



Saving private income: how to make money from the movies

You don't have to be super-rich to invest in films – generous tax relief means that an investment of the maximum €50,000 would save you €20,500, and even better, you get the benefit up front



MANY dream of making it in the movies but sadly only those with symmetrical faces and super egos get to see that fantasy become a reality. Still, the Irish government's generous tax incentives to attract movie and television producers offer an opportunity for the rest of us to get involved in movie-making, albeit in a peripheral but financially beneficial way.

Film Tax Relief – or Section 481 – allows individuals to invest up to a maximum of €50,000 in non-voting shares in a qualifying film company which has been contracted to produce the Irish part of a film. Relief at the marginal rate (usually 41%) is applied on 100% of the investment, meaning that someone investing the full €50,000 would receive a tax saving of €20,500.

In theory, you could make this investment directly but, in practice, the film company will enlist the help of a specialist intermediary firm to raise the funds and set up a structure with a mix of equity and borrowing involved. The investor pays in a maximum of €16,600, with the remainder borrowed from a bank.

The beauty of Section 481 is that the relief is up-front – once a production has been cleared by the Revenue Commissioners (this can be as soon as four weeks), you receive a Film 3 certificate which means that the tax saving of €20,500 applies immediately. This can include a PAYE refund for the current year. The investor is, therefore, up €3,900. It is a very popular relief, says Peter Vale, partner with Grant Thornton, and unlikely to be on the government's target list in the upcoming budget.

"It is one of the few reliefs left for individuals to shelter income... The positive is that in the Commission on Taxation Report, it was recommended that the relief should continue. They would have recommended the axing of a lot of things but not this, though they say it should be subject to regular review," he said.

Like all investments, it is not risk-free. If the production collapses, for instance,

it will fail to qualify and Revenue will withdraw the relief. While not playing down the risk, James Gleeson, partner with Howard Bastow Charleton, which is currently raising funding for nine movies, said: "These traditionally have gone right because while you are exposed to the production risk, the people who put the Section 481 financing together essentially remove that risk by only dealing with reputable producers. We only deal with the people who work on *Camelot* or day-in/day-out producing for RTE or the BBC. You are dealing with the same people with a track record all the time. Giving it to anyone else would be taking a silly risk."

There is a misconception this is a relief that benefits the super-rich, but the opposite is true. Anyone who is making over €60,000 a year can avail of it and emerge with a return of around €2,000.

Indeed, the very wealthy should note that Section 481 is a specified relief for the purposes of the 'High Earners Restriction' – the measure introduced last year limiting reliefs to ensure that those earning significant sums pay a minimum of 30% in tax.

If you are earning more than €125,000 this year, you should check with your tax adviser before making an investment, said David Price, of Taxmedic.

"Likewise, if your earnings are likely to be lower than €125,000 you may also need your tax adviser to confirm the amount of your income which will be taxable at the 41% rate. There is, generally, little point in investing income to achieve a shelter at only the 20% rate. This is because the structured products are designed on the assumption that you will receive 41% relief and the unstructured products are often high risk and a 20% return is insufficient to justify the level of risk," he said.