

SCHEDULES

SCHEDULE 3

FILMS: RESTRICTIONS ON RELIEF FOR PRODUCTION AND ACQUISITION EXPENDITURE

PART 1

RESTRICTIONS ON CIRCUMSTANCES IN WHICH RELIEF MAY BE OBTAINED

Section 138 of the Income Tax (Trading and Other Income) Act 2005 (c. 5)

- 3 (1) For section 138 of ITTOIA 2005 (certified master versions: production or acquisition expenditure) substitute—

“Certified master versions: production expenditure

- (1) This section applies if—
- (a) the person carrying on the trade has incurred production expenditure in respect of the original master version of a film in, or before, the relevant period,
 - (b) the film was completed in, or before, that period,
 - (c) the original master version is a certified master version,
 - (d) the original master version was owned by that person at the time the film was completed,
 - (e) the film is genuinely intended for theatrical release, and
 - (f) there has not already been a disqualifying deduction in respect of expenditure relating to the film (see section 140A).
- (2) A deduction is allowed for the amount of the expenditure allocated to the relevant period, but this is subject to the application of any prohibitive rule.
- (3) The person carrying on the trade may allocate up to the permissible amount of the expenditure to the relevant period.
- (4) The permissible amount of the expenditure is the smallest amount given by the following calculations.
- (5) The calculations are—
- Calculation 1*
Calculate one-third of the total production expenditure incurred by the person in respect of the original master version (“the total expenditure”).
- Calculation 2*
Calculate one-third of the sum obtained by deducting from the total expenditure—

Status: This is the original version (as it was originally enacted).

- (a) any amount of the total expenditure already allocated under section 137,
- (b) any amount of the total expenditure already allocated under section 41 of F(No 2)A 1992, and
- (c) any amount of the total expenditure that has already been, or is capable of being, allocated under section 139 below or under section 42 of F(No 2)A 1992 as applied by section 48(1) to (3) of F(No 2)A 1997 (corresponding corporation tax provision).

Calculation 3

Calculate so much of the total expenditure as has not already been allocated to the relevant period or any other relevant period—

- (a) under this section or any other provision of this Chapter, or
 - (b) under any of sections 40B, 41 or 42 of F(No 2)A 1992.
- (6) If the relevant period is less than 12 months the above references to one-third are to be read as references to a proportionately smaller fraction.
- (7) If any production expenditure in respect of the original master version is allocated to the relevant period—
- (a) under section 135 above, or
 - (b) under section 40B of F(No 2)A 1992,
- no other production expenditure in respect of the original master version may be allocated to the relevant period under this section.

Certified master versions: acquisition expenditure

- (1) This section applies if—
- (a) the person carrying on the trade has incurred acquisition expenditure in respect of the original master version of a film in, or before, the relevant period,
 - (b) the original master version has not previously been acquired by that person,
 - (c) the film was completed in, or before, that period,
 - (d) the original master version is a certified master version,
 - (e) the film is genuinely intended for theatrical release, and
 - (f) there has not already been a disqualifying deduction in respect of expenditure relating to the film (see section 140A).
- (2) A deduction is allowed for the amount of the expenditure allocated to the relevant period, but this is subject to the application of any prohibitive rule.
- (3) The person carrying on the trade may allocate up to the permissible amount of the expenditure to the relevant period.
- (4) The permissible amount of the expenditure is the smallest amount given by the following calculations.

- (5) The calculations are—

Calculation 1

Calculate one-third of the total acquisition expenditure incurred by the person in respect of the original master version (“the total expenditure”).

Calculation 2

Calculate one-third of the sum obtained by deducting from the total expenditure any amount of the total expenditure that has already been, or is capable of being, allocated under section 140 below or under section 42 of F(No 2)A 1992 as applied by section 48(1) to (3) of F(No 2)A 1997 (corresponding corporation tax provision).

Calculation 3

Calculate so much of the total expenditure as has not already been allocated to the relevant period or any other relevant period—

- (a) under this section or any other provision of this Chapter, or
- (b) under any of sections 40B or 42 of F(No 2)A 1992.

(6) If the relevant period is less than 12 months the above references to one-third are to be read as references to a proportionately smaller fraction.

(7) If any acquisition expenditure in respect of the original master version is allocated to the relevant period—

- (a) under section 135 above, or
- (b) under section 40B of F(No 2)A 1992,

no other acquisition expenditure in respect of the original master version may be allocated to the relevant period under this section.”

- (2) Subject to sub-paragraphs (3) and (4), the amendments made by this paragraph have effect for the year 2005-06 and subsequent years of assessment.
- (3) Those amendments do not have effect in relation to any film which was in production on 2nd December 2004.
- (4) In relation to pre-announcement expenditure—
 - (a) section 138 of ITTOIA 2005 (as substituted by this paragraph) has effect as if subsection (1)(d) of that section were omitted, and
 - (b) section 138A of that Act (as so substituted) has effect as if subsection (1)(b) of that section were omitted.