



department for
**culture, media
and sport**

Creative Sectors Tax Reliefs

Cultural Test for British Animation: Consultation

October 2012

Our aim is to improve the quality of life for all through cultural and sporting activities, support the pursuit of excellence, and champion the tourism, creative and leisure industries.

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1. Context

In the March 2012 Budget, the Chancellor of the Exchequer announced that the Government will introduce corporation tax reliefs for animation, high-end television and video games industries from April 2013, subject to State Aid approval from the European Commission, and following consultation on design. HM Treasury's consultation on proposals http://www.hm-treasury.gov.uk/consult_creative_sector_tax_reliefs.htm setting out these tax reliefs closed on 10th September 2012.

This Department for Culture, Media and Sport (DCMS) consultation paper separately seeks views on a proposed test to identify culturally British animation that might be considered eligible for the new tax relief. This requirement is in line with the European Commission's rules on State Aid. The final design of the cultural test for animation will therefore be dependent upon input from both this consultation and the European Commission.

Animation plays an important role in British culture. The Government's core aim in providing tax relief is to promote the sustainable production of culturally British animation. This aim is supported through:

- (a) Encouraging the production of animation that might not otherwise be made;
- (b) Promoting sustainability in British animation; and
- (c) Maintaining a critical mass of UK infrastructure, creative and technical expertise, to facilitate the production of culturally British animation.

It is expected that all animation applying for the new tax incentives will need to qualify as British either under this cultural test or as British as an official Co-production. Six of the UK's bi-lateral treaties (UK/Australia; UK/Canada; UK/France; UK/Israel; UK/New Zealand; UK/Occupied Palestinian Territories) have provisions within the agreement to jointly make TV co-productions including animation.

DCMS has been working with the stakeholders – particularly the Animation Tax Relief Working Group - to design a cultural test for British animation. We would now welcome comments from a broad range of interested parties on the proposed test which is set out at Annex A. **We ask for responses by 29 October 2012.**

It is not the Department's intention to dictate the content, or style, of animation. The aim of the cultural test is to apply objective criteria to the measurement of cultural attributes in order

to better identify culturally British animation. The proposal is to award points for those elements that contribute to the cultural value of an animation. Points will be awarded in following areas:

- Cultural content
- Cultural contribution
- Cultural hubs
- Cultural practitioners

When considering the possible design of the cultural test for animation tax relief, the test currently applying to the UK's existing – and very successful – Film Tax Relief offered a useful starting point as did the cultural dimension of tax credits in other countries. The cultural test for the UK Film Tax Relief can be found here: <http://www.bfi.org.uk/film-industry/british-film-certification-tax-relief/cultural-test>.

The following text details our thinking behind the four sections of the proposed cultural test for animation. It includes a series of questions to help inform the consultation. You need reply only to questions you feel able to meaningfully answer. Full explanations for your views would be appreciated wherever possible.

Section A: Cultural Content

This section will measure the British or European content of the animation. It is envisaged that points will be awarded for the following:

- A1 - Set in the UK/European Economic Area (EEA) or a fictionalised representation of the UK/EEA or set in a location/World that cannot be determined
- A2 - Lead characters are British citizens or residents or of a nationality/species that cannot be determined
- A3 – If the narrative is a British or European story or the underlying material on which it is based has been conceived by a British or European citizen or resident;
- A4 - The artistic costs ¹represent more than 50% of the production budget
- A5 – The animation dialogue is mainly in the English language (or one of the UK's six indigenous languages).

Q1. Are A1 and A2 points sufficiently defined to enable the promotion of British or European culture?

Q2. Is the list of artistic costs of A4 representative of the cultural contribution of the animation?

¹ Eligible expenditure for the tax credit corresponds to expenditure on conception and creation. Artistic expenditure covers the personnel costs (wages and social security contributions) for the producer, the assistant producer, the artistic director and the persons responsible for the scenario, the animation and the sound environment. It does not include the personnel costs for the persons responsible for programming, depreciation on assets other than buildings directly assigned to the creation of animation, and other operating expenditure.

Section B: Cultural Contribution

Points will be awarded for those elements of the production which demonstrate British creativity, British heritage or cultural diversity. We would welcome your views on these categories and what the assessment criteria for these categories might look like. Whilst we anticipate that this section would be similar to the version used in the cultural test for Film, it may be appropriate to make more points available for creativity and innovation to better reflect the nature of animated products.

We envisage that points will be awarded based on the following determinants:

B1 – Creativity

- Subject: does the production's portrayal of British culture come as a result of a maker's creative approach? i.e. The content is not necessarily dictated by a pre-existing work but is a creative, new interpretation of British culture.
- Other factors relating to creativity which can be shown to have an impact on the final content.

B2 – Heritage

- Subject: does the production contribute to or reflect British cultural heritage? e.g. does the production explore a historical or imagined event whether or not set in the UK?
- Other factors relating to cultural heritage which can be shown to have an impact on the final content.

B3 – Diversity

- Subject/Portrayal: exploring contemporary social and cultural issues of disability, ethnic diversity and social exclusion on screen; promoting and increasing visual, on-screen diversity.
- Other cultural diversity factors which can be shown to have an impact on the final content.

Q3. Is Section B of the cultural test for film an appropriate model for animation production?

Q4. How might points for cultural content and contribution (Section A and B) otherwise be configured?

Section C: Cultural Hubs

This section will measure the use of the UK's animation making facilities. It is envisaged that points will be awarded for the use of UK facilities for shooting, visual design, layout and storyboarding, visual effects, special effects, music recording, voice recording, audio post-production and picture post production. In particular, there is the context of international funding structures of animation projects and the major role which co-production plays in animation. We would therefore welcome your views on how the points should be weighted on these issues.

Q5. Is the formulation of points available for the use of cultural hubs appropriate for the animation industry?

Section D: Cultural Practitioners

This section will measure the use of personnel with creative input to the cultural value of an animation. Points will be awarded for the use of UK or EEA nationals or residents in key animation making roles as identified in Annex A. We would welcome your views on these categories, but specifically on how principal actors/personnel can be easily identified where they may change through a series.

Q6. Would points for a majority of British/European cast and crew facilitate this and how would this be monitored and assessed particularly where there exists unknown elements at the beginning of an application?

We would welcome your views on whether there are other elements of animation production that should have a significant impact on this test.

Q7. Are there other elements of animation production that make the current cultural test for film incompatible? If so, how might the cultural test for film be adapted to take this into account?

Administration of the Cultural Test

The cultural test is expected to have an overall pass mark of 16 points out of a possible 31. It is our intention that there will be flexible paths to achieving this pass mark. We would welcome your views on this.

Clearly the system we put in place for dealing with applications to the animation cultural test will need to meet a number of minimum standards – for example in terms of viability, ensuring commercial confidentiality for applicants and avoiding conflicts of interest. At present the BFI is responsible for administering cultural test applications for the film tax relief and our initial view is that the most straightforward option would be to ask them to extend their remit to cover administration of the animation cultural test. However, we are aware that stakeholders may have other suggestions and additionally may feel that particular aspects of the administration should be tailored to suit animation companies.

When the animation tax relief is introduced, DCMS will also issue detailed guidance on how the cultural test will be applied. We would welcome your views on what this guidance ought to cover.

Q8. Are the proposed point allocations appropriate?

Q9. What are your views on the assessment process for animation cultural test applications?

How to respond to this consultation

The deadline for consultation responses is 29 October 2012. Comments should be sent to:

Creative sectors animation cultural test consultation
DCMS
2-4 Cockspur Street
London SW1Y 5DH

Email: animation.culturaltest@culture.gsi.gov.uk

Please note all information in responses, including personal information, may be subject to publication or disclosure under the Freedom of Information Act 2000. If a correspondent requests confidentiality, this cannot be guaranteed and will only be possible if considered appropriate under the legislation.

If you have any questions or complaints about the process of consultation on this paper, please contact us on the above email address.

ANNEX A: The Animation Cultural Test

An animation qualifies if it scores 16 points or more out of 31. Applicants need only enter the points they want to claim and not necessarily under every category.

The Secretary of State will not have any discretion to waive or relax the test in a particular case.

Section A: Cultural Content

	Must achieve at least 6 points of the 16 available in section A	Notes	Points
A1	Set in the UK/EEA or a fictionalised representation of the UK/EEA Or Set in a location that cannot be determined		Up to 4 2 points
A2	Lead characters are British citizens or residents Or Of a nationality/species that cannot be determined		Up to 4 2 points
A3	British/European narrative structure or the underlying material has been created by a British/European citizen or resident		4
A4	The artistic costs ² represent more than 50% of the production budget		2
A5	Dialogue or voice-over in the English Language (including official Regional or minority languages of the UK)		2
Total	Minimum 6 points required in Section A		16

Section B: Cultural Contribution

		Notes	
B	Represents British creativity, British heritage or cultural diversity or the storyline clearly connects with the sensibilities of audiences in Britain or elsewhere in the EEA		4
Total			4

² Eligible expenditure for the tax credit corresponds to expenditure on conception and creation. Artistic expenditure covers the personnel costs (wages and social security contributions) for the producer, the assistant producer, the artistic director and the persons responsible for the scenario, the animation and the sound environment.

Section C: Cultural Hubs

		Notes: Must be in the UK	Points
C1	Animation shooting/visual design/layout and storyboarding/visual effects/special effects	At least 50%	2
C2	Music recording/audio post-production/picture post-production/voice recording for animation	At least 50%	1
Total			3

Section D: Cultural Practitioners

		Notes: Must be British or EEA nationals/ residents	Points
D1	Director	At least 50% if more than one per series	1
D2	Scriptwriter	At least 50% if more than one per series	1
D3	Producer	At least 50% if more than one per series	1
D4	Composer	At least 50% if more than one per series	1
D5	Principal actors	At least 50% if more than one per series	1
D6	Animation Director or majority of cast	At least 50% if more	1

		than one per series	
D7	Key Staff	At least 50% if more than one per series	1
D8	Majority of crew	At least 50% if more than one per series	1
Total			8

Total	
Section A – Cultural content	16
Section B – Cultural contribution	4
Section C – Cultural hubs	3
Section D – Cultural practitioners	8
Total points for Sections A, B, C and D	31
Pass mark 16 points – may pass in section A alone	



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