

Update

Technology & media

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Video games tax relief

Video games tax relief (VGTR) allows qualifying companies to claim a larger tax deduction for their costs, or in some circumstances, a payable tax credit.

The relief is intended to encourage the high-tech and creative industries to develop video games for video game consoles, phones, mobile devices, tablets and computers in the UK.

Who can make the tax relief claim?

To qualify for VGTR you must be responsible for all of the following:

- designing, producing and testing the video game;
- actively engaging in planning and decision-making during the design, production and testing of the video game;
- directly negotiating, contracting and paying for rights, goods and services in relation to the video game.

The tax benefit

Where a video games production company is profitable, the VGTR claim reduces its tax liability by up to an additional 15.2% of the qualifying costs.

Where a company is loss-making, or doesn't pay corporation tax (for example, due to prior year losses), a tax credit at a rate of up to 20% of the qualifying costs is repayable to the company.

What video games are eligible for tax relief?

A qualifying video game must meet the following three conditions:

- the video game must be intended for supply to the general public;
- the video game must be certified as a British video game;
- at least 25% of the 'core expenditure' on the production must be spent on goods or services that are provided from within the European Economic Area (EEA).

To be considered a British video game, it must pass a cultural test or qualify through an internationally agreed co-production treaty – certifying that the production is a British video game. In all cases, formal certification is required to qualify.

Certification and qualification is administered by the British Film Institute (BFI) on behalf of the Department for Digital, Culture, Media and Sport.

What costs can be included in your claim?

Expenditure eligible for an enhanced tax deduction include expenditure on designing, producing and testing video games.

However, expenditure incurred in designing the initial concept of the video game and debugging or carrying out maintenance in connection with a completed video game aren't eligible for VGTR.

If I claim VGTR, can I also claim R&D tax relief?

Yes, companies that claim VGTR may also claim R&D tax relief in certain circumstances. However, where a small or medium-sized (SME) company claims VGTR in respect of a project, it cannot claim SME R&D tax relief on the same project, as two sets of state aid reliefs cannot be claimed on the same project.

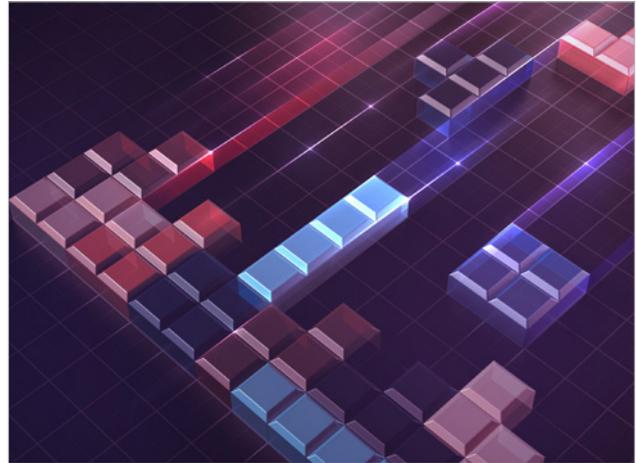
For companies which carry out R&D and claim under the Research and Development Expenditure Credit (RDEC) scheme, the rules are different. This is because R&D tax relief claimed under the RDEC scheme isn't state aid, and therefore the areas of research and development may be eligible for relief under both the VGTR and RDEC schemes.

How we can help

Our specialist team can assist you to structure your entity to ensure that it qualifies for relief, consider which of your video games qualify, identify the costs that are eligible for relief and manage the application process on your behalf.

In addition, we can assist you to optimise the tax relief claims, by identifying costs eligible for RDEC as well as VGTR.

If you require any advice on the matters noted above, please contact your usual Moore Stephens adviser or one of the people listed below.



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