These notes refer to the Finance Act 2014 (c.26) which received Royal Assent on 17 July 2014

FINANCE ACT 2014

EXPLANATORY NOTES

INTRODUCTION

Section 34: Video Games Development

Summary

1. This section introduces amendments to the video games regime to ensure it is compliant with state aid requirements. The section also clarifies that only those video games that claim the relief are within the scope of the rules at Part 15B Corporation Tax Act 2009 ('CTA 2009').

Details of the Section

2. Subsection 1 provides that Part 15B of CTA 2009 is amended as follows.

3. Subsection 2 amends section 1217A.

4. Subsection 3 provides that in section 1217AE 'used or consumed' is substituted for 'expenditure on goods or services that are provided from within the European Economic Area'.

5. Subsection 4 amends section 1217B to clarify that only qualifying video games will need to be treated as separate trades for the purposes of Part 15B.

6. Subsection 5 inserts a new subsection in section 1217CF to limit the amount of subcontracting payments (as defined in new subsection (5)) to £1 million. Any payments for subcontracting exceeding this amount will not be treated as allowable expenditure for the purposes of claiming the tax credit.

7. Subsection 6 specifies provisions in which "UK expenditure" is substituted by "EEA expenditure".

8. Subsection 7 amends Schedule 4 to CTA 2009.

9. Subsection 8 specifies that the amendments will be commenced by Treasury Order since commencement is subject to State aid approval from the European Commission.

Background Note

10. Video games tax relief was introduced by Finance Act 2013. The regime has not yet commenced as it is awaiting State aid approval from the European Commission.

11. The new video games development relief will allow eligible companies engaged in the production of qualifying video games to claim an additional deduction in computing their taxable profits and where that additional deduction results in a loss, to surrender those losses for a payable tax credit.