

A black and white photograph of two women in sequined dresses on a stage. The woman on the left is standing in profile, looking towards the right. The woman on the right is also in profile, looking towards the right, with her arms extended outwards. The background is dark, and the floor is light-colored.

friend

Theatre Tax Relief

Creative Industry Tax Reliefs & Credits

Theatre Tax Relief

Theatre Tax Relief (TTR) allows eligible production companies to claim enhanced tax deductions or payable tax credits based on their qualifying expenditure. This helps reduce financial risk, improve cash flow, and make it more viable to develop and stage productions.

Who can qualify?

To qualify, a company must be a **Theatre Production Company**, meaning it:

- Is responsible for producing, running, and closing the production
- Is actively involved in decision-making throughout all stages
- Makes a creative, technical, and artistic contribution
- Directly negotiates and pays for rights, goods, and services

Co-productions can still qualify, however, only the lead Theatre Production Company can claim relief on core expenditure.

Who can qualify for Theatre Tax Relief?

A qualifying production must:

- Be a play, musical, opera, or ballet
- Tell a story through live performance
- Be performed for a paying audience or for educational purposes
- Be intended for an audience of at least five people

Additionally, at least **10% of total core expenditure must be UK expenditure**, meaning goods or services used or consumed in the UK.

Relief is not available for productions that are primarily promotional or advertising content, are of a sexual nature, include live performances involving wild animals or where they are mainly produced for recording purposes.

What is core expenditure?

There are four distinct stages of a theatrical production: Development, Production, Running, and Closing.

Core expenditure in relation to a theatrical production means activities involved in producing the production and closing the production.

All costs which relate to matters not directly involving producing the production or exploit the production cannot be included in the core expenditure.

How much can you claim?

Profitable companies can claim an additional deduction in their Corporation Tax return, which in turn lowers Corporation Tax liability.

Loss making companies can claim a repayable tax credit in exchange for surrendered losses.

The additional deduction is the lower of:

- 80% of total core expenditure
- The amount of core expenditure used and consumed in the UK

Payable tax credit rates

If the company makes a loss, they may be able to surrender all or part of the loss for a repayable tax credit. The lower of the unrelieved trading loss, and 80% of the core expenditure can be surrendered for a repayment at the following rates:

- **40%** for non-touring productions
- **45%** for touring productions

A production qualifies as touring if it has at least 14 performances across 2+ venues or at least 6 performances across 6 or more venues.

Working examples of Theatre Tax Relief

A theatre company stages a West End production generating £2,000,000 in income, with total costs of £1,500,000, of which total qualifying UK core expenditure of £500,000.

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	Without TTR	With TTR
Income	£2,000,000	£2,000,000
Allowable Expenditure (non TTR)	(£1,000,000)	(£1,000,000)
Core Expenditure (TTR)	(£500,000)	(£500,000)
Profit Before Tax	<u>£500,000</u>	<u>£500,000</u>
Additional TTR Deduction	-	(£400,000)
Taxable Profits	<u>£500,000</u>	<u>£100,000</u>
Corporation Tax @ 25%	£125,000	£25,000

The additional deduction above results in a corporation tax saving of £100,000 (20% of core expenditure).

	Without TTR	With TTR
Income	£2,000,000	£2,000,000
Allowable Expenditure (non TTR)	(£1,500,000)	(£1,500,000)
Core Expenditure (TTR)	(£500,000)	(£500,000)
Profit Before Tax	<u>£ 0</u>	<u>£ 0</u>
Additional TTR Deduction	-	(£400,000)
Taxable Profits	<u>£ 0</u>	<u>(£400,000)</u>
Repayable Tax Credit @ 40%	£ 0	£160,000

In this example, whilst the production broke even in terms of income over costs, it received a repayable credit of £160,000.

Additional Information Form

Alongside the Corporation Tax return which the claim is filed on, companies must submit an **Additional Information Form** to support their claim, providing;

- A breakdown of qualifying and non-qualifying expenditure
- Production details, dates, and activities
- Confirmation of eligibility
- Touring status
- Company contact details
- A breakdown of all transactions between connected parties

Claim deadlines

Claims for Theatre Tax Relief must be submitted within one year of the company's Corporation Tax filing deadline for the relevant accounting period. In practice, this means the claim window is typically up to two years after the end of the accounting period.

Within this one-year window, companies have flexibility to amend a claim, withdraw a claim or refine the allocation of expenditure.

It is important to ensure claims are accurate and submitted on time, as late claims are not normally accepted by HMRC.

Next Steps

If you think your organisation may qualify for Theatre Tax Relief, or you'd like guidance on making a claim, get in touch with Friend Partnership to arrange a no-obligation consultation.

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