



Associazione Nazionale  
Industrie Cinematografiche  
Audiovisive e Multimediali

# ITALIAN TAX MEASURES FOR FILM INDUSTRY

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NEIGHBOURING

COPRODUCTION MEETING 2009

# ITALIAN LAW No. 244/2007

The package of regulatory provisions governing tax benefits in Article 1 of Italian Law No. 244/2007 - the **Financial Law for 2008** - provides for two kinds of measures: a credit for taxes \* (hereinafter also referred to as the “tax credit”), and a tax abatement for profits (hereinafter also referred to as the “tax shelter”).

\*tax credit is used to offset tax debts including: national and regional income taxes, VAT, social contribution and taxes due on personnel cost.

# BENEFICIARIES

- Production Companies
- Distribution Companies
- Exhibitors
- Outside Investors
- Executive Producers and/or Technical Industries

SUBJECT TO TAXATION IN ITALY:

ITALIAN TAX PAYER OR PERMANENT

ESTABLISHMENT OF A NON RESIDENT COMPANY

# WHICH MEASURES WORK NOW IN ITALY?

- Tax Measures regarding Production Companies Executive Production Companies and Technical Industries have been working since July 2009
- Tax Measures regarding Distribution Companies, Exhibitors, Outside Investors were approved by European Commission on July 2009 but will be in detail regulated by implementation decrees expected within the end of 2009

# CULTURAL REQUIREMENTS

All categories of film must pass a cultural test to meet the EU requirement for State Aid:

- Films of Italian Nationality
- Films of Cultural Interest
- Foreign Films

# AID INTENSITY

With respect to EU provisions the Law prescribes that **the sum of contributions** that may enjoy tax benefits and those arising from the Italian Consolidated Performing Arts Fund together with all other forms of public benefits **may not exceed 50%** of film's total budget. This limit may be waived in case of "difficult and modest financial resources" films (from 50% to 80% aid intensity).

# TAX MEASURES FOR PRODUCTION COMPANIES

- **TAX CREDIT:** the benefit is commensurate with production costs of Italian nationality films and it's **granted at the rate of 15% up to a maximum annual amount of 3,5 mln € for each tax period.** Producers must localize productions costs amounting to at least 12% of total budget within Italian territory.
- **TAX SHELTER:** profits declared by production companies invested in Italian nationality films are not regarded as taxable incomes

# TAX MEASURES FOR DISTRIBUTION COMPANIES

- **TAX CREDIT:** the benefit is considered **on the basis of total costs sustained for national distribution** of cultural interest films or those expressed in the original Italian language (**15%** and **10%**); moreover, in the event that the distribution company is associated with the production company and contributes cash as provided by Participation and Profit Sharing Agreements for the production of Italian nationality works, this company will enjoy a tax credit valued **at 20% and up to a maximum limit of 1 mln€.**
- **TAX SHELTER:** profits declared by distribution companies and invested in Italian nationality films distribution are not regarded as taxable income

# TAX MEASURES FOR EXHIBITORS

- **TAX CREDIT:** the benefit is provided regarding certain **investments in innovation in movie theaters, along with a benefit commensurate with cash contribution paid with regard to participation agreements and profit-sharing contracts** entered into with the producer to realize films of national cultural interest (this specific one as distribution companies, 20% of investment). More specifically, the first tax credit is considered on total costs sustained for introducing and acquiring equipment and machinery for digital projection, and is due at a rate of 30% with a maximum annual limit of 50,000 € per screen.

# TAX MEASURES FOR OUTSIDE INVESTORS

- **TAX CREDIT:** the benefit is due regarding cash contributions made with respect to contracts entered into with producers of Italian nationality films. **“Outside” subjects must be associated** with producers by assuming a share of business risk regarding production and economic enjoyment of film. In particular, the benefit is due with respect to cash contributions made in regard to participation agreements and profit-sharing contracts. **The tax credit is valued at 40%, up to a maximum amount of 1 mln € for each tax period \***
  - **TAX SHELTER:** **profits declared** by Italian companies operating in sectors other than film – which, by themselves or by means of agreements with film production and distribution companies, use them producing or distributing Italian nationality films – **are not regarded as taxable income up to a maximum limit of 30%**
- \* For its part, the film production company receiving the “outside” contributions is under obligation to use 80% of the contributions within Italian territory, employing Italian labour and services

# TAX MEASURES FOR EXECUTIVE PRODUCERS AND TECHNICAL INDUSTRIES

- **TAX CREDIT:** the benefit is provided to Italian executive production companies and technical industries that utilise primarily Italian or EU labour producing films or portions of films realized on commission of foreign production companies. Tax credit is **valued at 25% on Italian production cost which can not exceed 60% of total budget** with a maximum limit per film of 5mln €. Italian executive producer can spend 30% of 60% considered in other EU territory.

# OPPORTUNITIES FOR FOREIGN PRODUCERS

- 1) The foreign producer makes use of an Italian tax resident executive producer: 25% of tax credit up to 60% of the budget granted to the Italian Executive Producer
- 2) If the film can be qualified as Italian may opt for an Italian production: 15% of total budget granted to foreign producer's subsidiary or permanent establishment
- 3) The foreign producer may opt for a co-production, qualifying the film as Italian: 15% of the Italian producer's share if spent by Italian co-producer, NO FINANCIAL COPRODUCTIONS

# CONTACTS

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