



cutting through complexity

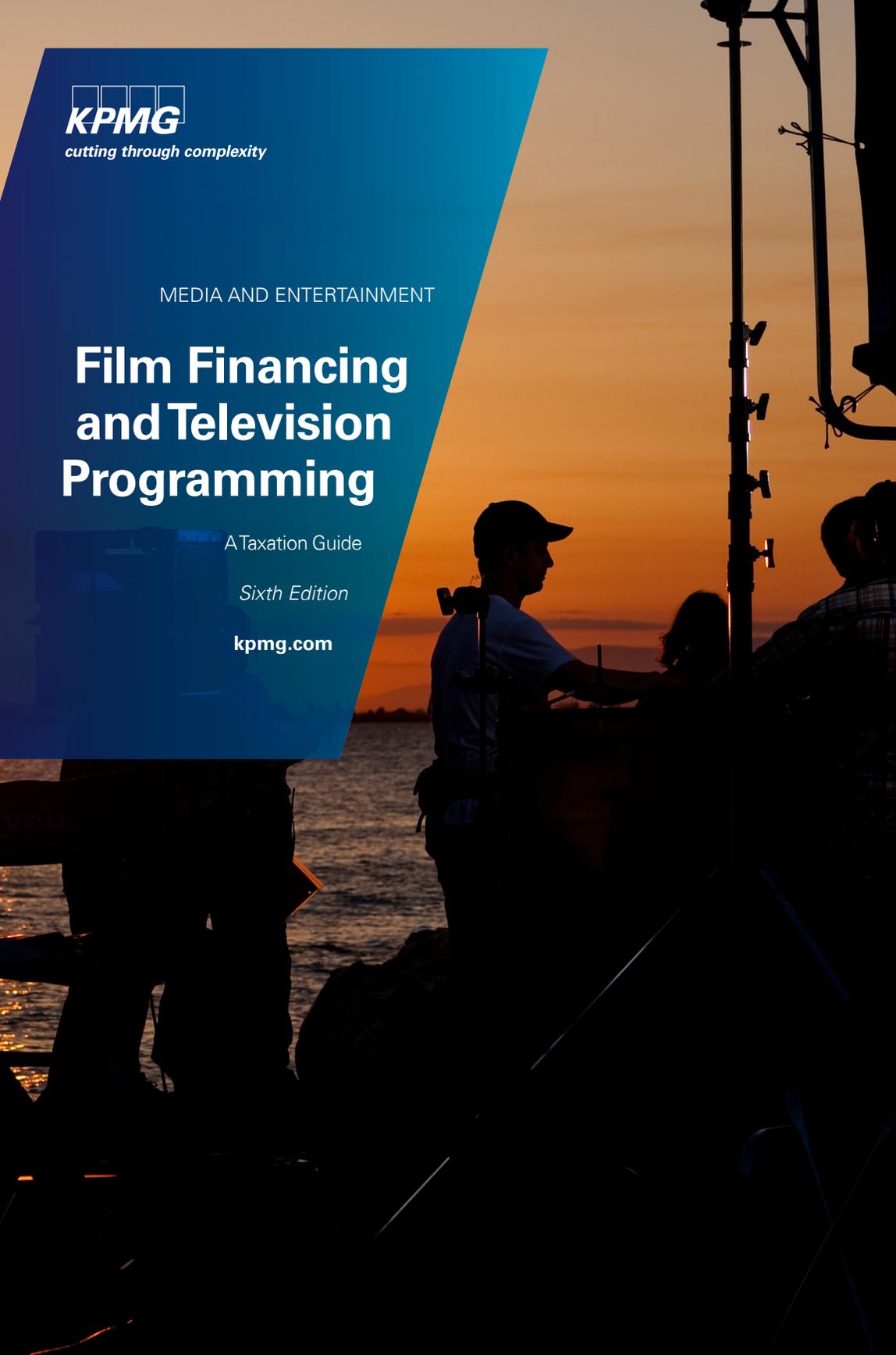
MEDIA AND ENTERTAINMENT

Film Financing and Television Programming

A Taxation Guide

Sixth Edition

kpmg.com



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Preface

KPMG LLP's (KPMG) *Film Financing and Television Programming: A Taxation Guide*, now in its sixth edition, is a fundamental resource for film and television producers, attorneys, tax, and finance executives involved with the commercial side of film and television production. The guide is recognized as a valued reference tool for motion picture and television industry professionals. Its primary focus is on the tax and business needs of the film and television industry with information drawn from the knowledge of KPMG International's global network of media and entertainment Tax professionals.

KPMG published the first guide more than 15 years ago as a resource for global coverage of incentives and tax updates as they apply to the film and television industry. Subsequent editions expanded into coverage of financing techniques, credits/incentives, and a thorough appendix of withholding tax rates—a valuable reference tool for all finance and tax professionals.

Each chapter of the sixth edition focuses on a single country and provides a description of commonly used financing structures in film and television, as well as their potential commercial and tax implications for the parties involved. Additionally, the United States chapter focuses on both federal and state incentives, highlighting the states that offer the more popular and generous tax and financial incentives. Key sections in each chapter include:

Introduction

A thumbnail description of the country's film and television industry contacts, regulatory bodies, and financing developments and trends.

Key Tax Facts

At-a-glance tables of corporate, personal, and VAT tax rates; normal non-treaty withholding tax rates; and tax year-end information for companies and individuals.

Financing Structures

Descriptions of commonly used financing structures in film and television in the country and the potential commercial tax implications for the parties involved. The section covers rules surrounding co-productions, partnerships, equity tracking shares, sales and leaseback, subsidiaries, and other tax-effective structures.

Tax and Financial Incentives

Details regarding the tax and financial incentives available from central and local governments as they apply to investors, producers, distributors, and actors, as well as other types of incentives offered.

Corporate Tax

Explanations of the corporate tax in the country, including definitions, rates, and how they are applied.

Personal Tax

Personal tax rules from the perspective of investors, producers, distributors, artists, and employees.

Appendices

Additionally, withholding tax tables setting forth the non-treaty and treaty-based dividend, interest, and film royalty withholding tax rates for the countries surveyed are included as an appendix and can be used as a preliminary source for locating the applicable withholding rates between countries.

KPMG and Member Firm Contacts

References to KPMG and KPMG International member firm contacts at the end of each chapter are provided as a resource for additional detailed information.

The sixth edition of KPMG's Film and Television Tax Guide is available in an online PDF format at www.kpmg.com/filmtax and on CD. The guide is searchable by country.

Please note: While every effort has been made to provide up-to-date information, tax laws around the world are constantly changing. Accordingly, the material contained in this book should be viewed as a general guide only and should not be relied upon without consulting your KPMG or KPMG International member firm Tax advisor.

Finally, we would sincerely like to thank all of the KPMG International member firm Tax professionals from around the world who contributed their time and effort in compiling the information contained in this book and assisting with its publication. Production opportunities are not limited to the 35 countries contained in this guide. KPMG and the other KPMG International member firms are in the business of identifying early-stage emerging trends to assist clients in navigating new business opportunities. We encourage you to consult a KPMG or KPMG International member firm Tax professional to continue the conversation about potential approaches to critical tax and business issues facing the media and entertainment industry.

Thank you and we look forward to helping you with any questions you may have.

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Chapter 34

United Kingdom

Introduction

The U.K. film industry enjoys a first rate reputation, enhanced recently by international commercial successes such as *The King's Speech*, *Slumdog millionaire* and the *Harry Potter* series of films.

Filmmakers are attracted to the U.K. for three main reasons:

1. The high-quality studio, laboratory and post-production facilities, talented performers and experienced, professional crew;
2. The beneficial tax incentives available; and
3. The favourable exchange rate.

The U.K. is the third largest film market in the world and the industry makes a substantial contribution to the country's economy. In 2010, the film and video industries employed almost fifty thousand people. It was also a record year for inward investment in the U.K, with *Captain America: The First Avenger*, *Pirates of the Caribbean: On Stranger Tides*, *Sherlock Holmes 2*, *War Horse* and *X-Men: First Class* all being shot here. Factors contributing to this may be the weak pound which has increased the U.K.'s cost effectiveness as a location for film production and generous U.K. film tax incentives (as described later in this chapter). However, the value of domestic production fell by 22% reflecting the tougher economic conditions facing the independent U.K. production sector.

The U.K. Film Council was established in 2000 to promote a competitive, successful and vibrant U.K. film industry, and to promote the widest possible enjoyment and understanding of cinema throughout the U.K. The U.K. Film Council was closed in early 2011 and its responsibilities for ensuring that the economic, cultural and educational aspects of film are effectively represented. Most of the U.K. Film Council's core functions have transferred to the BFI - including the distribution of National Lottery funding for the development and production of new British films, as well as audience development activity through supporting film distribution and exhibition. The BFI also takes over responsibility for the certification of U.K. films (which enables filmmakers to access the U.K. film tax relief for film production). Responsibility for inward investment has transferred to Film London, funded by the BFI.

Key Tax Facts

Highest corporate profits tax rate	26% ¹
Highest personal income tax rate	50% ²
VAT rate	0%, 5%, 20%
Annual VAT registration limit	U.K. £73,000
Normal non-treaty withholding tax rates: Dividends	0%
Interest	20%
Royalties	20% ³
Tax year-end: Companies	Accounting year-end
Tax year-end: Individuals	April 5

Film Financing

Financing Structures

One of the most common forms of film financing involves the provision of a proportion of a film's total budget in return for an involvement in a co-production or the acquisition of distribution and broadcasting rights. These are discussed below, together with some variations on this theme.

Co-Production

A co-production is a film produced under the terms of an international co-production agreement between two or more countries.

In the U.K., such films are made under either a bilateral co-production treaty or the European Convention on Cinematic Co-production. The aim of these agreements is to encourage international co-operation between filmmakers, working together to produce a film involving the skills and resources of more than one country.

One of the benefits of making a film as an official co-production is that the producers are able to access the support provided to national films in each of the co-producing countries including, where appropriate, tax incentives.

¹ The main rate of corporation tax for large companies was previously 28%. This was reduced to 26% on 1st April 2011. The U.K. government has announced further reductions of 1% a year will take place over the three years such that the highest rate of corporation tax will be 23% from 1st April 2014.

² The 50% rate on personal income tax only applies to income exceeding £150,000 p.a.

³ Zero percent withholding for film and video royalties

There are a number of ways in which co-productions may be structured. The tax position of the investors and the conditions for tax incentives would need to be considered when structuring such an investment. Please refer to the comments under Tax and Financial Incentives for details of how official co-productions can qualify for U.K. film tax incentives.

In general terms, where a U.K. resident investor enters into a U.K. based co-production joint venture (JV) with a foreign investor to finance and produce a film in the U.K., the rights are normally divided worldwide amongst the JV members, with the U.K. investor retaining exclusive media rights in the U.K. In this type of arrangement, each party would advance funds to enable the production to proceed and this effectively represents their investment in the film.

Provided that the exploitation of the film can be kept effectively separate from its production, the foreign investor should not be subject to U.K. tax on the income it receives from exploiting the film in the overseas territories, since the investors are not sharing overall revenues, but take various territorial rights to exploit from within their own home country. As long as the foreign investor cannot be said to be carrying on a trade in the U.K. of film exploitation, U.K. tax should not be chargeable in respect of this activity. Consequently it is vital that the joint venture legal agreement cannot be construed such that the foreign investor can be regarded as carrying on in the U.K. a business of film production or rights exploitation.

The issue is complicated if the foreign investor produces the film in the U.K. under a production contract. The foreign investor is likely to be taxed on the basis that business profits arise to a permanent establishment which it operates in the U.K. and it would have to rely on an applicable treaty (if one exists) to obtain relief in its home territory. If there is a delay in receiving the U.K. tax credit in the domestic territory, there would be a tax cash flow cost. Care should be taken to avoid any tax credit mismatch which might prevent the foreign investor accessing its tax credit.

For U.K. tax purposes, the U.K. authorities interpret the term "permanent establishment" in accordance with the OECD Model Tax Convention. This might provoke some discussion with the U.K. tax authorities as to the proper level of profit which should be attributed to the U.K. activities. In this case it would be more sensible to create a separate, U.K.-incorporated special-purpose company to undertake the production and set an appropriate market rate for the production fee so that this risk could be decreased.

A note of caution needs to be stressed where a foreign company receives film or TV broadcasting royalties. Advisers need to take care in interpreting the relevant double tax treaties since the content of the various articles covering such income can vary. Some treaties classify such income as business profits; others classify the income under the royalties article. This does not pose a problem if the royalty article exempts tax in the territory in which that income arises, provided the recipient is resident in the other territory which is party to the treaty, as this would have the same effect as treating the income as business profits (i.e., taxable only in the country of residence). However, where the originating territory regards the income as a royalty, retains a taxing right and subjects that income to withholding, there would clearly be a cash flow cost under those arrangements.

On the basis of the JV outlined above, U.K. investors would be taxed on the full amount of the profits arising in respect of film production and exploitation.

Partnership

Occasionally financial investors from several territories and film producers become either general partners or partners with limited liability in a U.K. resident partnership, all contributing funds.

Limited liability partnerships (LLP) were introduced in the LLP Act of 2000 and have historically proved very popular vehicles in which to conduct film investment activity. Partners in LLPs are termed members. The members of the LLP can legally bind the business, but not other members. This is one of the greatest advantages which an LLP enjoys over a general partnership, whose partners tend to be jointly and severally liable, and was the principal reason for the creation of this business vehicle. Therefore members of the LLP can enjoy the benefits of "limited liability" as afforded to companies, while also maintaining the tax transparency of general partnerships. LLPs are not subject to Corporation Tax, but each member is liable for income tax on his or her share of the profits/revenues.

The partnership may receive royalties under distribution agreements from both treaty and non-treaty territories, proceeds from the sale of any rights remaining after exploitation and a further payment from the distributors to recoup any shortfall in the limited partner's investment. Such proceeds may first be used to repay the limited partners (perhaps with a premium, e.g., a fixed percentage of the "superprofits").

In such a case a U.K. resident partner would have contributed money on capital account, whether on a long-term basis or as a short-term loan. It would acquire an interest in the partnership assets, its share being the share to which it is entitled according to the partnership agreement. It would pay tax on its share of chargeable profits, including any “superprofits.”

There is no longer any statutory 100 percent write-off for tax purposes available for the production or acquisition of British qualifying films as this relief has been replaced with a production tax credit (as described later in this chapter). However, some partnerships may be able to claim an accounting write-down (under U.K. GAAP) depending on the structure. These partnerships (again usually LLPs) provide participants with an opportunity to share in the revenue stream generated by a single film, or a slate of films. Individuals would usually be investing in films with some pre-sales and bank or corporate funding already in place.

Readers should however be aware that anti-avoidance rules have been introduced in the U.K. which severely restrict the ability of “non-active” U.K. partners to set off their share of a partnership loss against their other personal income. This type of partnership structure is now therefore less attractive.

Equity Tracking Shares

Such shares are a less common means of financing a film. They provide for dividend returns dependent on the profitability of a film production company’s business. The investor acquires such shares in the company producing, or holding rights in, the film. These shares may have the same rights as the production company’s ordinary shares/common stock except that dividends are profit-linked and have preferential rights to assets on a liquidation of the company.

If the company is resident in the U.K., these tracking shares would be regarded as preference share capital. For U.K. tax purposes the dividends paid on the tracking shares would be treated in the same way as dividends paid on share capital: there is no difference in the treatment of dividends paid by U.K. resident companies on ordinary and preference shares. Such dividends cannot be deducted in computing profits chargeable to U.K. corporation tax. Dividends are payable without withholding tax.

For U.K. tax purposes, if a U.K. resident investor acquires tracking shares in a company which is resident outside the U.K., any dividends received on the tracking shares would be treated in the same way as dividends received on overseas shares. Any tax withheld would be dealt with according to the dividend article of the appropriate double tax treaty. The availability of the distribution exemption in respect of any dividends received by U.K. tax resident corporate investors (which came into force in July 2009) would also need to be considered in detail.

Sale and Leaseback

Sale and leaseback techniques were a common means of providing production financing, especially in the light of the increased tax write-off for British Films introduced from July 1997.

HMRC became increasingly wary of this type of structure in view of perceived abuses. For this reason, it decided to completely overhaul the U.K. film tax incentive system. Given the withdrawal of the 100 percent write-off on the acquisition of a British film after January 1, 2007, these types of structures are now less attractive. Please note that the anti-avoidance legislation noted above under "Partnerships" also applies to investors in film sale and leaseback partnerships.

Other Tax-Effective Structures

U.K. Subsidiary

A film production company resident in, for example, the U.S., may wish to produce a film in the U.K. U.K. resident investors may invest either by way of equity or loan capital but they would wish to receive a return on that investment. The U.S. film production company may wish to produce further films in the U.K. if the present one is successful.

In such a case, a U.S. resident film production company may decide to set up a U.K. subsidiary to produce the film in the U.K. This would enable profits to be easily recycled in the U.K. vehicle. The U.K. film production company may also be eligible for U.K. film tax relief subject to meeting the relevant conditions as explained below. If U.K. individual investors take an equity interest in the U.K. subsidiary, they should be able to receive tax efficient dividend payments with a tax credit attached, since for individuals their effective tax rate could be lower than the 40/50 percent rate they would normally pay as a higher rate taxpayer. For U.K. corporate investors any dividends received would not be charged to corporation tax.

If the U.S. film production company wishes to use its share of profits in the film to produce another film subsequently in the U.S., it may wish to utilize a structure whereby the U.K. investors are able to exploit (perhaps U.K.) rights in the film, while the U.S. company retains its rights in its preferred locations. As indicated previously, the U.S. company would need to take care to prevent having a U.K. permanent establishment. Other investors who are resident outside the U.K. may wish to participate in profits by similarly exploiting rights in their own territory.

Tax and Financial Incentives

Investors

In 1992, tax relief was introduced to provide immediate relief for film development costs and an accelerated write off over three years for production and acquisition costs where the film is certified by the Department for Culture, Media, and Sport (DCMS) as a qualifying British film. This became known as “section 42 relief”. Rules enhancing this relief, by allowing a write off in year one was introduced in 1997 for qualifying British films with production expenditure of less than £15 million. This enhancement was known as “section 48 relief”

However, the U.K. government considered that the incentives were subject to abuse with much of the value going to investors, financial intermediaries and other third parties rather than filmmakers themselves (see comments on Sale and leaseback in the Film Financing section above).

As a result, many changes in tax legislation were introduced between 2002 and 2005 in order to counter perceived tax avoidance in the industry. In 2004, a lengthy period of consultation commenced in respect of a new film tax regime. The legislation introducing the new regime was introduced in 2006 but only came into force after official State Aid approval from the European Commission was obtained in November 2006. The new reliefs only benefit film production companies as opposed to investors.

The new rules (as described in more detail below) apply to films commencing principal photography on or after January 1, 2007. As a result of the legislative changes in recent years, there are not currently any specific U.K. tax incentives for investors in film.

Producers

The film production credit is available to film production companies (FPCs) within the charge to U.K. tax (as opposed to individuals or partnerships) and can take the form of an enhanced tax deduction for qualifying U.K. production expenditure and a cash tax credit.

The rules are designed so that only one company can be an FPC in relation to a film. In order for a company to be an FPC it must be responsible for and actively engaged in pre-production, principal photography and post production of the film and delivery of the completed film. It must also directly negotiate, contract and pay for rights, goods and services in relation to the film. A company whose participation is restricted to providing or arranging finance cannot qualify for the relief. Importantly however there is no requirement for the FPC to own the master negative or rights in the film.

There are special rules that apply in regards to an official co-production (i.e. a film that is treated as being British under the terms of one of the international co-production treaties with the U.K.). In such cases, the FPC is a co-producer that makes an effective creative, technical and artistic contribution to the film.

There are a number of criteria that the film must satisfy before relief for expenditure is available.

Firstly, the film must be intended for theatrical release. "Theatrical release" means exhibition to the paying public in the commercial cinema. The HMRC has issued guidance as to how this test may be assessed. Broadly speaking a significant proportion (exceeding 5%) of the earnings of the film should be intended to be obtained from such exhibition either in the U.K. or overseas.

Secondly the film must meet a "Cultural Test" for a British Film and be certified as such. The DCMS has set out a framework for obtaining certification in this regard which is based on a points system. Application for certification must be made to the B.F.I.

A co-production can be certified as British either by meeting the requirements of the cultural test or by meeting the conditions of one of the U.K.'s international co-production agreements.

Thirdly, 25 percent of the "core expenditure" incurred by the FPC or in the case of a qualifying co-production, the co-producers must relate to goods or services that are used or consumed in the U.K. ("U.K. expenditure").

“Core expenditure” for these purposes means expenditure on pre-production, principal photography and post-production of a film but excludes expenditure on development and distribution. In addition, the acquisition of pre-existing rights from a third party forms part of development expenditure and does not therefore represent “core expenditure” for these purposes.

Unlike s48 and s42 reliefs which could generally be claimed in respect of the whole budget of a film, the new relief can only be claimed on so much of the FPC’s core expenditure that is U.K. expenditure up to a maximum of 80 percent of the core expenditure (the qualifying expenditure).

In the case of a co-production, it is essential that the U.K. co-producer incurs all the costs of goods and services used and consumed in the U.K. in order to obtain the maximum benefit.

Please refer to the comments in the “Corporate Taxation” section for details of the computational mechanics of the new credit.

In addition to the above tax incentives, the B.F.I. provides funding to support filmmaking in the U.K. through the Film Fund. The Film Fund supports emerging and world class filmmakers who are capable of creating distinctive and entertaining work.

Distributors

No specific tax incentives are available for distributors in relation to the acquisition and exploitation of film rights. With effect from January 1, 2007 such rights are to be taxed in line with the accounting treatment (see Corporate Taxation section below).

The B.F.I. does however administer a Prints and Advertising Fund which is designed to widen and support the distribution and marketing strategy of specialised films and to offer support to more commercially focused British films that nevertheless remain difficult to market.

Actors and Freelancers

There are no specific tax or other incentives available for actors or freelancers who are tax resident in the U.K., other than those generally available. They are not exempted from tax on payments arising in their profession.

Many actors and freelancers consider themselves self-employed, however depending on the nature of the contract (a contract **for** services, or a contract **of** services), some of them will be taxed as employees. A contract of service

is put in place where a person is working for another (i.e. an employee) but a contract for services is put in place where a person provides services to a client (i.e. a freelancer).

However, it is worth noting that the National Insurance Contributions treatment of entertainers is different from that which applies for tax. Under the Entertainers Regulations issued in 2005 the majority of entertainers who were self-employed for tax purposes, were treated as employed earners for NIC purposes, allowing them to make Class 1 NIC contributions. However, the First-tier Tribunal's decision in *ITV Services Ltd (TC836)* clarified the scope of these regulations, meaning that more entertainers engaged under Equity contracts are to be treated as employed earners for National Insurance contributions purposes. As a result of the ruling, many more entertainers are now liable for Class 1 National Insurance Contributions, and their engagers are therefore responsible for ensuring that correct contributions are made.

Other Tax Incentives

Investment under EIS has been available from January 1, 1994. The "Enterprise Investment Scheme" (EIS) enables qualifying individual investors to claim income tax relief at 30 percent (from 6 April 2011) on the capital cost of shares up to £500,000 in a qualifying company. The maximum tax relief available is therefore £150,000 and the shares must be held for three years from the date the shares were issued (or three years from the date the qualifying trade started) otherwise the income tax relief is withdrawn.

In addition, if the individual investor holds the qualifying shares for at least three years, any capital gain arising is exempt, but because of this any loss arising cannot constitute an allowable capital loss. If the shares are disposed of at a loss, the individual investor may elect for the amount of the loss, less any Income Tax relief given, to be set against income of the year of disposal, or income of the previous year.

The scheme is generally available to all unquoted trading companies meeting certain criteria. Generally if the company does not carry on a qualifying trade throughout the investment period, the reliefs are withdrawn. Those companies trading in the production of films or in the distribution of films they produce should qualify as long as they derive profits from the exploitation of rights held in those films. Pre-arranged exit routes for investors are not permitted.

Finally, under the EIS, individuals and trustees of certain trusts may defer the payment of tax on a capital gain where the proceeds are invested in subscription shares of a qualifying EIS company. However, as of 22 June 2010 it is not possible to defer a capital gain under the EIS rules and for the capital gain to qualify for Entrepreneur's Relief.

A "Venture Capital Trust" (VCT) provides similar tax reliefs to individual investors as the EIS described above and facilitates indirect investments into a range of small higher-risk unquoted trading companies. A qualifying VCT Fund must be quoted on the U.K. Stock Exchange and there are certain rules governing the permissible "mix" of companies in which the VCT can invest. A qualifying investor can subscribe for up to £200,000 in ordinary shares in a VCT Fund per tax year and receive income tax relief at 30% in respect of the investment. The individual is exempt from income tax on any dividends arising from the ordinary shares in the VCT and any capital gain arising on disposal of the VCT shares may also be exempt from capital gains tax.

The maximum total amount that a company can raise via EIS and VCTs combined is normally £2,000,000 in any 12 month period.

The U.K. government has announced plans to increase the EIS and VCT investment limits with effect from 6 April 2012 as follows: the annual amount that can be invested through both EIS and VCTs in an individual company to increase to £10million and the annual amount that an individual can invest through EIS to increase to £1million.

The use of settlements ("trusts") has also played a major role in U.K. tax planning for individuals, although the anti-avoidance measures of recent years mean that great care must be taken in any planning exercise which involves them.

Other Financing Considerations

Tax Costs of Share or Bond Issues

No tax or capital duty is imposed in the U.K. on any issue of new ordinary or preference shares or loan capital.

A document based duty, "stamp duty," is payable in the U.K. at the rate of 0.5 percent on the transfer of ordinary or preference shares/stock, or marketable securities. In general, no duty is payable on loan capital.

Exchange Controls and Regulatory Rules

There are no specific exchange controls or other regulatory rules relating to the restriction of currency movements in the U.K. since they were abolished in 1979. There is therefore nothing to prevent a foreign investor or artist repatriating income arising in the U.K. back to his or her own home territory, other than evaluating the tax consequences of doing so. No changes are expected to be made in the foreseeable future to reintroduce such controls.

Corporate Taxation

Recognition of Income and Amortization of Expenditure

Film Production Company

U.K. Resident Company

The film production tax credit rules set out a consistent approach to calculating taxable profits for an FPC. The new basis, like the treatment it replaces, applies a revenue treatment of income and expenditure even where film costs would otherwise be capitalized on the balance sheet.

The activities of a FPC in relation to a film are treated as a separate trade for tax purposes which commences when pre-production of the film commences or when the company first receives income (if earlier).

For the purposes of determining its profit/loss for tax purposes, an FPC is required to bring into account a proportion of the total estimated income for the film which is treated as earned during that period. That proportion is calculated by multiplying the total estimated income from the film by the total of costs incurred to date (and reflected in work done) and dividing the result by the total estimated cost of the film. We understand it is HMRC's intention that "estimates" for these purposes should be made in accordance with generally accepted accountancy principles. This may give rise to some practical challenges.

Income for the above purposes is construed widely and includes receipts from the making and exploitation of the film. It includes (but is not limited to):

- Receipts from the sale of the film or rights in it
- Royalties or other payments or use of the film or aspects of it (for example characters or music)
- Payments for rights to produce games or other merchandise
- Receipts by way of a profit share agreement

If a special purpose company is set up in the U.K. to produce a film, video or television program, without acquiring any rights in the product, i.e., a “camera-for-hire” company, the tax authorities might query the level of attributed income if they believe it is below a proper arm’s-length rate. It is difficult to be specific about the percentage of the total production budget that would be an acceptable level of attributed income in the U.K., but an acceptable level could lie between one and two percent of the production budget. The lower the rate, the more likely there is to be an enquiry. In many cases, setting a percentage rate may well be wholly inappropriate given the size of the budget, but some comparison needs to be made with the level of fee which a third party would set for similar services. The basis of the level of fee that is set should be clearly documented.

As long as the relevant conditions are met (as described in the Tax and Financial incentives section above), an FPC is eligible for an enhanced deduction in computing its taxable profit/loss. The value of the enhancement is 100 percent of qualifying expenditure for films with core expenditure, deemed as a limited-budget film, of GBP 20m or less and 80 percent of qualifying expenditure for films with core expenditure of greater than GBP 20m.

To the extent that an FPC has a trading loss for a period (taking into account the enhanced deduction noted above), it may surrender all or part of that loss in exchange for a cash tax credit. However, the amount of loss which may be surrendered is limited to the qualifying expenditure for the period.

For lower (limited) budget films (less than GBP 20m), a cash tax credit of 25 percent of the losses surrendered is available. This is reduced to 20 percent for films with a budget in excess of GBP 20m. It should be noted however that given it is only possible to surrender a loss up to a maximum of the qualifying expenditure for the period (i.e., U.K. expenditure up to a maximum of 80 percent of core expenditure). As a result, the maximum cash credit available for films which are made wholly in the U.K. will be 20 percent (25 percent x 80 percent) of core expenditure for lower budget films and 16 percent (20 percent x 80 percent). The benefit will be eroded even further the more expenditure incurred on non-U.K. goods and services.

The tax credit repayment is claimed via the FPC’s corporation tax return which must be submitted within 12 months of the end of the relevant accounting period. There is no requirement for HMRC to pay the credit within a set time frame.

Losses

While a film is in production, losses (including those arising as a result of the enhanced deduction) may only be carried forward and set off against future profits of the same trade (i.e. the same film as each film is treated as a separate trade for tax purposes).

Once a film is completed or abandoned, losses arising otherwise than by way of the enhanced deduction may be offset against profits of the FPC in that accounting period, an earlier accounting period or surrendered to be offset against profits arising elsewhere in the group.

Once the film trade ceases, any terminal losses may only be offset against profits from other films made by the same FPC or surrendered intra-group to be offset against profits made another FPC which has already commenced pre-production of a qualifying British film.

Non-U.K. Resident Company

If a company is not resident in the U.K. but has a production office to administer location shooting there, it is possible that the tax authorities may try to argue that it is chargeable to tax by being regarded as having a permanent establishment, unless specific exemptions can be obtained by virtue of a claim under an appropriate double tax treaty. In this case it might be possible to argue that the location is similar to a construction or installation project which does not exist for more than the defined period, or that it is not a "fixed place of business" as provided for in the appropriate article.

If the U.K. tax authorities attempt to tax the company on a proportion of its profits on the basis that it does have a permanent establishment there, they would first seek to attribute the appropriate level of profits which the enterprise would be expected to make if it were a distinct and separate enterprise engaged in that activity. Clearly, however, a proper measurement of such profits would be difficult. It is likely that the U.K. tax authorities would measure the profit enjoyed by the company in its own resident territory and seek to attribute a specific proportion of this, perhaps by comparing the different levels of expenditure incurred in each location or the periods of operation in each territory. The level of tax liability would ultimately be a matter for negotiation.

It is unlikely that a production office could be regarded as causing a company to be resident in the U.K. if that company is not incorporated there or if that office could not be regarded as being the site of its central management and control.

If a company is not resident in the U.K. and does not have a production office there, but undertakes location shooting, it is unlikely that it would have a U.K. tax liability since it would not be regarded as having a permanent establishment.

Non-resident companies making a “culturally British” film should consider setting up a U.K. company to carry out production in order to benefit from the new film tax credit as explained further above.

Television Production Company

U.K. companies which make programmes for television will also be required to compute their income and expenses on the same basis as companies making films for cinema from January 1, 2007. However, such companies are not entitled to the enhanced relief as they do not meet the relevant conditions (intended for theatrical release, etc.).

It is however possible for such companies to elect out of the above regime and be taxed instead in line with their accounting treatment.

Television Broadcaster

The television broadcaster, the cable channel provider and the satellite channel operator are, like the cinema exhibitor, final links in the production chain. They differ in the U.K. from the cinema exhibitor, in that they often provide a vital resource in the financing process, whether they are providing funding for films or programming. Their own income can of course stem from various sources.

The U.K. public broadcaster, the BBC, derives a substantial amount of its income from a statutory license fee payable by each U.K. home, but even the BBC defrays an increasing proportion of its costs by selling its programming overseas, entering into co-productions and making advances to producers to help fund films and programming in return for first transmission rights and a share of any subsequent profits.

The principal source of income for non-public service broadcasters in the U.K. is advertising income, but the publisher-broadcaster can also derive income from the sales of its own product to third parties abroad, either by appointing third-party sales agents to increase their exploitation income, or undertaking this activity in-house. Broadcasters have begun to commission increasing amounts of their own programming, whether in-house or from U.K. independents, and the recent consolidation of the U.K. commercial television industry has resulted in large mergers intended to produce the benefits of economies of scale.

The identification of film and program income and the amortization of related expenditure is inappropriate for a television broadcaster, whose income, as indicated above, would consist for the most part of advertising income. The treatment of expenditure on the acquisition of films by the U.K. commercial network is a little complex but under various individual agreements with the U.K. tax authorities, such film expenditure is generally written off on a formula basis which recognizes the terms of the license granted to the network and the frequency with which the film can be shown in the period prescribed by that license.

Other Expenditure

A television broadcaster does not have any special status under U.K. tax law. Consequently, it is subject to the usual rules to which other companies are subject. For example, in calculating taxable trading profits, it may deduct most normal day-to-day business expenditure such as salaries, rents, advertising, travel expenses and legal and professional costs normally relating to the business.

Certain other expenditure cannot be deducted, for example any expenditure on capital account, such as the purchase of land and buildings, goodwill and investments. Neither can the acquisition of plant and machinery be deducted, although tax depreciation can be deducted at specific rates for assets acquired for business purposes. Additionally certain day-to-day expenditure is not allowable, such as business entertaining of existing or prospective clients, and any other expenditure which is too remote from any business purpose.

The tax authorities have recently been interested in claims to deduct the expenses of certain pre-trading launch expenses, the cost of applying for new and existing commercial television and radio franchises, various legal and accounting costs, the costs of advertising and cross-border transfer pricing issues.

Losses

Companies may set off trading losses against any other profits they receive in the same period. Any excess trading losses may be set off against profits of whatever description arising in the year prior to the year of loss, or alternatively carried forward to be deducted solely against income of the same trade arising in future years. Unlike certain other territories, there is no time restriction for utilizing such trading losses. There are rules which restrict the availability of loss relief following a change in ownership of a company.

Film/Television Program Distribution Company

From January 1, 2007, if a U.K. resident distribution company acquires rights in a film or television program from a production company, for U.K. tax purposes the payment for the acquisition of the rights the purchase of an intangible asset.

The tax treatment of such assets generally follows accepted principles of commercial accountancy although it is possible to make an election instead to amortize the intangible asset for tax purposes at a rate of 4 percent per annum.

For U.K. accounting purposes, but depending on the specific circumstances of each case, income (such as minimum guarantees) can be recognized in the year in which it arises, or on the date the deal is signed, or on the date payment is received if the latter represents overages. In other words, income is recognized in the specific period in which it is, or is expected to be, earned. A prudent view is therefore normally taken, at the end of each accounting period, of the likelihood of such income being received, and such accounting provisions made as are necessary.

A film or television program distribution company that acquires distribution rights over product for sublicensing elsewhere may adopt either of two methods to recognize income in its accounts. It may recognize in its trading and profit and loss account the total income the sublicensing generates in the distributor's domestic or overseas territories, and then expense in that same account the royalty payments it makes back to the licensor. In this case, its profit would effectively represent its commission income.

As an alternative, it may recognize solely its commission income in its trading and profit and loss account, and deal in its balance sheet with the gross income it receives from the sub-licensees and with the payments it makes to the licensors. With this method, its turnover would represent its commission.

As noted above under “Television Broadcaster,” a film distribution company has no special status under U.K. tax law and is subject to the same rules as other companies as regards the deductibility of other expenditure and relief for losses.

Foreign Tax Relief

If a U.K. resident film distributor receives income from non-resident companies, but suffers overseas withholding tax, it is normally able to rely on the U.K.’s wide range of double tax treaties to obtain relief for the tax suffered. If no such treaty exists between the territories concerned, the U.K. resident would expect to receive credit for the tax suffered on a “unilateral” basis. There are statutory rules that govern the method by which U.K. companies obtain relief for the withholding tax suffered. The domestic U.K. legislation relating to double tax treaties provides that, where overseas taxes have been computed by reference to specific income arising, credit should be allowed against any U.K. tax computed by reference to that same income.

Where a U.K. film distribution company receives income from sources both within and outside the U.K., it may suffer overseas withholding taxes on its overseas income at a rate which is higher than its effective U.K. tax rate. Technically, such overseas taxes are creditable solely against the U.K. tax attributable to the relevant overseas income that has suffered the tax and, indeed, cannot exceed that attributable U.K. tax.

Where a sales agency does not hold any master or distribution rights, the principals to the deal need to determine that the correct recipient benefits from any tax credits due, since there is the danger that the sales agent might be able to retain credits that do not belong to him or her. Additionally, where films or programming are licensed by a U.K. agent on behalf of a non-U.K. resident licensor to a non-U.K. resident licensee, the appropriate tax laws and practice of the paying territory should be examined to determine whether the paying territory can impose withholding rules on where the money flows, rather than on where the principal recipient is resident. Since the U.K. does not impose withholding tax on the payment of film or programming royalties under domestic law, the issue only arises in respect of payments coming in to the U.K. from abroad. Where there is a potential tax credit “leakage,” the use of a third-party royalty collection company should be considered, where the commercial circumstances warrant this.

*Related Parties: Transfer of Film/Program Rights;
Distribution as Sales Agent*

Where a worldwide group of companies holds rights to films, videos or television programming, and grants sublicenses for exploitation of those rights to connected (related) U.K. resident company, it needs to take care to help ensure that the level of license payments and commission income to be earned by the U.K. company can be justified. U.K. transfer pricing legislation requires transactions between connected parties to be conducted on arm's-length terms. There is also a requirement for the taxpayer to prepare and keep documentation to support the arm's-length price. There is no specific level which the U.K. tax authorities seek to apply. They can be expected to have regard to comparative deals which other unconnected parties may make, particularly those directly involving the taxpayer or a related party, together with the taxpayer's functions and risks under the intra-group contracts in place.

Where a U.K. based company distributes the product of a connected party, or acts as its sales agent, in consideration for commission income it is therefore necessary to set an arm's-length, market rate for that distribution fee or commission, and any other transactions into which it might enter into with a connected party. The difficult question is to establish exactly what that rate might be. Again, this depends on an evaluation of the taxpayer's functions and risks, including basic facts such as whether the rate applies to a single title or portfolio of titles, and the type of film, e.g. an expected blockbuster, or a niche product. Consequently, third-party rates tend to cover a wide range, often between 10 and 30 percent of the total income generated.

One of the most important determinants in setting a defensible rate can be the size of the prospective audience, and, therefore, revenues. This is because where the U.K. entity is not significantly at risk for direct distribution costs (e.g. film prints, DVD pressing or advertising) as it is a commission agent, or is entitled to deduct the distribution fee from revenues before paying a royalty out of the balance, its main risk can relate to recovering its local office costs. These tend to be fairly invariant to revenue level. That is, local staff costs do not tend to increase at the same rate as the audience for the films they distribute—a significant volume discount needs to be priced into the fee to return the correct amount to the ultimate licensor.

Where the intra-group arrangements extend to cover a series of films over time, corporate tax efficiency and savings in effort can be maximized by designing a robust “sliding scale” of commissions or distribution fees, which allows for variation in film revenues and controls taxable profits within a narrow range.

In some cases, risks borne by the local entity can be higher, for example where a distributor does bear direct cost risk under the contract and is required to pay a fixed percentage royalty regardless of a film’s performance. Over time this would impact the arm’s-length level of return to be recognized locally, although setting the transfer pricing can be approached in a similar manner.

Whatever rate is set, under the appropriate operating/transfer pricing model, full details should be recorded to justify the rates set in the particular circumstances. It is generally wise to obtain evidence at the time a deal is struck to verify that the rate agreed can be substantiated at a later date should the tax authorities query the deal.

It is also possible in the U.K. to enter into an advance pricing agreement with the tax authorities in order to get certainty in respect of prices used.

[Withholding Tax on Royalties](#)

The U.K. tax regime generally requires tax to be withheld at the basic rate of 20 percent from royalty payments made to holders of copyright resident outside the U.K. In any event double tax treaties and the European Interest and Royalties Directive often apply a reduced or nil withholding tax rate in respect of certain royalties. Additionally, there are two specific exemptions that override even this practice, whether the royalties are paid to a resident of a treaty territory or not. Firstly, individual authors who exercise a profession outside the U.K. may receive royalty payments gross from U.K. residents. Secondly, where a U.K. resident pays a royalty abroad in respect of a cinematography film, video recording, or soundtrack of such a film or recording (as long as the soundtrack is not separately exploited), U.K. tax law also permits such payments to be made gross.

Indirect Taxation

Value Added Tax (VAT)

The U.K. charges VAT on the sale or supply of goods or services under the harmonized system of VAT found in the EU, and companies making supplies of goods and services within the U.K. would normally be required to register for U.K. VAT (businesses whose taxable turnover is less than £73,000¹ in any 12-month period do not have a requirement to register). There are certain restrictions which deny companies “credit” for tax suffered at an earlier stage in the manufacturing or service process. No “credit” is available in respect of entertaining expenses, most purchases of automobiles and other goods and services not purchased for business purposes. Intending traders can register to advance their recovery.

Supply of a Completed Film

Any U.K. resident company which delivers a completed film to a company also resident in the U.K. has to charge VAT at the standard rate of 20 percent on this supply. Such a sale is regarded as a supply of rights and therefore as a supply of services. If a U.K. company delivers a completed film, it would be required to account for any applicable VAT to the tax authorities within one month of the end of the VAT accounting period in which the supply was made or, if earlier, in which a “tax point” was created. VAT accounting periods can cover one month or three months. The basic tax point is the completion of the service. However, if a company receives a payment or issues a tax invoice in advance of delivery of a completed film, the receipt of payment or date of the invoice would create a tax point.

Where a U.K. resident company delivers a completed film to a company not resident in the U.K. but resident in a Member State of the EU there would be no charge of U.K. VAT to the customer although the U.K. supplier would be able to recover all of the VAT that it had incurred (subject to the normal rules). A U.K. company delivering the film would need to establish that the customer is receiving the supply in its business capacity, usually by showing the customer’s own VAT registration number on the invoice and, as of 1 July 2011, it is also a requirement under EU law to validate the VAT number and evidence the customer’s name and address. However, the customer in the Member State would have to pay the VAT applicable to the product in that particular Member State and credit that sum against its own VAT liability (the so-called “reverse charge”).

¹ The current U.K. VAT registration threshold for the tax year 2011/12 is £73,000

A U.K. resident company which delivers a completed film to a company not resident in either the U.K. or the EU would not charge VAT since such a supply would be regarded as being “outside the scope of VAT,” but would be able to recover the VAT incurred in making the film.

Pre-Sale of Distribution Rights

A U.K. company must charge VAT at the standard rate of 20 percent⁴ on a “pre-sale” of distribution rights to a U.K. resident. On a pre-sale to a person not resident in the U.K. but resident in the EU, such a supply is outside the scope of VAT if made to a person in business (if made to a person not in business, the rate is 20 percent). On a pre-sale to any person not resident in either the U.K. or the EU, the supply would be outside the scope of VAT.

Royalties

Where a U.K. resident company pays a royalty to another U.K. resident company, VAT would be charged at the rate of 20 percent.

A U.K. resident company which pays a royalty to a company which is not resident in the U.K. but is resident in a Member State of the EU would not be charged overseas VAT, but would be required to operate a “reverse charge” calculation, i.e., charge itself VAT at 20 percent, and the supplier would not charge his or her own domestic VAT. A U.K. resident company which pays a royalty to a company not resident in either the U.K. or the EU would also be required to operate a “reverse charge” calculation.

Agent as Principal Deals

On occasion, licensing deals are handled by agents acting in the name of the licensor. Although the agent is clearly not a principal to the deal it is sometimes more appropriate, from a VAT point of view, for the agent to act in a principal capacity in order to simplify the VAT accounting and compliance issues. In these cases the agent can act as though he both receives the grant of the license from the licensor and makes the grant of that same license to the licensee. The value of those transactions would be the same and so any VAT would flow through the agent with no adverse consequences. The agent’s commission is a separate transaction and is subject to the normal VAT rules. This treatment of agents as principals for VAT purposes can prove very useful to overseas licensors who might otherwise be required to register for VAT in the EU, although for direct tax purposes care needs to be taken when structuring this arrangement.

Peripheral Goods and Merchandising

The sale of many peripheral goods connected to the distribution of a film (such as books, magazines and the publication of music where presented on paper) may be zero-rated. However, the sale of other merchandising connected with the distribution of a film (such as the sale of CDs, clothes, posters, toys, etc.) will be subject to VAT at 20 percent (children's clothing is zero rated). If these are to be imported then duty and import VAT would normally be due.

Promotional Goods or Services

The VAT treatment of business promotions is a complex area upon which it is recommended that advice be sought on a case-by-case basis. However, as a general rule, where a business gives away goods for no charge and recovers VAT incurred on those goods as a credit, VAT is not due if the VAT-exclusive cost of the goods is £50 or less and the gift does not form part of a series or succession of such gifts costing over £50 in total to the same person in the same year. Otherwise, VAT is normally due on the cost value of the goods.

For services provided at no charge, the VAT treatment depends upon whether the company is providing its own or bought-in services. The free provision of own services is generally not a taxable supply and VAT credit is not restricted, whereas the free provision of bought-in services does give rise to a VAT credit restriction. If, however, services are merely paid for by the business undertaking the promotion but supplied directly by a third party to the customer, the business makes no supply for VAT purposes but cannot deduct any VAT charged by the provider of the services.

Film Crew and Artists

Many diverse services are provided within the film industry. It should be stressed that it is not the job title which is the determining factor as to the VAT treatment, but the nature of any service provided.

With effect from 1 January 2010 the basic place of supply rule for services is that business-to-business services are treated as supplied where the customer belongs. (Prior to January 2010 the basic rule was that VAT was due where the supplier was established.)

Some entertainment services and ancillary services are deemed to be supplied where physically carried out. Following the Tribunal case of *Saffron Burrows* (involving an actress taking part in a film production in New Zealand) HMRC accept that acting services are supplied where performed. It is arguable that this treatment should also be extended to ancillary services. However, for now, HMRC appear to be adopting a narrow interpretation of this case and restricting its application to actors.

Actors sometimes work as waged or salaried employees under standard contracts. In these circumstances there is no supply for VAT purposes and their services are outside the scope of VAT.

Imports of Goods and Customs Duties

Where tangible goods are imported into the U.K. from outside the EU, customs duties (see below) would be payable in respect of the goods and VAT at the appropriate rate would almost certainly be payable on the value of the goods, plus the customs duty. Data transferred by intangible means such as via the Internet is not subject to customs duty but may be subject to VAT. For VAT-registered companies the VAT is recoverable in the normal way, subject to the company holding adequate supporting evidence. Customs duty is not recoverable and represents an absolute cost.

Customs duty due and import VAT due will depend on the customs valuation declared for the goods imported into the U.K.. The usual method used by importers is called Method 1 or transaction value and is the price paid or payable for the imported product. However, if Method 1 is used by importers it is important to note that the price paid or payable on the products imported must be subject to the addition or deduction of certain elements (e.g. freight, insurance, royalties, etc). This could become a complex area for imports into the EU, especially for the kind of products in the film industry where there are often royalty agreements in place.

However, there are various duty reliefs and suspensive regimes available, including Temporary Admission Relief (TI), which can be used to temporarily admit goods with total or partial relief from duty and tax. While many of these reliefs can benefit the film industry, various strict criteria must be fulfilled in order to use them, such as the time limits for subsequent re-export and the use to which the goods are put. As always, it is prudent to seek professional advice on the specifics.

The following rates of customs duty are the maximum payable in the circumstances stated below.

Type of Goods	Customs Duty Rate
Exposed and developed film of a width of 35mm or more – consisting only of soundtrack ²	Free
Exposed and developed film of a width of 35mm or more – negatives and intermediate positives ³	Free
Exposed and developed film of a width of 35mm or more – other positives ⁴	6.5%, up to a maximum of EUR5 per 100 meters
DVD ⁵	3.5%
Computer operated projectors ⁶	Free
Cinematographic projectors ⁷	3.7%

Note that all the items above are “standard rated” supplies for VAT purposes, in respect of which 20 percent is charged on the value inclusive of customs duty.

Personal Taxation

Non-Resident Artists (Self-Employed)

Income Tax Implications

The U.K. authorities tax the income arising to a non-resident artist from any performance in the U.K. They would also seek to tax income received outside the U.K. in connection with a U.K. performance, and also tax profits arising from merchandising if they can link this to a performance in the U.K. Unlike certain other territories, the U.K. authorities do not consider merchandising income to represent a royalty for the exploitation of name or likeness.

Tax is collected by the Foreign Entertainers’ Withholding Scheme. The foreign entertainers withholding tax rules apply whether an actor undertakes a live performance on stage before an audience or performs solely before the camera in a studio or on location.

² We assume this falls under commodity code 37061010

³ We assume this falls under commodity code 37061091

⁴ We assume this falls under commodity code 37061099

⁵ We assume this falls under commodity code 85234051

⁶ We assume this falls under commodity code 85286910 – although please note, a ‘colour projector’ that falls under commodity code 85286999 would attract a customs duty rate of 14 percent

⁷ We assume this falls under commodity code 90072000

If a non-resident artist receives any payment arising from, or in consequence of, a activity within the terms of the scheme, the U.K. payer is obliged to deduct withholding tax and account for this tax to the authorities. However, where a non-U.K. payer makes a payment to the non-resident artist in respect of a U.K. performance, the withholding tax rules cannot be enforced and the U.K. tax authorities can only rely on voluntary compliance by the non-U.K. payer.

The withholding tax rate is 20 percent, subject to any reduced rate which can be negotiated if profits are sufficiently low, or if there are substantial expenses. However the authorities can be restrictive in the extent to which they allow deductions to be set against tax.

The 20 percent represents a payment on account; the artist's final liability would be calculated at the applicable rates based on their total profits (together with any other income that is taxable in the U.K.). For the tax year ended April 5, 2011 the tax rate is 40 percent on any profits exceeding £37,400 and the top rate of 50 percent applies to profits exceeding £150,000. It is worth noting that these rates are applied to income after percentage commissions and other allowable expenses, and therefore the effective rate on the gross would normally be lower.

Unlike many territories, the U.K. authorities also require the filing of a final return as well as a tax payment. Whether the payments are made by a U.K. resident or not, early negotiation is recommended with the Foreign Entertainers Unit to secure a more favorable level of deductible expenses. A personal allowance may also be available depending on circumstances; for the tax year ended April 5, 2011 this is £6,475. The entertainer may be able to claim a credit for all or part of the U.K. tax deducted if he or she has sufficient tax liability in his or her country of residence.

VAT Implications

The provision of entertainment services could create a requirement to register for U.K. VAT. However, it may in certain circumstances be possible to mitigate this liability by structuring contracts so that the place of supply of the services is brought outside the U.K.. The U.K. tax authorities have recently challenged the rules concerning where entertainment services are supplied as such there is an increased risk to performers that their services may be deemed by the U.K. tax authorities to fall within the scope of U.K. VAT. We would recommend that early advice is sought in relation to any entertainment services that are to be made in the U.K.. Please note that entertainers can typically apply to be registered for U.K. VAT. As such, they

would be required to charge VAT (currently 20 percent) on the services they provide within the U.K.. This would give an entertainer the right to deduct any U.K. VAT incurred in relation to their business activities (subject to certain restrictions).

Resident Artists (Self-Employed)

Income Tax Implications

A U.K. resident artist is liable to U.K. income tax in respect of all profits derived from his worldwide activities (subject to any relief available under a Double Taxation Agreement).

The rules regarding the residence status of individuals are rather complex and based on a wealth of case law. The detail is beyond the scope of this book, but individuals are regarded as tax resident in the U.K. if they spend at least 183 days in any U.K. tax year. This is an absolute rule.

Individuals should also be treated as U.K. tax resident if they spend on average 91 days in the U.K. per year (the average is taken over a maximum of four tax years). Each day on which an individual is present in the U.K. at midnight is counted as a day spent in the U.K. for the purpose of these tests.

If an individual does not meet either of these tests, he could still be treated as tax resident in the U.K. if his presence here is not for merely casual or temporary purpose(s). In particular, having available accommodation in the U.K. or having ongoing contractual commitments in the U.K. may indicate this.

However, the government has proposed to introduce statutory definitions of residency which, subject to any changes during the consultation, will apply from April 5, 2012. These rules are less subjective and will make it easier to determine whether an individual is resident in the U.K. in any given year. Under these rules, an individual will be conclusively non resident in the U.K. if:

- They were not resident in the U.K. in any of the previous three years and they are present in the U.K. for fewer than 45 days in the current tax year;
- They were resident in the U.K. in any of the previous three years and they are present in the U.K. for fewer than 10 days in the current tax year;
- leave the U.K. to carry out full-time work abroad, provided they are present in the U.K. for fewer than 90 days in the tax year and no more than 20 days are spent working in the U.K. in the tax year.

Individuals not meeting these criteria must then consider further statutory tests to establish their residence status. There are potential tax advantages for those individuals who are not domiciled in the U.K. and careful planning can result in tax savings. The concept of “domicile” is different to that of residence for U.K. tax purposes and is can generally be regarded as the country or state which a person considers his or her permanent home.

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