

CORPORATION TAX ACT 2009

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 15: Film production

Overview

Chapter 4: Film losses

Section 1208: Application of sections 1209 and 1210

3054. This section introduces, and provides defined terms for, the next two sections dealing with losses of separate film trades. It is based on section 43(3) and 44(5) of FA 2006.

Section 1209: Restriction on use of losses while film in production

3055. This section restricts the offset of single film trade losses arising in accounting periods ending before the film is completed or abandoned (“pre-completion periods”). It is based on section 43(1) and (2) of FA 2006.
3056. The profits against which pre-completion period single film trade losses can be offset are restricted to those provided for by section 393(1) of ICTA (carry forward against trading profits of the same trade). But this restriction may effectively cease to apply in respect of some, or all, of those single film trade losses from the accounting period in which the film is completed or abandoned (see section 1210).

Section 1210: Use of losses in later periods

3057. This section modifies, for accounting periods from that in which the film is completed or abandoned (“the completion period”), the rules on trade losses and their offset against other profits. It is based on section 44(1) to (4) and (6) of FA 2006.
3058. *Subsection (1)(b)* refers to the separate film trade continuing in accounting periods after the completion period. This deals with the possibility that a film production company might decide to exploit the completed film, rather than sell it. In such a case the separate film trade may continue after the completion period.
3059. *Subsections (2) and (3)* allow part (or all) of single film trade losses brought forward to the completion period to be treated as if they were single film trade losses of the completion period. Single film trade losses of the completion period are not subject to the restrictions in section 1209. Any brought forward losses that are attributable to film tax relief (see *subsection (6)*) will not be “freed-up” in this manner. Nor will losses be “freed-up” if they are brought forward because of section 1211 (terminal losses) (see *subsection (7)*).
3060. *Subsections (4) and (5)* prevent single film trade losses being offset against other profits to the extent that such losses are attributable to film tax relief (see *subsection (6)*).

Section 1211: Terminal losses

3061. This section allows certain single film trade losses, attributable to a trade that ceases, to be treated as if they were brought forward losses of certain other single film trades and it allows the Treasury to make regulations appropriate to the operation of the section. It is based on section 45 of FA 2006.
3062. The normal rule is that trade losses do not survive the cessation of the trade in which the losses were made. This section operates if the trade that ceases (trade A) is a single film trade that qualifies for film tax relief and, at the time of cessation, there is another single film trade (trade B) carried on which also qualifies for film tax relief. Subject to conditions being met, the losses of trade A that would otherwise have been available for carry forward under section 393(1) of ICTA may be treated as if they were losses of trade B that are carried forward under section 393(1) of ICTA.
3063. Trade B may be carried on either by the film production company that had carried on trade A or by another member of the same group (for group relief) as that film production company.
3064. The [Corporation Tax \(Surrender of Terminal Losses on Films and Claims for Relief\) Regulations 2007 \(SI 2007/678\)](#) have been made under section 45(5) of FA 2006.