Theatre Tax Relief (TTR)

What is TTR?

TTR is a scheme introduced to support and encourage the creation of theatrical productions. It was introduced in September 2014 and can be claimed by companies that produce qualifying productions. TTR is based on the Film Tax Relief scheme introduced in 2007 and subsequently extended to other creative industries including TV, Animation, Video Games, Orchestra and Museums and Galleries.

TTR is processed through the Corporation Tax system and is available to incorporated companies, commercial and charitable, that produce qualifying theatrical productions.

NB. Charities, commonly exempt from Corporation Tax, are eligible to claim TTR and the payable tax credit if one is due.

How does TTR work?

TTR works by enhancing expenditure incurred in the production process and creates an additional deduction to be set against the profit or loss, (or surplus or deficit in respect of charitable companies) of each production.

For commercial companies, the additional deduction reduces the profits assessable for Corporation Tax and, where it extends or creates a loss, allows that loss to be surrendered to HMRC for a payable tax credit.

For charitable companies, the additional deduction reduces the surplus already exempt from Corporation Tax and, where it creates or extends a deficit or loss, allows this to be surrendered to HMRC for a payable tax credit.

Who qualifies?

Theatre companies constituted as a:

- company limited by shares
- company limited by guarantee
- Charitable Incorporated Organisation (CIO)
- Scottish Charitable Incorporate Organisation (SCIO)
- Community Interest Company (CIC)

all fall under the Company Tax regime and, even if they do not currently file Company Tax Returns, can claim TTR if they produce qualifying theatrical productions.

Unfortunately, if the theatre company is an unincorporated association (UA) or a trust then they are currently unable to claim TTR.

If the UA or trust wishes to claim TTR then it must either set up a separate production company or alternatively, change its structure. One increasingly popular option is for a charitable UA to convert to a CIO or SCIO. This is a decision for the theatre company and HMRC has no issue with either option.

Which theatrical productions qualify?

A production qualifies for TTR if it is a theatrical production. That is, a dramatic production or a traditional ballet. This means a production of a play, an opera, a ballet, a musical or other dramatic piece in relation to which:

- the actors, singers, dancers or other performers are to give their performances wholly or mainly through the playing of roles
- each performance in the proposed run of performances is to be live
- the presentation of live performances is the main, or one of the main objects of the company's activities in relation to the production.
- The production must also meet what is called the commercial purpose condition. That is that the production company intends that all, or a high proportion of the live performances, will be to either paying members of the general public or provided for educational purposes.

Which expenditure qualifies for enhancement?

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

- ✓ producing the production
- ✓ exceptional running costs, and
- ✓ closing the production.

For example, the costs of the set, costumes, répétiteur, script, the actors' wages through the rehearsal phase are all enhanceable costs.

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

- x Marketing
- x Financing
- x Legal services
- x Storage
- x Ordinary running costs.

Where expenditure falls across the various phases of production then it will need to be apportioned on a just and reasonable basis.

How is TTR claimed?

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

Claims must include computations in respect of all qualifying productions and detail income received, as well as core and non-core expenditure, plus details of any apportionments used.

CREATIVE TAXRELIEFS

The new rates of relief:

In the Autumn 2021 budget it was announced that the rates of relief for Theatre tax reliefs will be increased temporarily. For theatres the standard rate is 20% for non-touring productions and 25% for touring productions. This will increase to 45% for non-touring and 50% for touring productions from 27 October 2021 until April 2023. From April 2023 the rates will be 30% for non-touring productions and 35% for touring; before returning to the standard rates in April 2024.

To qualify for the higher rates of relief the production phase must have started on or after 27 October 2021. There is further guidance from HMRC about when production activity starts on our blog: Production Phase - HMRC guidance.

A simple example to demonstrate the benefit of claiming TTR

	Without TTR		With TTR
Total Production Income	£50,000		£50,000
Total Production Expenditure	£50,000		£50,000
Profit / (Loss)	Nil		Nil
Additional Deduction (the lower of) - 80% of total core, or - 100% of total EEA core			£20,000
Deemed Loss for tax credit purposes			£20,000
Surrendered for payable tax credit			£20,000
Tax credit for a non-touring production	@ 20%	=	**£4,000**
Tax credit for a touring production	@ 25%	=	**£5,000**

The company will then surrender the £20,000 'loss' to HMRC in return for a payable tax credit.

If the production is a non-touring production, the payable tax credit is paid at a rate of 20% meaning that the company will receive a payment of £4,000 from HMRC.

If the production is a touring production, the payable tax credit is paid at a rate of 25% meaning that the company will receive a payment of £5,000 from HMRC.

Further guidance can be found at:

Original legislation: http://www.legislation.gov.uk/ukpga/2014/26/schedule/4/enacted

HMRC's TTR manual: https://www.gov.uk/hmrc-internal-manuals/theatre-tax-relief

Useful contacts:

HMRC's Creative Industries Unit: creative.industries@hmrc.gsi.gov.uk

Creative Tax Reliefs: info@creativetaxreliefs.com

The company

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 Theatre Tax Relief.

If you would like specialist support with the process of claiming Theatre Tax Relief, have questions regarding the legislation or perhaps have encountered issues with your current claim then please do get in touch.

Email: graham.suggett@creativetaxreliefs.com
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Company website: www.creativetaxreliefs.com

Testimonials

"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**

"Worth every penny". **Mary Nri, Finance Director of The Albany**

"It was a pleasure to work with Graham. He explained the process very clearly, prepared all the necessary computations and submitted the claims on our behalf. We are extremely delighted with the outcome and have no hesitation whatsoever in recommending Graham and his company to others." **Sylvia Collins of the Huddersfield Light Opera Company**

"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**

"When Graham first contacted us, we hadn't heard of Theatre Tax Relief, which made us fairly wary. Graham took the time and care to explain it all to us and how the process would work. Initially, we were sceptical and worried about the time it would take for us to collate all the information needed for the claim. However, we needn't have worried, Graham helped us every step of the way and made the process simple and quick. We would recommend working with Graham in an instant." **Fliss Green, Senior Strategy & Project Manager of Chain Reaction Theatre Company**