

Overlapping Films

1. To provide certainty for the film industry, the Government has made clear that the existing film tax reliefs will continue to apply to films which commenced principal photography before 1 April 2006, provided that these are completed within a reasonable period of time (before 1 January 2007). Films not completed by that date (“overlapping films”) will be dealt with according to the new rules in Chapter 3 as modified by Regulations to be made under a power introduced by clause 52 of the Finance (No. 2) Bill 2006.

2. The broad outlines of the new film tax relief were set out in the consultation document “The Reform of Film Tax Incentives: Promoting the sustainable production of culturally British films” published on 29 July 2005 and in the 2005 Pre-Budget Report. However, because the final draft legislation implementing the new relief was not published until 7 April 2006, the producers of overlapping films would not have been aware of all the detailed requirements of the new tax relief.

3. It is therefore the Government’s intention that, while such films will be eligible for the new film tax relief rather than the previous tax reliefs, the criteria that they must satisfy will be modified in line with the existing rules as far as necessary.

4. Because there are relatively few such overlapping films, and the modifications required are fairly detailed and technical, Chapter 3 does not include provisions setting out how the new rules apply to films which commenced principal photography before 1 April 2006.

5. Instead, clause 52 of the Finance (No. 2) Bill gives the Treasury the power to make regulations which apply the provisions of Chapter 3, and of any other enactment amended by Chapter 3¹, to such films. These regulations cannot be made until the Finance (No. 2) Bill has received Royal Assent and the film tax relief has been brought into effect.

6. Clause 52 requires that any regulations can only be made after a draft has been approved by a resolution of the House of Commons. Assuming that the Finance (No 2) Bill receives Royal Assent in the Summer, final regulations will therefore probably be laid in the Autumn, to come into effect on 1 January 2007.

¹ That is, any specific part of any legislation that is modified by Chapter 3.