

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.

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)	<u>Nil</u>		<u>Nil</u>
Additional Deduction (the lower of)			£20,000
- 80% of total core, or			
- 100% of total EEA core			
Deemed Loss for tax credit purposes			<u>£20,000</u>
Surrendered for payable tax credit			£20,000
Tax credit for a non-touring production	@ 20%	=	<u>£4,000</u>
Tax credit for a touring production	@ 25%	=	<u>£5,000</u>

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

The BFI Certification Unit: certifications@bfi.org.uk

Creative Tax Reliefs: info@creativetaxreliefs.com

The Author

Creative Tax Reliefs Limited was started by Graham Suggett, former Lead Tax Specialist with HMRC'S Creative Industries Unit and a specialist in Theatre Tax Relief. Since the company started in April 2017, it has claimed over £3 million in tax credits for eligible creative companies.

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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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**

"NCO engaged Graham at the start of 2019 and has developed a wholly positive and ongoing relationship ever since. Not only has Graham increased our understanding of OTR and how it applies to NCO, he has taken all the stress and strain away from the process. His previous experience as a tax specialist at HMRC has proved invaluable as has his ability to explain the complexities to us in a way we can understand! I cannot recommend Graham more highly". **Sophie Lewis, Managing Director of the National Children's Orchestras of Great Britain**

"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 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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