

Video games tax relief

Business tax

PRECISE. PROVEN. PERFORMANCE.

A tax relief for the gaming sector

The video games tax relief (VGTR) allows qualifying companies to claim a larger deduction, or in some circumstances claim a payable tax credit when calculating their tax profits.

VGTR is intended to encourage the development of computer and video games to benefit the high-tech and creative industries, and relates to games produced for video game consoles, phones, mobile devices, tablets and computers.

Who can make the tax relief claim?

Companies that incur costs to design, develop and produce commercial video games which promote British culture and values can make a tax relief claim. Your company will be entitled to claim VGTR if:

- the video game is British;
- the video game is intended for supply;
- at least 25% of core expenditure is incurred on goods or services that are provided from within the European Economic Area.

(Core expenditure is defined as spending on designing, producing and testing the game).

How will my business benefit from the tax relief?

- Where a video games production company is profitable, the VGTR claim reduces the production company's tax liability by up to an additional 16% of the qualifying costs:
- Where the company is loss making or does not pay corporation tax (for example, due to prior year losses), a tax credit at a rate up to 20% of the qualifying costs is repayable to the game production company.

The British culture test

To qualify for VGTR, video games 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 Culture Media and Sport.

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 large companies who carry out R&D and claim under the large scheme, the rules are different. This is because R&D tax relief claimed under the large scheme is not state aid, and therefore the areas of research and development within a project may be eligible for R&D tax relief.

How we can help

We will help you to identify the associated costs that could be included in the claim that will save you time and enhance the tax relief claim or the tax repayment.

In addition, we can assist you to optimise the tax relief claims by identifying costs specifically for VGTR as well as R&D tax relief.

We will prepare the claim for you, and once the claim has been prepared, we will summarise the information to be submitted to HMRC along with the company's tax return.

Other Government reliefs and incentives to support your business

Other reliefs and incentives beneficial to games studios include:

- the Enterprise Investment Scheme (EIS) provides investors who subscribe for equity in a company conducting qualifying trade generous tax benefits;
- the Seed Enterprise Investment Scheme (SEIS) is designed to help small, early-stage companies to raise equity finance by offering a range of tax reliefs to individual investors who subscribe for new shares in those companies;
- tax efficient employee share rewards, for example Enterprise Management Incentives (EMI), enable companies to attract and motivate key staff to grow their business.

For further information, contact us using the details below.

Timothy Fussell – Partner

timothy.fussell@moorestephens.com

Steven Levine – Partner

steven.levine@moorestephens.com

Nik Shah – Consultant

nik.shah@moorestephens.com

www.moorestephens.co.uk