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The Plus Approach to the Film & TV Industry

2025

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What's Inside

The Plus Approach to the Film & TV Industry

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A Limited company is a separate legal entity and is the structure required to access the **Film Tax Relief (FTR)** and **High-End TV Tax Relief (HETVTR)** schemes.

Accounting Services for Film/TV Production, we specialise in meeting the unique financial needs of businesses in the dynamic entertainment industry. Our team is dedicated to providing customised accounting solutions that empower film and television production companies to thrive.

Services Plus Accounting can provide include:

- Advice on appropriate business structure
- Assistance with Business Plans and forecasting
- Company formations
- Bookkeeping, VAT Registration, VAT returns and VAT advice
- Monthly and Quarterly Management Accounts preparation
- Advice and support with implementation of bookkeeping systems such as Xero
- Company accounts and corporation tax return preparation
- Audits
- Company secretarial including submission of Confirmation Statement
- Company payroll

Guide 1
Limited Companies

Introduction

A Limited company is a separate legal entity and is the structure required to access the Film Tax Relief (FTR) and High-End TV Tax Relief (HETVTR) schemes.

The company's finances are separate from personal finances, and it is accountable for its own operations.

Director and Shareholder

A director manages the company's day-to-day operations and may also be a shareholder.

Limited companies are usually "limited by shares," so shareholders' financial risk is limited to their shareholding.

Directors often draw a salary and may also receive dividends if the company makes profits after paying Corporation Tax.

Important Dates

- The company year-end is usually set based on the date of incorporation.
- Accounts must be filed at Companies House within 9 months of the year-end.
- Corporation tax is payable 9 months and 1 day after the year-end.
- The company tax return submission is due 12 months after the year-end.

Important Considerations

- Directors may need to register for Self-Assessment and file annual tax returns.
- VAT registration is compulsory when UK taxable turnover exceeds £90,000.
- Consider funding options such as pre-sales, grants, or equity investors.
- Work with specialists to access HETVTR, FTR, and other creative industry tax reliefs.

Guide 2

British Film Institute (BFI) certification

Introduction

To claim Film Tax Relief (FTR) or High-End Television Tax Relief (HETVTR), your production must be certified as British by the British Film Institute (BFI).

When to apply

- Interim certification can be applied for before or during production.
- Final certification must be applied for after completion.

Where to apply

Visit the BFI website

How to apply

You must pass the **Cultural Test** or qualify as an official co-production. The test awards up to **35 points** across four sections:

Section A
Cultural content
(up to 16 points).

Section B
Cultural contribution
(up to 4 points).

Section C
Cultural hubs
(up to 3 points).

Section D
Cultural practitioners
(up to 8 points).

You must score at least 18 out of 35 points. An accountant's report is required where points have been claimed within Sections C and D.

Guide 3

Corporation Tax

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Overview

UK Limited companies pay Corporation Tax on taxable profits. In 2025/26:

- Profits up to **£50,000**: taxed at **19%**
- Profits over **£250,000**: taxed at **25%**
- Marginal relief applies between these thresholds.

Key Points

- **Accounting vs. Taxable Profits**: Not all expenses (like entertaining) are tax-deductible.
- **Capital Allowances** may apply to equipment like cameras or editing suites.
- **Film Tax Relief (FTR)** and **HETV Tax Relief** can reduce tax liability or generate payable credits.
- Tax losses from these reliefs can be **surrendered** for tax credits.

Tax Planning Tips

- Consider bringing forward production costs before year-end.
- Pension contributions and tax-efficient salaries/dividends can help manage tax liabilities.
- Loss-making productions may benefit from refundable tax credits — seek early advice.

Guide 4

Understanding Your Accounts

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Introduction

Many film and TV professionals launching production companies may be unfamiliar with accounting or tax requirements. Having a working knowledge of financial terms helps make better production decisions and supports sustainable growth.

Key Terms to Know

- **Profit & Loss Account:** Summary of income and expenditure during the production period.
- **Turnover:** Total sales revenue from productions and commissions (excluding VAT).
- **Cost of Sales:** Direct production costs, such as crew wages, cast, location fees, and post-production.
- **Gross Profit:** Turnover minus cost of sales.
- **Gross Profit Margin:** Gross Profit as a percentage of turnover.
- **Profit Before Tax:** Net profit after operating costs and adjustments.
- **Profit for the Financial Year:** Net profit after corporation tax.
- **Balance Sheet:** Snapshot of the company's assets, liabilities, and equity at a point in time.
- **Fixed Assets:** Long-term assets such as camera equipment, editing suites, or intangible assets like IP rights.
- **Current Assets:** Short-term assets like accounts receivable or cash.
- **Trade Debtors:** Money owed to you from broadcasters, distributors, or platforms.
- **Prepayments:** Costs paid upfront for future production use (e.g. insurance or set hire).
- **Current Liabilities:** Debts payable within 12 months.
- **Trade Creditors:** Suppliers waiting to be paid.
- **Accruals:** Costs incurred but not yet invoiced (e.g. overtime, delayed invoices).
- **Reserves:** Accumulated post-tax profits retained in the business.

Guide 5
VAT

Introduction

VAT registration becomes compulsory when your **VAT-taxable turnover exceeds £90,000** in any rolling 12-month period. You must register within 30 days of the end of the month in which you exceed this threshold.

Voluntary Registration

Many production companies register voluntarily to:

- Reclaim VAT on start-up or production-related expenses.
- Appear more established to commissioners and investors.
- Take advantage of schemes like the **Flat Rate Scheme** (where eligible).

Drawbacks include:

- More admin: quarterly returns and invoicing requirements.
- Costs: if clients can't reclaim VAT, it may reduce competitiveness.
- Additional costs for filing returns such as accountancy costs and software subscriptions.

VAT

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Charging VAT

The standard VAT rate is **20%.**

If you invoice £10,000 + VAT, the total is £12,000. £2,000 is VAT payable to HMRC.

Selling content internationally? Speak to a specialist — overseas VAT rules can be complex.

VAT Returns

Usually quarterly. Example: If your quarter ends 31 March, your return is due by 7 May.

Payment is also due by that date (or the 10th if paying by Direct Debit).

VAT Schemes

- **Cash Accounting:** You report VAT only when you receive or pay money. Great for cash flow.
- **Invoice Accounting:** You report VAT based on invoice dates — even if unpaid.
- **Flat Rate Scheme:** Simplified reporting where you pay a fixed percentage based on your sector (note: you can't reclaim VAT on most purchases).

Guide 6

Film & High-End TV Tax Relief

Introduction

Creative Industry Tax Relief is available to production companies developing qualifying British films, high-end TV, animation, or children's television content.

You may claim up to 2 years after the end of the accounting period in which the eligible production spend occurred.

Eligibility Criteria

You must:

- Be subject to UK Corporation Tax.
- Be responsible for all creative and technical aspects of production.
- Intend for the content to be distributed commercially, not just for promotional purposes.

Cultural Test

You'll need to pass the BFI Cultural Test or qualify as a UK co-production.

Key Benefits

- Additional deduction for qualifying production spend.
- If this creates a taxable loss, it can be surrendered for a cash credit.

You'll Need to Provide:

1. Start/end dates of each production.
2. BFI interim or final certificates.
3. Revenue estimates and actuals.
4. Qualifying expenditure breakdowns.

Guide 7
Expenditure Credit

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Overview

From 1 April 2025, **Audio-Visual Expenditure Credit (AVEC)** replaces current tax reliefs for **new qualifying productions.** It offers enhanced value for UK productions.

Key Rules

- You must be liable to UK Corporation Tax.
- At least **10% of production costs** must be incurred in the UK.
- Your film/TV show must be intended for commercial distribution.

Other Considerations

- Claims must be made **digitally.**
- The deadline is **2 years** from the accounting period end.
- Anti-abuse rules restrict inflated intra-group transactions.

Cultural Test

All projects must still pass the BFI's Cultural Test to qualify.

Rates & Benefits

- You'll receive **34% of 80%** of your qualifying expenditure.
- EEA (non-UK) spending is no longer eligible.
- Subcontractor cost caps (like the £1m games cap) **do not apply.**
- Net benefit will be **20.4%.**
- Enhanced AVEC for low budget films qualifies for higher credit rate of 53%, net benefit of 31.8% net benefit.

Transition

- Compulsory from 1 April 2025 for new projects.
- Projects already in development before that date can continue using the old regime until March 2027.

Guide 8
Bookkeeping Software

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Introduction

Bookkeeping is essential for film and TV companies, where revenue sources (e.g. broadcasters, distributors, grants) and production costs are often complex and varied. Choosing the right software can save time, reduce errors, and ensure tax and funding compliance.

Your Key Requirements

Revenue Recognition

Manage milestone payments, licensing deals, grants, and tax relief receipts.

Cost Tracking

Track cast/crew wages, equipment hire, location fees, and post-production costs.

Compliance

Ensure MTD (Making Tax Digital) readiness and UK tax legislation adherence.

Software Options

QuickBooks

- Customisable reports
- Strong integration tools
- Best for studios with multiple small projects

Xero

- Cloud-based and user-friendly
- Excellent app integrations (e.g. ApprovalMax, Dext)
- Best for growing production companies

Zoho Books

- Great for small, cost-conscious teams
- Good automation and multi-currency support

FreshBooks

- Emphasis on invoicing and time-tracking
- Ideal for independent producers and short-form content creators

Choosing the Right Fit

- Consider the number of productions, reporting needs, and project complexity
- Review integrations (e.g. budgeting tools, payroll)
- Assess scalability for future growth

Payroll and Workplace Pensions

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Director-Only Companies

In production companies with just directors, you don't have to set up PAYE unless you're paying a salary. Dividends may be more tax-efficient, but directors often draw a small salary to qualify for state pension credits.

From April 2025:

- Employers NI will apply on salaries over £5,000.
- To qualify for a state pension credit, directors must earn at least **£6,500**.

Freelancers vs Employees

Many productions use freelancers (e.g. DOPs, editors) to reduce administrative load. However, be careful not to misclassify workers — HMRC audits may result in penalties.

Workplace Pensions

You must auto-enrol employees if they:

- Work in the UK
- Are aged 22–State Pension Age
- Earn over £10,000 p.a.

Director-only companies can apply for exemption from auto-enrolment.

Taking on Employees or Crew

As your company grows, you may hire producers, camera crew, editors, or admin staff.

You'll need to:

- Register with HMRC as an employer
- Set up **PAYE** and **employers' liability insurance**
- Issue contracts and ensure employee rights compliance
- Budget for employers' NI and pension contributions

Guide 10
Personal Tax

Who Needs to File?

- Directors may need to register for Self-Assessment and file annually
- Shareholders who receive dividends above the personal allowance and dividend allowance will need to file

Key Dates

- Tax year: 6 April – 5 April

Filing deadlines:

Paper returns	Online
31 October	31 January (also the deadline for payment)

Payments on Account

If you owe over £1,000, HMRC may require two advance payments toward next year's liability:

- 31 January (first payment)
- 31 July (second payment)

Salary & Dividends

For 2025/26, a common structure is:

- Salary of **£6,500–£12,570** (to receive pension credit and reduce ERs NI)
- Dividends to top up income (first £500 tax-free under the dividend allowance)

Dividend Tax Rates

- Basic rate: **8.75%**
- Higher rate: **33.75%**

Plan carefully to optimise tax efficiency, especially where tax relief claims rely on salary not dividends.

Business Expenses

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Claiming All Allowable Expenses

Maximising allowable expenses reduces taxable profits and can enhance claims for FTR or HETVTR.

Common Allowable Expenses:

- Crew/staff salaries, employer NI and pensions
- Freelancers/subcontractors
- Travel (train, mileage, subsistence)
- Equipment and software (e.g. editing suites, cameras)
- Location hire, set design, props
- Business insurance
- Telecoms and broadband
- Home office allowance (£6/week or proportion of bills)
- Marketing and advertising
- Professional fees (e.g. legal, accounting)
- Training relevant to your sector
- Bank charges and interest
- Overnight expenses (£5 UK / £10 overseas, flat rate)
- Business gifts under £50
- Annual party exemption up to £150/person

Always keep receipts and seek advice when unsure. Some items may need to be capitalised or treated differently for tax purposes.

Guide 12
Management Accounts and Forecasting

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Why It Matters

Management accounts and forecasts give producers and company owners a clear view of cash flow, profitability, and future funding needs.

How They Help

- Make informed decisions on greenlighting projects
- Anticipate funding shortfalls and bridge finance needs
- Provide key insights for investors, grant bodies, and distributors
- Identify risks and opportunities across your slate

Build Your Accounts

- Choose key KPIs: cash burn, budget variance, production margin, etc.
- Set regular reporting periods (monthly or by production milestone)
- Compare actuals vs budget
- Draw actionable conclusions and adapt your financial plan

Forecasting Essentials

- Revenue: from distributors, platforms, pre-sales, broadcasters
- Costs: cast, crew, post, marketing
- Cash flow: when funds are received vs when costs are paid
- Scenario planning: run best/worst case simulations

Tools

- **Excel** for bespoke tracking
- **Float, Fathom,** or **Futurli** for visual dashboards
- Link with **Xero/QuickBooks** for live forecasting

Guide 13

Taxation of Non-Cash Benefits

Production companies often provide benefits to directors or staff beyond salary — many of these are taxable unless exemptions apply.

Examples of Taxable Non-Cash Benefits

- Company cars
- Private medical insurance
- Interest-free loans over £10,000
- Accommodation owned by the company
- Mobile phones (unless under a company contract)

Exemptions & Trivial Benefits

- **Trivial benefits:** Gifts under £50 (up to £300/year per person for directors of 'close' companies)
- **Staff parties:** Up to £150 per head annually
- **Workplace parking, pensions, bicycles,** and **childcare** may also be exempt under certain conditions

Reporting

- Benefits usually reported on Form P11D
- Employees may pay tax via PAYE or Self-Assessment
- Employers can use a PAYE Settlement Agreement (PSA) to cover tax on staff benefits (e.g. wrap parties)

Guide 14

Benefits of an Audit

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Who Needs an Audit?

Companies must have a statutory audit if they meet two of the following (thresholds as of FY on or after 6 April 2025):

- Turnover over **£15m**
- Assets over **£7.5m**
- More than **50 employees** on average

Some production companies may need audits regardless — e.g., if part of a group or receiving specific grant funding.

Key Benefits

- Boosts trust with investors, funders, and broadcasters
- Improves internal controls and financial clarity
- Highlights risks and inefficiencies
- Often required for grant compliance (e.g. BFI, Innovate UK)
- Facilitates easier access to finance and production insurance

Post-Brexit Note

UK subsidiaries of EEA parents must now be audited due to loss of EEA audit exemption.

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Contact Us

Email - info@plusaccounting.co.uk

Phone - 01274 701 200

Address

Preston Park House
South Road
Brighton
East Sussex
BN1 6SB