

## High-end Television Tax Relief (HETR)

### What is HETR?

High-end Television Tax Relief was introduced in April 2013 to encourage high-end television production in the UK. HETR is based on the Film Tax Relief scheme introduced in 2007 and subsequently extended to other creative sectors including Children's TV, Animation, Video Games, Theatre, Orchestra and Museums and Galleries.

### How does HETR work?

HETR works by enhancing expenditure incurred in the development process thereby creating an additional deduction. This additional deduction will either reduce profit, or, create or extend a loss. Where the additional deduction creates or extends a loss, HMRC allows this loss to be surrendered for a payable tax credit. Therefore, by claiming HETR, a company will either reduce their Corporation Tax liability or receive a payable tax credit.

### To be eligible for HETR a company must:

- ✓ be incorporated in the UK or have a permanent establishment that falls within the charge to UK Corporation Tax
- ✓ be actively engaged in production, planning and decision making during the pre- production, principal photography and postproduction stages of the programme
- ✓ directly negotiate contract and pay for rights, goods and services relating to the programme.

### A programme will qualify if:

- ✓ it passes the cultural test or qualifies as an official co-production;
- ✓ it is intended for broadcast on TV or the Internet
- ✓ at least 10% of the total production costs relate to activities in the UK
- ✓ it consists of moving or still images or of legible text or a combination of those things
- ✓ the average qualifying production costs is a minimum of £1 million per hour
- ✓ the slot length in relation to the programme must be greater than 30 minutes or the cumulative slot length of all shows commissioned together must be in excess of 30 minutes
- ✓ it is a drama, comedy or documentary.

### A programme will not qualify if it:

- x is an advertisement of promotional programme
- x is a news, current affairs or discussion programme
- x is a quiz or game show, panel show, variety show, or similar programme
- x consists of or includes an element of competition or contest
- x broadcasts live events, including theatrical and artistic performance
- x is produced for training purposes.

### Passing the Cultural Test.

The Cultural Test is points-based, with sections relating to content, cultural contribution, location, and cast and crew. Programmes need to achieve at least 18 from a possible 35 points.

The sections are:

- Cultural content

- Cultural contribution
- Cultural hubs
- Cultural practitioners

For further guidance see the BFI website:

<https://www.bfi.org.uk/film-industry/british-certification-tax-relief/cultural-test-high-end-television>

## Qualifying co-productions.

There must be a UK production company responsible for all UK elements of the production from beginning to completion.

There must be corresponding production companies in the other co-producing party countries

Programmes, including those made under official co-production treaties must reach a minimum UK spend requirement of 10%.

## Which expenditure qualifies for enhancement?

Expenditure qualifying for enhancement is called Core expenditure and includes expenditure incurred on:

- ✓ Pre-production
- ✓ Principal photography and
- ✓ Post- production.

Non-qualifying or non-core expenditure include costs relating to:

- x Development
- x Distribution and
- x other non-production activities.

## How is HETR calculated?

A Production Company can claim an additional deduction based on its enhanceable expenditure, at the lesser of: -

- 80% of total core expenditure
- the actual core expenditure incurred in the UK.

The additional deduction either reduces the profit and therefore the Corporation Tax due, or where the additional deduction creates a loss, allows that loss to be surrendered to HMRC for a tax credit paid at the rate of 25%.

## How is HETR claimed?

HETR is claimed through the Company Tax system which means that claims must be made in a Company Tax Return or an amendment to a Company Tax Return.

Claims must include computations in respect of all income received, as well as core and non-core expenditure

## Further guidance can be found at:

Original legislation: <http://www.legislation.gov.uk/ukpga/2013/29/schedule/16>

<https://www.gov.uk/hmrc-internal-manuals/television-production-company-manual>

BFI: <https://www.bfi.org.uk/supporting-uk-film/british-certification-tax-relief>

## Useful contacts:

HMRC's Creative Industries Unit: [creative.industries@hmrc.gsi.gov.uk](mailto:creative.industries@hmrc.gsi.gov.uk)

The BFI Certification Unit: [certifications@bfi.org.uk](mailto:certifications@bfi.org.uk)

Creative Tax Reliefs: [info@creativetaxreliefs.com](mailto:info@creativetaxreliefs.com)

## A simple example to demonstrate the benefit of claiming HETR

	Without HETR	With HETR
Total Income from the programme	£125,000	£125,000
Total Expenditure incurred on the programme	£110,000	£110,000
Profit / (Loss)	<u>£15,000</u>	<u>£15,000</u>
Profits assessable for Corporation Tax	£15,000	
Corporation Tax due (@19%)	<u>£2,850</u>	
Additional Deduction (estimated)		£60,000
Deemed Loss for tax credit purposes		<u>£45,000</u>
Surrendered for payable tax credit		£45,000
Tax credit @ 25%		<u><b>£11,250</b></u>

In this example, the company has turned a profit of £15,000 to a 'loss' of £45,000 by claiming HETR. The 'loss' is surrendered to HMRC for a payable tax credit of £11,250.

## The author

Creative Tax Reliefs Limited was started in 2017 by Graham Suggett, former Lead Tax Specialist with HMRC'S Creative Industries Unit and a specialist in High-end Television Tax Relief.

If you would like specialist support with the process of claiming High-end Television Tax Relief, have questions regarding the legislation or perhaps have encountered issues with your current claim then please do get in touch. Graham can be contacted via the following:

Email: [graham.suggett@creativetaxreliefs.com](mailto:graham.suggett@creativetaxreliefs.com)  
Telephone: 01204-528575 / 07900 028528  
Company website: [www.creativetaxreliefs.com](http://www.creativetaxreliefs.com)

## Testimonials

"It was a pleasure working with Graham on our claim for Film Tax Credit for 'Stuffed'. For independent creators working in Film and TV, the Tax Credit is a vital part of making your film a reality. Graham is an assured and calm voice in the often-intimidating world of tax. I'd highly recommend Graham to my colleagues working in Film and TV". **Carys Lewis, writer and director of the 2019 BAFTA Cymru Nominee short film Stuffed**

"I am so pleased and relieved that Graham got in touch with me about Theatre Tax Relief. So far, Graham has claimed nearly £100,000 in tax credit for us. This is not only an enormous benefit and can be ploughed back into the work that we do but it would have been extremely short-sighted of us not to be claiming the money that is due to us. Graham has made the whole process so simple and easy. I cannot recommend him highly enough". **Sarah Gobran, Co-Founder & Producer of The Guildford Shakespeare Company**

"Our accountant struggled with VGTR so we engaged Graham and his company. Graham prepared all the necessary computations and submitted the claim on our behalf. This was paid by HMRC without question and in an amount in excess of what we had previously expected. We are delighted and cannot recommend Graham or his company highly enough". **Ashley Stancill, Director at HyperSloth Games**

"I found Graham and Creative Tax Reliefs through a Google search as we had a client that was eligible for Theatre Tax Relief (TTR). I and a colleague had read through HMRC's guidance a number of times and felt confident that we understood how it worked, however, we had no experience in claiming TTR. It seemed a no-brainer to work with Graham because Graham, as a former Creative Tax Reliefs specialist with HMRC, knew how to prepare and present claims to HMRC, would be certain of the calculations, knew where the boundaries were and would achieve maximum benefit for the client. We prepared the accounts and submitted the CT600 as per usual with input from Graham whilst he liaised directly with HMRC's Creative Industries Unit in respect of the client's TTR claim. The client received their tax credit without issue and in an amount greater than expected. Our client was delighted as were we and we look forward to working with Graham going forward". **Ian Bragger, Partner at Harris & Co**

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