

ECLIPSE FILM PARTNERSHIPS

The final decision has been made by the Supreme Court to refuse leave of appeal from the Court of Appeal judgement in the case of Eclipse Film Partners No. 35 LLP. As a result, the investors in the film scheme now face large tax bills and legal fees arising from the failed tax relief on interest paid and losses.

The Court of Appeal earlier held that a film leasing partnership is not trading, after considering the whole of the arrangements. This is likely to have implications for other tax schemes which depend on a special purpose vehicle legal entity being considered to be trading.

This is first Eclipse LLP to be taken through the courts by HMRC and will have consequences for the many other partnerships which were structured in the same way.