

The Budget 2015 – The Media Angle:

What it means for you and your company.

1 OVERVIEW

The Chancellor listened to PACT and UK Screen amongst others, gave a shot in the arm to the computer game industry, invested in the Skills and Training sector of the UK creative industries, tightened up Entrepreneurs Relief, left EIS and SEIS alone, knocked a penny off the price of a pint and in anticipation of a rousing defeat of Les Bleus this weekend at Twickenham he has put aside just over £1m for celebrating the bi-centenary of the battle of Waterloo.

All in all, not too bad for a Pre-Election Budget. That said, this is undoubtedly a political budget and crucially, if these proposals are to become law, they would require Royal Assent before May 5th, which is virtually impossible. So with a potential change of Government all of this may come to nothing. Read on, therefore, at your own discretion!

2 CREATIVE TAX RELIEFS

Wanting to further bolster the benefits that the Creative Industries have already reaped from these reliefs, the Chancellor has made the following adjustments:

2.1 FILM TAX RELIEF

He has raised the rate of tax relief to 25% for all qualifying expenditure. This removes the tier of 25% for the first £20m only. This will come into effect from the 1st of April, and in practice removes the distinction between small and large budget films

2.2 HIGH END TV TAX RELIEF

As of the 1st April 2015 the minimum qualifying UK expenditure will be reduced to 10% from 25%. This brings this credit in line with the Film Tax relief. The 'Cultural Test' will be updated, and the new version is expected to be in force in summer 2015. Once in force claims for tax relief can be backdated to 1st April 15.

2.3 CHILDREN'S TV TAX RELIEF

The new Tax relief will come into force on 1st April 2015. There has been some discussion on the draft legislation and after consultation with PACT, the scope of allowable shows will be widened to include Competitions and Gameshows, alongside live action programmes. Again the Cultural test will be updated, and expected to be in force in the summer. Once in force claims can be backdated to 1st April 2015. The minimum expenditure will also be reduced to 10%, to mirror other tax credits.

2.4 R & D TAX CREDITS

The Government has extended help to smaller companies looking to take advantage of this credit. They are offering an Advance Assurance service for companies looking to make their first claim and in addition have increased the rate of the 'above the line' credit from 10% to 11%, and will increase the rate of the SME scheme from 225% to 230% from April 2015. HMRC are also committing to raising the awareness of this scheme and will publish a document in the summer detailing how they intend to improve the scheme over the next 2 years.

3 SKILLS FUNDING

The Chancellor has announced a further £4m in funding to extend by 2 years the Government's contribution to the Skills Investment Fund. This fund exists to support the training and skills development in the TV, Film, Video Games, Animation and VFX industries. This has been welcomed by many as Creative Skillset highlighted in their speech at the Westminster Media Forum, the lack of young, skilled individuals coming through in the creative industries.

4 PROTOTYPE FUND & SKILLS INVESTMENT FUND – UK GAMES INDUSTRY

"A great day for UK video games development and digital publishing sector" said TIGA's Richard Wilson. The Government has pledged £8m in funding available to game studios across the UK.

£4m will go into the revived Prototype fund, designed to help startups in the Video Games sector. The Skills investment fund was also boosted by £4m to help training in Games and other creative sectors. When added with the Video Games Tax Credit, this will give more people with great ideas a real platform to get them off the floor.

5 ENTREPRENEURS RELIEF (ER)

A few tweaks by the Government to close some loopholes, but luckily no attempt to reduce this important tax break in any significant way. It is also worth noting that EIS and SEIS remain completely untouched as well, thank goodness.

5.1 ER: JOINT VENTURES AND PARTNERSHIPS

Individuals will no longer be able to benefit from ER where they collectively invest in a 5% holding in a trading company via a partnership or LLP. Similarly artificial structures

allowing shareholders to claim eligibility for ER through joint venture holdings in trading companies of over 5% will also be stopped from doing so.

5.2 ER: RESTRICTING RELIEF ON ASSOCIATED DISPOSALS

The government will prevent individuals from claiming ER on the disposal of personal assets used in a business carried on by a company or a partnership unless they are disposed of in connection with a disposal of at least a 5% shareholding in the company or a 5% share in the partnership assets. This affects disposals on or after 18 March 2015.

This is further legislation designed to well and truly bury the firm partnership as a tax break.

6 WHAT DOES THE BUDGET MEAN FOR BUSINESS OWNERS?

Well again, a lot of tinkering around the edges which was hardly surprising given there is an election due in 48 days' time.

6.1 We have worked out below, roughly how it affects you personally as a business owner and a company director/shareholder, which as you can see is hardly going to change any of our lives...but "every little helps" as they say.

Self-Employed Profits of £65,000 per year (assumes no other income)

Year	Net Income After Tax and NI	Gain/(Loss)
2014/15	£45,859	
2015/16	£46,056	£197

Salary of £10,000, dividends of £55,000

Year	Net Income After Tax and NI	Gain/(Loss)
2014/15	£58,175	
2015/16	£58,365	£190

6.2 INHERITANCE TAX:

The big unanswered question is what the Tories may do with IHT? Apart from a rather cheap political dig at “two kitchens” Ed Miliband by reviewing the use of “Deeds of Variation” which he had put in place for his father’s property, there has been talk of reducing the charge of 40%, down to nil over the next 5 years but this only may happen if they are re-elected in May.

6.3 PENSIONS

More tinkering around with pensions in particular the reduction of the lifetime allowance from £1.25m to £1m, which seems strange given the Chancellor is trying to encourage us all to save more towards old age. At least they have kept the annual allowance for contributions into your fund at £40k without reducing it. With the increased flexibility in private pensions, this area is becoming a really important tool for personal financial planning.

6.4 ISA's

As you probably know the annual limit will be increased to £15,240, and what's more, ISA's are being made increasingly flexible. Savers will now be able to withdraw and replace money in the same tax year without it counting towards your annual ISA subscription limit for that year, as long as you repay in the same tax year as the withdrawal.

6.5 CHANGES IN INCOME TAX

Lots of little changes here, but none of it adds up to very much.

6.5.1 Savings Rate

Enhancement: From the 6th of April 2015 the maximum amount of your savings income that can qualify for the starting rate of tax will be increased from £2,880, to £5,000 and the starting rate will be reduced from 20% to nil. This will increase the number of savers who will not be required to pay tax on savings income.

This increase will also provide a useful tax break for director shareholders who extract their share of profits by taking a low salary and the balance in dividends.

6.5.2 Personal Savings Allowance:

From the 6th of April 2016 the personal savings allowance will kick in and for people on a basic tax rate, £1,000 of savings income will not be taxed. If you are on a higher tax rate, then it's £500. Due to these changes many people will no longer pay tax on their savings (currently 20%). From 6th April 2016, automatic deduction of tax at source by banks and building societies will stop.

6.6 ABOLITION OF TAX RETURNS

And.....you won't have to fill in a paper tax return anymore! Not quite as good as it sounds however as it does appear to us that HMRC are trying to move us towards a digital world in which we are real-time reporting our income and expenses all through the year. Fortunately none of this is due to happen until 2020, but together with RTI, their attempt to tax freelancers as if they were pay as you earn employees, HMRC's clear intention is to attempt to tax us all at source if they possibly can. If you want to read more about this go to: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/413975/making-tax-easier.pdf and find out what they are really up to.

Listing the "advantages" of their proposal, they claim that they will populate our Returns for us (but we have to check its right), we can link our business accounting software directly into their digital tax account systems (so they can really know what is going on) and as they end up saying "This is just the start of the Journey". Anyone heard the expression "to hell in a hand-cart"?

7 IN SUMMARY

Not too bad a day for the creative industries. The government seems committed to ensuring that the creative industries continue to strive and acknowledge that Skills and Training and an integral part of that to ensure that the UK remains at the top of the league.

So it's a good time to develop those games, make your High End TV, Children's TV and enjoy that cheaper pint as your reward. Just make sure it all happens first....

Other than that, the cynic in us makes us feel that there isn't that much under the surface of what is effectively a political manifesto for the Tory party.

8 FURTHER READING AND RESEARCH

<https://www.gov.uk/government/topical-events/budget-2015>

<http://www.ewyformedia.co.uk/>

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/413975/making-tax-easier.pdf

<http://www.englandrugby.com/news/features/veteran-view-france-neil-back/>