

UK Production tax credit update

Resource guide

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Key points

1. UK tax incentive updates:

- Introduction of the Audio-Visual Expenditure Credit (AVEC) as of January 1, 2024, covering film, high-end TV, animation, and children's TV.
- Enhanced net credit rates:
 - Standard AVEC: 25.5% for film and high-end TV.
 - Animation and children's TV: 29.25%.
- Expanded transition period until March 31, 2027, to switch from the old regime to the AVEC.
- Enhanced AVEC for lower-budget films with a net credit rate of 39.75%, subject to specific budget caps and qualifying criteria.

2. Advantages of UK as a production hub:

- Skilled personnel and high-quality facilities.
- Unique "used or consumed" basis for qualifying spend.
- Ability to claim tax credits on contingent compensation.
- Faster, predictable claims process.

3. Co-productions:

- Increased attractiveness of UK-Canada co-productions due to enhanced credits.
- Films qualifying for the enhanced AVEC must:
 - Have a theatrical release intention.
 - Include a UK writer, director, or qualify under a co-production treaty.
- Early planning and legal advice are essential to navigate co-production requirements.

4. New VFX uplift:

- Added incentives for visual effects (VFX) expenditure in the UK with a net credit rate of 29.25%.

Checklist for producers

• Understanding tax incentives:

- Familiarize yourself with the AVEC structure, including eligibility and benefits.
- Determine if your production qualifies for enhanced AVEC or the standard AVEC.

• Pre-production planning:

- Decide if your project will aim for a theatrical release to access enhanced credits.
- Ensure compliance with UK's qualifying criteria.
- Budget appropriately for enhanced AVEC thresholds.
- Ensure the required production structure is in place.

• Co-production readiness:

- Identify a UK co-production partner early.
- Establish a UK company and obtain a BFI certificate before starting principal photography.
- Ensure compliance with co-production treaties and legal requirements.

• Leveraging the UK as a hub:

- Assess the benefits of high-calibre UK talent and facilities.
- Plan to maximize qualifying “used or consumed” spend.

• Legal and financial preparedness:

- Consult legal and tax experts to structure agreements correctly.
- Submit required documentation early to meet application deadlines.

Timeline for UK productions using AVEC

1. Initial planning (6–12 months before principal photography):

- Research tax incentives and identify the most advantageous scheme.
- Partner with UK co-producers and legal advisors.

2. Pre-production (3–6 months before principal photography):

- Set up a UK entity.
- Apply for the BFI certificate.
- Finalize legal agreements and budgets.

3. Production phase:

- Track all UK qualifying expenses meticulously.
- Ensure compliance with AVEC guidelines.

4. Post-production and tax filing:

- Claim the tax credit through the UK government's streamlined process.
- Consider the VFX uplift if applicable.

For more information on this topic, please reach out to the authors, [Bob Tarantino \(Dentons\)](#) or [Isla MacGillivray \(Saffery LLP\)](#).

Additional resources

- [BFI guidance on Enhanced Audio-Visual Expenditure Credit \(IFTTC\) \(Saffery LLP\)](#)
- [Additional tax relief support for the UK's visual effects sector \(Saffery LLP\)](#)