Understanding Video Games Tax Relief

Six Important Things You Need to Know

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What is Video Games tax Relief?

Video Games tax Relief (VGTR) is one of the suite of creative industry tax reliefs introduced by the government to support, and encourage investment in, the UK gaming industry. Companies responsible for planning, designing, developing, testing and production of a qualifying video game can receive tax relief funding of up to 20% of their core expenditure on the game.

To qualify for VGTR, a game must be certified as British by passing a cultural test administered by the British Film Institute (BFI); relief is then claimed in a company's UK corporation tax return.

As with most UK tax incentives, the legislation contains detailed provisions which have to be navigated to secure this generous relief.

Here are just six of the most common questions which we are asked, our answers may help you understand how VGTR works.

1. Isn't 25% tax relief available rather than 20%?

No, but this is a common misconception. A loss-making games company is entitled to a payable tax credit of 25% of its EEA qualifying spend on a game, subject to a maximum of 80% of all qualifying spend (whether incurred in the EEA or outside the EEA).

Let's say a game has qualifying spend of £2m which is entirely spent in the EEA, the value of the relief will be £400,000, being 20% of £2million (25% of 80% of £2million).

2. Is there a cap on qualifying spend?

No, there is no limit on qualifying spend although there is a limit on sub-contracted costs of £1 million per game.

3. Is there a minimum spend threshold?

No, there is no minimum spend threshold as such but in order to qualify for the relief, at least 25% of the qualifying spend on the game must be on goods or services provided from within the EEA.

4. What is core expenditure?

Expenditure on the design, production and testing of the game is classed as core expenditure. Costs of designing the initial concept, debugging a completed game or maintenance are non-core and not eligible for the relief.

5. Is it true that VGTR can't be claimed if an R&D claim has been made?

A company can apply for both VGTR and R&D relief however you may only make a claim for a particular cost against one of the schemes, not both.
The relief cannot be claimed in respect of any expenditure that may qualify or has already qualified for R&D relief.

6. How long does a company have to make a claim?

A claim can be made up to 2 years from the end of a company's accounting period. HMRC aim to make payment for claims or request further information within 28 days.

The BFI aim to respond to applications for certificates within 28 days

Why Alliotts and how can we help?

Our team of specialist technology accountants are passionate about gaming and want to help you turn your game or app into a success. We know how important funding is to you especially in the early stages and how valuable your time is which is why we can manage the entire claim process for you so you can carry on with the business of creating your game.

Ways we can help make your VGTR claim a success.

We will identify your eligible games and core expenditure

We will handle the certification process with BFI

We will prepare your claim ensuring VGTR is maximised

We will prepare your tax computation and tax return if you'd like us to

We can also handle any ongoing enquiries from BFI and HMRC relating to your claim.

Or we can simply provide your accountant with the information needed to make the claim in your company's tax return.

If you would like to know if your game is eligible for VGTR or would like help making a claim please contact our specialist tax advisor

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