



INSIGHTS

# Film industry tax reliefs – HMRC continues its clamp down

HMRC's latest publication of deliberate tax defaulters is a timely reminder that film industry tax relief claims remain firmly under scrutiny, particularly where post-production arrangements appear artificial or inflated.



13 APRIL 2026  
WRITTEN BY  
Nigel Brown  
+44 (0)2079 522 921  
Nbrown@tridenttax.com

The publication highlights the seriousness of HMRC's current enforcement activity in this area and underlines the importance of ensuring that claims are supported by genuine commercial arrangements, robust documentation and defensible costings.

## HMRC's latest action

In its current list of deliberate tax defaulters, published on 26 March 2026, HMRC has listed a prominent post-production services company in the film industry. That company received a penalty of more than £7 million. The film industry is the subject of a major programme of investigations by HMRC that centres on inflation of post-production costs to boost film tax relief for British films that meet various qualifying conditions. The relief comes in the form of additional corporation tax relief or payable tax credits.

## Focus of HMRC's investigations

We have been aware for some time that HMRC has continued to carry out industry wide investigations with the objective of ending the abuse of available tax incentives. The tax reliefs in question, which are available to companies involved directly in the



production and development of films, were introduced to legitimately reduce the corporation tax burden that claimant companies must pay. However, in some instances, claims to film tax credit relief have been exaggerated substantially through the introduction of artificial arrangements.

## How the arrangements may operate

In very broad terms, the film production company may be quoted an inflated fee (or at least what HMRC believe is an inflated fee) for post-production services with the post-production service provider simultaneously offering to invest a similar amount in the film to fund those additional costs. If the post-production company issues an invoice for its services at the same time the investment is due to be made, there is effectively no cash outflow for either party to the transaction. If the costs are not genuinely incurred to produce the film, the Exchequer is out of pocket because film tax credits have been overstated.

## Potential consequences

HMRC investigations can result in:

- ▶ the reversal of the film tax credits
- ▶ increased corporation tax payable
- ▶ the denial of input VAT recovery on any overstated costs

The issue appears to be relatively widespread over several years and can result in very severe penalties in addition to the tax and interest payable. It is not yet clear if HMRC intends to pursue any cases with a view to criminal prosecution.

## Practical implications for film production companies

As the risk of an HMRC investigation is relatively high, film production companies need to be extremely vigilant about their contractual arrangements and maintain clear evidence of what services were provided in post-production and how the costs were determined, including negotiations of the terms.

## How we can help

Our team of tax investigations specialists, including former HMRC inspectors are ready to help if your clients are dealing with an HMRC enquiry or are concerned about services provided in the past and whether they need to approach HMRC to make a voluntary disclosure to mitigate financial or reputational risk.

### Want to know more?



Nigel Brown  
+44 (0)1619 743 951  
+44 (0)7801 444 001  
nbrown@tridenttax.com



Dan Smitten  
+44 (0)2079 522 921  
+44 (0)7471 416 704  
dsmitten@tridenttax.com

### Recognising Possibilities

Registered Office: 25 Bedford Square, London WC1B 3HH  
Trident Tax Limited is Registered in England No.6945474. VAT Number 977613869

+44 (0)207 952 2921  
info@tridenttax.com  
www.tridenttax.com