FOR THEATRE PRODUCTION COMPANIES

This helpsheet sets out important information in relation to the availability of Theatre Tax Relief or payable Tax Credits for companies responsible for staging ballets, plays or other dramatic productions.

WHAT IS THE RELIEF?

A company can currently claim a 180% deduction from taxable profits for core expenditure incurred on staging theatrical productions.

So for every £100 spent on producing a theatrical production, £180 of relief is obtained. Effectively therefore the net production cost for a profitable company is only £64 per £100 spent.

Quick Example:	Without TTR Claim	With TTR Claim
Turnover	1,000,000	1,000,000
Costs		
Allowable (non TTR) costs	(600,000)	(600,000)
TTR costs	(100,000)	(100,000)
Trade profits	300,000	300,000
TTR additional deduction		(80,000)
Taxable profits	300,000	220,000
Tax charge @ 20%	60,000	44,000

**Tax saving of £16,000
on £100,000 of **TTR** expenditure**

...AND THE TAX CREDIT?

If the company is loss making for the period, then they may be able to surrender all or part of the loss and claim a repayable tax credit from HMRC. The surrenderable amount is the lower of:

- The unrelieved trading loss; and
- 80% of the core production expenditure

The repayment is 20% (25% for touring productions) of the surrendered loss.

Quick Example:	Without TTR Claim	With TTR Claim
Turnover	1,000,000	1,000,000
Costs		
Allowable (non TTR) costs	(900,000)	(900,000)
TTR costs	(100,000)	(100,000)
Trade profits	nil	nil
TTR additional deduction		(80,000)
Taxable profits	nil	(80,000)
Tax credit @ 25%	nil	20,000

So for a loss making company incurring £100,000 of production costs, a cash credit of up to £20,000 could be recovered.

WHO CAN BENEFIT FROM THE RELIEF?

Companies will qualify for Theatre Tax Relief if they:

- Are a theatre production company; and
- Produce a qualifying theatrical production; and
- Intend at the outset that a high proportion of the live performances are to be given to paying members of the general public or for educational purposes; and
- At least 25% of the core expenditure incurred in producing the production is incurred within the (European Economic Area) EEA.

AM I A THEATRE PRODUCTION COMPANY?

To be the theatre production company in relation to a particular theatrical production, 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.

WHAT IS A QUALIFYING THEATRICAL PRODUCTION?

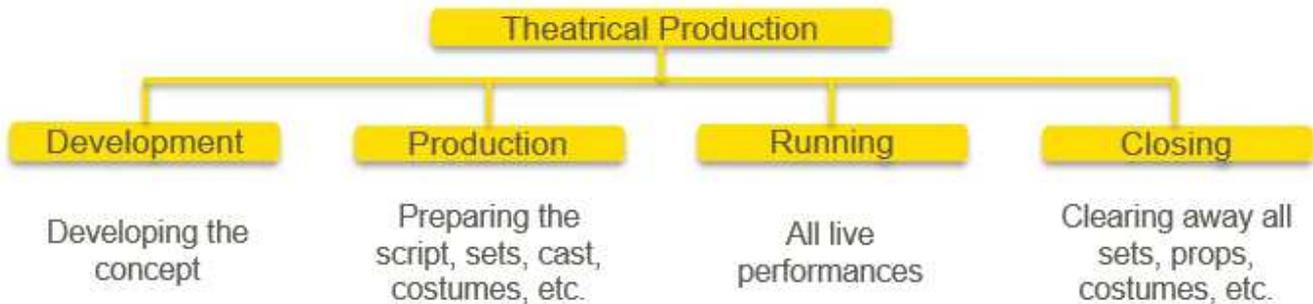
- It is a ballet or 'dramatic production';
- A dramatic production is a production of a play, an opera, a musical, or other dramatic piece where the performers give their performances wholly or mainly by playing a role;

The production must also meet the following criteria:

- The presentation of live performances should be the main object (or one of the main objects) of the production.
- The production must not consist of or include a competition, involve the use of a wild animal or performance of a sexual nature, or have as its main purpose either the making of a relevant recording or the advertisement or promotion of goods or services.

WHAT EXPENDITURE CAN BE INCLUDED IN THE CLAIM?

For tax purposes, Theatrical Productions are divided into four phases. It is the 'Core Expenditure' directly incurred in producing and closing the production that can be included in the Theatre Tax Relief claim:



- All costs that can reasonably be attributed or allocated to these phases may be included in the claim. This may include the cost of building sets, developing the script and stage directions, casting costs and the wages of the director, cast and crew during rehearsals.
- Core expenditure does not include costs relating to developing or running the production, on exploiting the production, or on non-producing activities (such as financing, marketing or legal services).
- The costs that can be claimed are capped at the amount of core expenditure relates to goods or services that are provided from within the EEA.

MAKING A CLAIM

Claims are made through the company's corporation tax return and these TTR claims are reviewed by specialist units at HMRC. As such it is important that sufficient information is provided alongside the computation for the claim to be processed, including:

- The name of the production(s), and the number and dates of performances at each venue
- Details of core expenditure (including whether it is EEA related) and the TTR deduction claimed.
- Profit calculation for each production and details of the allocation of production costs between phases
- The amount, if any, surrendered for Theatre Tax Credit

WHAT WE'VE DONE FOR OUR CLIENTS

In the 12 months to 30 September 2017 we have:

- Made numerous claims for companies in a **wide variety of sectors** including theatres, events companies, theme parks, and garden centres.
- Generated **more than £1 million** of tax savings and repayments.

HOW CAN MENZIES HELP?

Menzies' specialist Creative Sector Team works in partnership with clients and other professionals to provide a commercially relevant and effective tax planning service, from concept development through to collating and presenting claims in a format to expedite the Theatre Tax Relief claims process. This includes:

- Navigating you through the claims process from recording, reporting and final submission
- Applying specialist knowledge of the TTR tax regime to help you identify qualifying productions
- Considering other relevant or complementary tax reliefs that may apply to the theatrical productions
- Identifying, and improving methods for identifying, core expenditure to maximise effectiveness of the reliefs
- Presenting information to minimise exposure to challenges from HMRC

For further information please visit us and contact a member of the team at <http://www.menzies.co.uk/helping-you/corporate-tax/rd-tax-incentives/>

