

U.K. Government Extends Animation Production Rebate

Animation UK campaigned for the increase in tax incentives and for the inclusion of animated theatrical release films, in addition to animated television programs.

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During his Budget Speech on March 15, the Chancellor of the Exchequer, Jeremy Hunt, announced that the animation and children's TV sector would benefit from a 39% Audio-Visual Expenditure Credit (AVEC), praising the film and TV industry as a major contributor to growth in the UK.

On July 18, HM Revenue and Customs published the draft legislation for the Audio-Visual Tax Relief reform, announcing that not only would animation and children's TV receive a credit rate of 39% (29.25% net after tax), but to ensure fairness, the higher rate of credit will be extended to include animated theatrical release films. This will take effect from January 1, 2024. Previously, animated features were eligible to claim the existing Film Tax Relief at a rate of 25%, so including animated features in the Animation AVEC represents a significant 4.25% net uplift after tax.

Responsible for building the case for the original animation tax credit, Animation UK has campaigned tirelessly for an increase in tax incentives, considering competitive international offers. It argued the case, supported by compelling evidence from its members, for the animation uplift to include animated theatrical release films.

"Having presented the business and financial case on behalf of our members, Animation UK is delighted with the decision taken by HMT/HMRC and DCMS to apply the AVEC animation uplift to theatrical features, a strategic move that firmly places the U.K. animation industry on the global stage during this crucial period," said Kate O'Connor, Executive Chair of Animation UK. "The resulting enhancement across the industry is set to supercharge its overall growth. Not only do these animations attract significant budgets (in the ballpark of £15m-£100m), but they also herald advanced technological breakthroughs, while offering long-term, sustainable employment opportunities for a workforce of up to 250 people throughout the entirety of a project's lifespan. Overall, our animated content plays an immeasurable role in our nation's soft power, driving exports, and promoting the uniqueness of U.K. creativity worldwide. Regarded as the zenith of our animated output, this inclusion of animated features is not just beneficial, but fundamentally essential to the vitality of the industry. The animation sector as a whole stands to reap immense benefits from this progressive step."

“As an independent producer of high-quality animated features for global audiences Locksmith Animation is delighted that the AVEC animation uplift is being applied to theatrical features,” said Britt Gardiner, Chief Operating Officer of Locksmith Animation and Chair of the Animation UK Features Working Group. “This incentivizes U.K.-based production at the very highest level of animation; leading to ongoing investment in developing the talent and technology to produce big budget world-class animated films that promote U.K. creativity across the world.”

“I was delighted to hear the news on 18 July that animated films released theatrically will also be eligible for the AVEC animation tax uplift,” commented Sean Clarke, Managing Director of Aardman. “Aardman over the last 20+ years has released eight films theatrically, and will be releasing our ninth film *Chicken Run: Dawn of the Nugget* on Netflix in December of this year. The film industry is continuing to go through much change on how films are distributed and consumed, and this is an important step to ensure a level playing field for raising finance for all films, no matter how they are distributed, giving more flexibility in distribution models and of course, attracting investment in the UK animation industry.”

“With a film typically taking at least five years to develop, finance and produce, I congratulate HMT, HMRC and DCMS in providing a timely response to Animation UK’s paper on the subject and providing some real and meaningful certainty to allow the UK animated film industry to continue to thrive,” he added.

“We want the U.K. to be the best place to start and grow a business and while we have the lowest corporation tax rate in the G7, we are not complacent,” said Victoria Atkins, Financial Secretary to HM Treasury. “The changes we are making are about backing business to innovate and grow the UK economy, creating good jobs across the country.”