

'THE REEL BENEFIT'



trinidad
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film /14
festival

How business entities operating within the creative field can access the benefits of the Art and Culture Allowance of the Corporation Tax Act



The Art and Culture Allowance

In the year 2000 the Government of the Republic of Trinidad and Tobago introduced an allowance to Art & Culture Industry.

Further to this initiative, an allowance for audio, visual and video productions was introduced and became effective from 2003.

This allowance was intended to make this sector more attractive to Corporations of Trinidad and Tobago.



Who is entitled to this allowance?

- All Production Companies incorporated in Trinidad and Tobago and Registered with the National Registry of Artist and Cultural Workers.
- Companies incorporated in Trinidad and Tobago who provide financial support to local production companies' projects (Sponsors).

What defines a production company?

A Production Company (Section 10 Corporation Tax Act) is one in which incurs expenditure in respect of its own: audio, audio visual or video production for **educational purposes and the promotion of local entertainment/ culture** for use in radio, television or cinematography.

How it works for

PRODUCTION COMPANY

A Production Company that incurs expenditure for its own audio, visual or video production reflecting **local entertainment or local culture**, can claim an allowance of 150% of the **actual expenditure** incurred for that year of income up to a **maximum of three million dollars**.

However, expenses incurred through corporate business relationships will not qualify for this benefit. E.g. expenses incurred in the production of local advertisements/commercials.

How it works for **SPONSOR**

If you were to produce an audio, visual or video production promoting or reflecting local entertainment or local culture, the potential Corporate Sponsor can claim an allowance for the year of income, 150% of the amount funded to the production company up to a maximum of three million dollars.

(A sponsor, prior to providing financial support; should **ensure the production company has been registered** with the National Registry of Artists and Cultural Workers and have had their work certified by the Minister of Art and Multiculturalism.)



How it works! (Cont'd)

In all instances the production company and its Sponsor is not also entitled to a deduction of 100% of the expenditure incurred for ascertaining chargeable profits.



Documents required for filing your CTR 500

When filing a Corporation Tax Return (CTR 500), **both the Sponsor and Production Company are required to attach a copy** of the Production Company's Registration certificate along with their completed CTR 500 form.

When can I claim?

A Production Company and it's sponsors can claim:

1. Once **registered with the National Registry of Art and Cultural Workers**
2. Is in receipt of their **certificate of registration.**

This certification can be received within 6 weeks after applying.

When can I claim?

Any **expense incurred during** the Financial Year (e.g. April 1st, 2013 – March 31st, 2014) **must be claimed** **within** the tax year 2014.

Therefore a production company that acquired certification on the May 12th, 2013 would not be able to claim for any expenses incurred prior to this effective date.

I can claim, but for how long?

Your certification acquired upon registration is valid for a period of **5 years**.

This means that production companies' and their sponsors must ensure that all claims made to the Board of Inland Revenue are **within the certification period**.

Illustration 1 – Computation of Benefit

CASE STUDY

TriniStar T & T Limited decided to produce a movie called “Birds in a Tree”. In preparing their production plan an amount of \$6,000,000 was budgeted to produce the movie.

TriniStar T & T Limited decided to seek financial assistance and approached A. Mobile Limited for sponsorship in the amount of \$1,500,000.

A. Mobile Limited, although amazed with their talent, was reluctant to provide such a large amount of funding without knowing the benefit to them.



Illustration 1 – Computation of Benefit “TriniStar T&T Limited”

Year ended 31st March 2014	Without Allowance	With Allowance
Net Profit	\$ 10,000,000	\$ 10,000,000
Allowable Expenses before Production Allowance	\$ (5,100,000)	\$ (5,100,000)
Video Production (Bird in a Tree, Movie)	-	\$ (3,000,000)
Total Deduction	\$ (5,100,000)	\$ (1,900,000)
Chargeable Profit	\$ 4,900,000	\$ 1,900,000
Corporation Tax liability @ 25%	\$ 1,225,000 *	\$ 475,000*

Illustration 1 – Computation of Benefit (Cont'd)

Illustration 1 above shows a reduction in the Corporation tax liability of $(\$1,225,000 - \$475,000)$ **\$750,000** arising from the allowance received from video production expenses incurred for the local film *“Bird in a Tree”*.

Although TriniStar T&T Ltd's total expenditure equals \$6,000,000 only \$3,000,000 can be claimed within the tax period.

Illustration 1 – Computation of Benefit “A. Mobile Ltd.”

Year ended 31st March 2014	Without Allowance	With Allowance
Net Profit	\$ 12,000,000	\$ 12,000,000
Allowable Expenses before Production Allowance	\$ (7,500,000)	\$ (7,500,000)
Video Production Sponsorship (Bird in a Tree, Movie)	-	\$ (2,250,000)
Total Deduction	\$ (7,500,000)	\$ (9,750,000)
Chargeable Profit	\$ 4,500,000	\$ 2,250,000
Corporation Tax liability @ 25%	\$ 1,125,000 *	\$ 562,500*

Illustration 1 – Computation of Benefit “A. Mobile Ltd.” (Cont’d)

If A. Mobile Ltd were to sponsor TriniStar T&T Ltd’s production an amount of **\$1,500,000**, they will receive a taxable allowance of **\$2,250,000** (\$1,500,000 X 150%).

The full allowance can be claimed as the allowance incurred has not exceeded the restriction **\$3,000,000**.

When is a Corporation Tax Return (CTR 500) filed ?

The CTR 500 must be filed by 30th April, following the year of income.

The Board of Inland Revenue however, provides a period of grace to the 31st October for Corporations once final payments have been made by the initial date.

Additional benefits available to Production Company

Along with the 150% allowance granted to Production Companies in their own industry, additional benefits available are:

- 1 An uplift of 150% of the actual expenses incurred in promoting or sponsoring sportsmen/athlete, sporting activities or events. (Section 10 I of the CTA Chap 75:02)
- 2 An uplift of 150% of the actual expenses incurred in purchasing visual artistic work not related to their own business (Section 10G of the CTA chap. 75:02).

Additional benefits available to Production Company

However, a production company who qualifies for additional allowances under point 1 and 2, shall be entitled to claim a total allowance up to a maximum of \$3,000,000.

Illustration 2 - Additional benefits available to Production Company

With reference to Illustration 1:

In the year ended 31st March 2014, TriniStar T&T Ltd incurred the following additional expenses:

- 1 Sponsorship - \$150,000 for Mark Davidson Tennis Tournament
- 2 Portrait - \$375,000 for “The Breeze”.

Illustration 2 – Computation of Additional Allowances (Cont'd)

Year ended 31st March 2014	Without Add. Allowance	With Add. Allowance
Net Profit	\$ 10,000,000	\$ 10,000,000
Allowable Expenses before Production Allowance	\$ (5,100,000)	\$ (5,100,000)
Disallow Sponsorship and Purchase of Portrait.	\$ 525,000	\$ 525,000
Art and Sportsman Sponsorship allowance	-	\$ (787,500)
Video Production (Bird in a Tree, Movie)	\$ (3,000,000)	\$ (3,000,000)
Net Deductions	\$ (7,575,000)	\$ (8,362,500)
Chargeable Profit	\$ 2,425,000	\$ 1,637,500
Corporation Tax liability @ 25%	\$ 606,250 *	\$ 409,375*

Illustration 2 – Computation of Additional Allowances (Cont'd)

Illustration 2 above shows a reduction in the Corporation tax liability of $(\$606,250 - \$409,375) = \$196,875$ arising from the additional benefit received from the purchase of artistic work (not made by TriniStar T&T Ltd) as well as Sponsoring Mark Davidson in his tournament.

Points to Note!

1. Purpose of Allowance:

- To boost the Audio, Audio visual and Production Industry through providing incentives to both Production Companies and their sponsors.

2. Filing Documents

- Completed CTR 500 form and
- Certified of registration from Ministry of Art and Multiculturalism

3. Claiming Period

- Claims made to the Board of inland Revenue must coincide with the certification period.

4. Deadline for filing CTR 500

- The CTR 500 must be filed by the 31st October following the year of income.

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