



Corporation Tax Act 2009

2009 CHAPTER 4

PART 15

FILM PRODUCTION

CHAPTER 2

TAXATION OF ACTIVITIES OF FILM PRODUCTION COMPANY

Separate film trade

1188 Activities of film production company treated as a separate trade

- (1) This Chapter applies for corporation tax purposes to a company that is the film production company in relation to a film.
- (2) The company's activities in relation to the film are treated as a trade separate from any other activities of the company (including any activities in relation to any other film).
- (3) In this Chapter the separate trade is called “the separate film trade”.
- (4) The company is treated as beginning to carry on the separate film trade—
 - (a) when pre-production begins, or
 - (b) if earlier, when any income from the film is received by the company.

1189 Calculation of profits or losses of separate film trade

- (1) This section applies for the purpose of calculating the profits or losses of the separate film trade.
- (2) For the first period of account the following are brought into account—
 - (a) as a debit, the costs of the film incurred (and represented in work done) to date, and

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- (b) as a credit, the proportion of the estimated total income from the film treated as earned at the end of that period.
- (3) For subsequent periods of account the following are brought into account—
- (a) as a debit, the difference between the amount of the costs of the film incurred (and represented in work done) to date and the corresponding amount for the previous period, and
 - (b) as a credit, the difference between the proportion of the estimated total income from the film treated as earned at the end of that period and the corresponding amount for the previous period.
- (4) The proportion of the estimated total income treated as earned at the end of a period of account is given by—

$$\frac{C}{T} \times I$$

where—

C is the total to date of costs incurred (and represented in work done),

T is the estimated total cost of the film, and

I is the estimated total income from the film.

Supplementary

1190 Income from the film

- (1) References in this Chapter to income from the film are to any receipts by the company in connection with the making or exploitation of the film.
- (2) This includes—
 - (a) receipts from the sale of the film or rights in it,
 - (b) royalties or other payments for use of the film or aspects of it (for example, characters or music),
 - (c) payments for rights to produce games or other merchandise, and
 - (d) receipts by the company by way of a profit share agreement.
- (3) Receipts that (apart from this subsection) would be regarded as of a capital nature are treated as being of a revenue nature.

1191 Costs of the film

- (1) References in this Chapter to the costs of the film are to expenditure incurred by the company on—
 - (a) film-making activities in connection with the film, or
 - (b) activities with a view to exploiting the film.

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- (2) This is subject to any provision of the Corporation Tax Acts prohibiting the making of a deduction, or restricting the extent to which a deduction is allowed, in calculating the profits of a trade.
- (3) Expenditure that (apart from this subsection) would be regarded as of a capital nature only because it is incurred on the creation of an asset (the film) is treated as being of a revenue nature.

1192 When costs are taken to be incurred

- (1) For the purposes of this Chapter costs are incurred when they are represented in the state of completion of the work in progress.
- (2) Accordingly—
 - (a) payments in advance of work to be done are ignored until the work has been carried out, and
 - (b) deferred payments are recognised to the extent that the work is represented in the state of completion.
- (3) The costs incurred on the film are taken to include an amount that has not been paid only if it is the subject of an unconditional obligation to pay.
- (4) If an obligation is linked to income being earned from the film, no amount is to be brought into account in respect of the costs of the obligation unless an appropriate amount of income is or has been brought into account.

1193 Pre-trading expenditure

- (1) This section applies if, before the company began to carry on the separate film trade, it incurred expenditure on development of the film.
- (2) The expenditure may be treated as expenditure of the separate film trade and as if incurred immediately after the company began to carry on that trade.
- (3) If expenditure so treated has previously been taken into account for other tax purposes, the company must amend any relevant company tax return accordingly.
- (4) Any amendment or assessment necessary to give effect to subsection (3) may be made despite any limitation on the time within which an amendment or assessment may normally be made.

1194 Estimates

Estimates for the purposes of this Chapter must be made as at the balance sheet date for each period of account, on a just and reasonable basis taking into consideration all relevant circumstances.

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

- Blanket amendment words substituted by [S.I. 2011/1043 art. 34](#)

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 322(2A)(zb) inserted by [2016 c. 24 s. 73\(5\)](#)
- s. 934(1A)(1B) inserted by [2023 c. 30 Sch. 2 para. 12\(2\)](#)
- s. 962(3A) inserted by [2023 c. 30 Sch. 2 para. 12\(5\)\(b\)](#)
- s. 962A(3A) inserted by [2023 c. 30 Sch. 2 para. 12\(6\)\(b\)](#)
- s. 963(1A) inserted by [2023 c. 30 Sch. 2 para. 12\(7\)\(a\)](#)
- s. 1058B(5)(ea) inserted by [2023 c. 20 Sch. para. 57](#)
- s. 1094(2A)-(2C) inserted by [2012 c. 14 Sch. 3 para. 13\(3\)](#)
- s. 1106(4A)-(4C) inserted by [2012 c. 14 Sch. 3 para. 14\(3\)](#)
- s. 1138A applied by [S.I. 2024/348 reg. 3](#)