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Museums and Galleries Exhibition Tax Relief

What is Museums and Galleries Exhibition Tax Relief?

Museums and Galleries Exhibition Tax Relief (MGTR) is the latest creative industry tax relief, which has been introduced from 1 April 2017. HMRC hope the relief will encourage and support UK museums and galleries and incentivise touring exhibitions. MGTR will only apply to charitable companies, their trading subsidiaries and wholly owned subsidiary companies of local authorities that maintain a museum or gallery.

How does this relief provide benefit?

MGTR is applied to each qualifying exhibition where costs have been incurred on or after 1 April 2017. In other words, you may already be eligible to claim! Each exhibition is treated as a separate trade whereby profits and losses are calculated separately. Tax relief comes in the following forms:

- An additional deduction for corporation tax purposes amounting to 80% of all qualifying expenditure.
- If you have a loss, the loss can be surrendered for a tax credit. The loss which can be surrendered for a tax credit is the lower of:
 - the post-tax relief loss
 - the available qualifying expenditure

The tax credit available is capped at £100,000 for a touring exhibition and £80,000 for a non-touring exhibition.

How is the relief calculated?

The following provides a basic illustrative example of a tax credit calculation for a non-touring exhibition with core expenditure of £500,000:

Income	£600,000
Expenditure	(£650,000)
Loss before relief	(£50,000)
Enhanced expenditure (80% x £500,000)	(£400,000)
Loss after relief	(£450,000)
<u>Loss available for surrender</u>	
Lower of: Available loss of £450,000 and Enhanced expenditure of £400,000	£400,000
Tax credit payable at 20%	<u>£80,000</u>

Who qualifies?

In order to qualify for MGTR, your organisation must present qualifying exhibitions. The definition of a qualifying exhibition is wide in scope and includes exhibitions made up of a single object or work. In general, exhibitions which are separate and easily identifiable “curated, planned public displays or an organised collection of objects, works and artefacts which are considered to be of scientific, historic, cultural or artistic interest” will qualify for MGTR. There are specific exclusions, such as, exhibitions organised in connection with a competition.

Your organisation must also be a primary production company which has overall control of the exhibition from development stage to de-installation stage. In practical terms, your organisation must also:

- Have exhibitions which are qualifying exhibitions; as defined above
- Admit the general public to the qualifying exhibition; whether or not they are charged for admission
- At least 25% of the core expenditure is incurred in countries within the European Economic Area

What costs qualify for MGTR?

Only core expenditure qualifies for the relief. Core expenditure is, generally, expenditure directly involved in producing the exhibition. Running costs from the day the exhibition opens to the public is not core expenditure. Core expenditure examples include: -

- Curators fees
- Storage costs for objects used in exhibitions held at two or more venues, where the storage period does not exceed 4 months
- Development expenditure incurred after the exhibition has been approved

How can Chiene + Tait help?

You may be unsure how to start the process of submitting a relief claim or may not even be aware that your organisation is eligible for the potentially significant cash benefits of MGTR. Our experts will save you time and maximise your chances of a successful result by drawing on our extensive experience of creative industry tax reliefs. We will work with you to ensure you have a smooth transition from application to receipt of relief by:

- Discussing your exhibitions with you to establish whether you are likely to qualify
- Work with you to gather evidence to support your claim
- Prepare the financial and technical analysis required for a claim

➤ Information correct at March 2018

For further information, please contact: Catriona Finnie in the Corporate Tax Department
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