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Film Taxes Ensnare Beckhams, Annie Lennox & More

A who's who of celebs is facing big tax bills after writing big checks to buy into movies. They paid at least £100,000 a piece to invest in a U.K. film deal with the allure of movies and tax breaks. Turns out the taxman says it was bogus and they must pay up. From David and Victoria Beckham to Sir Bob Geldof, Lord Andrew Lloyd Webber to Annie Lennox to Geri Halliwell aka Ginger Spice. Total tax hits? About [£1 billion](#). That's a lot of movie tickets.

[Ingenious Film Partners 2 LLP](#) cashed in on tax breaks for *Life of Pi*, *Avatar*, *Girl With a Pearl Earring* and others. But now, U.K. tax authorities say it was not so ingenious and was just tax avoidance. Ingenious Media Investments warned celebrity investors that they might have to fork over, gulp, £1 billion. The Ingenious film scheme is still to be tested, but the U.K. taxman is asking investors to repay money even before going to court.

Ingenious promises to fight on, but celebs are doing damage control. Andrew Lloyd Webber [told *The Sunday Times*](#) he was advised that he was being “almost philanthropic by investing in the British film industry, and that this was a scheme to promote British films,” adding: “At no time did I consider it solely a tax scheme.” A [spokesman for the Beckhams](#) said they have always paid the taxes they have owed in full.

Ingenious requested a hearing in 2011, but U.K. authorities haven't yet held it. And Ingenious is doing some damage control of its own, announcing in a [press release](#) that the company is proud of its record in financing hit films, including *Avatar*, *Life of Pi* and *The Best Exotic Marigold Hotel*. The films generated more than £1 billion of taxable revenue for the U.K. Treasury, Ingenious claims, with another £1 billion of taxable revenue expected over the life of the films.

Some of the dispute is about debt, since leverage is often a key to ballooning a small investment into a big one. And big investments can mean big tax savings. Tax credits can be particularly intoxicating. Credits are better than deductions, reducing your taxes dollar-for-dollar.

And film tax credits can seem doubly enticing, though not everyone agrees. Stateside, many states have had tax credit problems, from people snookered by the [Snooki tax credit](#) to [trafficking in tax shelters that can mean jail](#). [Richard Dreyfuss](#) saw a [Massachusetts film tax credit](#) deal go up in smoke when [Daniel Adams](#) pleaded guilty and was sentenced to 3 years in prison and 10 years' probation. Adams overstated expenses, including how much he paid Dreyfuss for starring in *The Lightkeepers*.

In *Iowa*, a [judge](#) sentenced Minnesota film producer Wendy Weiner Runge to a whopping 10 years in prison over the Iowa film credit. The Iowa program promised big tax credits—a whopping 50% of production costs—to filmmakers. But filmmakers swapped credits for cash to those with Iowa tax liabilities. Plus, audits showed film budgets padded with expensive and unneeded items that were really being financed with the tax credits. See [When Too Good Tax Deals Become Fraud](#).

Hollywood accounting, anyone?

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.