

1 Transition from video games tax relief

(1) Schedule 2 to FA 2024 (expenditure credits for films, television programmes and video games) is amended as follows.

(2) After paragraph 24 insert—

“Calculation of expenditure credit where company previously benefiting from video games tax relief

24A(1) Sub-paragraph (2) applies if—

- (a) a company makes an election under section 1179B(1) of CTA 2009 in relation to a video game in its company tax return for an accounting period, and
- (b) in an earlier accounting period, the company was entitled to, and claimed, special video games relief (within the meaning of section 1217E(1) of CTA 2009) in respect of that video game.

(2) Section 1179CA(1) of CTA 2009 (amount of expenditure credit) has effect as if for Step 2 there were substituted—

“Step 2

Deduct from that total the sum of—

- (a) so much of that expenditure as was incurred in accounting periods before the opt-in period and that is not European expenditure (within the meaning of section 1217AE), and
- (b) so much of that expenditure as was incurred in the opt-in period or any later accounting period and that is not UK expenditure (see section 1179AB).”

(3) In paragraph 18 (opting into new regime during transitional period), in sub-paragraph (5)(b), for “24” substitute “24A”.

(4) The amendments made by this section have effect in relation to elections made under section 1179B(1) of CTA 2009 in relation to any opt-in period commencing on or after 26 November 2025.

2 Special credit for visual effects

(1) Section 1179EC of CTA 2009 (special credit for visual effects) is amended as follows.

(2) In subsection (2)—

- (a) omit the “and” after paragraph (a),
- (b) after that paragraph insert—

“(aa) a claim for Chapter 3 credit has been made for the last accounting period in the AVEC period (which may be the claim period) in which the company incurred relevant global expenditure (see section 1179CA(2)) that is UK expenditure (see section 1179AB), and”, and

(c) in paragraph (b)—

- (i) omit “where a claim has been made for Chapter 3 credit (whether for the claim period or earlier),”, and
 - (ii) for “such claims” substitute “Chapter 3 credit claims in respect of the film or television programme”.
- (3) In subsection (3)(b) for paragraph (i) substitute –
 - “(i) the adjusted VFX portion of Chapter 3 credits claimed in respect of the film or television programme, and”.
- (4) In subsection (4) –
 - (a) in the words before Step 1, for “previously claimed Chapter 3 credits” substitute “Chapter 3 credits claimed in respect of the film or television programme”, and
 - (b) in Step 1 –
 - (i) in the words before paragraph (a) omit “(see section 1179CA(2))”, and
 - (ii) in that paragraph omit “(see section 1179AB)”.
- (5) After subsection (6) insert –
 - “(6A) Where a production company has claimed an additional amount of audiovisual expenditure credit for an accounting period and makes a claim for Chapter 3 credit for a subsequent accounting period –
 - (a) the additional amount is to be calculated for that subsequent accounting period, and
 - (b) if that additional amount is negative, the amount of Chapter 3 credit to which the company is entitled for that period is to be reduced by the additional amount.
 - (6B) Where Chapter 3 credit claimed by a company for an accounting period is reduced as a result of subsection (6A)(b), for the purposes of the application of subsections (3) and (4) in relation to the company for any subsequent accounting period –
 - (a) the sum of the additional amounts of audiovisual expenditure credit previously claimed (as referred to in subsection (3)(b)(ii)) is to be reduced by the additional amount referred to in subsection (6A)(b), and
 - (b) in determining the sum of Chapter 3 credits claimed by the production company for the purposes of Step 4 in subsection (4), ignore the reduction of any Chapter 3 credit resulting from the application of subsection (6A)(b).”
- (6) The amendments made by this section have effect in relation to any claim made for Chapter 3 credit, or an additional amount of audiovisual expenditure credit, for accounting periods beginning on or after 26 November 2025.