Department
for Culture,
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Dame Caroline Dinenage MP
Chair Elect, Culture, Media and Sport Select Committee
House of Commons
London SW1A 0AA

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Dear Caroline,

I am writing to draw your attention to the regulations laid today bringing in the Independent Film Tax Credit.

This government is firmly committed to supporting the UK film industry, and we see a thriving independent film sector as a vital part of that success. Independent film showcases our creative excellence, brings British stories to global audiences, and celebrates our proud heritage, our communities, and our culture. It is the grassroots of the sector and the springboard for world class UK talent both on screen and behind the scenes. However, this part of the sector has seen significant challenges in recent years, with rising production costs, crew shortages, and declining revenues hampering its growth.

Specifically targeted to support the growth and success of low-budget British films, this uplift to the existing Audio-Visual Expenditure Credit (AVEC) will allow qualifying film productions to claim a higher rate of 53% compared to the normal rate of 34% for other films. Bringing in this uplift will incentivise independent production, making it more affordable to create indie content. It will not only boost creativity but unlock growth and investment in every nation and region across the country.

The regulations laid today will create the mechanism for qualifying productions to apply for this enhanced tax relief. They have been laid alongside Appointed Day regulations which mean that from 30 October 2024, eligible companies will be able to apply for certification for this enhanced uplift. Film production companies can claim this enhanced relief in relation to films whose principal photography began on or after 1 April 2024. HMRC will begin accepting applications on 1 April 2025.

The regulations set out the eligibility criteria for film production companies, including:

- a Budget Condition which ensures that this tax relief specifically targets independent productions with a budget of up to £23.5 million. The enhanced AVEC rate will be available for £15 million of a production's budget; and

- a “Modified Creative Connection” condition which means that the film must have a director or scriptwriter who is a British Citizen or ordinarily resident in the UK, or be an official UK co-production.

Finally, the regulations also detail the particulars and evidence that applicants will need to provide in order to access this enhanced relief.

Both the Corporation Tax (Certification as Low-Budget Film) Regulations 2024 and the Finance (No. 2) Act 2024 (Applications for Certification as Low-Budget Film: Appointed Day) Regulations 2024 have been published on legislation.gov.uk.

Yours sincerely,

Rt Hon Lisa Nandy MP
Secretary of State for Culture, Media and Sport