

Tax credit for video games (TCVG)

This french initiative is reinforced by the audiovisual law of March 5th 2007 in regards to the modernisation of audiovisual distribution and the future of television. It aims to support the most innovative and creative projects, contributing to the implementation of ambitious projects in France that offer new and exceptional career opportunities. In addition, it will put France on the map as a highly artistic and technology driven country. The tax credit will allow France to establish its competitive position in a major cultural, dynamic sector that's growing in popularity.

On December 11th 2014, the European Commission agreed to a first review of the tax credit for video games voted in by the Parliament in December 2013 and drafted by a group of experts from different ministries. This review sought to adapt the tax credit to the evolution of the market and make the offer more competitive, targeting the most dynamic and structured segments of the industry. Four measures were put in place : reduce the eligibility threshold to 100 000 euros, broaden the eligibility to functions that target production, lengthening the deadline for definite approval of the more ambitious projects, widen the field of eligibility to games with a cultural purpose destined to an adult audience and marketed as such (also known as "PEGI18" games).

On August 10th 2017, the tax credit was reviewed for a second time. There were three main modifications to the system : increase the tax credit rate to 30% as opposed to the previous 20%, double the annual maximum threshold for tax credit by company from 3M€ to 6M€, double the maximum amount of eligible annual european outsourcing from 1M€ to 2M€.

The Tax credit for video game plan is agreed upon until December 2022.

What does the tax credit for video games consist of ?

Since January 1st 2008, the tax credit for video games consists of a tax credit of 30% on eligible expenses with a maximum threshold of 6 M€ per exercice. When an exercice takes less or more than twelve months, the amounts varies proportionally to the length of the exercice. The 'cultural' aspect to a game is rated according to a set of criterias such as originality, innovation, narration, distribution of expenses etc.

Who can benefit from the tax credit for video games ?

In general, any company that produces video games and is qualified to pay taxes in relation with the creation of such video games can benefit from this tax credit. In particular, this applies to developers working on games for consoles, mobile or PC etc. whether they are subsidiary company or independent studios.

To be eligible, the project must cost, in development alone, more than 100 000€ and the game should be destined for public commercialisation. It should also not include any form of pornographic or violent imagery and incentive, both of which can gravely harm the physical, mental or moral growth of consumers. All games that follow the previously stated criterias are eligible to apply to the tax credit for video games, as long as the contribution they make to the diversification of european and french creation in the video industry sector is significant.

Eligible games are selected based on cultural and originality criterias in addition to the degree of participation of europeans collaborators. Foreigners as well as european citizens residing in France are viewed as French citizens.

What are the eligible expenses ?

The tax credit makes up for 30% of the total eligible expenses, such as :

- amortization of real estate depreciation expenses. This does not include the building's depreciation expenses.
- remuneration of artists that have participated to the creation of the game, signing a contract of transfer of intellectual property rights and affiliated social expenses.
- expenses and salaries of personnel directly related to the creation of video games and of administrative and technical personnel as well as the associates social charges;
- functional expenses that do not include the purchase of materials, the building rent and the maintenance costs, travel, postage, documentation and electronic communications costs;
- expenses related to outsourcing to European organisations with a limit of 2M€ per exercice.

Eligible expenses are taken into consideration upon the reception of the temporary approval issued by the managing director of the National Cinema and Moving image center. This request will arrive with a folder stating the future tenants of the video game in question, as well as the company's name and a quotation for the development expenses. This approval is delivered after careful consideration by a committee composed of members from the CNC, CGEFI and the DGE with a duty to verify that the video game abides by the current national laws.

How to collect the tax credit for video games ?

As soon as a final version of the game is available, the company can ask for a definite approval from the National Cinema center that will first verify if that game still abides by the current national laws and the selection criterias.

In the case of a final non-approval within 36 months of getting the temporary approval, the company must reimburse the sum that has been allocated to it. This deadline extends to 72 months for games that have a budget of over 10 M€ (in this case, the company still benefits from the tax credit that applies to the 36 months before the delivery of the final approval).

There are at least two types of non-approval : first, if the final version of the game is not delivered within 36 months (respectively 72 months for budgets over 100 000 M€). Second, if the game does not meet the selection criterias of the tax credit.

Public grants that have helped such companies benefit from the tax credit are deducted from the base calculations of the tax credit.

If the tax credit amount exceeds the amount spent on taxes for the exercice, the exceeded amount is restored.

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