EXPLANATORY MEMORANDUM TO

THE RELIEF FOR CREATIVE INDUSTRIES (ADDITIONAL INFORMATION REQUIREMENTS AND MISCELLANEOUS AMENDMENTS) (AMENDMENT) REGULATIONS 2025

2025 No. 383

1. Introduction

1.1 This explanatory memorandum has been prepared by His Majesty's Revenue and Customs (HMRC) and is laid before the House of Commons by Command of His Majesty.

1.2 This memorandum contains information for the Select Committee on Statutory Instruments.

2. Declaration

2.1 James Murray MP, Exchequer Secretary to the Treasury confirms that this Explanatory Memorandum meets the required standard.

2.2 Jon Sherman, Director for the creative industry tax reliefs at HMRC confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 The Creative Industries Reliefs Policy Team at HMRC can be contacted by email at creativespolicy@hmrc.gov.uk with any queries regarding the instrument.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 The legislation affects the creative industries reliefs housed in parts 14A to 15E of the Corporation Tax Act (CTA) 2009: Audio-Visual Expenditure Credit (AVEC), Video Games Expenditure Credit (VGEC), Film Tax Relief, High-End Television Tax Relief, Animation Tax Relief, Children's Television Tax Relief, Video Games Tax Relief, Theatre Tax Relief, Orchestra Tax Relief and Museums and Galleries Exhibition Tax Relief.

4.2 Companies that claim the reliefs are required to provide additional information in support of their claims using an online form. The Relief for Creative Industries (Additional Information Requirements and Miscellaneous Amendments) 2024 ('the 2024 regulations') set out the additional information required, the date by which it is to be provided and the consequences of failing to provide it in time. They also introduce a requirement for digital filing of all amendments to Corporation Tax returns where they contain a claim to any of the reliefs. The digital filing requirement does not extend to customers who have statutory protections allowing for provision of paper returns.

4.3 These regulations amend the 2024 regulations in three ways. Firstly, they correct a small number of errors present in the 2024 regulations, including the previous omission of data items relating to production status and touring schedules, and clarify

some parts of the text relating to the definition of a tax adviser and the provision of information in Table 2. Secondly, they remove some obsolete additional information items that are no longer required. Thirdly, they introduce some new additional information items that companies must provide to HMRC.

Where does the legislation extend to, and apply?

4.4 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is the United Kingdom.

4.5 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the United Kingdom.

5. Policy Context

What is being done and why?

5.1 The Finance (No. 2) Act 2024 introduced enhanced tax relief for low-budget films with a UK connection, as part of the AVEC scheme. Claims for enhanced relief can be made from 1 April 2025. This was followed by the introduction of enhanced relief for visual effects (VFX) costs in the Finance Act 2025, again as part of AVEC and available to claim from 1 April 2025. This means new additional information items need to be provided by companies so that HMRC can check claims to the enhanced reliefs. These regulations add those items to the list of mandatory information in the 2024 regulations.

5.2 A new version of the online form will be launched in April 2025, which will follow an updated format. Because of this, some information items are no longer required. These regulations remove the obsolete information items from the 2024 regulations.

What was the previous policy, how is this different?

5.3 The AVEC scheme did not contain any enhanced relief for low-budget films or VFX costs when it was first introduced from 1 January 2024. The enhanced reliefs will allow companies to claim additional credit in respect of productions that meet the relevant qualifying criteria. On top of the additional information already required in the 2024 regulations, those companies will have to provide extra additional information to evidence that the qualifying criteria are met, and to allow HMRC to check the validity of claims.

5.4 The original version of the online form requires information relating to expenditure to be provided as combined totals per relief type. The new version will ask for the same information per production, and automatically calculate combined totals for customers.

6. Legislative and Legal Context

How has the law changed?

6.1 The regulations amend the Relief for Creative Industries (Additional Information Requirements and Miscellaneous Amendments) 2024 to remove obsolete information items, require the provision of new information items that are needed as part of a valid claim, and correct errors and clarify wording.

Why was this approach taken to change the law?

6.2 It is appropriate to make corrections to the 2024 regulations using further regulations. The new information items are detailed changes relating to the additional information

form. To maintain future flexibility and ensure they meet their purpose, these amendments are being made by regulations.

7. Consultation

Summary of consultation outcome and methodology

7.1 There has been no consultation on the parts of this instrument that relate to the correction of errors and removal of obsolete information items, as these changes will have no impact on companies.

7.2 A limited number of stakeholders were informally consulted on the new information items that relate to claims to additional credit for VFX costs. Stakeholders were content with the suggested changes.

8. Applicable Guidance

8.1 Guidance in relation to the changes will be incorporated into HMRC manuals on the gov.uk website for the various reliefs listed at paragraph 4.1.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A Tax Information and Impact Note on the additional relief for VFX was published on 30 October 2024.[1] It remains an accurate summary of the impacts that apply to this instrument in relation to VFX claims.

Impact on businesses, charities and voluntary bodies

9.2 The parts of the instrument that relate to the correction of errors and removal of obsolete information items are expected to have no impact on companies.

9.3 The parts that relate to new information items are expected to have a negligible impact on the approximately 1,000 companies that are expected to claim additional credit for VFX costs as part of AVEC for film and high-end television production.

9.4 One-off costs are expected to be negligible and will include familiarisation with the new items. Continuing costs will include providing HMRC with more information to evidence the qualifying VFX expenditure. Companies will need to identify expenditure that qualifies for VFX relief and separate this out from other expenditure, and factor this into their tax computation. This information is only expected to be provided once per production, in most cases.

9.5 There is therefore no, or no significant, impact on businesses, charities or voluntary bodies.

9.6 The legislation has a negligible impact on small or micro businesses.

9.7 There is no, or no significant, impact on the public sector.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 No specific monitoring or review is proposed for this measure.

[1] Tax Information and Impact Note: https://www.gov.uk/government/publications/corporation-tax-additional-tax-credit-for-visual-effects-vfx-expenditure/additional-tax-relief-for-visual-effects-vfx

10.2 The instrument does not include a statutory review clause in line with the requirements of the Small Business, Enterprise and Employment Act 2015 because the legislation relates to tax, and so there is no obligation to include such a clause in accordance with section 28(3)(a) of the Small Business, Enterprise, and Employment Act 2015.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 Regulation 6(3)(f)(i) amends Table 1 of the 2024 regulations, which was reported by the Select Committee on Statutory Instruments for defective drafting and failure to define terms.[2] The amendment fixes the issues reported by the committee.

12. European Convention on Human Rights

12.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").

[2] SI 2024/320; SCSI First Report of Session 2024-25