



# Finance Act 2006

## 2006 CHAPTER 25

### PART 3

#### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

### CHAPTER 3

#### FILMS AND SOUND RECORDINGS

#### *Introductory*

#### **34 Meaning of “production expenditure” and related expressions**

- (1) In this Chapter, in relation to a film—
  - “production expenditure” means expenditure on film-making activities in connection with the film, and
  - “core expenditure” means production expenditure on pre-production, principal photography and post production.
- (2) For the purposes of this Chapter a “limited-budget film” means a film whose core expenditure is £20 million or less.
- (3) In determining whether a film is a limited-budget film, any core expenditure that—
  - (a) is incurred by a person under or as a result of a transaction entered into directly or indirectly between that person and a connected person, and
  - (b) might have been expected to have been of a greater amount (“the arm’s length amount”) if the transaction had been between independent persons dealing at arm’s length,is treated as having been of an amount equal to the arm’s length amount.
- (4) Section 839 of ICTA (connected persons) applies for the purposes of subsection (3).