

## Museums and Galleries Exhibition Tax Relief

**Museums & Galleries Exhibition Tax Relief (MGETR) provides a tax break or a cash repayment for charities and their subsidiaries that are engaged in maintaining a museum or gallery.**

The relief is designed to recognise the unique cultural value that museums and galleries bring to the UK and encourage greater and more diverse exhibitions. MGETR is available for expenditure incurred from 1 April 2017.

MGETR provides the entity with either a reduction in their corporation tax liability or a repayable credit.

### Who can make a claim?

The tax relief will be available to museums and galleries with charitable or educational objectives. A museum or gallery includes a library or archive and a site where a collection of objects or works is held.

To qualify for the relief the entity will need to maintain a museum or gallery and be:

- a charitable company;
- a trading subsidiary of a charitable company; or
- a company wholly owned by a local authority.

Although the majority of income in charitable companies is exempt from tax they are still within the charge of corporation tax so can take advantage of MGETR.

### What is a qualifying exhibition?

An exhibition is a curated public display of an organised collection of objects or works that is open to the general public.

The exhibition must be a collection of objects or works which are considered to be scientific, historic, artistic or of cultural interest.

At least 25% of the core expenditure on the production must be spent in Europe.

The exhibition must not be:

- Organised in connection with a competition;
- Promoting or selling displayed goods;

- Displaying live objects e.g. plants or animals;
- Used to promote goods or services.

### What costs can be included in the claim?

An exhibition has four phases:

- Developing: the speculative time before an exhibition is given the go-ahead;
- Producing: planning and preparing;
- Running: where the exhibition is open to the public;
- De-installing and closing: taking down the exhibition.

Only costs incurred in the producing phase qualify for the enhanced relief. If the exhibition runs for less than 12 months enhanced relief can also be claimed on the de-installing and closing costs. Core costs which should qualify for enhanced relief include:

- Curator and research costs;
- Exhibition installation;
- Exhibit loan costs;
- Digital spending;
- Insurance and transportation costs;
- Exhibition specific venue set up costs (set up and equipment hire);
- Some storage when the exhibition is touring.

Costs which do not qualify for enhanced relief but should be included in determining whether the exhibition makes a profit or loss include:

- General museum and running costs of the exhibition;
- Cost of financing;
- Fees, including legal and accounting fees;
- Acquisition costs;
- Storage costs;
- Marketing and advertising;
- Infrastructure costs not solely related to the new exhibition.

In calculating the MGETR, each exhibition must be treated

as a separate trade. The first stage of the calculation is to work out the profit or loss on the production of the exhibition.

### Income

For the purposes of calculating the profit or loss on the separate trade, income should include:

- Sale of tickets;
- Grants specific to the exhibition;
- Payments for rights to produce merchandise;
- Royalties or other payments for rights;
- Income from profit sharing agreements.

### Touring exhibitions

An exhibition will qualify as a touring exhibition if:

- It will be held at two or more geographically distinct venues;
- At least 25% of the objects or works displayed at the first venue are also to be displayed at each subsequent venue;

### Example one: loss making exhibition

A charitable company creates a (non-touring) exhibition. Expected income from the exhibition is £100,000 (made up of ticket sales of £90,000, a grant of £4,000 and related merchandise income of £6,000).

The cost of the exhibition is £125,000 (of which £80,000 is core expenditure i.e. only qualifying costs during the producing and closing phase).

#### Stage one: calculate profit or loss on the separate trade

Income: proportion of estimated total income as earned at end of period	£100,000
Less: costs of exhibition to date	<u>(£125,000)</u>
	(£25,000)

#### Stage two: calculate enhancement

Enhancement is the lower of:

Qualifying expenditure which is incurred in Europe	£80,000	
80% of total qualifying expenditure to date (80% x £80,000)	£64,000	<u>(£64,000)</u>
		(£89,000)

#### Stage three: calculate repayable credit

Surrender the lower of:

Enhanced loss	(£89,000)	
Enhanced expenditure	(£64,000)	
Repayable tax credit	(£64,000) x 20%	(£12,800)

**Repayment from HMRC should be £12,800 for this exhibition.**

- The time between de-installation at one venue and installation at the next venue will not exceed six months.

### Maximum claim

The maximum repayable credit is restricted to:

- £100,000 for a touring exhibition;
- £80,000 for a non-touring exhibition.

### Amount of relief

The additional relief available is the lower of 80% of the qualifying core expenditure and the expenditure which is incurred within Europe. The amount that can then be surrendered to HMRC as a repayable credit is then the lower of 80% of the qualifying core expenditure and the adjusted loss. The rates of repayment are:

- 25% for touring productions; and
- 20% for all other qualifying productions.

**Example two: profitable production**

If all the information in example one remains the same, except the income is £170,000, the calculation would be as follows:

**Stage one: calculate profit or loss or the separate trade**

Income: proportion of estimated total income as earned at end of period	£170,000
Less: costs of exhibition to date	<u>(£125,000)</u>
	(£45,000)

**Stage two: calculate enhancement**

Enhancement is the lower of:

Qualifying expenditure which is incurred in Europe	£80,000	
80% of total qualifying expenditure to date (80% x £80,000)	£64,000	<u>(£64,000)</u>
		(£19,000)

**Stage three: calculate repayable credit**

Surrender the lower of:

Enhanced loss	(£19,000)	
Enhanced expenditure	(£64,000)	
Repayable tax credit	(£64,000) x 20%	(£3,800)

**Repayment from HMRC should be £3,800 for this exhibition.**

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**The exhibition must be a collection of objects or works which are considered to be scientific, historic, artistic or of cultural interest.**

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