

EXPLANATORY MEMORANDUM TO

THE RELIEF FOR CREATIVE INDUSTRIES (ADDITIONAL INFORMATION REQUIREMENTS AND MISCELLANEOUS AMENDMENTS) REGULATIONS 2024

2024 No. 320

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 in accordance with Paragraph 83WA of Schedule 18 to the Finance Act 1998.

2. Declaration

- 2.1 Nigel Huddleston MP, Financial Secretary to the Treasury confirms that this Explanatory Memorandum meets the required standard.
- 2.2 Laura Cunningham, Deputy Director for the creative industry tax reliefs at HMRC confirms that this Explanatory Memorandum meets the required standard.

3. Contact

- 3.1 Alice Williams at HMRC Telephone: 03000 546 500 or email: alice.williams1@hmrc.gov.uk can be contacted 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 Finance Act 2024 introduces a new requirement for companies that claim creative industries tax reliefs to provide additional information in support of their claims. The reliefs are Audio-Visual Expenditure Credit, Video Games Expenditure Credit, 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 These regulations mandate the additional information to be provided – including disclosure of transactions with connected parties – the time by which it must be provided, the manner in which it must be provided (an online form) and the consequences of failure to provide it.
- 4.3 Taxpayers are required to submit Corporation Tax returns digitally; however, they are not currently required to submit amendments to Corporation Tax returns digitally. These regulations amend existing regulations that deal with digital provision of information and introduce a new requirement for digital filing of all amendments to Corporation Tax returns where they contain a claim to one of the creative industry tax reliefs. The digital filing requirement does not extend to customers who have statutory protections allowing for provision of paper returns.

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 These regulations deliver on the Government’s commitment to improving the standard of information that companies are required to provide upfront in support of their claims to the creative industry tax reliefs. The regulations also require the information to be submitted in a form that can allow for improved processing of claims and risk assessment. The regulations will help protect the creative industry tax reliefs from error and fraud. These requirements will have effect from 1 April 2024.

What was the previous policy, how is this different?

- 5.2 Previously, companies would provide information in separate attachments to their tax returns. The introduction of the online form collates the majority of information required to make a claim in one place, making it easier for companies to ensure they include all the necessary information and for HMRC to process it.

6. Legislative and Legal Context

How has the law changed?

- 6.1 The Finance Act 2024 introduces new requirements for companies that claim creative industry tax reliefs to provide additional information in support of their claims.
- 6.2 The regulations also require amendments to Corporation Tax returns to be filed digitally if they contain a claim to the creative industries tax reliefs. Previously, companies could make a claim in a paper amendment to their tax return.

Why was this approach taken to change the law?

- 6.3 These changes will streamline the process of making a claim and assist companies in transitioning to the new expenditure credit regimes. The completion and submission of the online information form will make it easier to tackle abuse and will reduce the administrative burden on HMRC, allowing claims to be processed faster.

7. Consultation

Summary of consultation outcome and methodology

- 7.1 No specific consultation on this instrument has been undertaken, however the mandating of information was part of the reform of the audio visual tax reliefs.
- 7.2 The audio visual tax reliefs reform consultation took place from 17 November 2022 to 9 February 2023. A response to the consultation was published on 15 March 2023. The consultation outlined the proposed changes at paragraph 5.17.¹
- 7.3 Draft legislation was published on 18 July 2023. Follow up engagement with impacted companies explored the practicalities of the introduction of additional administrative requirements for claimants.

¹ Consultation document: <https://www.gov.uk/government/consultations/audio-visual-tax-reliefs-consultation>

- 7.4 The online form which these regulations make mandatory was available for optional completion from 19 February 2024, allowing claimants to familiarise themselves with the requirements before they come into force.

8. Applicable Guidance

- 8.1 Guidance in relation to this change will be incorporated into HMRC Creative industry manuals for the various reliefs listed at paragraph 4.1.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

- 9.1 This measure is expected to have an impact on the administration of less than 3000 businesses claiming the creative industry tax reliefs.
- 9.2 A Tax Information and Impact Note on the administrative changes was published on 18 July 2023 and updated on 22 November 2023.²

Impact on businesses, charities and voluntary bodies

- 9.3 Impact on businesses and charities is expected to be negligible. One-off costs could include familiarisation with the changes and adapting to a new system. Continuing costs for businesses will include providing HMRC with more information. There are not expected to be any further one-off or continuing costs.
- 9.4 The legislation has a negligible impact on small or micro businesses.
- 9.5 This measure is not expected to impact on civil society organisations.
- 9.6 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.
- 10.2 The instrument does not include a statutory review clause in accordance 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.
- 10.3 As this instrument is not made under the relevant European Union Acts (as defined at 13.1), no review clause is required.

² Tax Information and Impact Note: <https://www.gov.uk/government/publications/creative-industry-tax-reliefs-administrative-changes/administrative-changes-to-the-creative-industry-tax-reliefs>

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

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”).