

In the 2012 Budget the UK Government set out its intention to provide tax breaks to companies in the high-end TV, animation and video games sectors. This was followed by a Treasury consultation on how the tax incentives should be structured. An article on the consultation is available [here](#). The Department for Culture Media & Sport also consulted on the cultural tests that will form part of the tax relief. An article on this consultation and the responses to the Treasury's consultation can be found [here](#). The structure of the tax reliefs and the EU state aid approval process for the high-end TV and animation sectors went ahead relatively smoothly, and both tax reliefs are effective from 1 April 2013. So far, so good...

However, the same cannot be said of the tax break for the video games industry. The European Commission had delayed granting state aid approval to the UK's proposals in respect of video games and the EU Official Journal (published yesterday) has now confirmed that the EC is opening an in-depth investigation into the proposed tax relief. It seems that the EC considers there is no obvious market failure in that sector, and therefore doubts that aid is necessary to stimulate the production of video games. In addition, the EC is concerned that adding a cultural element to the relief may distort competition and considers the UK's proposals may be discriminatory and could lead to a "subsidy race" between Member States.

It is not entirely clear why the animation and high-end TV proposals were approved while the relief for video games was not, as it appears that some, if not all, of these concerns could also extend to those sectors. However, the EC has drawn a distinction and has invited comments on the proposed relief within the next month.

If the EC's investigation into the UK's video games proposal or the availability of the high-end TV or animation sector tax reliefs are of interest to you, please don't hesitate to get in touch.

### Contacts



**Jon Stevens**

Partner

T +44 121 222 3381

E [jon.stevens@squiresanders.com](mailto:jon.stevens@squiresanders.com)



**Aredhel Darnley**

Senior Associate & Chartered Tax Adviser

T +44 20 7655 1530

E [aredhel.darnley@squiresanders.com](mailto:aredhel.darnley@squiresanders.com)