



Corporation Tax Act 2009

2009 CHAPTER 4

[^{F1}PART 15B

VIDEO GAMES DEVELOPMENT

[^{F1}CHAPTER 2

TAXATION OF ACTIVITIES OF VIDEO GAMES DEVELOPMENT COMPANY

Textual Amendments

- F1** Pt. 15B inserted (17.7.2013 for specified purposes and 1.4.2014 in so far as not already in force) by Finance Act 2013 (c. 29), **Sch. 17 paras. 1, 2**; S.I. 2014/1962, art. 2(1)(2)

Separate video game trade

1217B Activities of video games development company treated as a separate trade

- (1) This Chapter applies for corporation tax purposes to a company that is the video games development company in relation to a [^{F2}qualifying] video game.
- (2) The company's activities in relation to the video game are treated as a trade separate from any other activities of the company (including any activities in relation to any other [^{F3}qualifying] video game).
- (3) In this Chapter the separate trade is called “the separate video game trade”.
- (4) The company is treated as beginning to carry on the separate video game trade—
 - (a) when the design of the video game begins, or
 - (b) if earlier, when any income from the video game is received by the company.

[In this section “qualifying video game” means a video game in relation to which the ^{F4}(5) conditions for video games tax relief are met (see section 1217C(2)).]

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Corporation Tax Act 2009. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

Textual Amendments

- F2** Word in s. 1217B(1) inserted (with effect in accordance with s. 34(8) of the amending Act) by [Finance Act 2014 \(c. 26\), s. 34\(4\)\(a\)](#)
- F3** Word in s. 1217B(2) inserted (with effect in accordance with s. 34(8) of the amending Act) by [Finance Act 2014 \(c. 26\), s. 34\(4\)\(b\)](#)
- F4** S. 1217B(5) inserted (with effect in accordance with s. 34(8) of the amending Act) by [Finance Act 2014 \(c. 26\), s. 34\(4\)\(c\)](#)

1217BA Calculation of profits or losses of separate video game trade

- (1) This section applies for the purpose of calculating the profits or losses of the separate video game trade.
- (2) For the first period of account the following are brought into account—
 - (a) as a debit, the costs of the video game incurred (and represented in work done) to date, and
 - (b) as a credit, the proportion of the estimated total income from the video game treated as earned at the end of that period.
- (3) For subsequent periods of account the following are brought into account—
 - (a) as a debit, the difference between the amount of the costs of the video game incurred (and represented in work done) to date and the corresponding amount for the previous period, and
 - (b) as a credit, the difference between the proportion of the estimated total income from the video game treated as earned at the end of that period and the corresponding amount for the previous period.
- (4) The proportion of the estimated total income treated as earned at the end of a period of account is given by—

$$\frac{C}{T} \times I$$

where—

C is the total to date of costs incurred (and represented in work done),

T is the estimated total cost of the video game, and

I is the estimated total income from the video game.

Supplementary

1217BB Income from the video game

- (1) References in this Chapter to income from the video game are to any receipts by the company in connection with the production or exploitation of the video game.
- (2) This includes—
 - (a) receipts from the sale of the video game or rights in it,

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- (b) royalties or other payments for use of the video game or aspects of it (for example, characters or music),
 - (c) payments for rights to produce games or other merchandise, and
 - (d) receipts by the company by way of a profit share agreement.
- (3) Receipts that (apart from this subsection) would be regarded as of a capital nature are treated as being of a revenue nature.

1217BC Costs of the video game

- (1) References in this Chapter to the costs of the video game are to expenditure incurred by the company on—
- (a) video game development activities in connection with the video game, or
 - (b) activities with a view to exploiting the video game.
- (2) This is subject to any provision of the Corporation Tax Acts prohibiting the making of a deduction, or restricting the extent to which a deduction is allowed, in calculating the profits of a trade.
- (3) Expenditure that (apart from this subsection) would be regarded as of a capital nature by reason only of being incurred on the creation of an asset (the video game) is treated as being of a revenue nature.

1217BD When costs are taken to be incurred

- (1) For the purposes of this Chapter costs are incurred when they are represented in the state of completion of the work in progress.
- (2) Accordingly—
- (a) payments in advance for work to be done are ignored until the work has been carried out, and
 - (b) deferred payments are recognised to the extent that the work is represented in the state of completion.
- (3) The costs incurred on the video game are taken to include an amount that has not been paid only if it is the subject of an unconditional obligation to pay.
- (4) If an obligation is linked to income being earned from the video game, no amount is to be brought into account in respect of the costs of the obligation unless an appropriate amount of income is or has been brought into account.

1217BE Estimates

Estimates for the purposes of this Chapter must be made as at the balance sheet date for each period of account, on a just and reasonable basis taking into consideration all relevant circumstances.]

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

- Blanket amendment words substituted by [S.I. 2011/1043 art. 34](#)

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 322(2A)(zb) inserted by [2016 c. 24 s. 73\(5\)](#)
- s. 934(1A)(1B) inserted by [2023 c. 30 Sch. 2 para. 12\(2\)](#)
- s. 962(3A) inserted by [2023 c. 30 Sch. 2 para. 12\(5\)\(b\)](#)
- s. 962A(3A) inserted by [2023 c. 30 Sch. 2 para. 12\(6\)\(b\)](#)
- s. 963(1A) inserted by [2023 c. 30 Sch. 2 para. 12\(7\)\(a\)](#)
- s. 1058B(5)(ea) inserted by [2023 c. 20 Sch. para. 57](#)
- s. 1094(2A)-(2C) inserted by [2012 c. 14 Sch. 3 para. 13\(3\)](#)
- s. 1106(4A)-(4C) inserted by [2012 c. 14 Sch. 3 para. 14\(3\)](#)
- s. 1138A applied by [S.I. 2024/348 reg. 3](#)