



Finance Act 2006

2006 CHAPTER 25

PART 3

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 3

FILMS AND SOUND RECORDINGS

Film tax relief

38 Films qualifying for film tax relief

A film qualifies for film tax relief if the conditions specified in the following sections are met—

- (a) section 39 (intended theatrical release),
- (b) section 40 (British film), and
- (c) section 41 (UK expenditure).

39 Conditions of relief: intended theatrical release

- (1) The film must be intended for theatrical release.
- (2) For this purpose—
 - (a) “theatrical release” means exhibition to the paying public at the commercial cinema;
 - (b) a film is not regarded as intended for theatrical release unless it is intended that a significant proportion of the earnings from the film should be obtained by such exhibition.

Status: This is the original version (as it was originally enacted).

- (3) Whether this condition is met is determined for each accounting period of the film production company during which film-making activities are carried on in relation to the film, in accordance with the following rules.
- (4) If at the end of an accounting period the film is intended for theatrical release, the condition is treated as having been met throughout that period (subject to subsection (5)(b)).
- (5) If at the end of an accounting period the film is not intended for theatrical release, the condition—
 - (a) is treated as having been not met throughout that period, and
 - (b) cannot be met in any subsequent accounting period.

This does not affect any entitlement of the company to relief in an earlier accounting period for which the condition was met.

40 Conditions of relief: British film

The film must be certified by the Secretary of State as a British film under Schedule 1 to the Films Act 1985 (c. 21).

41 Conditions of relief: UK expenditure

- (1) Not less than 25% of the core expenditure on the film incurred—
 - (a) in the case of a British film other than a qualifying co-production, by the film production company,
 - (b) in the case of a qualifying co-production, by the co-producers,must be UK expenditure.
- (2) The Treasury may by regulations amend the percentage specified in subsection (1).
- (3) No such regulations shall be made unless a draft of the regulations has been laid before and approved by a resolution of the House of Commons.

42 Film tax relief: further provisions

- (1) Schedule 5 to this Act contains further provisions about film tax relief.
- (2) In that Schedule—
 - Part 1 deals with entitlement to the relief;
 - Part 2 provides for the certification of British films for the purposes of the relief;
 - Part 3 makes provision for claims for the relief;
 - Part 4 is about provisional entitlement to relief.