

Additional UK VFX Credit Calculation – Example

Step 1: Identify relevant global expenditure and UK expenditure						
Example 1			Example 2			
RGE		6,000,000	RGE		6,000,000	
UK		6,000,000	UK		3,000,000	
Step 2: Identify amount from Step 1 that is relevant VFX expenditure (i.e., UK used and consumed VFX spend)						
Example 1			Example 2			
UK VFX		2,000,000	UK VFX		1,000,000	
Step 3: Determine whether the 80% cap was applied in the most recent period. If yes, calculate the reduction						
Example 1			Example 2			
80% cap applied?		Yes	80% cap applied?		No	
Reduction?	UK spend	6,000,000	Reduction?	UK spend	3,000,000	
	Qualifying spend	4,800,000		Qualifying spend	3,000,000	
	Restriction	1,200,000		Restriction	0	
Reduction applied – go to Step 5			No reduction – go to Step 4			
Step 4: Calculate proportion of standard claim that was VFX related						
N/A			UK VFX		1,000,000	(A)
			UK Spend		3,000,000	(B)
			Proportion		33%	(P) = (A)/(B)
			Standard credit		1,020,000	(C)
			Adjusted VFX proportion		340,000	AVP = (P)*(C)
			Now move to calculation element – skip Steps 5 and 6			
Step 5: Calculate how much VFX spend was not excluded by the 80% cap. Assume VFX spend is always the first spend excluded						
Example 1			Example 2			
UK VFX spend		2,000,000	Step 2		N/A	
Restriction		1,200,000	Step 3			
Result		800,000	Step 2–3			
If zero or negative, adjusted VFX portion is zero as all spend has been excluded. If greater than zero, only some spend is excluded – go to Step 6						
Step 6: Calculcate credit on adjusted VFX portion						
Example 1			Example 2			
If result from Step 5 is greater than zero, some spend was not excluded in original AVEC calculation			N/A			
Adjusted VFX portion is therefore result of Step 5 multiplied by 34% (standard AVEC rate)						
Adjusted VFX portion		272,000				

Calculation			
Example 1		Example 2	
UK VFX	2,000,000	UK VFX	1,000,000
Credit at 39%	780,000	Credit at 39%	390,000
Less adjusted VFX portion	(272,000)	Less adjusted VFX portion	(340,000)
Adjusted additional credit	508,000	Adjusted additional credit	50,000
'Standard' AVEC (qualifying spend @34%)	1,632,000	'Standard' AVEC (qualifying spend @34%)	1,020,000
Total AVEC (additional + standard)	2,140,000	Total AVEC (additional + standard)	1,070,000
Less tax @25%	535,000	Less tax @25%	267,500
Total cash receivable	1,605,000	Total cash receivable	802,500
Additional cash recieved (adjusted additional credit less 25% tax)	381,000	Additional cash recieved (adjusted additional credit less 25% tax)	37,500

For more information on accessing the UK incentives, please email incentives@ep.com.