



## Theatre Tax Relief (TTR)

### What is TTR?

TTR is a scheme introduced to support and encourage the creation of theatrical productions. It was introduced on the 1<sup>st</sup> 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 extends or creates 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:

- to 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 actor's 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.

NB. The fact that a charitable company might not be registered with HMRC and has not been required to provide a tax return for an accounting period does not prevent that company from claiming TTR for that period.



## 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>



## The author

Creative Tax Reliefs Limited was started by Graham Suggett, former Lead Tax Specialist with HMRC'S Creative Taxes Team and a specialist in Theatre Tax Relief and its application to commercial and charitable theatre companies. Since the company started trading in April 2017, it has claimed over £1.5million in theatre tax credits on over 500 productions. These range from small scale amateur productions through to professional international touring productions. Clients include regional theatres, opera companies, youth theatre companies, Theatre in Education companies, operatic and dramatic societies, pantomime companies, ballet and contemporary dance companies.

If you are wondering whether your company qualifies for TTR, have questions regarding your current claims or simply want more information, Graham can be contacted via the following:

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