

VIDEO GAMES TAX RELIEF

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The video games tax relief allows eligible companies engaged in the production of qualifying video games to claim an additional deduction (enhancement) against their taxable profits and where that additional deduction results in a loss, to surrender those losses for a payable tax credit.

Both the additional enhanced deduction at 100% of qualifying core expenditure and the payable tax credit at 25% of the losses surrendered are calculated on the basis of UK core expenditure up to a maximum of 80% of total core expenditure by the qualifying company.

Qualifying Video Games

To qualify for relief there must be one video games development company registered with Companies House, and you must have a video game:

- intended for supply to the general public
- that it is certified as a British video game with regards to a cultural test
- 25% of core expenditure must be UK expenditure

Control and the Video Game Development Company

The video game development company must be responsible for the game from design through to testing while in control of negotiating contracts.

Qualifying expenditure

Qualifying expenditure covers areas such as designing, production and the development.

Non qualifying are areas such as the initial concepts and for completed games debugging and maintenance costs.

UK Expenditure

Are for goods and services used or consumed in the UK

Ineligible Expenditure – for example in film expenditure is disallowed for finance costs, audit fees, entertaining, hospitality, publicity and promotion etc.

Culturally British Test

DCMS (Department for Culture, Media and Sport) worked with stakeholders to design the cultural test for British video games which is administered by the British Film Institute (BFI).

The aim of the cultural test is to apply objective criteria to the measurement of cultural attributes in order to better identify culturally British video games. This test awards points for those elements that contribute to the overall cultural value of a video game. Points are awarded in following areas:

- Cultural content
- Cultural contribution
- Cultural hubs
- Cultural practitioners

Section A: Cultural Content

This section of the cultural test measures the British or European content of the video game. The criteria listed are to recognise that a video game may well not feature any dialogue or may be set in a purely fictional environment.

Points will be awarded for:

- A1 Set in the UK or an EEA state or (Up to 3 points will be awarded for set in an undetermined location)
- A2 Lead characters British or EEA citizens or residents (or characters from an undetermined location)
- A3 Video game based on British subject matter or relates to an EEA state or underlying material
- A4 Original dialogue recorded mainly in English language or one of six UK indigenous languages

Eligible expenditure for the tax credit corresponds to expenditure on conception and creation. Artistic expenditure covers the personnel costs (wages and social security contributions) for the producer, the assistant producer, the artistic director and the persons responsible for the scenario, the animation and the sound environment. It does not include the personnel costs for the persons responsible for programming, depreciation on assets other than buildings directly assigned to the creation of video games, and other operating expenditure.

Section B: Cultural Contribution

Points will be awarded for those elements of the production which demonstrate British creativity, British heritage or cultural diversity. This is what the assessment criteria for this category looks like.

- Video game represents/reflects British creativity, British heritage or diversity

Section C: Cultural Hubs

This section measures the use of the UK's video games-making facilities. Points will be awarded for using UK facilities for development, visual design, layout and storyboarding, visual effects, special effects, music recording, voice recording, and audio post-production.

Section D: Cultural Practitioners

This section measures the use of personnel with creative input into the cultural value of a video game. Points will be awarded for the use of UK or EEA nationals or residents in key video games-making roles as identified in section A.

Administration of the cultural test

The cultural test has an overall pass mark of 16 points out of a possible 31 and there are flexible paths to achieving this pass mark.

ANNEX A: Video Games Cultural Test

A video game qualifies if it scores 16 points or more out of 30.

Applicants need only enter the points they want to claim and not necessarily under every category.

Section A: Cultural Content		Points
A1	Set in the UK or an EEA state or (Up to 3 points will be awarded for set in an undetermined location)	Up to 4
A2	Lead characters British or EEA citizens or residents (or characters from an undetermined location)	Up to 4
A3	Video game based on British subject matter or relates to an EEA state or underlying material	4
A4	Original dialogue recorded mainly in English language or one of six UK indigenous languages	Up to 4
Section B: Cultural Contribution		
B	Video game represents/reflects British creativity, British heritage or diversity	Up to 4
Section C: Cultural Hubs Points		
C1	At least 50% of the conceptual development or storyboarding or programming or design takes place in the UK	2
C2	At least 50% of the music recording or audio production or voice recording takes place in the UK	1
Section D: Cultural Practitioners		
D1	1 of the 3 lead project leaders is an EEA citizen or resident	1
D2	1 of the 3 lead scriptwriters is an EEA citizen or resident	1
D3	1 of the 3 lead composers is an EEA citizen or resident	1
D4	1 of the 3 lead artists is an EEA citizen or resident	1
D5	1 of the 3 lead programmers is an EEA citizen or resident	1
D6	1 of the 3 lead designers is an EEA citizen or resident	1
D7	At least 1 of the 7 key HoDs is an EEA citizen or resident	1
D8	At least 50% of the development team are EEA citizens or residents	1
	Total	31

Summary

	Points
Section A - Cultural content	16
Section B - Cultural contribution	4
Section C - Cultural hubs	3
Section D - Cultural practitioners	8
Total points for Sections A, B, C and D	31

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