



Finance Act 2005

2005 CHAPTER 7

PART 2

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 6

FILM RELIEF

Companies benefited by film relief: exit charges

66 When a chargeable event occurs

- (1) A chargeable event occurs in relation to a company (“C”) where an exit event occurs in relation to C and the following conditions are satisfied—
 - (a) C was a film rights company immediately before the time of the exit event, and
 - (b) C or another company—
 - (i) had made a relevant claim for a deduction under section 42 of F(No 2)A 1992 (relief for production or acquisition expenditure on a film) before that time, or
 - (ii) first makes such a claim at or after that time.
- (2) C is a “film rights company” at a particular time if, at that time, it—
 - (a) is party to an agreement which guarantees it an amount of income arising from the exploitation of a film (“the film”),
 - (b) carries on a trade or business which consists of or includes the exploitation of films or the receipt of income derived from films (“the relevant trade”), and
 - (c) is a 75% subsidiary of the principal company of a group of companies (“the principal company”).

Status: This is the original version (as it was originally enacted).

- (3) An agreement “guarantees” C an amount of income if the agreement, or any part of it, is designed to secure the receipt by C of that amount (or at least that amount) of income.
- (4) An “exit event” occurs in relation to C on each occasion, on or after 2nd December 2004, when one of the following happens—
- (a) C ceases to be a 75% subsidiary of the principal company (“exit event X”);
 - (b) C ceases to be within the charge to corporation tax (“exit event Y”);
 - (c) there is a relevant disposal by C at an undervalue within the meaning given by section 68 (“exit event Z”).
- (5) A “relevant claim” means a claim in respect of expenditure relating to the film and, for the purposes of subsection (1)(b)(i), it does not matter whether the claim was made before, or on or after, 2nd December 2004.
- (6) For the purposes of sections 67 to 71—
- “the guaranteed income agreement” means the agreement mentioned in subsection (2)(a),
 - “the guaranteed income” means the income arising from the exploitation of the film—
 - (a) whose receipt by C that agreement, or any part of it, is designed to secure, and
 - (b) which would, if it were received by C at a time when it is carrying on the relevant trade, be income from that trade,
- and references to expressions which are defined in this section are to be construed in accordance with this section.
- (7) For the purposes of this section—
- “agreement” means an agreement or series of agreements; and
 - “film” is to be construed in accordance with paragraph 1 of Schedule 1 to the Films Act 1985 (c. 21),
- and an agreement, or part of an agreement, is to be regarded as designed to secure the receipt by C of an amount (or at least an amount) if it was designed to secure the receipt of that amount (or at least that amount) by another person and C is that person’s successor under the agreement.
- (8) This section is deemed to have come into force on 2nd December 2004.