



HUNGARIAN TAX RELIEF SYSTEM

The European Commission has extended the film support system of Hungary for another 6 years (European Commission Decision of 12 September 2013). As a result, the tax incentive scheme of the Hungarian film industry continues to be available for foreign and Hungarian filmmakers until December 31st 2019.

The tax rebate remains 20% of film production costs spent in Hungary. Besides through corporate tax-paying companies, the actual amounts will also be available through a deposit account, operated by the Film Fund. The Film Fund collects the money to this account from corporate tax-paying companies in the market.

The European Commission has approved the request of the Hungarian National Film Fund, whereby the annual overall amount for the support should be increased to 18.5 billion HUF (app. 63 million EUR). This almost doubles the present amount. The tax incentive system is available for foreign films shooting in Hungary, as well as for Hungarian movies.

* THE FILM TAX INCENTIVE

- Films (for cinema and television) produced in Hungary are eligible for a 20 % rebate based on their expenditure emerged in the country
- The incentive is available through local business companies who receive significant tax relief after their support of films
- The scheme is part of the film support programme approved by the European Commission in July 2008 for six years with a budget of EUR 231m

* WHAT PRODUCTIONS CAN BENEFIT?

- Films of all genres made for cinema release- Feature films, series, documentaries and animations made for televisions or other distribution platforms
- Porn and extreme violent films, commercials, reality shows and daily soap operas are excluded



* CULTURAL TEST

- Films applying for the incentive have to be submitted to a cultural test
- Films must contain European content or cultural values and additional points
- are granted if EU nationals are either making or financing the movie (point system)
- 6 points has to be earned to pass

* REGISTRATION OF COMPANY AND PRODUCTION

- Hungarian companies, registered with the National Film Office (NFO) are eligible to apply
- Foreign companies should conclude coproduction or service agreements with Hungarian registered company
- Production has to be registered at NFO- Start of filming has to be reported to NFO

* WHO PROVIDES THE FINANCIAL SUPPORT?

- Corporate-tax-paying domestic companies that may reduce their tax payable and tax base by the financial support they provide (double write-off)
- 16% profit realized
- The financial support is provided in the form of a cash refund (post-financing)

* ELIGIBLE EXPENSES

- All the direct film production costs are eligible except those excluded by the film law; other costs are limited by the law (see below)
- The producer is free to spend 20% of the budget outside Hungary without suffering a reduction in the amount of the incentive. This means that not only the spend made to Hungarian taxpayers will qualify, but also some of the services provided by foreign taxpayers
- up to 20% of the total production budget.
(Consequently 25% of the Hungarian spend will be refunded)

* EXCLUDED OR LIMITED COSTS

- Part of copyright costs over 4% of the budget
- Travel costs are limited to trips from and to Hungary, stopover possible
- P&A is limited up to 2% of the budget (but max 5m HUF)



- Cost of services delivered by non-Hungarian sub-contractors limited up to 25% of eligible Hungarian spend.
- Producers' fee maximum up to 4%

* HOW MUCH IS THE INCENTIVE?

- Up to 20% of the eligible production expense (Hungarian or not-Hungarian)
- The non-Hungarian eligible spend is capped at 25% of the Hungarian eligible spend

* AID INTENSITY PROVISIONS TO TAKE INTO ACCOUNT

- Total state subsidies shall not exceed 50% of the production budget, or
- in case of co-productions 50% of the Hungarian contribution,
- in case of low-budget films and films produced in Hungarian language the extent of subsidies is 90%,
- in case of documentaries, animation, shorts, experimental films etc. - 100%

* OTHER ADVANTAGES

- Experienced crews
- Languages spoken
- Well equipped new studios
- Hollywood-standard sound stages
- Variety of filming locations
- Post-production facilities and expertise

* IS PRE-FINANCING POSSIBLE?

- Certain banks are willing to pre-finance state subsidies and VAT
- Depending on the bank and the individual contract they keep a percentage from the 20% (meaning the actual rebate will be about 16%)
- Deal with NFO for monthly or quarterly accounting.