

VIDEO GAMES

TAX RELIEF

A CHADSAN GAMING GUIDE

VGTR is a valuable incentive that allows Video Games Development Companies (VGDC) to claim significant additional deductions against their taxable profits or, under certain circumstances, claim a cash repayment from HMRC.

HOW A VGDC QUALIFIES FOR VGTR

- ★ The game under development must be certified by Secretary of State as a British Video Game.
- ★ Incorporated as a limited liability company with Companies House and registered for Corporation Tax.
- ★ Must be the only VGDC working on the game.
- ★ Must be responsible for designing, producing and testing the video game and actively engaged in planning and decision making during the design, production and testing phases.
- ★ Must directly negotiate, contract and pay for rights, goods and services in relation to the video game.
- ★ The game must additionally pass the "Cultural Test". The test is points based, and a video game only requires 16 out of a possible 31 points in order to pass from two sections, "Cultural Content" and "Cultural Contribution". Points are awarded when certain elements of the game, and its development team, are deemed to be "British" and contribute towards cultural creativity, heritage and diversity.
- ★ The game must be intended for supply to the general public.
- ★ At least 25% of the "Core Expenditure" on the game must be incurred within the European Economic Area (EEA).
- ★ Games produced for advertising, promotional purposes or for the purposes of gambling do not qualify.

WHAT IS 'CORE EXPENDITURE'?

Expenditure that relates specifically to the designing, producing and testing of the video game.



Where a VGDC subcontracts work, a cap of £1 million per game applies to eligible costs that fall within the definition.

COSTS EXCLUDED

- Costs on designing the initial concept for a video game.
- Maintenance costs on a completed game and costs on debugging a completed game.
- Overhead costs such as:
 - Financing and interest
 - Advertising, marketing and publicity
 - Gaming hardware
 - Accountancy fees



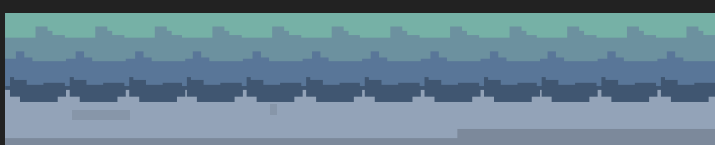
THE ADDITIONAL DEDUCTION



The "Enhanceable Expenditure" is calculated as the lower of:

- Actual Core Expenditure incurred in the EEA in relation to the game
- 80% of Core Expenditure incurred in relation to the game.

THE TAX CREDIT



A VGDC may claim a 25% payable tax credit for an accounting period in which it has a "surrenderable loss". The "surrenderable loss" is the lower of:

- The company's "available loss" for the period, this being the sum of the loss for the period plus any relevant unused losses brought forward.
- The "enhanceable expenditure" for the period.

GAME ON

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