

Museums and Galleries Exhibition Tax Relief

This resource accompanies an online webinar which can be viewed here:
<https://www.youtube.com/watch?v=rv05b0S7yUk>

The webinar and resource were organised by Art Fund in collaboration with MAGNET and Going Places, and authored by Azets.

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 tax credit. MGETR was due to end on 31 March 2026 but has now been made a permanent tax relief.

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.

Primary and secondary production companies

In addition to the above, to claim the relief, the company must either be a primary or secondary production company for the exhibition. These terms exist to recognise that exhibitions often tour and responsibility for the exhibition can be passed to other museums and galleries. The relief is available to a primary or secondary qualifying production company that:

- Is responsible for producing and running an exhibition at a venue;
- Where the exhibition is at the venue for a limited time, is responsible for deinstalling and closing the exhibition at the venue;
- Is actively engaged in decision making; and
- Directly negotiates for, contracts for and pays for rights, goods and services.

A primary production company is one which, along with the above, is responsible for the production at a single venue. Where the exhibition is held at more than one venue, it must be responsible for the exhibition at, at least one venue.

A secondary production company is one which, along with the above, is responsible for the exhibition at a venue but is not the primary production company.

There can only be one primary production company, but there could be many secondary production companies. There is no difference in what can be claimed by a primary and secondary production company. Both are able to claim on their own costs.

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 public do not have to be charged for admission.

The exhibition must be a collection of objects or works which are considered to be scientific, historic, artistic or of cultural interest. A single object or work can also constitute an exhibition.

At least 10% of the core expenditure on the production must be used or consumed in the UK. 'Used or consumed' looks at the location of the recipient. E.g. goods bought from Chile to be used in an exhibition displayed in the UK will be UK expenditure.

The exhibition must not be:

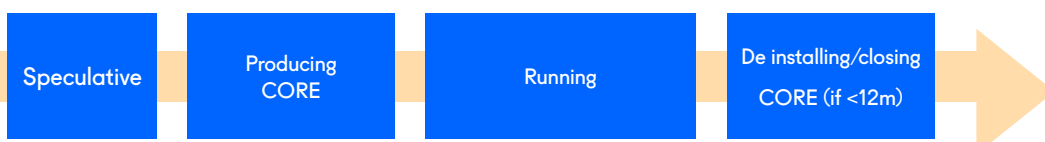
- Organised in connection with a competition;
- Promoting or selling displayed goods (related merchandise, such as mugs with a picture of the artwork in a gift shop, can be sold within invalidating the exhibition);
- Displaying live objects e.g. animals or plants:
- As plants are living organisms, they count as live objects and therefore a display of plants in a botanical garden, for example, would be an ineligible exhibition;
- Where an exhibition is held outside and the exhibition space contains plants, this will not make the exhibition ineligible on the basis the plants are not the items being exhibited. For example an outdoor sculpture park. In this case, the plants would be merely incidental to the exhibition;
- Used to promote goods or services;
- It is not an exhibition if the display is subordinate to the use of the object e.g. historic train transporting passengers;
- In a public space where the space is not maintained by the production company.

If an exhibition is abandoned at any point during the production phase, a claim can still be made for the qualifying production expenditure incurred before the exhibition was abandoned.

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/ green light;
- 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. An example of the core costs which should qualify for enhanced relief include:

- Curator and research costs (including costs paid externally);
- Staff costs (including payments made to external curators) during the producing and closing phase;
- Travel & subsistence of staff costs during the producing phase;
- Exhibition installation;
- Exhibition deinstallation (unless the period between opening and closing the exhibition exceeds 12 months at each qualifying venue);
- Exhibit loan costs;
- Digital spending;
- Insurance and transportation costs;
- Exhibition specific venue set up costs (set up and equipment hire);
- Storage costs for touring exhibitions, for up to 4 months only, where:
 - The exhibition is held at two or more venues;
 - The expenditure is incurred between the deinstallation at one venue and the opening at the next venue; and
 - The exhibits are not stored at a venue at which the exhibition has been or is to be held.

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

- Expenditure on development of initial concepts and feasibility, i.e. costs incurred before the decision is made to go ahead with the exhibition;
- General museum and running costs of the exhibition;
- Cost of financing;
- Fees, including legal and accounting fees;
- Acquisition costs;
- Storage costs, except where the above conditions are met;
- Marketing and advertising;
- Infrastructure costs not solely related to the new exhibition.

Costs for putting on related events (such as study days, family festivals, etc.) should not be included as these are not part of the 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.

The total estimated expenditure for the exhibition as a whole should be included on the claim, not just the expenditure incurred to date. A reasonable estimate can be included if actual figures are not known.

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 – where grants are received for expenditure, these are also included as income;
- Payments for rights to produce merchandise;
- Royalties or other payments for rights;
- Income from profit sharing agreements.

The total estimated income for the exhibition as a whole should be included on the claim, not just the income received to date. A reasonable estimate can be included if actual figures are not known.

Amount of relief

The additional relief available is the lower of 80% of the qualifying core expenditure and the expenditure which related to activities in the UK. This will reduce the company's taxable profit or increase a loss. A charitable company with only primary purpose income will not have a taxable profit. Where the company has a loss the amount that can then be surrendered to HMRC as a repayable credit is 80% of the qualifying core expenditure restricted to the adjusted loss. The rates of repayment are:

- 45% for touring exhibitions;
- 40% for all other qualifying exhibitions.

There is currently a temporary rate of 50% and 45% respectively for qualifying exhibitions where the producing activities commenced on or after 27 October 2021. The rate will reduce to 45% and 40% from 1 April 2025.

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. Reproductions of the original piece displayed would count as a new piece and not count towards the 25%;
- The time between de-installation at one venue and installation at the next venue will not exceed six months.

These conditions must be intended to be met at an early stage, i.e. in the planning phase. If the intention at the outset is to tour and for unforeseen circumstances the exhibition does not tour, the exhibition can still be claimed at the touring rate.

Maximum claim

The maximum repayable credit claimable per exhibition by each production company is restricted to:

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

Additional information form

For all claims submitted after 1 April 2024, an additional information form must be submitted in support of the claim. Details can be found at [Support your claim for creative industry tax reliefs - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/support-your-claim-for-creative-industry-tax-reliefs).

Example one: loss making exhibition

A charitable company creates a (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 of the separate trade

Income: proportion of estimated total income as earned at end of period	£100,000
Less: costs of exhibition to date	(£125,000)
	(£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	(£64,000)
		(£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.

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	(£125,000)
	(£45,000)

Stage two: calculate enhancement

Enhancement is the lower of:

Qualifying expenditure which is EEA	£80,000	
80% of total qualifying expenditure to date (80% x £80,000)	£64,000	(£64,000)
		(£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.

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

How do you make a claim?

The MGETR claim must be submitted to HMRC as part of the company tax return. This may involve charitable companies, which have not previously had to file a tax return, completing a company tax return with charitable pages. Further information can be found within HMRC's guidance at: [Museums and Galleries Exhibition Tax Relief - HMRC internal manual - GOV.UK \(www.gov.uk/hmrc-internal-manuals/museums-and-galleries-exhibition-tax-relief\)](https://www.gov.uk/hmrc-internal-manuals/museums-and-galleries-exhibition-tax-relief)

FAQ's

Are local authorities eligible?

Local authorities are exempt from Corporation Tax and are therefore not a qualifying company and are not eligible to claim the relief. A company owned by a local authority should be eligible to claim.

Would a charity be eligible if the museum is owned by the local authority but the charity wholly maintained and run the museum?

As long as the charity maintains the museum, they will be eligible for the relief.

Are staff costs for working on the exhibition eligible?

Staff costs for working on the exhibition during the producing and closing phases are eligible.

Is the cost of commissioning new work eligible?

The cost of purchasing works on display are not eligible but if the gallery is paying to borrow the art for the exhibition the costs should be eligible to claim.

Are touring exhibitions that are bought in eligible?

Assuming the company still meets the definition of primary or secondary production company for the exhibition it should be eligible to make a claim. Eligible costs would include staff time for setting up the exhibition at the venue, curator time for museum specifics, overheads during the producing and closing phases, etc.

Are donations from visitors classed as an income stream of the exhibition?

Income is only included as part of the MGETR calculation if it is specifically related to the exhibition, i.e. if a donation is made with the condition that the money is used to create the exhibition, that would be specific. If visitors make general donations when they are visiting the exhibition, this would not be included.

What is classed as irrevocable VAT?

Charities often incur VAT on goods and services but depending on their VAT status may not be able to recover all of the VAT they incur due to their exempt or non-business activities. This VAT is known as 'Irrecoverable'. If this is the case, the claim can include the irrecoverable VAT element of the costs being claimed on. This should be allocated against core and non-core in line with the costs they are associated with.

Can you backdate claims or do you need to submit a claim from the initial planning stage?

The statutory time limit for making a claim is the first anniversary of the production company's filing date for the relevant period. For example, a company with a 31 March 2024 accounting year end would need to submit their claim to HMRC by 31 March 2026.

Costs can only be claimed if they are incurred in the relevant accounting period and are paid within 4 months of the year end.

Claims made outside the 24 month time limit can be made to HMRC's late claims team and these are dealt with on a case by case basis. HMRC are under no obligation to accept late claims.

Would an artist creating work in the gallery as part of the exhibition class as a live performance?

Unless the "performance" is merely incidental to or forms a merely incidental part of the exhibition then this would not be eligible for the relief.

Do live objects include plants?

Live objects include plants and would therefore not be eligible for the relief.

Is an exhibition ineligible if associated work is for sale in a gift shop?

As long as the items for sale are not the actual pieces on display the exhibition will be eligible. It will not impact the eligibility of an exhibition of replicates or related items such as postcards, mugs, tea towels, etc. with the works on them are sold in the gift shop. the exhibition will qualify.

As the income generated from the sale of the merchandise is specifically related to the exhibition, it should be brought into the tax relief calculation as income if it is received by the entity making the claim. If the income is received by another entity, for example a trading subsidiary the income can be excluded from the claim.

Can the primary production company hold the funding and reimburse other organisations who are co-curating the exhibition for the expenditure?

The primary production company can hold the funding and reimburse the secondary production company for their expenditure. Both the primary and secondary production companies can make a claim.

Is it only the primary production company that can claim the touring rate?

If the exhibition meets the definition of 'touring' both the primary and secondary production company should claim at the touring rate.

If one of the venues for a touring exhibition is ineligible, does that exclude all other eligible venues from claiming?

As long as the touring conditions mentioned above are met, all eligible production companies can make a claim.

Important information

This publication is for general information only and is not intended to be advice to any specific person. You are recommended to seek professional advice before taking or refraining from taking action on the basis of the contents of this publication.

For more information and advice, contact:

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