



# Finance Act 2006

## 2006 CHAPTER 25

### PART 3

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

### CHAPTER 3

#### FILMS AND SOUND RECORDINGS

##### *Corporation tax treatment of sound recordings*

#### **49 Sound recordings: allocation of expenditure**

- (1) This section applies in calculating for the purposes of corporation tax the profits or losses of a company from a trade where—
  - (a) the trade consists of or includes the exploitation of original master versions of sound recordings, and
  - (b) the original master versions do not constitute trading stock of the trade as defined by section 100(2) of ICTA.
- (2) Expenditure that is—
  - (a) incurred on the production or acquisition of the original master version of a sound recording, and
  - (b) expenditure of a revenue nature (whether as a result of section 48 or otherwise),must be allocated to relevant periods in accordance with this section.
- (3) The company must allocate to a relevant period so much of the expenditure as is just and reasonable having regard to—
  - (a) the amount of the expenditure that remains unallocated at the beginning of the period,

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*Status: This is the original version (as it was originally enacted).*

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- (b) the proportion that the estimated value of the original master version of the sound recording that is realised in that period (whether by way of income or otherwise) bears to the aggregate of the value so realised and the estimated remaining value of the original master version at the end of the period, and
  - (c) the need to bring the whole of the expenditure into account over the time during which the value of the original master version is expected to be realised.
- (4) The company may also allocate to a relevant period a further amount, so long as the total amount allocated does not exceed the value of the original master version of the sound recording realised in that period (whether by way of income or otherwise).