

Committee(s):	Date(s):
Finance Committee of the Barbican Centre Board Barbican Centre Board	11 January 2017 25 January 2017
Subject: Barbican Centre – Formation of Barbican Exhibitions Limited.	
Report of: Chief Operating & Financial Officer	Public
Report Authors: Financial Controller (maternity cover)	For Decision
<u>Summary</u>	
<p>This report recommends authorisation for the formation of a limited company fully owned by the City of London Corporation, with permission to trade and to become VAT registered, for the purposes of benefiting from Museum and Galleries Tax Relief Scheme which will come into effect from April 2017.</p>	
Recommendation	
<p>That approval is given for the formation of a wholly owned Barbican subsidiary at the earliest opportunity including that officers be authorised to undertake the necessary administrative actions to allow the company to undertake trade and become VAT registered.</p>	

Museum and Galleries Tax Relief Scheme

1. In the 2016 Budget the Government announced that they would introduce a new tax relief for museum and galleries from April 2017 to support the development of new exhibitions and to display collections to a wider audience. A formal consultation on the design of the relief was held from 5 September 2016 until 28 October 2016.
2. The Barbican Centre contributed to this consultation as part of a group of 17 organisations including the National Gallery and Portrait Gallery, the Southbank Centre, Tate and V&A. A number of other representative bodies, museums, galleries and other heritage organisations from across the United Kingdom also submitted responses.
3. In his Autumn Statement, the Chancellor of the Exchequer confirmed the scope of this relief. The scheme enables organisations to claim tax credits for qualifying exhibitions at a rate of 20% of qualifying expenditure for non-touring exhibitions and 25% of qualifying expenditure for touring exhibitions. Qualifying exhibitions can be permanent or temporary but qualifying expenditure will be capped at £500,000 per exhibition in order to cap the

amount of relief available. This means that the maximum amount of relief available for non-touring exhibitions is £80,000 per exhibition and £100,000 per touring exhibition.

4. The HM Treasury consultation and the HM Treasury response to the consultation can be found at the following link:
<https://www.gov.uk/government/consultations/museum-and-galleries-tax-relief-consultation>
5. The Museum and Galleries Tax Relief is similar to the Theatre Tax Relief Scheme, which was introduced in September 2014, and has the potential to greatly benefit the Barbican, capturing exhibitions developed by both the Art Gallery team and the Barbican International Enterprises team.
6. Whilst we wait for HRMC to issue full guidelines on this relief we are assuming that the same process needs to be followed as with the Theatre Tax Relief Scheme, which led to the creation of Barbican Theatre Productions Ltd.

Subsidiary

7. The Government has provided reassurance that, although this relief is part of the corporation tax system, organisations do not need to pay corporation tax to claim it; they just need to be within the charge to corporation tax. Charitable companies and wholly owned subsidiary companies of museums, galleries or local authorities are within the charge to corporation tax.
8. In order for the Barbican to benefit from the Scheme, a wholly owned subsidiary, controlled by the City Corporation, would have to be formed that would be a limited company and registered for corporation tax. This company would be a special purpose vehicle for the purpose of claiming tax credits on qualifying exhibition expenditure.
9. Whilst we do already have Barbican Theatre Productions Ltd (BTP Ltd) in place, the scope of the company is limited to theatre productions. The remit of BTP Ltd could be changed but it would seem more administratively sensible to set up a separate company.
10. With BTP Ltd, the company acts as the theatre production company for qualifying productions. The Barbican Centre contracts with BTP Ltd for the theatre production and pays BTP Ltd an equal amount to the costs BTP Ltd incurs. BTP Ltd therefore operates at a zero profit basis, and as such has a nil tax liability. The BTP Ltd structure and processes were approved by HMRC in January 2016. At the time of writing this report (19 December 2016) the audit of BTP Ltd was being finalised and the statutory accounts were to be filed imminently, with the Theatre Tax Relief claim to follow.
11. We expect that Barbican Exhibitions Ltd will be administered in a similar manner to BTP Ltd, with regard to the structure and processes, and that the

new company will join the BTP Ltd VAT group. Further advice will be sought in early 2017 but it is prudent to set up the new company as soon as possible in order to gain the maximum opportunity on exhibitions that are already in development.

12. It is envisaged that the Barbican Exhibitions Ltd will be operated internally within the Barbican. Three directors and a company secretary will be appointed, who all are senior Barbican employees with appropriate skills and experience. It has also been recommended that one or more independent appointments be made to the board, to address conflict of interest issues and provide any gaps in skills/expertise/experience, and this will happen in due course.
13. Annual accounts will be prepared by the Barbican finance department and submitted for independent audit.

Implications for the City of London Corporation

14. Understandably there was some general nervousness when the Theatre Tax Relief was introduced and assurances needed to be gained from HMRC and independent legal advisors that the use of the scheme by local authority owned and funded arts centres was legitimate and therefore would not incur reputational risk to the City of London Corporation. These assurances were gained.
15. The introduction of the Museums and Galleries Tax Relief strengthens this position as, unlike with Theatre Tax Relief, the consultation and response specifically mentions local authorities as being able to qualify for this relief through wholly owned subsidiaries.

Recommendation

16. It is accordingly recommended that committee approval is given to the formation of a wholly owned City Corporation subsidiary at the earliest opportunity including that officers be authorised to undertake the necessary administrative actions to allow the company to undertake trade and become VAT registered.

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