



Successful films in a successful tax incentive framework: the Italian Tax Credit



with the support of



ANICA, THE ITALIAN ASSOCIATION OF FILM INDUSTRIES

Founded in 1944, ANICA is the association that represents the Italian film and audiovisual industries in dealings with political and union institutions while establishing relations with all the key players in the promotion of films and communications products in Italy and abroad.

Within Italy's Federation Confindustria Cultura Italia, ANICA is a member of Confindustria (the Italian Industry Confederation), actively representing the film industry.

The association is divided into three sections: producers, distributors and technical enterprises (printing and development, film studios and sound-sets, equipment rental, audio and video post-production and transport).

As Academy of Motion Picture Arts and Sciences's representative in Italy, ANICA selects Italy's Oscar candidate for best foreign film. It is also a founding partner of the "David di Donatello" Award, belongs to the World Federation of Cinema Distributors Associations and to the Association for the International Collective Management of Audiovisual Works.

ITALIAN LAW No. 244/2007

**Article 1 Financial Law for 2008
provides fiscal incentives for:**

Italian Films
(National and Co-productions)

Foreign Films

Italian Films

**(qualified by Ministry of Culture, under any
co-production treaty or UE Convention)**

Foreign Films

**(not qualified as Italian under any
co-production treaty or UE Convention)**

Benefit grant to: Italian Producer

Benefit grant to: Italian Line Producer

TAX CREDIT RATES AND REQUIREMENTS

Italian Tax Credit Scheme for Film Producers



Italian Films

Rate: **15%** of eligible costs

Credit limit: **€ 3,500,000/YEAR**
(i.e. €22.5 mil. invested)

Main condition:
80% of the credit spent in Italy
(i.e. 12% of the budget: $15\% \times 80\% = 12\%$)



Foreign Films

Rate: **25%** of eligible costs

Credit limit: **€ 5,000,000/FILM**
(i.e. €20 mil. invested)

Main condition:

- Italian expenses must not exceed **60%** of Budget
- Expenses in other UE countries are eligible up to **30%** of the Budget

THE TAX CREDIT MONTHLY OFFSETTING

Producer doesn't need taxable income



Tax credit can be used to offset any tax debt



**Including:
VAT**

Corporate Income tax (Ires)

Regional income tax (Irap)

Social contribution (Enpals)

Taxes withheld on labour cost (Irpef)

OPPORTUNITIES FOR FOREIGN PRODUCERS



Foreign Producers ?

OPTION 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

OPTION 2

If the film can be qualified as Italian may opt for an Italian production

15% of the total budget granted to its subsidiary or permanent establishment

OPTION 3

The foreign producer may opt for a coproduction (qualifying the film as Italian)

15 % of the Italian producer share (if spent by Italian coproducer: no financial coproductions)

THE TAX CREDIT: FOREIGN FILMS NUMBERS

TAX CREDIT FOREIGN FILMS JUNE 2012

NATIONALITY	NUMBER OF FILMS	AMOUNT INVESTED	AMOUNT INVESTED PER COUNTRIES	TAX CREDIT ACCRUED	TAX CREDIT ADMITTED
UK 10 film	1 film UK	€ 8.874.303	€ 34.953.455	€ 8.738.364	€ 6.984.889
	1 film UK	€ 1.436.172			
	1 film UK	€ 9.422.378			
	1 film UK	€ 1.555.702			
	1 film UK	€ 1.671.615			
	1 film UK	€ 1.934.337			
	1 film UK	€ 1.847.922			
	1 film UK	€ 131.931			
	1 film UK	€ 1.088.025			
	1 film UK	€ 6.991.069			
USA 3 film	1 film USA	€ 20.000.000	€ 25.644.043	€ 6.411.011	€ 6.355.961
	1 film USA	€ 5.423.843			
	1 film USA	€ 220.201			
JAPAN 2 film	1 film japanese	€ 693.339	€ 2.289.497	€ 572.374	€ 572.374
	1 film japanese	€ 1.596.158			
GERMANY 2 film	1 film german	€ 1.138.550	€ 1.838.550	€ 459.638	€ 278.604
	1 film german	€ 700.000			
HOLLAND 1 film	1 film dutch	€ 3.090.981	€ 3.090.981		
AUSTRALIA 1 film	1 film Australian	€ 603.533	€ 603.533	€ 150.883	€ 149.665
FRANCE 1 film	1 film French	€ 586.611	€ 586.611	€ 146.653	€ 146.653
SPAIN 1 film	1 film Spanish	€ 66.495	€ 66.495	€ 16.624	€ 15.096
AUSTRIA 1 film	1 film Austrian	€ 1.777.000	€ 1.777.000		
Total: 22 films		€ 70.850.165			€ 14.503.242

Source: DGCinema - MiBAC

CULTURAL REQUIREMENTS

**All categories of film must pass a “cultural” test
To meet the EU requirement for State aid**

**Films of
Italian
Nationality**



Cultural test A

**Films of
Cultural Interest (CI)**



Cultural test A + B

Foreign Films



Cultural test C

CULTURAL TEST FOR FOREIGN FILM: BLOCK A

TABLE C ART. 1, EIGHTH PARAGRAPH, MINISTERIAL DECREE ON TAX CREDITS CULTURAL ELIGIBILITY REQUISITES: FOREIGN FEATURES FILMS	
Requisite	Maximum Score
BLOCK A: CONTENT	
A.1 Film script/screenplay adapted from literary work	10
A.2 Film script/screenplay concerning a historical, legendary, religious, social, artistic or cultural event	10
A.3 Film script/screenplay concerning a celebrity of artistic, historical, religious, social or cultural import	10
A.4 Italian or European main characters of the script or of the screenplay	10 (4.6)
A.5.1 Film script set in Italy or in other European Countries (up to 30% of screenplay scenes set in Italy 6 points; over 30%, 15 points; minimum threshold: 15% of the scenes) or A.5.2. Outdoor scenes of the film shot in Italy with the aim to valorize artistic, architectural and archeological assets (up to 30% of outdoor scenes contained in the screenplay shot in Italy, 6 points; over 30%, 15 points; minimum threshold: 15% of the scenes)	15 (6)
A.6 Original dialogues recorded, post-synchronized or subtitled in Italian or Italian dialect (minimum threshold: 50% of the scenes contained in the screenplay)	5

CULTURAL TEST FOR FOREIGN FILM : BLOCK B

BLOCK B: CREATIVE TALENTS	
B.1 Presence of a filmmaker originating from or citizen of the Countries of the European Economic Space –EES (producer, director, scriptwriter, composer)	8 (max) (2 points for each professional figure)
B.2 Presence of a creative talent originating from or citizen of the Countries of the European Economic Space –EES (interior designer, art director, chief make-up artist, costume designer, photography director, line producer, editor, set designer)	8 (max) (1 point for each professional figure)
B.3 Presence of at least one lead actor originating from or citizen of the Countries of the European Economic Space –EES	2
B.4 Presence of at least two supporting actors originating from or citizens of the Countries of the European Economic Space – EES	2
TOTAL MAX SCORE B	20

CULTURAL TEST FOR FOREIGN FILM: BLOCK C

BLOCK C: PRODUCTION	
C.1 Scenes shot in a studio in Italy (up to 20% of the scenes contained in the screenplay shot in Italian studios, 4 points; over 20%, 8 points)	8(4)
C.2 Digital effects in Italy	2
C.3 Special effects in Italy	2
C.4 Music recording in Italy	2
C.5 Sound editing and mixing in Italy	2
C.6 Laboratory work in Italy	2
C.7 Final editing in Italy	2
TOTAL MAX SCORE C	20
TOTAL OVERALL	100
At least 2 from among requisites A.1, A.2, A.3 and A.5 of Block A are compulsory	
Minimum total score 50/100 required for the purpose of enforcing art. 1, paragraph 335, of law no. 244 dated 24 December 2007	

BUDGET: ELIGIBLE COSTS

All costs as specified, item by item, in table “D” attached to the Decree



Production costs up to the master copy (excluding any distribution cost)

Financial and insurance expenses: maximum 7,5% of the Production Cost

Producer fee: not included

Production staff costs, net of social security contribution, not higher than 25% of total cost

Overhead expenses (staff and location not involved in the production): eligible in the percentage corresponding to the ratio between number of shooting days and annual days and, in any case, up to a maximum amount of 7,5% of the Production Cost

HOW TO GET THE TAX CREDIT

- **Tax Credit Preliminary Application to Italian Ministry of Culture (“Mibac”)**: such application to be submitted by IPSC (and countersigned by Foreign producer). The actual use of the tax credit is conditional upon this application;
- **Cultural Eligibility**: Mibac shall confirm if the picture is eligible or not by the end of the month following the date of submission of the preliminary application;
- **Tax Credit Final Application to Mibac**: such application to be submitted by IPSC (and countersigned by Foreign producer) together with a description of the costs incurred by IPSC certified by an independent chartered accountant;
- **Tax credit final amount**: Mibac shall confirm the final amount of the tax credit accrued by the eligible picture within 60 days following the date of submission of the final application

THE EFFECTIVE SAVING ON THE BUDGET TAX CREDIT FOR FOREIGN FILM

ASSUMPTIONS:

- STORY TO BE SHOT IN:
TORONTO (40%)
ROME (30%)
BERLIN (30%)
- TOTAL BUDGET = € 10 MLN

RESTRICTIONS:

- RELEVANT BUDGET MAX
€ 6 MLN
- IN ITALY UP TO € 6 MLN
- IN BERLIN MAX € 3 MLN

ITALIAN
EXECUTIVE
PRODUCER

RELEVANT BUDGET
FOR TAX CREDIT
€ 6 MLN

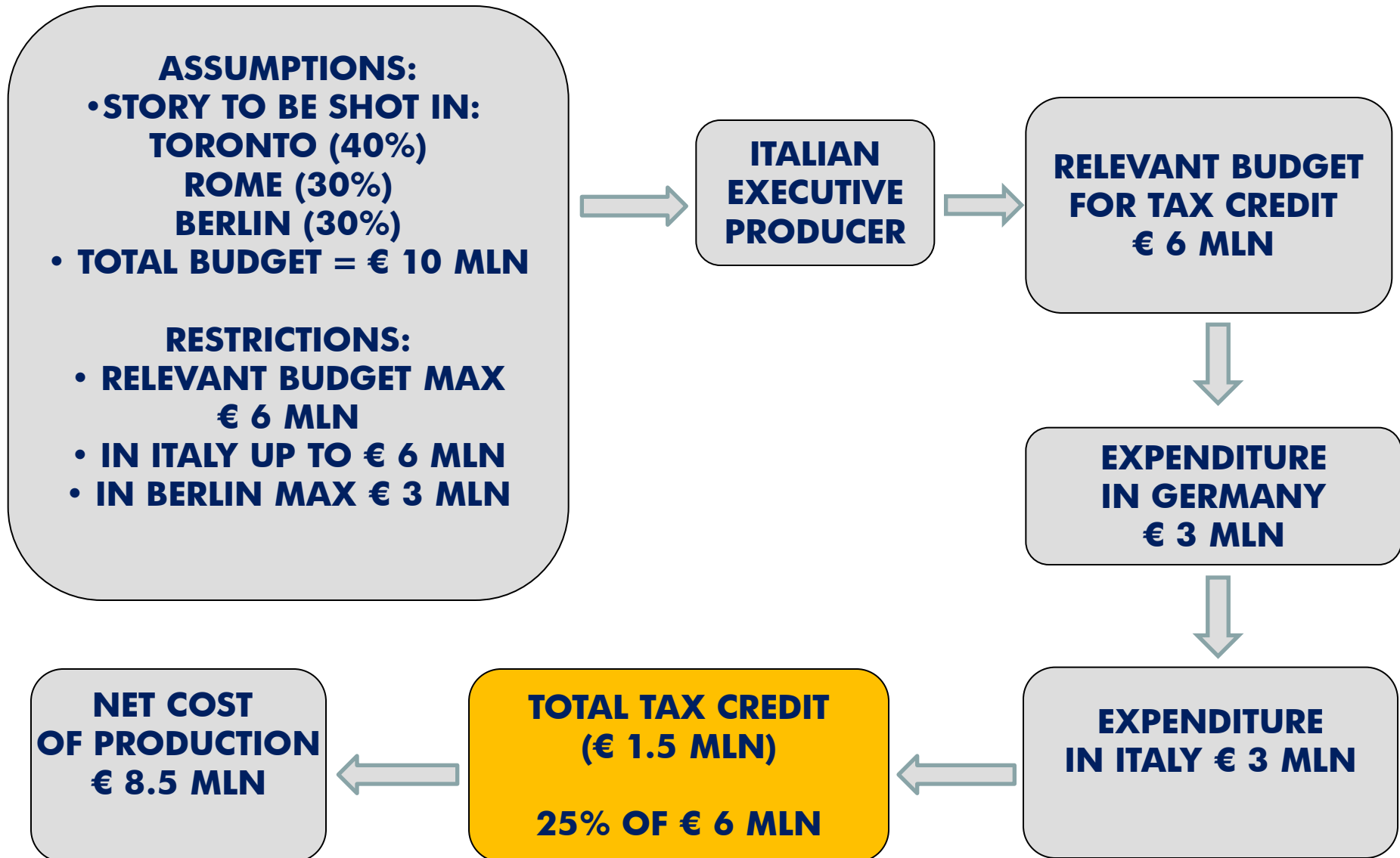
EXPENDITURE
IN GERMANY
€ 3 MLN

EXPENDITURE
IN ITALY € 3 MLN

TOTAL TAX CREDIT
(€ 1.5 MLN)

25% OF € 6 MLN

NET COST
OF PRODUCTION
€ 8.5 MLN



CO-PRODUCTIONS BETWEEN ITALY-CANADA

**First Treaty in 1970
New Treaty in 1999**



Respective contribution of the producers of the 2 countries may vary from 20% to 80% of the budget

Minority participation: not less than 20% of the budget + effective technical and creative contribution

Twinning arrangement: under the approval of authorities may be considered as co-productions

Eligible products: in Canada co-production benefits are extended to tv products

CO-PRODUCTIONS BETWEEN ITALY-CANADA

**From 1970 to 2012
6 Coproductions**



La Versione di Barney: Italy 20% - Canada 80%

Seta: Italy 33% - Canada 33% - Japan 33%

Il Grande Nord (European Work): Italy 10% - France 60% - Germany 10% - Canada 20%

L'Ultima Porta: Italy 24,89% - UK 25% - Germany 22,41% - Canada 27,7%

Hidden 3D: Italy 21,5 - Canada 78,49%

Ti ho cercata in tutti i necrologi: Italy 70% - Canada 30%

THE EFFECTIVE SAVING ON THE BUDGET TAX CREDIT FOR CO-PRODUCTIONS

ASSUMPTIONS:

- STORY TO BE SHOT IN:
TORONTO (20%)
ROME (30%)
PARIS (50%)
- TOTAL BUDGET= € 10 MLN
- ITALIAN COPRODUCER 50%

RESTRICTIONS:

- ITALIAN NATIONALITY OF THE FILM
- 80% OF TAX CREDIT TO BE SPENT IN ITALY

ITALIAN
COPRODUCER

RELEVANT
BUDGET
FOR TAX CREDIT
€ 5 MLN

EXPENDITURE
IN ITALY € 600.000
IN TORONTO € 4.4 MLN

TOTAL TAX CREDIT
(€ 750.000)
15% OF € 5 MLN

TOTAL
EXPENDITURE
OF ITALIAN
COPRODUCER
€ 4.250 MLN

OTHER MEASURES
APPROVED
(Outside investors)

AN EXAMPLE OF TAX CREDIT FOR CO-PRODUCTION: BARNEY'S VERSION



BARNEY'S VERSION: THE ARTISTIC FEATURES



Serendipity



Synopsis: Based on the seminal novel by Mordecai Richler, Barney's version is a wild ride through the life and memories of Barney Panosfky, a hard-drinking, cigar smoking, foul-mouthed hockey fanatic

Directed by: Richard Lewis

Starring: Paul Giamatti
Rosamund Pike
Dustin Hoffman
Minnie Driver
Rachele Lefevre

Produced by: Serendipity Point Films
Fandango

Italian release date: January 14th, 2011

Italian Distributor: Medusa

BARNEY'S VERSION: THE ECONOMICS



CO-PRODUCTION FEATURES

Serendipity Point Films	80%
Fandango	20%

Total Budget	€ 18.593.902,00
Canadian Budget	€ 14.875.121,67
Italian Budget	€ 3.718.780,33

**Italian eligible costs for tax credit: €
2.067.311,73**

Amount of the obtained tax credit: € 310.096,76

BARNEY'S VERSION: THE CULTURAL TEST



ELEMENTS OF THE FILM IN ORDER TO BE RECOGNIZED AS ITALIAN CO-PRODUCTION AND TO OBTAIN THE ITALIAN TAX CREDIT:

❖ **Part of the story is set in Italy, in Rome;**

Two characters are Italians; they're played by Massimo Wertmuller and Thomas Trabacchi;

❖ **The Italian crew:**

the author of the film soundtrack: Pasquale Catalano

the costume designer: Nicoletta Massone

❖ **27% of the total external scenes of the script are shot in Italy;**

❖ **Italian facilities:**

Digital effects: Technicolor - Rome

Special effects: Mag SpecialEffects – Rome

Music recording: Forum – Rome

Sound Editing: Technicolor sound system – Rome

Laboratory: De Luxe - Rome

WHO CAN BE CONTACTED FOR FURTHER INFORMATION?

Since 2008, ANICA maintains an info-point to explain the finer points of Italian Law on tax measures. The Office, Andrea Pietra, Rossella Mercuri and Ludovica Baldan, supports Italian and international professionals providing:

- Information, promotion and workshops;**
- Expert assistance on the measures' application;**
- Advice on film projects eligibility in order to benefit from tax benefits;**
- Implementation of a web page entirely aimed to regulations and international events involving tax affairs.**



Tax Credit and Funding Office ANICA

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