

## I. What is the benefit called ?

- Indirect state subsidy through a “Tax Certificate” issued by the National Media and Infocommunication Authority Hungary – NMIAH ( <http://english.nmhh.hu/> ).
- Non-recourse, non-repayable and non-recoupable cash rebate, based on the Hungarian and non-Hungarian eligible production expenditure provided by local corporate tax payers “sponsors” or the Hungarian National Film Fund - HNFF ( <http://mnf.hu/en/> ).

## II. How much is it worth ? Any caps ?

- All local Hungarian expense (with few exceptions) will qualify for a **25%** rebate.
- An additional allowance of 25% of the local Hungarian spend can be spent on foreign costs by the Hungarian Production company. This will qualify for a 25% rebate as well.
- 1,000,000 local spend + 250,000 foreign spend = 1,250,000 qualifying spend = rebate of 25% or 312,500
- Local and foreign spend can be in any currency and can also be spent outside Hungary.
- No minimum spend, no cap per project, no annual fiscal budget cap.

### **III. Are there any supplementary regional benefits or any other additional incentives ?**

- Additional funds are available through the Hungarian National Film Fund to Hungarian films and co-productions with relevant Hungarian contribution and content.
- No relevant regional funds and no additional production incentives

### **IV. What is the benefit based on ?**

- It is based on the eligible Hungarian and the eligible non-Hungarian spend
- Definition of eligible HU Spend: production expenditure as per the film's registered budget / spent by the Hungarian Production Company and accounted for in its statutory tax books / paid to Hungarian tax registered subcontractors (both companies and individuals). Foreign cast members' remuneration qualifies as eligible HU Spend if the remuneration is taxable in Hungary and if the 15 % personal income tax is paid effectively to the Hungarian tax authority.

Definition of eligible non-HU Spend: same as above with the exception that it can be paid to any foreign (non-Hungarian) entity for costs material to the completion of the production. It is capped at 25% of the eligible HU Spend.

- Third country location shooting is possible. Any cost incurred abroad counts providing that it fulfils the requirements for definition of eligible HU and non-HU Spend

## V. Are there any major exclusions ?

- Excluded costs:
  - costs of copyright and acquisition of underlying rights costs above 4% of the budget ;
  - producers' fee above 4% of the budget;
  - marketing and publicity costs above 10 Million HUF or 2% of the budget;
  - travel costs without Hungarian destination;
  - cost of services performed by foreign tax registered entities above 25% of eligible HU Spend (transferred services bought from foreign entities need to be deducted from eligible HU Spend);

## VI. What are the key qualifying criteria ?

- All film categories qualify – feature / animation / documentary / experimental / TV-film / mini-series.

### **EXCLUSIONS**

- Films with highly violent or pornographic content (VI<sup>th</sup> category) are excluded. TV sitcoms / reality shows / daily soaps are excluded.
- No minimum cost requirements, no theatrical screening requirements, no completion / delivery requirements.
- Film needs to pass “cultural test” with minimum of 16 points out of 32 points in the following categories
  - Cultural Content 8 points
  - Cultural Contribution/Hubs/Practitioners 24 points

## **VII. Who can access the relief ?**

- Applicant must be a Hungarian company or a Hungarian branch of an EU company registered by the NMIAH.
- Applicant must be the film's producer, co-producer or production service provider who is responsible for and actively involved in the production of the film throughout.

## **VIII. What is the application procedure and turnaround time for payment ?**

- The film needs to be registered at the NMIAH. Application for the registration needs to include script, budget, production schedule, crew-list, co-production agreement or PSA, agreement with the sponsor, ledger of the separate account from the books of the applicant(s). To register the film 100% financing of the local and foreign costs as detailed in the budget needs to be verified.
- Upon completion of the production or after having finished a certain part of the production (either quarterly or monthly) an application for Tax Certificate to be filed to the NMIAH. The application needs to include the ledgers and other relating lists obtained from the books of the applicant(s) and the supporting documents (eg.: contracts, bank statements, etc.).
- After NMIAH has concluded an audit of the submitted documentation, the final amount of the eligible HU, non-HU Spend and the amount of the 25% rebate is confirmed. NMIAH issues the Tax Certificate on the basis of the confirmed rebate amount.

- Upon having the Tax Certificate the Sponsor or the HNFF transfers the fund to the producers as per the contract executed between the parties. This is normally within 7 – 10 business days.
- On average the whole procedure from filing the application for the Tax Certificate until receiving the fund from the Sponsor or the HNFF takes approx. 50-70 days.
- Interim claims (monthly and quarterly) are possible during production or a Final claim on completion of the local (Hungarian) production part of the film

## **IX. How certain is it ? Is there any sunset date?**

- The rebate is governed by the Hungarian Film Law passed by the Hungarian government.
- In case there are no funds available at the Filmfund the Tax Authority fills up the escrow account on a quarterly basis. The current balance of the escrow account can be checked on line - [http://mnf.hu/index.php?option=com\\_content&view=article&id=173&Itemid=100](http://mnf.hu/index.php?option=com_content&view=article&id=173&Itemid=100).
- The sunset date is the 31<sup>st</sup> of December 2019. in accordance with applying EU regulations.

## **X. Examples of TV series or pilots that have accessed the incentive**

<ul style="list-style-type: none"><li>• Emerald City ( NBC Universal )</li><li>• Mars ( National Geographic TV )</li><li>• Maigret ( ITV )</li><li>• Bird Song ( BBC )</li><li>• X Company ( CBC )</li><li>• Casanova ( Amazon )</li></ul>	<ul style="list-style-type: none"><li>• The Borgias (HBO)</li><li>• Guilt ( ABC Lionsgate )</li><li>• John Adams</li><li>• Robin Hood</li><li>• Tyrant ( Fox 21 )</li><li>• Strike Back ( HBO )</li></ul>
--	---

## **XI. Compatibility with the UK**

- Because of the differences in the definition of qualifying UK spend and HU spend, the Hungarian model can very effectively can work together with the UK tax credit. The total benefit raised from the 2 countries can go up to 25 % of the total budget.

# Hungarian Cultural Test

<b>Section A- Cultural Criteria</b>		<b>Points</b>
a.)	The storyline / underlying material of the motion picture is based on an event, which is part of the Hungarian or the European culture / history / mythology / religions	1
b.)	The motion picture is based on a character / personality belonging to the Hungarian / European culture / history / society / religions	1
c.)	The motion picture is centred on Hungarian / European traditions/customs	1
d.)	The story of the motion picture is set in European scene/landmark/location/architectural or cultural environment	1
e.)	The storyline or underlying material is based on a literary work or on an adaption of other art work (products of fine or applied arts, music etc.) with cultural value.	1
f.)	The storyline or underlying material of the motion picture is centred on a current actual cultural, sociological, or political issue for Hungarian or European society	1
g.)	The motion picture reflects an important Hungarian or European value such as cultural diversity / solidarity / equality / protection of minorities or human rights /tolerance / environmental protection / respect for traditions of culture or family	1
h.)	The motion picture reflects the Hungarian and European culture and identity.	1
<b>Section B – Industrial Criteria</b>		
i.)	The film product is a motion picture product that creates value as a result of its genre	4
j.)	The creators of the motion picture include Hungarian citizens or citizens of another EEA country, or those non-EEA citizens who have received an international film festival award:	6 points - maximum 1 point after every 2 scores
a.	Director	
b.	Producer	
c.	Director of photography	
d.	Script writer	
e.	Leading/secondary actor/actress	
f.	Composer	
g.	Art director /production designer	
h.	Costume designer	
i.	Editor	
j.	Make up designer	
k.	Line producer / production manager	
l.	Post production supervisor (either audio / VFX / DI)	
k.)	final version of the film in any official EEA language	4
l.)	At least 51% of the contributors to the motion picture - not falling under the scope of point j)- are the citizens of an EEA country, or the motion picture is a co-production that does not qualify as an European co-production.	4
m.)	The location of the shooting is in Hungary	3
n.)	use of Hungary's cultural resources (i.e. pre or post-production in Hungary)	3
<b>Total</b>		<b>32</b>