

Museums and Galleries Exhibition Tax Relief



OVERVIEW

Budget 2016 announced the introduction of a new tax relief for incorporated museums and galleries from 1 April 2017. The intention is for the new relief to recognise the artistic importance and cultural value of museums and galleries in the United Kingdom. It aims to encourage the creation of more high quality exhibitions and the touring of the best exhibitions both nationally and internationally. Budget 2016 announcements applied to touring exhibitions, the Autumn Statement 2016 extended the relief to permanent exhibitions.

Key Features and Requirements

The government's aim is for the relief to provide support to museums and galleries with charitable or educational objectives producing exhibitions. Therefore, on the face of it, commercial businesses will not be eligible.

Relief is available for companies within the charge to corporation tax; it should be noted that charitable companies are within the charge to corporation tax although their income is exempt from the payment of tax. To benefit from the relief it may be necessary to produce an exhibition through a trading subsidiary.

Qualifying Company

The institution exhibiting must qualify as a museum or gallery and be within the charge to corporation tax.

- HMRC propose the definition of a museum and gallery will take their natural meaning in law.
- An exhibition, as defined in draft legislation, means a curated public display of an organised collection of objects or works considered to be scientific, historic, artistic or of cultural interest.

Following the consultation, the proposed definition of an exhibition will incorporate both temporary and permanent exhibitions. Exhibitions that are not held in qualifying museums or galleries will qualify for the relief as long as they are put on by qualifying institutions. The definition will incorporate those that are based on a singular object or piece of work. The exhibition must be open and accessible to the general public. An exhibition will not qualify for relief if one of the main purposes is to advertise or promote goods or services or to sell the exhibits.

- To meet the definition of a touring exhibition there must be an intention to tour at the beginning of the planning phase of the exhibition and it must be exhibited at two or more venues.

Qualifying "Core" Expenditure

In order to qualify, expenditure must be directly incurred on activities involved in producing, deinstalling and closing the exhibition at every relevant venue. In line with other creative sector tax reliefs indirect expenditure, such as the costs of marketing or financing, will not be eligible for tax relief. In addition, speculative expenditure (where the exhibition does not go ahead) and running costs will be excluded from the relief.

Examples include:

Eligible costs:

- Curator fees
- Exhibition installation
- Exhibit loan costs
- Digital spending
- Insurance and transportation costs
- Exhibition specific venue costs (including set-up) and equipment hire
- Administration that is linked directly to the exhibition
- Some storage costs (where the exhibition is touring)

Ineligible costs:

- General museum costs and running costs of exhibition
- Cost of financing
- Fees (including legal and accounting fees)
- Acquisition costs of the exhibits
- Speculative development costs on initial exhibition concepts and feasibility
- Expenditure on further development during the running stage
- Marketing and advertising
- Infrastructure costs not solely related to the new exhibition
- De-installation where exhibitions open for longer than 12 months

Amount of Relief Available

The amount of relief available will be based on core expenditure on new exhibitions and will follow the model for previous creative sector reliefs.

The rates of relief will be set at 25% of qualifying expenditure for touring exhibitions and 20% of qualifying expenditure for non-touring exhibitions and will be capped at £500,000 of qualifying expenditure per exhibition.

There will be a further cap of the lesser of 80% of core expenditure (incurred in any country) or the total core expenditure incurred in the EEA. At least 25% of the qualifying core expenditure must be incurred in the EEA. Relief is available for expenditure incurred on or after 1 April 2017.

It should be noted that the limits apply per exhibition, a company may therefore produce several exhibitions in a year and benefit from 20/25% of £500,000 of qualifying spend several times, according to the number and type of exhibition produced.

The Form of the Relief and the Claim

The relief will take the form of an additional deduction against the museum or gallery's taxable profits or can be surrendered for a payable tax credit if the additional deduction results in a trading loss. Qualifying companies may claim a credit worth up to £100,000 on exhibitions that are toured and £80,000 on non-touring exhibitions. The maximum credit allowable is the equivalent of qualifying expenditure of £500,000. As above, caps apply on a per exhibition basis.

The claim for relief will be submitted as part of the year-end tax return which is filed with HMRC 12 months following the end of the accounting period.

How can Rawlinson & Hunter help?

It is clear that HMRC's intention is to encourage development in the creative sector both nationally and internationally and to apply similar principles to the museum and galleries relief to those already in place for creative sector reliefs. Current creative sector reliefs are available in relation to films, television, animation, video games, theatre and orchestral productions. Rawlinson & Hunter have experience in creative sector reliefs and can assist in the structure of the company in advance of 1 April 2017 and the eligibility of the company and expenditure from this date. The legislation is currently in draft and we will keep you up to date with HMRC's developments.

If you are interested in further information in this regard, please contact the Rawlinson & Hunter partner who normally acts for you. Where you are not one of our regular clients, please contact Craig Davies who would be delighted to discuss this with you in more detail.

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