Theatre Tax Relief

Theatre Tax Relief (TTR) was introduced in the 2014 Finance Act and commenced on 1 September 2014. This company relief allows the producers of theatrical productions to claim an additional deduction based on their production, exceptional running and closing costs (core expenditure).

If the additional deduction creates or increases a loss for the production, this loss can be surrendered to HMRC for a payable tax credit. There are two rates of tax credit: 20% for a non-touring production and 25% for a touring production.

The tax credit is claimed through the Company Tax system and, crucially, though incorporated charities are commonly exempt from Corporation Tax and may not currently file Tax Returns, they can claim the tax credit.

If your organisation is constituted as:

- a company (limited by shares or by guarantee);
- a charitable incorporated organisation (CIO); or
- a Community Interest Company (CIC)

then it falls under the Company Tax regime and can apply for Theatre Tax Relief.

Whilst an incorporated charity might not currently complete a Company Tax Return, there is nothing to prevent it from doing so if it wishes to claim the tax credit.

Unfortunately, your organisation cannot claim TTR if it is constituted as:

- a trust, taxed under the Income Tax regime; or
- an unincorporated association

as these do not meet the qualifying criteria.

There is nothing to stop a trust or an unincorporated association from setting up a production company in order to claim the tax credit and HMRC are comfortable with this approach.

The amount of the tax credit is dependent upon the amount you spend on a production. So, if the production only costs a few thousand pounds, then there is a decision to be made as to whether the amount of effort needed to claim is worth the reward. However, the more productions produced, or the more money spent on a production increases the reward.

Ultimately, the two key questions are:

1. Does our production qualify?
2. If so, what is the likely value of claiming the tax relief or the tax credit?

CREATIVE TAXRELIEFS

Only by answering these two questions will you be able to make an informed decision as to whether TTR is worth claiming.

A simple example to demonstrate the benefit of claiming Theatre Tax Relief

Without claiming Theatre Tax Relief

Total Production Income	£50,000
Total Production Expenditure	£50,000
Profit / (Loss)	Nil

Claiming Theatre Tax Relief

Total Production Income	£50,000
Total Production Expenditure	£50,000
Profit / (Loss)	Nil
Additional Deduction	£20,000
Deemed Loss for tax credit purposes	£20,000

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

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

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