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CREATIVE SECTOR TAX RELIEFS MUSEUMS AND GALLERIES EXHIBITION TAX RELIEF

A company may be eligible for Museums and Galleries Exhibition Tax Relief (MGETR) in respect of expenditure incurred on qualifying exhibitions. This relief can increase the amount of expenditure that is allowable as a deduction for tax purposes and, if the company makes a loss, allow some or all of that loss to be surrendered for a payable tax credit.

MGETR was set to expire on 31 March 2024 but it was announced in the Spring Budget 2023 that this would be extended to 31 March 2026, after which expenditure will no longer qualify for relief.

Qualifying exhibition production companies

A qualifying exhibition production company for the purposes of this tax relief is a company which is responsible for producing, running and (where applicable) closing an exhibition. It must be actively involved in the decision-making process relating to the exhibition, and it must negotiate, contract and pay for rights, goods and services in relation to the exhibition.

The production company will also generally need to make an effective creative, technical and artistic contribution to the exhibition (but see below for comments on secondary exhibition production companies).

In the case of a touring exhibition, there may be both a primary exhibition production company and one or more secondary exhibition production companies, all of which may qualify for tax relief. A primary exhibition company must meet all of the requirements set out above, and it must be responsible, as a minimum, for the exhibition at its first venue. A secondary exhibition company will then be responsible for the exhibition at another venue; it will not necessarily need to make a creative, technical, or artistic contribution to the exhibition, but otherwise it will need to meet the conditions set out above.

MGETR is, importantly, only available to a production company that is a charitable company, a company owned by a charity, or a company owned by a local authority, with either the company itself, or its parent charity or parent local authority, being responsible for maintaining a museum or gallery.

Qualifying exhibitions

For the purposes of the tax relief, an "exhibition" is essentially a curated public display of an organised collection of objects or works considered to be of scientific, historic, artistic or cultural interest.

To qualify for MGETR, the intention must be for the exhibition to be open to the general public (although a small number of sessions may be subject to restricted admission without prejudicing this requirement). It does not matter whether or not the public is charged for admission to the exhibition.

Certain displays are specifically excluded from the definition of exhibition for the purposes of the tax relief as follows:

- its main purpose, or one of its main purposes, is to sell anything displayed or to advertise or promote any goods or services;
- it includes live animals or plants;
- it includes a live performance by any person (except if this is merely incidental to the exhibition);
- it is organised in connection with a competition or contest.

The specific tax reliefs available depend on whether the exhibition is a "touring exhibition". To be a touring exhibition:

- It must be held at two or more venues;
- At least 25% of the objects or works displayed at the first venue must also be displayed at subsequent venues;
- The period between deinstalling the exhibition at one venue and installing it at the next must not exceed 6 months; and
- There must be a primary exhibition production company (see above) for the exhibition which is within the charge to corporation tax.

To be eligible for MGETR, not less than 25% of the "core expenditure" on the exhibition must be "European expenditure". Core expenditure is expenditure incurred by the exhibition production company on producing an exhibition. This may include curator fees, and installation, de-installation and closure costs at a particular venue. It cannot include the cost of running the exhibition during the period it is open to the public, expenditure on purchasing exhibits, financing costs, marketing costs, or legal costs. Core expenditure is European expenditure if it is incurred on goods or services that are provided from within the UK or EEA.

The government's intention is that, for new productions starting on or after 1 April 2024, the requirement will be that 10% of core expenditure will need to be UK expenditure (i.e. expenditure incurred on goods or services that are used or consumed in the UK).

How is tax relief given?

The basic position is that each exhibition is treated as a separate trade for tax purposes, with tax reliefs being given in the context of the taxable profits and losses of that trade.

MGETR comprises two elements:

- An additional allowable deduction in calculating taxable profits; and
- A payable tax credit.

Additional tax deduction

The qualifying production company is eligible for an additional deduction in calculating taxable profits of the exhibition trade equal to the lower of:

- 80% of total core expenditure; and
- 100% of the core expenditure that is European expenditure.

Payable tax credit

Where, after taking into account the additional deduction, a tax loss is incurred in relation to an exhibition, some or all of that loss (the "surrenderable loss") may be surrendered to HMRC for a payable tax credit.

The "surrenderable loss" is the lower of:

- The trading loss for the period (taking account of the additional deduction); and
- The additional deduction for that period.

The rate of the payable tax credit will depend on whether the exhibition is a "touring" or "non-touring" production.

The rates for the payable tax credit are expected to reduce as follows:

Period	Touring rate	Non-touring rate
Current	50%	45%
From 1 April 2025	35%	30%

Where an accounting period straddles the date of a rate change, profits of the two notional periods are apportioned on a just and reasonable basis.

The amount that can be payable in exchange for surrenderable losses is capped at £100,000 for touring exhibitions and £80,000 for non-touring exhibitions.

Example

A production company creates a touring exhibition with total core expenditure of £500,000. This includes core European expenditure of £300,000. The production earns £600,000 for th

Total income	£600,000	
Total expenditure	£(500,000)	
Pre-MGETR profit		£100,000
80% of total core expenditure	£400,000	
European expenditure	£300,000	
Additional deduction (lower of the European expenditure and 80% of total core expenditure)		£(300,000)
Post-MGETR loss		£(200,000)

This production company may surrender up to £200,000 of losses, being the lower of the trading loss of £200,000 and the additional deduction of £300,000. This loss may be surrendered at the current touring rate of 50%, thereby creating a payable credit of £100,000

How can Moore Kingston Smith assist me?

This document provides only a brief summary of the issues surrounding museums and galleries exhibition tax relief. We would be pleased to discuss your particular circumstances and provide advice in relation to your eligibility for tax reliefs.

Contact us

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