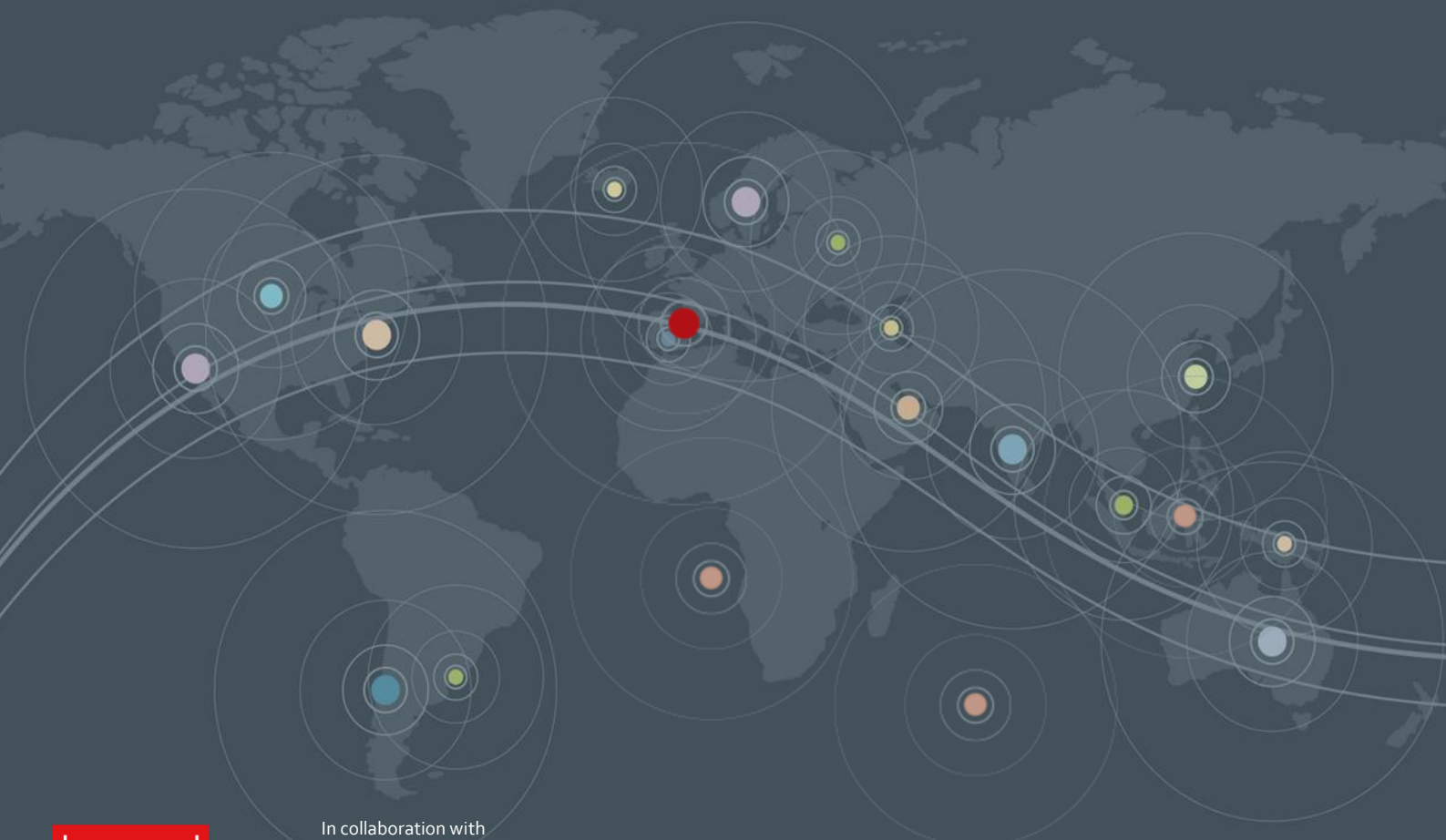


# *Economic Impact of Spain's Rebates for Investments in International Film and Television Series*

Report for the Spain Film Commission  
by Olsberg • SPI  
30<sup>th</sup> August 2024



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## **FOREWORD**

Since its creation in 2001, Spain Film Commission has maintained a two-way approach to its work, to which it has subordinated all its actions.

On the one hand, it aimed to create a broad network of associated members and public professionals to help diversify filming locations across the national territory. On the other, it sought to propose initiatives to the Spanish Government to ensure that our country has the precise tools to compete effectively as a destination for international productions —while not neglecting national productions, which had already been provided with their own legal and strategic tools.

In this regard, Spain Film Commission proposed to the Ministry of Finance the creation of a tax incentive for international shoots in Spain, prompting a reform of the Corporate Tax Law in 2015 and generating a framework that has been improved through the latest reform approved by the current government in 2022.

In the same vein, in 2020, Spain Film Commission presented a proposal to the Ministry of Industry, Commerce, and Tourism to create an Audiovisual Hub in Spain. By late 2021, as part of the Recovery, Transformation, and Resilience Plan post-COVID, it received a governmental mandate to develop a set of initiatives grouped into five main areas aimed at contributing to, along with other public and private efforts, making Spain a leading country in audiovisual activity within the European Union.

Among these initiatives, and recognising that the lack of reliable data is a weakness in any project, we strategically proposed developing an independent study to provide robust information – baseline data and scientific analysis – on the impact that fiscal support policies for international shoots have had on our economy.

The document presented here is the result of many months of work driven by the Spain Film Commission as a network for attracting international audiovisual projects. This work was done with the broad and effective collaboration of PROFILM, the most important business association in the international production support sector. The project was executed with the assistance of Olsberg•SPI, which is undoubtedly the most influential and qualified European audiovisual research company.

The study covers the recent period available for corporate tax matters, 2019-2022, and constitutes the final piece of the strategy we began in 2001, from which we have not deviated.

As demonstrated by this work, the film industry, as a subsector of the audiovisual industry, operates according to its unique principles and makes a substantial contribution to the Spanish economy, not only within the audiovisual sector but also in various other sectors. This justifies not only maintaining but also advancing new measures to enhance the efficiency of our country and its industry, as well as guiding policies and resources to keep us at the forefront of the major technological and business model changes occurring in the audiovisual sector.

Spain Film Commission has been able to commission this study and carry out the other tasks assigned within the framework of the Spanish Audiovisual Hub Plan, thanks to the financial and strategic support from the Government of Spain, particularly from bodies such as the Secretary of State for Telecommunications and Digital Infrastructures, part of the Ministry for Digital Transformation and Public Administration, which oversees the coordination and execution of the Hub's implementation plan.

We express our gratitude to all the institutions, entities, and teams with whom we have had the privilege of collaborating. We hope that this trust can be projected onto a future that this study predicts as bright, based on data showing that public resources invested have been significantly multiplied.

We hope that this document will serve as a starting point rather than an endpoint; the first of a series of annual studies that aim to introduce to Spain a commonly accepted model of analysis and provide accurate data where only rough estimates existed before. This project should lead to a regular series of high-level studies that will benefit not only the Spain Film Commission, which will continue working in this direction, but also all institutions and entities concerned with the progress of the Spanish filming industry. The goal is to further improve strategies, guide investments, and enhance the qualifications of industry professionals.

Madrid, August 2024.

Carlos Rosado Cobián, President of Spain Film Commission.

## **GLOSSARY OF KEY TERMS**

**Above-the-Line (ATL)** and **below-the-Line (BTL)** refer to the film and television production workforce and the different types and seniority of roles across talent, cast, and crew. **ATL** refers to key talent, including directors, writers, and actors; **BTL** refers to other crew, for example, in technical production roles.

**Direct impacts** refer to the GVA, employment, and employee compensation directly generated in companies engaged in incentivised production.

**Indirect impacts** refer to the increase in terms of the GVA, employment, and employee compensation in companies that supply goods and services to those engaged in incentivised production.

**Induced impacts** refer to the increase in terms of the GVA, employment, and employee compensation created across the wider economy as those working directly on incentivised production and along the associated supply chain spend their wages on various goods and services.

**Employee compensation** is the primary financial income for individuals. It incorporates the earnings of full- and part-time employees and self-employed contract workers. It also includes other benefits such as employer pension contributions and other social security contributions.

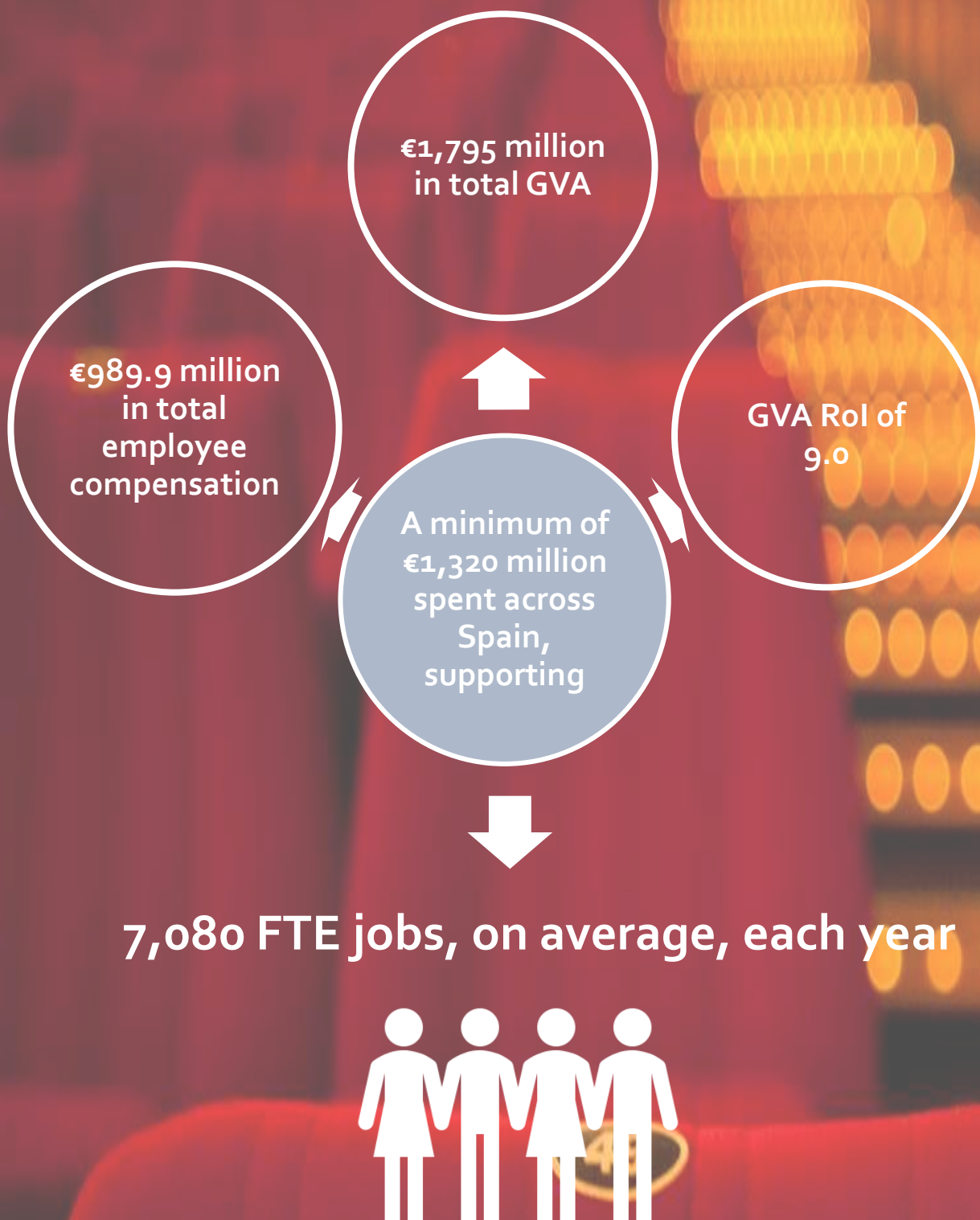
**Full-time equivalent (FTE) jobs** is a consistent measure of employment that accounts for part-time and full-time working patterns and temporary or contract-based workers. Given the freelance nature of employment in the film and television production and post-production sector, the FTE measure is preferred. It is standard practice in studies like this to estimate the employment impact in terms of FTEs. An FTE is based on a year-round and 'permanent' definition of FTE jobs. This means that if one person is working full time on a three-month contract, this would be counted as 0.25 of a job. This employment definition enables comparison across industries and countries.

**Gross output** refers to the total value of goods and services produced by a producer, industry, or sector before accounting for any intermediate consumption. It can be thought of as the sales or revenue generated.

**Gross value added (GVA)** is the difference between gross output and intermediate consumption for an individual producer, industry, or sector in a given economy. It is the difference between the value of goods and services produced and the cost of raw materials and other inputs used during production. GVA, therefore, measures the contribution to a given economy by an individual producer, industry, or sector.

**GVA Return on Investment (GVA RoI)** is a measure of how much economic value is created for each euro invested in the international production incentive by the Spanish government. The cost to the government is estimated to be the value of the production incentives allocated minus the estimated direct tax receipts generated as a result of the uplift in activity.

# THE ECONOMIC IMPACT OF INCENTIVISED INTERNATIONAL FILM AND TELEVISION PRODUCTIONS IN SPAIN, 2019-2022



## **1. EXECUTIVE SUMMARY**

### **1.1. About the Study**

The **Spain Film Commission** commissioned creative industries consultancy Olsberg•SPI ("SPI") to independently analyse the economic impact of Spain's Rebates for Investments in International Film and Television Series (Deducción en el Impuesto sobre Sociedades por inversiones en producciones cinematográficas y series audiovisuales).

The project (the "**Study**") has been undertaken in the context of the Spain Audiovisual Hub initiative. Launched in 2021 by the Spanish Government, this €1,600 million investment is financed by the Spanish Government and the European Union's NextGenerationEU programme and aims to increase audiovisual production levels by 30% by 2025. The Study was also developed with the collaboration of the Association of Spanish Producers of International Audiovisual (PROFILM).

In undertaking the analysis, SPI engaged with a wide variety of stakeholders, including independent producers and service producers based in Spain, major international content investors, and representatives of the Spanish public administration.<sup>1</sup>

The Study analyses the impact of Spain's international incentive between 2019 and 2022 and examines the wider international film and television series ("**Screen**") production sector in Spain.<sup>2</sup>

### **1.2. Key Findings**

#### **1.2.1. Context**

**Spain is a highly established hub in Europe and globally for both domestic and international Screen production. In recent years, Spain has experienced unprecedented growth** – a trend linked to a general worldwide increase in Screen production, but also due to clear political attention, public investment, and the underlying strengths of Spain's Screen production sector.

**These strengths include a strong creative and technical skills base**, well-developed sector infrastructure, diverse and visually strong filming locations, favourable weather, and support from government and wider public stakeholders. Spain's ability to provide a hub for the production of high-quality projects for export to global Spanish-speaking audiences is also a key strength.

**The Study also identifies a number of challenges.** While Spain is a strong international production hub, there is notable competition from a plethora of other jurisdictions that have developed incentives and production offers. In addition, while significant progress has been made in terms of workforce development, some skills and levels of experience in the sectoral workforce could be developed further.

#### **1.2.2. Overview of Spain's International Incentive**

**Since 2015, Spain has offered an incentive for international productions to film in the country.** The incentive was amended in 2017, 2020, 2021, and 2022. The 2021 revision, in particular, took place through the introduction of the Spain Audiovisual Hub – a government policy intervention aiming to develop the Screen production sector in Spain. See Table 1 for an overview of the incentive.<sup>3</sup>

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<sup>1</sup> Ministerio de Asuntos Económicos y Transformación Digital, Ministerio de Hacienda, Ministerio de Cultura.

<sup>2</sup> Spain also has a film production incentive for domestic production, which is not in the scope of this Study.

<sup>3</sup> Incentives offered by autonomous territories are not in the scope of this Study since they are separate systems. However, the Canary Islands' incentive is included in the Study because the incentive offered is the same international rebate system with an uplift.



**Table 1 – Rebates for Investments in Film and Television Series**

Value	Per Project Cap
<b>National level:</b> 30% rebate on eligible costs for the first €1 million of eligible expenditure and 25% after.	€20 million for each production (feature film). In the case of audiovisual series, the incentive is determined per episode, and the limit is €10 million per episode.
<b>The Canary Islands:</b> 50% rebate on eligible costs for the first €1 million of eligible expenditure and 45% after.	€36 million for each production (feature film). In the case of audiovisual series, the incentive is determined per episode, and the limit is €18 million per episode.

Source: *Global Incentives Index (2024)*

### 1.2.3. Economic Impact of Spain's International Incentive

#### Overview

SPI estimates the economic impact of Spain's Rebates for Investments in International Film and Television Series using an economic impact assessment. This involves quantifying the economic contribution to Spain's economy across three channels of economic impact: direct, indirect, and induced. For each impact channel, SPI estimates the contribution in terms of GVA, FTE jobs, and employee compensation.

Data on the total incentivised expenditure on international film and television production in Spain is a key driver for the economic model. However, there is no official or publicly available data in Spain. Consequently, expenditure has been estimated using data collected by SPI from key production and service companies based in Spain, as well as the main international streamers and studios active in the country. Data was gathered on the total incentivised production expenditure in Spain for 176 international productions. Of these, 165 productions started principal photography between 2019 and 2022, and these are the focus of the analysis presented in Section 4. In this Study, productions were assigned to a year based on the start date of principal photography.

SPI is confident that these 165 productions represent a significant share of total incentivised international productions in Spain.<sup>4</sup> Nevertheless, economic estimates relating to expenditure, GVA, employee compensation, and FTE jobs should be considered as a minimum, as the analysis is based on sample data.

#### Economic Impacts<sup>5</sup>

Based on project data collected by SPI, between 2019 and 2022, a minimum of €1,320 million was spent by 165 incentivised international productions in Spain. These production data show a decline in 2020, attributable to the impact of the COVID-19 pandemic, from €343.3 million in 2019 to €145.9 million in 2020. Production expenditure increased yearly since 2020, with levels surpassing pre-COVID-19 records in 2022. Total production expenditure in 2022 was more than 50% higher than in 2019, while production volumes were up 33%.

From 2019 to 2022, incentivised international film and television production generated an estimated minimum of €1,795 million in GVA contributions to Spain's economy. This is the sum across all impact channels (direct, indirect, and induced), and so captures the knock-on

<sup>4</sup> See Section 4.2 for further discussion.

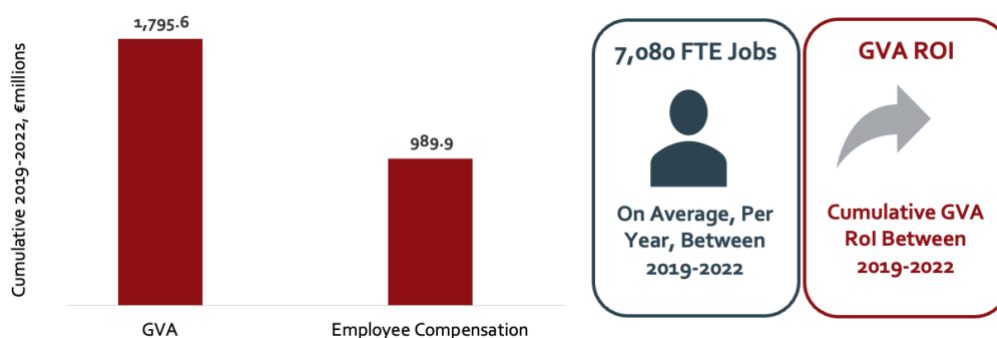
<sup>5</sup> Note: in addition to estimating economic impact using production data gathered by SPI, this Study also undertook analysis of government data on the total annual incentive amount distributed between 2019 and 2022. However, due to limitations of these data and approach, SPI has only included the resulting economic analysis as an appendix for full transparency and it is not presented as a key finding of this Study. See Appendix Two.



impacts on different goods and services across Spain's economy. This level of activity generated an estimated €989.9 million in total cumulative employee compensation for those working in Spain across the country's broader economy over the same period. Regarding employment, SPI estimates that incentivised international film and television productions supported an average of 7,080 FTE jobs across Spain's wider economy each year between 2019 and 2022.

Finally, between 2019 and 2022, the overall GVA ROI was 9.0, meaning that for every €1 invested through the programme, the benefit to the Spanish economy was €9 in terms of additional economic value from direct, indirect, and induced effects. Of this, €2.20 was attributable to the direct impact channel alone.

**Figure 1 – Key Economic Impacts of Incentivised Production Expenditure Based on Production Data Collected by SPI, Economy-Wide, 2019-2022**



Source: SPI (2024)

Overall, Spain's international incentive has had a very positive impact on attracting additional production activity. Data show that **70% of expenditure would not have occurred in Spain if no international incentive had existed**. In contrast, only 30% of the initially planned expenditure would have been undertaken in Spain without the incentive.

#### **1.2.4. Wider Impacts of Spain's International Incentive**

In addition to examining the influence of Spain's international incentive on economic indicators, this Study also describes the wider impacts of the incentive.

**Data shows that there are clear production hubs in Spain – predominantly Madrid, Catalonia, the Canary Islands, and Andalusia.** In addition, data shows that production expenditure is taking place in areas including the Balearic Islands, Cantabria, and the Valencian Community. Areas such as Navarre and the Basque Country also receive production expenditure and have their own tax systems.

Detailed analysis of two productions – a high budget feature film and a high budget television series – that accessed the international incentive shows the impact that productions in Spain can have on the wider Spanish economy. Both analyses show that **over 50% of direct production spend flowed to a wide range of other sectors** in Spain beyond the Screen production sector. This is indicative of the high economic value that international productions can generate.

**In attracting a significant number of international productions to the country, the international incentive has also increased the demand for crew.** Due to the increased volume of work brought by the incentive, international service production companies have grown both in terms of budgets and the number of projects managed per year, which also means an increase in staff.

**International investment attracted by the international incentive also contributes to studio infrastructure growth, while consultees reported that local crew members have learned new ways of working thanks to the international productions shot in Spain.** There is an overall perception that Spanish crews are knowledgeable and highly skilled – and the skill level is projected to grow even further given an expansion of film schools and relevant university courses.

Although it is challenging to quantify the impact of incentivised production on tourism, it is evident that local authorities, tourism offices, and businesses in Spain have identified the **potential of screen tourism** and have launched programmes and initiatives to develop this linkage, such as the Spain Film Commission's Spain Screen Grand Tour initiative.

#### **1.2.5. Insights and Recommendations**

**While the international incentive has had a very positive impact on Spain's screen production sector and the economy, consultees have reported some challenges.** For example, producers expressed concern over the ambiguity surrounding the eligibility of expenditures, which can be open to some interpretation, and over the time required to receive responses on these matters. Stakeholders called for a stronger collaboration between the different agencies involved in the programme (Agencia Tributaria, Ministerio de Cultura, Ministerio de Asuntos Económicos y Transformación Digital) and tighter interaction with the Screen production sector.

**Consultees reported that the incentive application process is simple, and the requirements are straightforward. However, the system does carry an inherent risk for Spanish service companies that is not present in all competitor systems.** Spain's tax authority does not require companies that apply for the incentive to provide any audits as a condition of application and does not provide any up-front certification for applications. This means that the tax authority is able to reopen cases years after the incentive payment has been accessed, with liability on the service production company that originally submitted the application. Some systems require a third-party audit as a condition of application. While this may not preclude authorities from re-examining an incentive application or payment at a later date if new information is made available, it does de-risk the process at a key point for both applicants and the government. As a comparison, the German Motion Picture Fund (GMPF) incentive requires an audit of final costs,<sup>6</sup> and since 2023, the US State of Georgia requires mandatory audits for all productions certified by the Department of Economic Development.<sup>7</sup>

**SPI notes that adding more controls would be preferred by many in the sector in order to streamline processes and enhance legal and financial certainty.** Such a process – utilised by other incentive systems, as outlined – could involve the designation of approved external auditors for applicants to utilise and obtain certainty that their application is approved in accordance with guidelines.

**In addition, given that incentive applications can only be initiated at the start of the fiscal year subsequent to production taking place, incentive payments can occur significantly after production.** For instance, an international producer who made a high-budget feature in Spain experienced a two-year delay between application and receiving the rebate from their service provider in Spain. While this is a benefit for the Spanish Government – because additional expenditure and associated tax revenue are generated far in advance of any rebate paid out – this is a key issue for smaller producers/service companies with limited cash flow and even for larger companies who can cashflow this timeframe internally. The current global

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<sup>6</sup> See [https://www.kulturstaatsministerin.de/SharedDocs/Downloads/DE/2023/2023-08-08-gmpf-guidelines-en.pdf?\\_\\_blob=publicationFile&v=1](https://www.kulturstaatsministerin.de/SharedDocs/Downloads/DE/2023/2023-08-08-gmpf-guidelines-en.pdf?__blob=publicationFile&v=1)

<sup>7</sup> See <https://dor.georgia.gov/required-mandatory-film-tax-credit-audit-fees>

financial and sectoral climate and the cost of borrowing mean that this timeframe could blunt Spain's competitive edge.

**Finally, SPI recommends reviewing and enhancing the data monitoring of the incentive programme.** It is recommended that the tax authorities and/or a combination of entities, which could include the Instituto de la Cinematografía y de las Artes Audiovisuales (ICAA) and independent entities such as the Spain Film Commission, collect and regularly publicly release information on the individual productions supported through the incentive. The data should include, at a minimum, the incentive amount paid to applicants, associated eligible spend, and the date of payment. Ideally, the data should also include the total production spend in the country and the year or years in which the production was undertaken. The collection and publication of these data will be essential for the programme's transparency and will allow parties to evaluate the impact of the incentive more robustly in future years.

## 2. INTRODUCTION

This section provides an overview of the Study, SPI's approach to undertaking the analysis, and the structure of this document.

### 2.1. Objectives of the Study and Approach

The Study analyses the impact of Spain's Rebates for Investments in International Film and Television Series from 2019-2022 and examines the wider Spanish Screen production sector for international projects. The key research questions for the Study are summarised in Figure 2.

Figure 2 – Research Questions



Source: SPI (2024)

### 2.2. Study Approach

The findings presented in this Study are the result of analysis of data and insight from the following sources:

- Review of existing sectoral research, data, and policy reports, articles, and datasets. To build an evidence base for this Study, SPI has analysed data such as:
  - Figures on economic activity and employment in the Screen production sector produced by Spain's national statistics office (Instituto Nacional de Estadística)
  - The number of successful beneficiaries of the international incentive and the amount of incentive distributed each year, taken from an official report released by the Spanish Government<sup>8</sup>

<sup>8</sup> *Revisión de beneficios fiscales 2022*. Ministerio de Hacienda, March 2023. Accessible at: <https://www.hacienda.gob.es/Documentacion/Publico/GabineteMinistro/Varios/Informe-revision-beneficios-fiscales-2022.pdf>

- Confidential data shared with SPI by key production/service companies and major international production investors covering 176 productions (feature films, television series, and VFX/post-production activities). Of these, 165 productions started principal photography between 2019 and 2022
- Press coverage, articles, and further data covering Spain's international incentive, as well as linked considerations such as infrastructure development, film financing, skills, training and education, and tourism.
- Confidential consultations with more than 25 domestic and international stakeholders across the Screen production sector, education, and government
- An online survey of key producers and service companies in Spain that applied for the incentive, and major international investors in Spain.

### **2.3. Report Structure**

#### **The remainder of the Study sets out:**

- An overview of the Screen production sector in Spain
- An outline of Spain's Rebates for Investments in International Film and Television Series and the projects that benefitted from the incentive structure between 2019 and 2022
- An economic impact analysis of the incentive, including an estimate of the direct, indirect, and induced effects, reporting on three key indicators: economic output, GVA, and employment
- Consideration of the micro impacts of incentivised Screen production activity, including the ripple effect of Screen production spending on other sectors of the Spanish economy and examples of the geographical spread of production spending
- Additional spillover impacts of incentivised Screen production activity, including infrastructure and skills development and screen tourism.

### **3. THE SCREEN PRODUCTION SECTOR IN SPAIN AND THE INTERNATIONAL INCENTIVE**

#### **3.1. Overview**

**Spain is a highly established hub in Europe and globally for Screen production.** The country regularly indexes as one of the top 10 markets worldwide in terms of the volume of domestic Screen production.<sup>9</sup>

**In recent years, Spain has experienced unprecedented growth.** In 2023, Spain produced an estimated 324 feature films.<sup>10</sup> This is the highest figure on record and represents an increase of 126% if compared to the 2017-2019 average.<sup>11</sup> In addition, 53 television series were produced in Spain in 2023, compared to 36 in 2021 and 50 in 2022.<sup>12</sup> From 2015-2022, Spain ranked second in Europe, just behind the UK, for the number of television films and series commissioned by television channels or on-demand series, with 110 productions.<sup>13</sup> This increased production can be linked to the general worldwide trends in Screen production but also underlines the strengths of the production sector in Spain.

**The Screen sector has also been a focus of political attention and investment.** In 2021, the Spanish Government launched the €1,600 million Spain Audiovisual Hub programme, which aimed to increase audiovisual production levels by 30% by 2025.<sup>14</sup> The programme included the ambition to develop a new General Law on Audiovisual Communication, a new Cinema Law – which is under discussion – and a revision of incentives for film and television production. The incentive programme was first launched in 2015.

#### **3.2. Spain's Screen Production Sector**

**The Spanish Screen production sector has several key strengths, including a significant level of private investment.** The main television networks invest in Spanish audiovisual production (TVE, Telecinco Cinema, Atresmedia and Movistar+), and Netflix<sup>15</sup> is a key global investor active in the country, along with other companies.

**There are several key motivators for international investors, including the Spanish language** and the ability of producers to develop high-quality projects for export to global Spanish-speaking audiences. Also worth highlighting is the high quality of the local artistic and technical teams, as well as their suppliers. The strategic interest in the Screen sector from the government and wider public stakeholders is also a strength for investors, as this underlines Spain's stability. Administrations at national, regional, and local levels are committed to leveraging Spain's potential as a shooting location for international productions and fostering local talent and national production. This is underlined by Spain's Audiovisual Hub

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<sup>9</sup> *Focus 2024. World Film Market Trends.* European Audiovisual Observatory, 2024. Provisionary 2023 figures rank Spain as the eighth country worldwide for the number of feature films produced (production and co-production, including minority co-production).

<sup>10</sup> *Focus 2024. World Film Market Trends.* European Audiovisual Observatory, 2024.

<sup>11</sup> *Focus 2024. World Film Market Trends.* European Audiovisual Observatory, 2024. The figure includes domestic production and co-production.

<sup>12</sup> *La producción televisiva se consolida en España en un 2023 marcado por la caída del mercado de EE. UU.* Panorama Audiovisual, 18<sup>th</sup> January 2024. Accessible at: <https://www.panoramaaudiovisual.com/2024/01/18/produccion-televisiva-consolida-espana-2023-caida-mercado-ee-uu/>

<sup>13</sup> *Audiovisual Fiction Production in Europe. 2022 figures.* European Audiovisual Observatory. Accessible at: <https://rm.coe.int/audiovisual-fiction-production-in-europe-2022-figures-october-2023-a-s/1680ad1ede>

<sup>14</sup> *España Hub Audiovisual de Europa. Plan de impulso al sector audiovisual,* Spanish Government. Accessible at: [https://www.lamoncloa.gob.es/presidente/actividades/Documents/2021/240321-Plan\\_de\\_impulso\\_al\\_sector\\_audiovisual.pdf](https://www.lamoncloa.gob.es/presidente/actividades/Documents/2021/240321-Plan_de_impulso_al_sector_audiovisual.pdf)

<sup>15</sup> *Netflix officially launches five more stages at Madrid production hub.* Screen Daily, 22<sup>nd</sup> November 2022. Accessible at: <https://www.screendaily.com/news/netflix-officially-launches-five-more-stages-at-madrid-production-hub/5176761.article>

programme<sup>16</sup> and the increasing number of initiatives at a regional and local level aimed at supporting Screen production.

**The increased level of investment in Screen production in recent years is also leveraging investment in infrastructure.** This includes the Madrid Content City – hosting Secuoya Studios and Netflix, which has become a significant production hub, the expansion of the Parc Audiovisual of Catalonia as an audiovisual hub in Catalonia, as well as the reopening of Alicante's Ciudad de la Luz studios in 2022.

In addition, new facilities are also planned in several regions and municipalities, such as Mallorca's Green Film Studios, Punta Zorrota City of Cinema in the Basque region, and Cidade das Tics in Galicia. The cost base in Spain is also relatively low compared to other EU countries, especially given the high level of professionals working in the Screen production sector. Spain also has a strong, reliable production supply chain.

**In broader terms, Spain has the key advantage of having diverse and visually strong filming locations** in both natural and built environments. The country has a yearly average of 3,000 hours of sunlight,<sup>17</sup> ahead of Europe's average figure of 2,334 hours a year.<sup>18</sup> Its locations span from the Tabernas Desert in Almeria to the Atlantic coast regions, which can resemble those of Ireland or Scotland. The country has several snowy mountain ranges, including the Pyrenees, Picos de Europa, the Central System, and the Sierra Nevada, as well as 8,000 kilometres of coastline. Throughout history, Spain has been influenced by various cultures, including Romans, Visigoths, Celts, and Moors. This mixed heritage is shown in its architecture, customs, and ethnic diversity. With 50 UNESCO World Heritage sites, Spain ranks fifth in the world in terms of the number of sites.<sup>19</sup> Within a territory of half a million square kilometres, Roman theatres, Jewish quarters, Christian cathedrals, churches, castles, and Muslim palaces can be found.

**The country also has a strong transport infrastructure linking the territory's various parts.** This includes a network of 3,400 kilometres of high-speed railway (the third largest in the world) and the largest network of highways in the EU, with over 17,000 kilometres. Spain ranks first in Europe in terms of the number of air passengers. The country has 50 airports, two of them among the largest in the world (Madrid-Barajas and Barcelona-El Prat).<sup>20</sup> Spain also has 46 harbours, including four of the largest in Europe.

### **3.2.1. Limitations**

**While Spain is a strong international production hub, there is strong competition from other jurisdictions that have developed incentives and production offers.** Respondents noted that countries including Hungary, Romania, Croatia, Greece, and Malta – as well as Ireland or India for post-production – were also very competitive, and some international productions had been lost to them.

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<sup>16</sup> España, Hub Audiovisual de Europa. Ibid.

<sup>17</sup> *The Weather in Spain*, Spain.info. Accessible at: <https://www.spain.info/en/weather/#:~:text=Spain%20is%20a%20sunny%20country,practically%20the%20whole%20day%20long>

<sup>18</sup> *Sunshine Duration and Clouds*, Copernicus. Accessible at: <https://climate.copernicus.eu/ESOTC/2019/sunshine-duration-and-clouds#:~:text=The%20average%20value%20for%20Europe,over%20almost%20all%20of%20Europe>.

<sup>19</sup> *World Heritage List Statistics*, UNESCO. Accessible at: <https://whc.unesco.org/en/list/stat/>

<sup>20</sup> *Air Transport Statistics*, Eurostat, European Commission. Accessible at: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Air\\_transport\\_statistics#Number\\_of\\_passengers\\_transportated\\_by\\_air\\_increased\\_to\\_820\\_million\\_in\\_2022](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Air_transport_statistics#Number_of_passengers_transportated_by_air_increased_to_820_million_in_2022)



While significant progress has been made in **workforce development**, some Spanish service producers felt that certain skills and levels of experience in the workforce could be developed further and that there is a shortage of technical positions, especially in some regions.

Some consultees stressed that Spain's growth in Screen production in recent years has been driven by a limited number of external players, namely a few streamers and large studios based particularly in the US. Stakeholders flagged the risk of overdependence on investment from a relatively small number of international companies.

### **3.3. Spain's Rebate for Investments in International Film and Television Series**

Since 2015, Spain has offered an incentive for international productions shooting in the country.<sup>21</sup> The system is offered in addition to an existing rebate for domestic producers, which was already present in the early 2000s<sup>22</sup> and is not part of the scope of this Study.

Through the introduction of the Spain Audiovisual Hub in 2021, the Spanish Government made key amendments to the incentive for international productions to make the country more competitive and attractive to international producers. The incentive for international productions now consists of a rebate of up to 30% for the executive producer of a foreign film or audiovisual production spending a minimum of €1 million in Spain (€200,000 for animation projects). After the first €1 million, the deduction relates to 25% of the eligible expenses made in Spain. The amount of the rebate and any other funding received by public sources cannot exceed 50% of the production cost. The rebate is capped at €20 million for feature films and €10 million per episode for television series. The international incentive does not have an annual cap and is not linked to the amounts distributed via the domestic incentive or other funding programmes.

Because of its special economic and fiscal regime, the Canary Islands<sup>23</sup> offers an uplift to the incentive with a rebate of up to 50% of the eligible costs for the first €1 million and 45% for any subsequent expenditure. A minimum expenditure of €1 million in the islands is required. The cap for the rebate is also higher than that of the general incentive: €36 million for feature films and €18 million per episode for television series.<sup>24</sup> There is no annual cap for the programme.<sup>25</sup>

Service production companies based in Spain involved in international productions can submit applications to the international incentive when they file their corporate tax returns. If the application reaches the tax authority in July in any given year, the tax authority will pay the incentive rebate to the applicant in the first quarter of the following year. Figure 3 shows the taxes received from the production expenditure on a hypothetical project. It demonstrates that the government receives the economic benefits of screen production well before the rebate payout. As outlined in Section 5.7, the high additionality generated by Spain's international incentive means that a significant amount of expenditure would not take place in Spain without the incentive.

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<sup>21</sup> *Revisión de beneficios fiscales 2022*. Ministerio de Hacienda, March 2023. Accessible at: <https://www.hacienda.gob.es/Documentacion/Publico/GabineteMinistro/Varios/Informe-revision-beneficios-fiscales-2022.pdf>

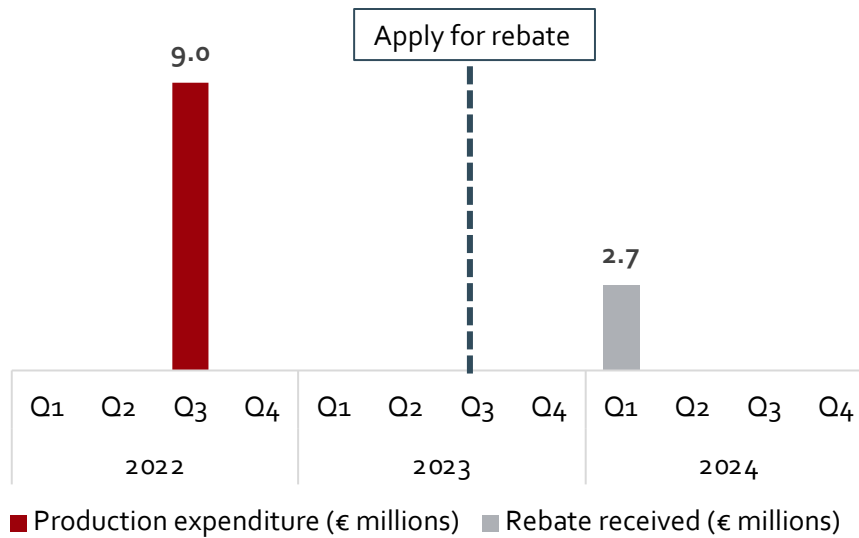
<sup>22</sup> Article 36.2 of *Law on Corporate Tax*, Accessible at: <https://www.boe.es/buscar/act.php?id=BOE-A-2014-12328&b=55&tn=1&p=20221228#a36>

<sup>23</sup> Article 94 of *Law on the Modification of the Economic and Fiscal Regime of the Canary Islands*. Accessible at: <https://www.boe.es/buscar/act.php?id=BOE-A-1994-15794>

<sup>24</sup> *Incentivos fiscales para la producción audiovisual en Canarias*. Canary Islands Film Commission. Accessible at: <https://canaryislandsfilm.com/wp-content/uploads/2023/02/27-01-2023-Guia-ESP-2023.pdf>

<sup>25</sup> *La producción audiovisual canaria recibe un nuevo espaldarazo al modificarse el tipo de ayuda*, May 2024. Accessible at: <https://www3.gobiernodecanarias.org/noticias/la-produccion-audiovisual-canaria-recibe-un-nuevo-espaldarazo-al-modificarse-el-tipo-de-ayuda/>

**Figure 3 – Illustrative Timeline of the Benefits of Hypothetical Incentivised Production to Government Against Subsequent Payout**



Source: SPI (2024)

Figure 4 shows the number of successful beneficiaries of the incentives for both domestic and international film and television productions in terms of the volume of projects.<sup>26</sup> The graph shows that the number of productions applying to the two incentives has increased significantly in the past few years. It also shows that the incentive for domestic production receives more applications than the incentive for international productions. In 2022, 119 domestic productions and 52 international productions applied for the two incentives.

**Figure 4 – Number of Beneficiaries of Spain's Incentives for Domestic Productions and International Productions, 2000-2022**

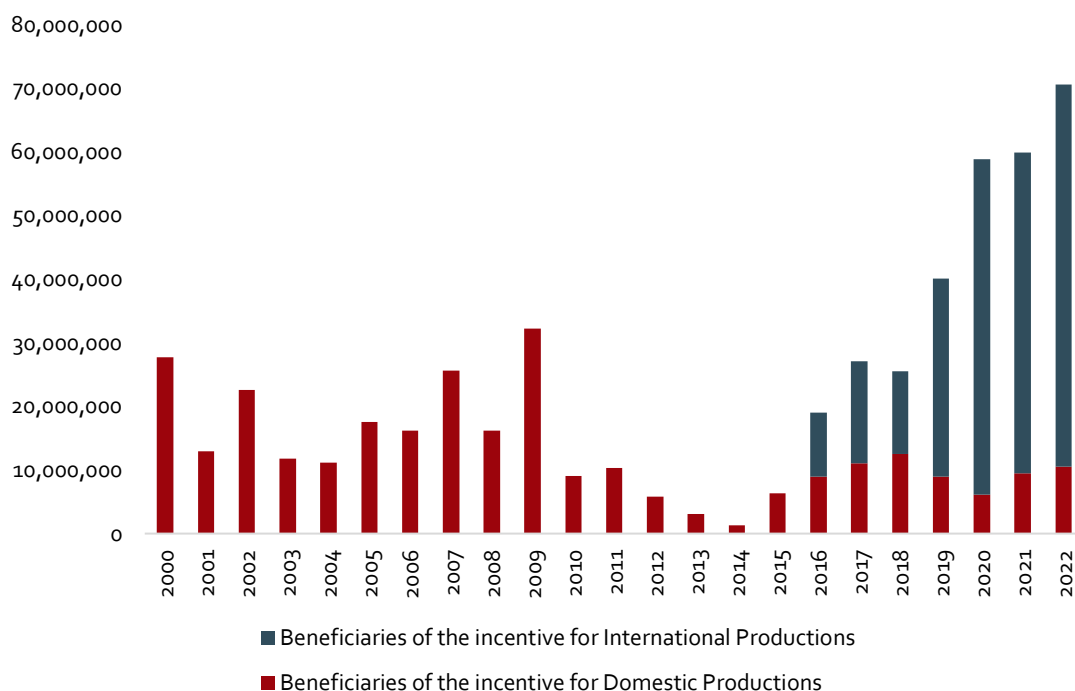


Source: SPI (2024), data from Ministerio de Hacienda

<sup>26</sup> While analysis of Spain's domestic incentive is not part of the scope for this Study, the volume of beneficiaries is included here for illustrative purposes.

Figure 5 shows the amounts distributed through the incentives for domestic and international incentives. Since its introduction, the amounts distributed through the international incentive have increased nearly every year. In addition, international productions receive more incentive payments than domestic productions: in 2022, international productions received €60.1 million, whereas domestic productions received €10.5 million. This reflects the higher spending undertaken by international projects. It is important to note that the incentives for domestic and international production are not interdependent, and there is no cap on the amounts granted to either type of production.

**Figure 5 – Amounts Distributed Through Spain's Incentives for Domestic Productions and International Productions, €, 2000-2022**



Source: SPI (2024), data from Ministerio de Hacienda

In addition to the incentive for international and domestic film and television series, several autonomous territories in Spain also offer incentives for international production. These incentives are not in the scope of this Study but include:

- **Navarre** which has a 35% rebate for expenses in the region (plus an extra 5% for certain productions) for the first €1 million of eligible expenses. The incentive is limited to €5 million per project<sup>27</sup>
- **Biscay** in the Basque Country which offers a tax credit of up to 70% for national and international audiovisual productions. In particular, it offers a 60% tax credit if expenses in Biscay account for more than 50% of the total expenditure; 50% if expenses in Biscay account for between 35-50% of the total; 40% if expenses in Biscay are between 20-35%; or 35% overall. The system also offers an additional 10% if Basque is the source language

<sup>27</sup> Article 65 of the Regional Law (*Ley Foral*) 26/2016 of 28th December on Corporation Tax. Accessible at: <https://www.boe.es/buscar/act.php?id=BOE-A-2017-2356>

- **Gipuzkoa**<sup>28</sup> and **Alava**<sup>29</sup> in the Basque Country, which have implemented similar incentives to the one offered in Biscay
- The **Valencian Community** offers a 25% incentive for productions with a minimum budget of €4 million and an investment of €2 million in the region.

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<sup>28</sup> Norma Foral 2/2024, de 10 de mayo, por la que se actualizan y amplían los incentivos fiscales para el fomento de la cultura, (Foral Normative 2/2024 updating and extending fiscal incentives for the promotion of culture), <https://egoitza.gipuzkoa.eus/gao-bog/castell/bog/2024/05/17/c2403497.pdf>

<sup>29</sup> Norma Foral 9/2024, de 22 de mayo, por la que se actualizan y amplían los incentivos fiscales para el fomento de la cultura, (Foral Normative 9/2024 updating and extending fiscal incentives for the promotion of culture), <https://www.iberley.es/legislacion/norma-foral-9-2024-22-mayo-actualizan-amplian-incentivos-fiscales-fomento-cultura-27269165>

#### 4. THE ECONOMIC IMPACT OF SPAIN'S REBATE FOR INVESTMENTS IN INTERNATIONAL FILM AND TELEVISION SERIES

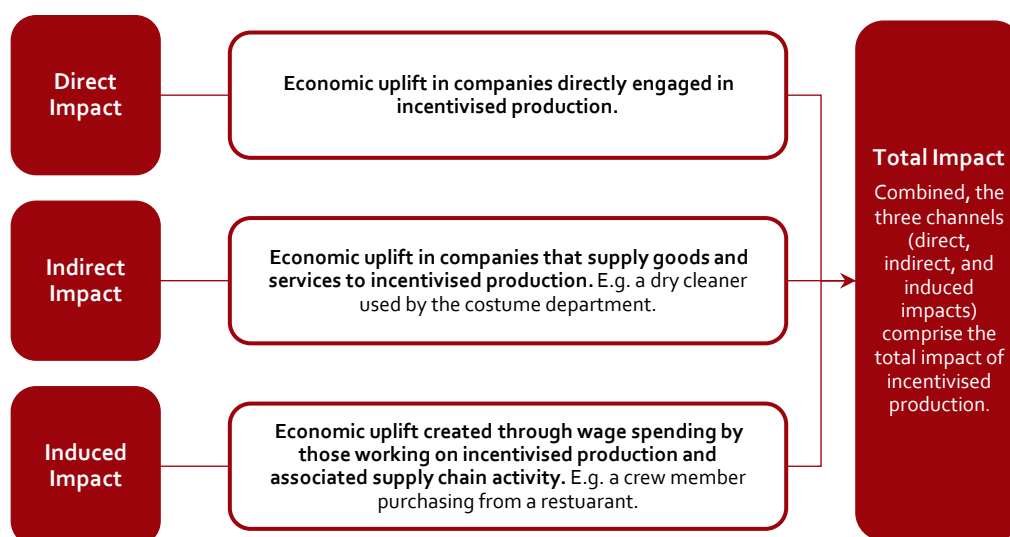
##### 4.1. Overview of Approach

SPI uses an Economic Impact Assessment ("EIA") to estimate the economic impact of Spain's Rebates for Investments in International Film and Television Series. This involves quantifying the economic contribution to Spain's economy across three channels of economic impact: direct, indirect, and induced.

The total impact is the sum of all three channels, as summarised below, and is measured in terms of key metrics, including:

- GVA
- FTE jobs
- Employee compensation
- GVA Rol

Figure 6 – Channels of Economic Impact



Source: SPI (2024)

Publicly available data is limited to the number of projects receiving the rebate for a given year and the total incentive amount distributed by the government. In the absence of officially available data on annual total incentivised expenditure on international film and television production in Spain, SPI has estimated direct expenditure using data gathered directly from companies. While SPI considers the sample to represent a significant share of the total spend by international productions over 2019-2022, results should be considered a minimum. SPI fed these data into the economic model along with reasonable assumptions, which are informed by the latest publicly available data, to produce direct estimates for each of the key metrics.

Given the model drivers are considered a minimum, the economic impact generated by incentivised international film and television production in Spain over the 2019-2022 period could be higher than the results reported in this Study.

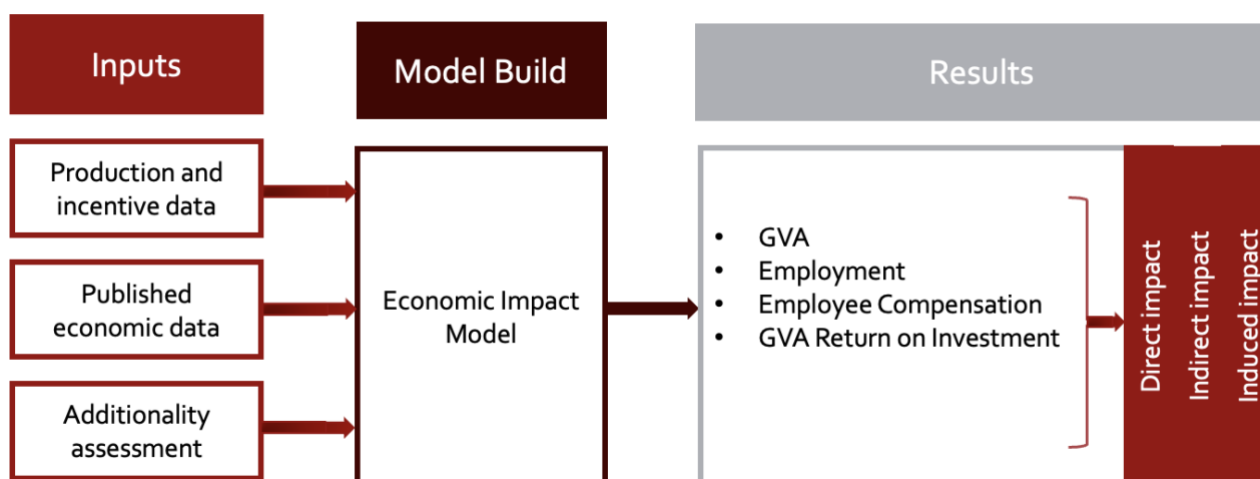
SPI estimates the indirect and induced impacts using an input-output ("I-O") model for the Spanish economy. This was constructed using several data tables accessible via Spain's main statistics agency – the Instituto Nacional de Estadística ("INE") – including Spain's I-O table and statistics on various indicators sent to SPI by INE.

The EIA results are expressed in net terms. This accounts for the economic deadweight which is represented by productions that may have occurred in Spain even without the incentives programme. In other words, the Study's results represent the additional activity directly attributable to Spain's Rebates for Investments in International Film and Television Series. This is described as additionality, and this assumption of 0.697 is based on survey responses. Further analysis of additionality is discussed in Appendix One.

The EIA does not consider the opportunity cost of deploying investment in the incentives programme for alternative uses.

**All figures relating to GVA, employee compensation, and GVA RoI are expressed in constant prices (or real terms) – i.e. adjusting for the effects of inflation and are presented in 2023 prices.** Adjusting and removing the impact of price changes provides a more accurate picture of volume change over time. A full detailed methodology can be found in Appendix One.

**Figure 7 – Economic Model Overview**



Source: SPI (2024)

#### 4.2. Incentivised International Production Expenditure in Spain as a Key Input to the Economic Model

**Data on the total incentivised expenditure on international film and television production in Spain is a key driver for the economic model.** This Study considers the total expenditure in Spain by international productions that have received the incentive – encompassing both the spend that is eligible for the rebate and the spend that does not qualify for the rebate.

**As noted, available data on the incentive is limited to the number of projects and the total incentive amount distributed by the government.** Unlike other major European production hubs, Spain does not collect data on total or eligible production expenditure for projects that receive an incentive. While the Ministerio de Hacienda collects and publishes the incentive payments distributed through the programme, it does not capture the amount of production expenditure each year. Incentivised expenditure is a critical metric for undertaking evaluations of such systems.

For this reason, SPI collected production data from key production/service companies based in Spain and international streamers and studios active in Spain. SPI requested the following data points for each production:

- Start year of principal photography
- Total production costs

- Expenditure in Spain
- Costs eligible for the incentive
- Amounts received (either actual or estimated) through the incentive
- Expenditure by geography (autonomous community of Spain).

This information was analysed and gaps were filled where appropriate. From this process, data on total incentivised production expenditure in Spain is available for 176 international productions. **Of these, 165 productions started principal photography between 2019 and 2022 – which is the timeframe considered for the Study –** and shows the level of incentivised production expenditure in each year.

**SPI is confident that these 165 productions represent a significant share of total incentivised international productions in the country.** This is based on the fact that the amount of incentive received by companies engaged through this Study in 2019-2022 is estimated to cover around 70% of the amount distributed by the government, as the Ministerio de Hacienda reports. However, the ministry total does not fully align with the sample size for this Study since governmental data do not indicate when productions took place.

Therefore, considering that the data collected by SPI does not represent the entirety of the incentivised production activity happening in Spain in the timeframe analysed, **the EIA estimations presented in this Study should be considered as a minimum and, therefore, conservative.**

#### **AN ALTERNATIVE APPROACH TO ESTIMATE INCENTIVISED INTERNATIONAL PRODUCTION EXPENDITURE IN SPAIN**

The EIA results in this section are based on primary data on incentivised expenditure gathered by SPI. In addition, SPI has also used government data to produce an alternative estimate of total incentivised expenditure on international film and television production in Spain.

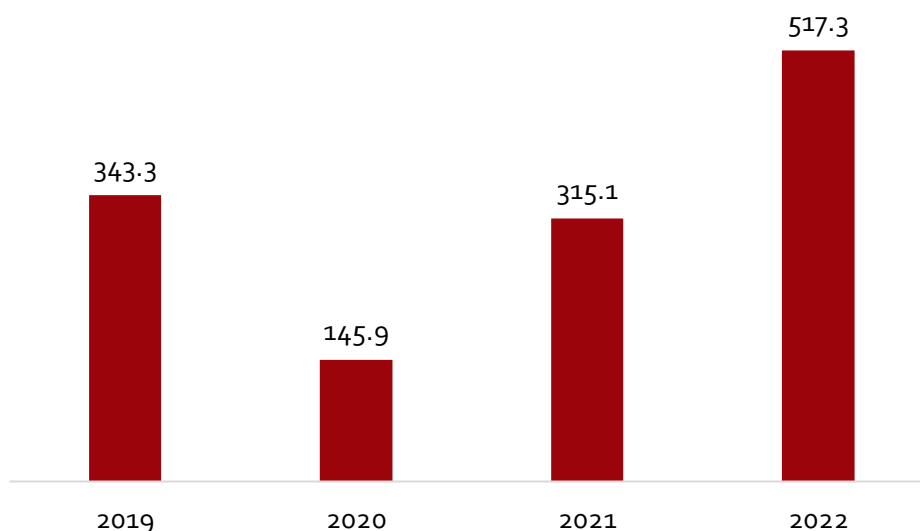
This approach uses data on the total annual incentive amount distributed by the government between 2019 and 2022. It is combined with an estimated rebate rate to produce an estimate of total incentivised expenditure associated with the level of incentive paid out each year.

However, due to limitations of these data, the resulting analysis likely understates activity in the years analysed and annual results do not align with the sector's pattern of production activity. Given these limitations, SPI has included the economic impact results of this approach for full transparency in Appendix Two and they are not presented as a key finding of the Study. Comparison of results from the two approaches is not recommended because the characteristics of the underlying data are different.

**Over the 2019-2022 period, a minimum of €1,320 million was spent by the 165 productions.** The data show a decline in 2020, attributable to the impact of COVID-19, followed by a subsequent recovery. Indeed, production expenditure fell from €343.3 million in 2019 to €145.9 million in 2020. Since then, production expenditure has increased yearly, with levels surpassing pre-pandemic levels in 2022. To put this into perspective, total production expenditure in 2022 was more than 50% higher than in 2019, while production volumes were up around 33%.



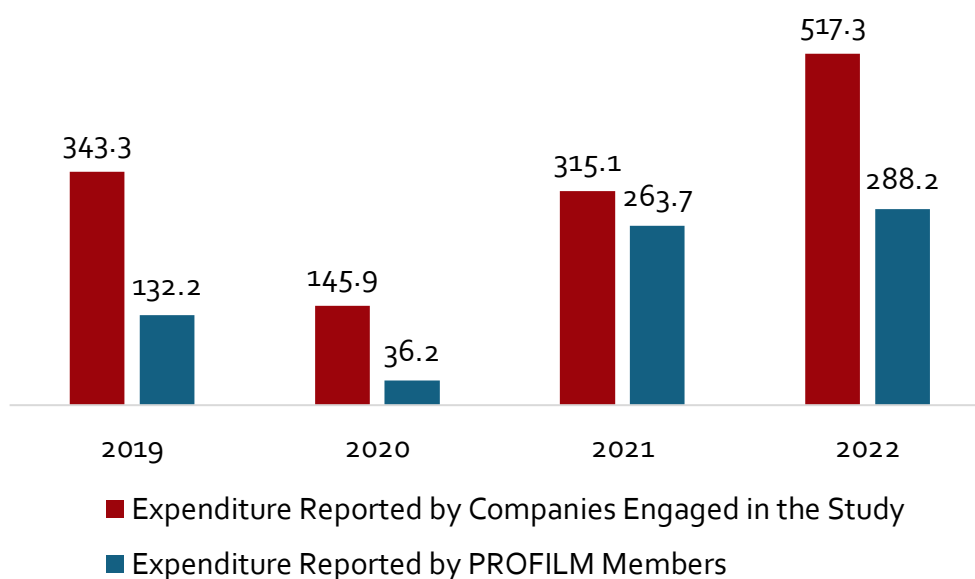
**Figure 8 – Total Production Expenditure in Spain Associated with the International Incentive, € millions, 2019-2022**



Source: SPI analysis of production data collected (2024). Note: N=165 productions

The figures above reflect the trends observed by the industry in international production expenditure in Spain over the considered period. Indeed, these figures broadly align and complement the figures collected by PROFILM on its members (see comparison in Figure 9).<sup>30</sup> However, the survey data from service/production companies is somewhat higher each year than reported by members of PROFILM as SPI engaged with a broader number of companies as part of the survey, which covered more than just PROFILM members.

**Figure 9 – Comparison of Total Production Expenditure in Spain Reported by Companies Engaged in the Study and Production Expenditure Reported by PROFILM members, € millions, 2019-2022**



Source: SPI (2024) / PROFILM. Note: N=165 productions in the data collected by SPI

<sup>30</sup> PROFILM data are sourced from an annual study performed by PROFILM for its members.

### 4.3. Economic Impact Results

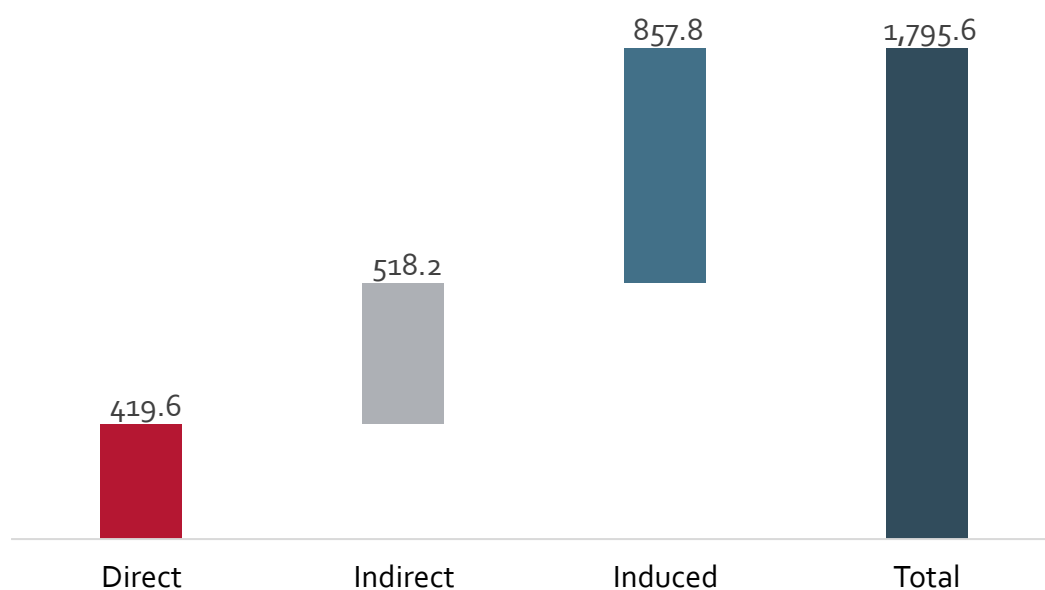
#### 4.3.1. GVA

Over 2019-2022, incentivised international film and television production generated an estimated €1,795.6 million in GVA contributions to Spain's overall economy. This is the sum across all impact channels (direct, indirect, and induced), so it captures knock-on impacts on different goods and services across Spain's whole economy.

Companies directly involved in production activities supported by the incentive accounted for 23.4%, or €419.6 million, of the total GVA impact. The purchase of goods and services from other companies needed to produce these international film and television projects stimulated an additional estimated €518.2 million in GVA, nationally, between 2019 and 2022. This is referred to as the indirect or supply chain impact.

The proportion of income spent in the wider economy by employees directly involved in incentivised international film and television production, plus those in the associated supply chain, were estimated to have generated a further €857.8 million across Spain's wider economy. These are known as induced impacts.

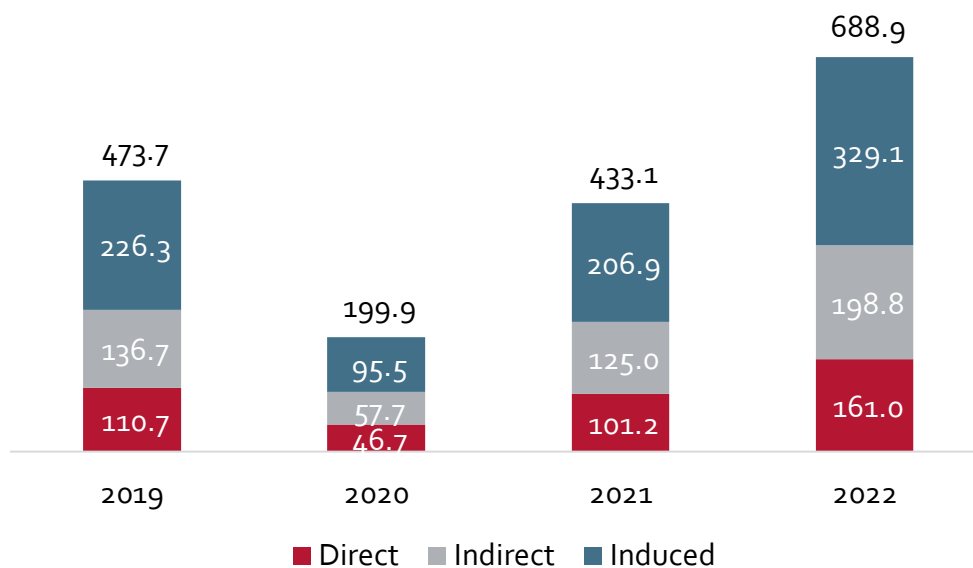
**Figure 10 – Cumulative GVA Impact of Incentivised International Film and Television Production in Spain's Wider Economy, € million, 2019-2022**



Source: SPI (2024)

Figure 11 presents the annual GVA contribution to Spain's broader economy by channel of impact. In 2022, the total GVA impact (direct, indirect, and induced impacts) from incentivised international productions in Spain reached an estimated €688.9 million. In other words, for every €1 million of GVA created, a further €4.28 million was generated in the national economy.

**Figure 11 – Total Annual GVA Impact of Incentivised International Film and Television Production in Spain's Wider Economy, € million, 2019-2022**



Source: SPI (2024)

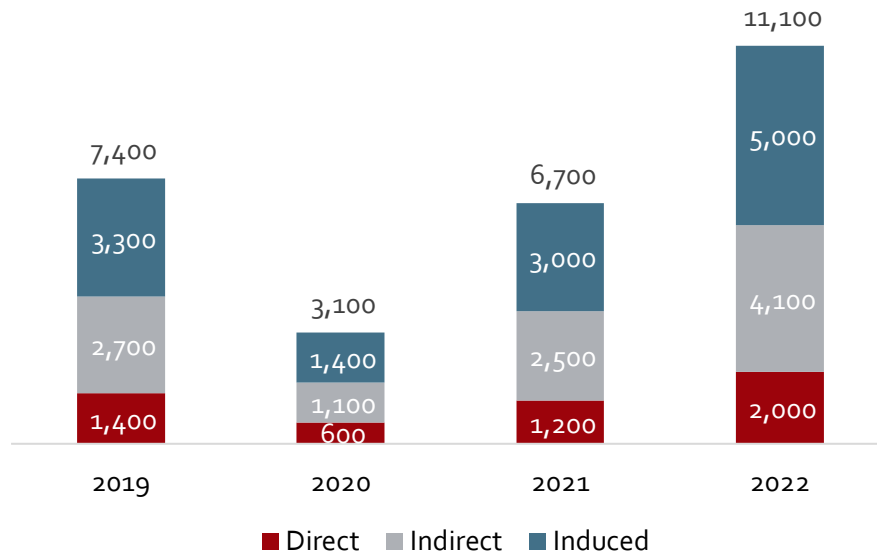
#### 4.3.2. FTE Jobs

Incentivised international film and television productions also had a considerable impact on employment in Spain, directly supporting an estimated average of 1,300 FTE jobs each year between 2019 and 2022.<sup>31</sup> In other words, this was the average number of FTE jobs supported over the period by the activity of companies directly engaged in international productions that received the incentive.

On average, 5,780 more FTE jobs were sustained across Spain's economy as a result of the combined activity in the supply chain (indirect impact) and the wider economy through wage spending effects (induced impacts).

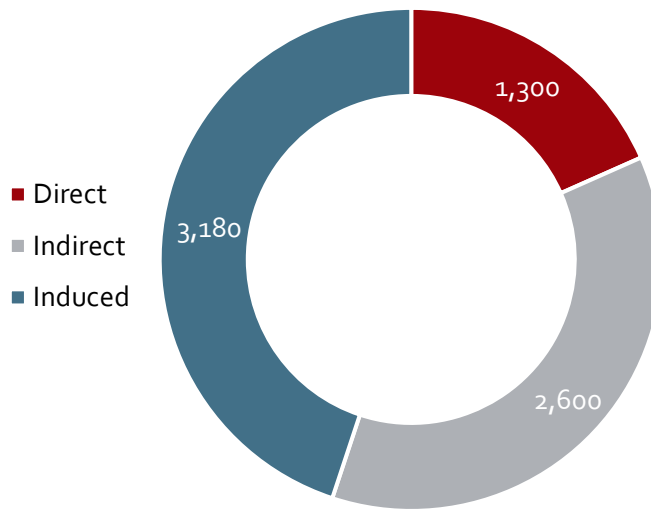
Given that the economic model is based on published statistics that capture employment within a given sector, the model assumes that both ATL and BTL are implicitly captured. The data, however, does not provide a breakdown of ATL/BTL.

**Figure 12 – FTE Jobs Impact of Incentivised International Film and Television Production in Spain's Wider Economy, 2019-2022**



Source: SPI (2024). Numbers have been rounded and may not sum

**Figure 13 – Number of FTE Jobs per Year on Average Supported by Incentivised International Film and Television Production in Spain's Wider Economy, 2019-2022**



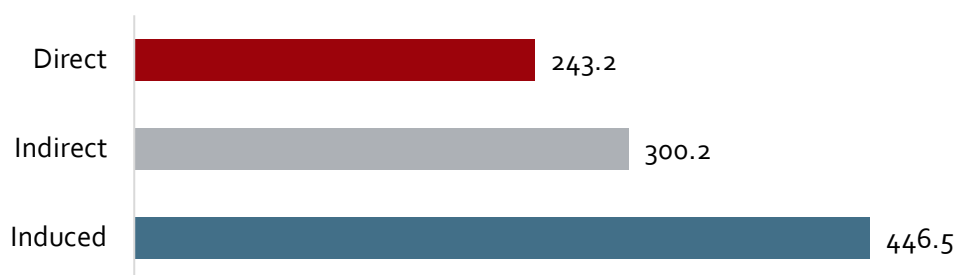
Source: SPI (2024)

**4.3.3. Employee Compensation**

**Productions supported by Spain's international incentive also had an impact on employee compensation.** Between 2019 and 2022, the total cumulative employee compensation for those working in Spain on incentivised international productions was an estimated €989.9 million, equivalent to 55% of the total GVA impact over the period. Again, this figure represents the sum across all impact channels (direct, indirect, and induced) and so captures knock-on impacts on different goods and services across Spain's whole economy.

Of this total amount, €243.2 million is attributable to workers directly engaged in incentivised productions and €746.7 million in the combined indirect and induced impact channels.

**Figure 14 – Cumulative Employee Compensation Impact of Incentivised International Film and Television Production in Spain's Wider Economy, € million, 2019-2022**



Source: SPI (2024)

#### **4.3.4. GVA Rol**

This study does not include reporting the tax impact (or tax revenue) associated with the production incentive. Instead, SPI estimates GVA Rol as this aligns more closely with the broader economic development objectives typical for Screen production incentives.

**SPI estimates GVA Rol using, in part, data collected from companies engaged in the Study.** These data include information on the total production expenditure in Spain on incentivised international productions and the associated amount of rebate received for each production. SPI uses these data combined with the estimated GVA impact and additionality assumptions to derive GVA Rol. Therefore, GVA Rol is expressed in net terms.

**Overall, the production incentive had a positive and significant GVA Rol of 9.0 between 2019 and 2022.** To put this into perspective, for every €1 invested through the programme, the benefits to the Spanish economy were €9 in terms of additional economic value from direct, indirect, and induced effects over the period. Of this, €2.2 is attributed to the direct channel of impact alone.

## **5. MICRO IMPACTS**

**In addition to examining the influence of Spain's international incentive on economic indicators, this Study also describes the wider impacts of the incentive.** Using production and vendor expenditure data from international productions filmed in Spain shared by service producers, this section illustrates the flow of Screen production spend across various business sectors and geographic locations in Spain.

### **5.1. Production Expenditure by Autonomous Community**

**Through the data collection undertaken by SPI, Spanish production and service companies were asked to list the productions that had accessed Spain's Rebates for Investments in International Film and Television with a principal photography start date between 2019-2022.** In this exercise, companies were also asked to break down the expenditure of each individual production by the autonomous community and, therefore, indicate where the expenditure occurred.

**Through this process, SPI obtained detailed information for 80 incentivised productions, including feature films and television series.** The total expenditure associated with these productions was €660.5 million. Even though it is not possible to estimate the size of the sample SPI accessed, these findings are in line with qualitative evidence reported by interviewees.

**More than 70% of the spend on incentivised productions in the sample was concentrated in four areas.** These were Madrid (with €194.8 million spent in the area by 31 productions in the sample), Catalonia (€119.8 million, 19 productions), the Canary Islands (€106.3 million, 12 productions), and Andalusia (€95.3 million, 31 productions). Beyond these, spend also occurred in the Balearic Islands (€38.3 million, 11 productions), Cantabria (€35.6 million, six productions), and the Valencian Community (€28.2 million, eight productions), among others. It should be noted that the data collected relates to productions filmed in Spain before the Biscay production incentive was introduced in January 2023.

**SPI analysed the productions by the amount of spend in Spain.** Productions with higher levels of expenditure in the country are more likely to spread their spend across various areas instead of concentrating in one or two autonomous communities. While Madrid, Catalonia, and Andalusia were the production locations most used by the productions analysed, the data shows that expenditure occurs in nearly all autonomous communities of Spain. This underlines the incentive's potential to act as a tool for regional economic development.

**Figure 15 – Production Expenditure by Autonomous Community for 80 Incentivised Projects, 2019-2022**



Source: SPI with data from producers/service producers (2024). Each project reported had a principal photography start date between 2019 and 2022. The above figure shows only those Autonomous Communities where production expenditure exceeded €1 million, but all areas were considered in the analysis. Data relate to productions filmed in Spain before the Biscay production incentive was introduced in January 2023.



### 5.1.1. Production Expenditure by Autonomous Community for Projects with High Spend in Spain

Of the 80 total productions submitted by production and service companies, 21 were classified by SPI as productions with high levels of spend in Spain – i.e. productions that spent more than €10 million in Spain. Together, these productions spent a total of €450.7 million.

The top four areas where spend occurred were Madrid (€142.9 million across eight productions), the Canary Islands (€96.5 million, seven productions), Catalonia (€84.7 million, nine productions), and Andalusia (€32.1 million, six productions), totalling €356.4 million (79%) of the spend by the 21 productions.

**Figure 16 – Production Expenditure by Autonomous Community for 21 Incentivised Projects with High Spend in Spain, 2019-2022**



Source: SPI with data from producers/service producers (2024). Each project reported had a principal photography start date between 2019 and 2022. The above figure shows only those Autonomous Communities where production expenditure exceeded €1 million, but all areas were considered in the analysis. Data relate to productions filmed in Spain before the Biscay production incentive was introduced in January 2023.

### 5.1.2. Production Expenditure by Autonomous Community for Projects with Medium Spend in Spain

Of the 80 total productions submitted by production and service companies, 16 were classified by SPI as productions with medium levels of spend in Spain – i.e. productions that spent between €5 million and €10 million. Together, these productions spent a total of €106.8 million.

The top four areas where spend occurred were Madrid (€40.9 million across six productions), Andalusia (€35.9 million, eight productions), Catalonia (€20.3 million, three productions), and the Valencian Community (€9.6 million, one production), totalling €106.8 million (88%) of the spend by the 16 productions.

**Figure 17 – Production Expenditure by Autonomous Community for 16 Projects with Medium Spend in Spain, 2019-2022**



Source: SPI with data from producers/service producers. Each project reported had a principal photography start date between 2019-2022 (2024). The above figure shows only those Autonomous Communities where production expenditure exceeded €1 million, but all areas were considered in the analysis. Data relate to productions filmed in Spain before the Biscay production incentive was introduced in January 2023.

### 5.1.3. Production Expenditure by Autonomous Community for Projects with Low Spend in Spain

Of the 80 total productions submitted by production and service companies, 44 were classified by SPI as productions with small levels of spend in Spain – i.e. productions that spent less than €5 million. Together, these productions spent a total of €66 million.

The top four areas where spend occurred were Andalusia (€27.2 million, 17 productions), Catalonia (€14.6 million, seven productions), the Balearic Islands (€13.2 million, six productions), and Madrid (€11 million, 17 productions), totalling €66 million (74%) of the spend by the 44 productions.

**Figure 18 – Production Expenditure by Autonomous Community for 44 Projects with Low Spend in Spain**



Source: SPI with data from producers/service producers (2024). Each project reported had a principal photography start date between 2019 and 2022. The above figure shows only those Autonomous Communities where production expenditure exceeded €1 million, but all areas were considered in the analysis. Data relate to productions filmed in Spain before the Biscay production incentive was introduced in January 2023.

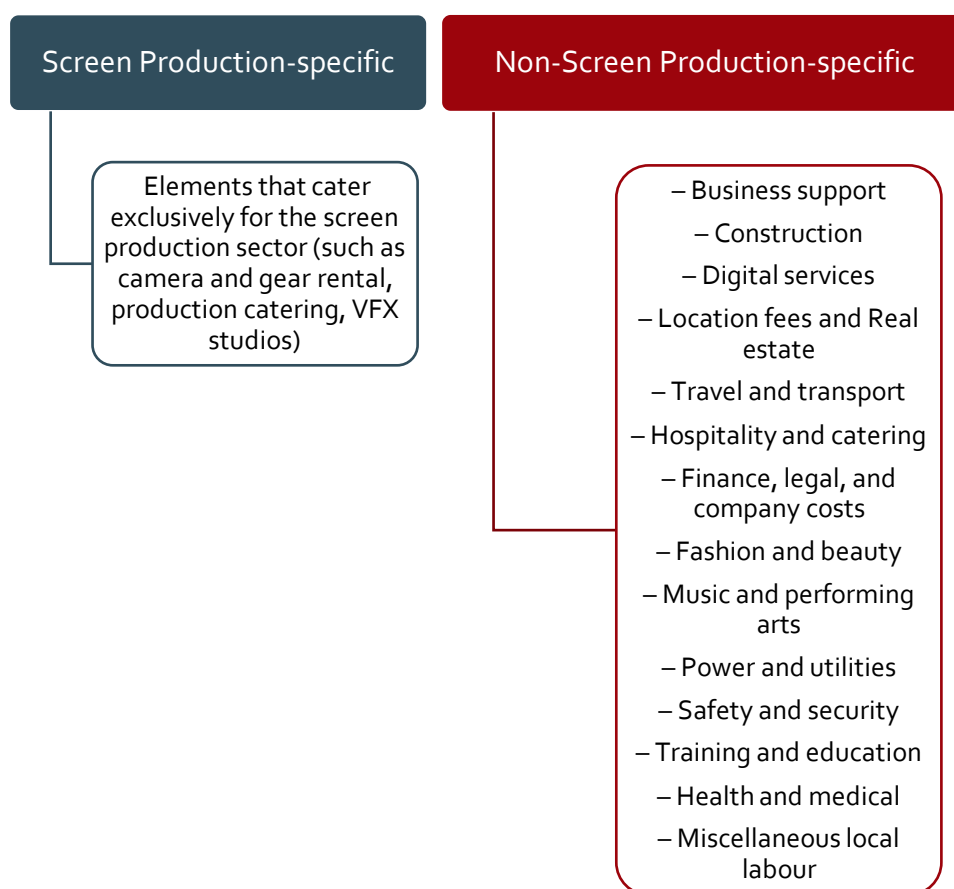
## 5.2. Production Expenditure by Industry (Ripple Analysis)

Film and television production is an advanced manufacturing process that requires a range of inputs, including a significant number of workers in creative, technical, logistical, and support roles – as well as equipment, facilities, infrastructure, and services. While a percentage of a production's expenditure is directed towards Screen production-specific vendors, a notable portion of spend is directed to other areas of the economy, such as real estate and hospitality services, that do not solely service the Screen production sector.

To show the impact that Screen productions have on non-Screen production-specific businesses, SPI worked with two international productions that had filmed in Spain and accessed the incentive for international projects. These were a high-budget feature film and a season of a high-budget television series. The two productions are different due to the nuances of the two formats, levels of spend, set specificities, extent of design, and equipment requirements.

SPI analysed the BTL spend for these projects and categorised them according to the various business sectors that typically supply goods and services to productions.<sup>32</sup> It is important to note that this analysis does not aim to be a representation of all Screen productions in Spain due to the limited sample this analysis is looking at. However, it does show the spread of spend that production may face. Because of the confidentiality of the data analysed, no identifying elements beyond the budget level have been included.

**Figure 19 – Definitions of Screen and Non-Screen Specific Business Sectors**



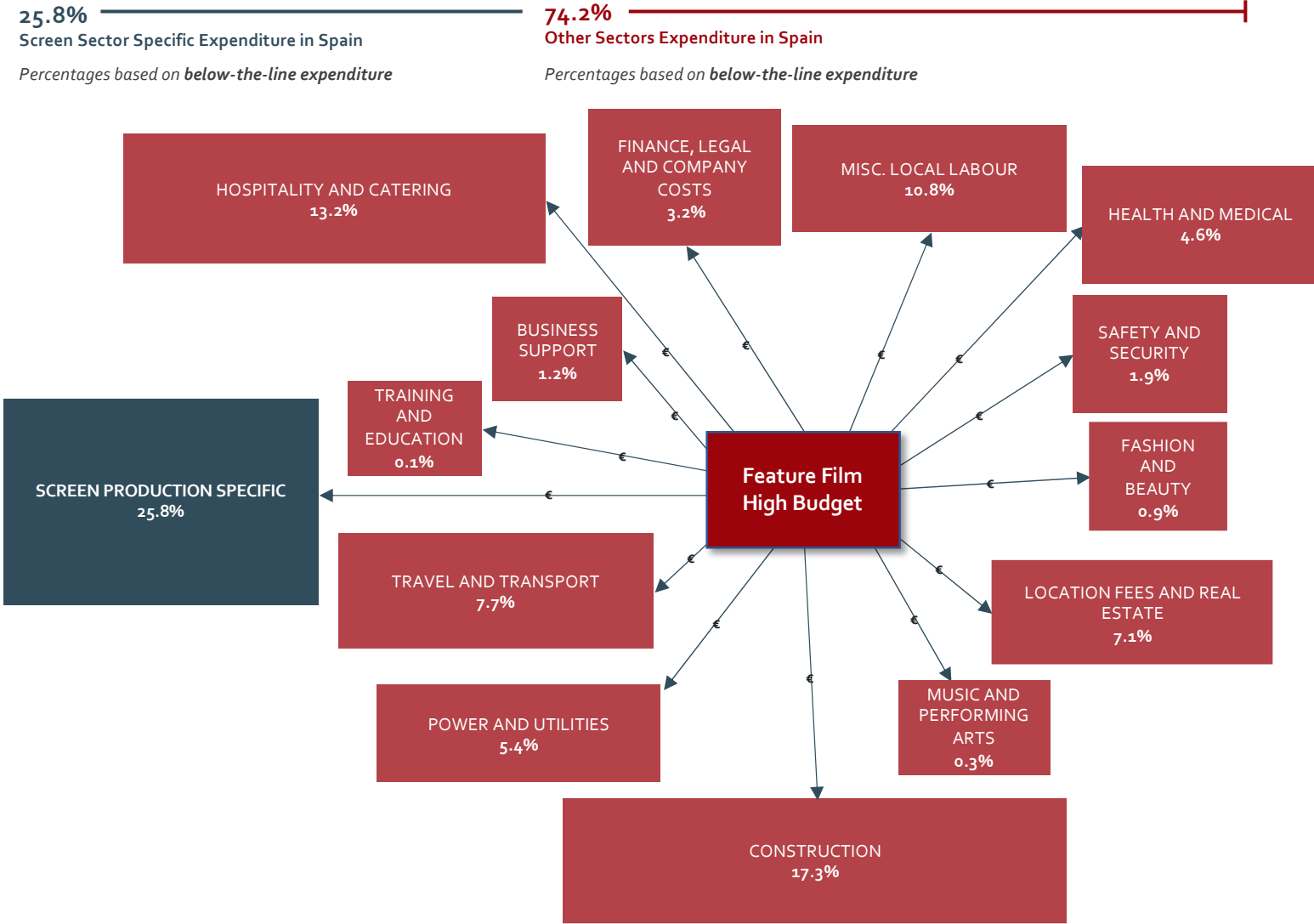
Source: SPI (2024)

<sup>32</sup> The ripple analysis is based on BTL production spend to exclude the effect of payments to ATL talent that could imbalance the analysis.

**The results of the two ripple analyses show the significant impact that production in Spain can have on its supply chains.** The analysis shows that over 50% of the spend from the two productions flowed to a wide range of other (non-Screen-specific) sectors in Spain. Specifically, 74% of the BTL production spend for the feature film, and 54% of the BTL spend for the television series went to non-Screen-specific sectors. This is indicative of the high economic value that can be brought about from international productions.

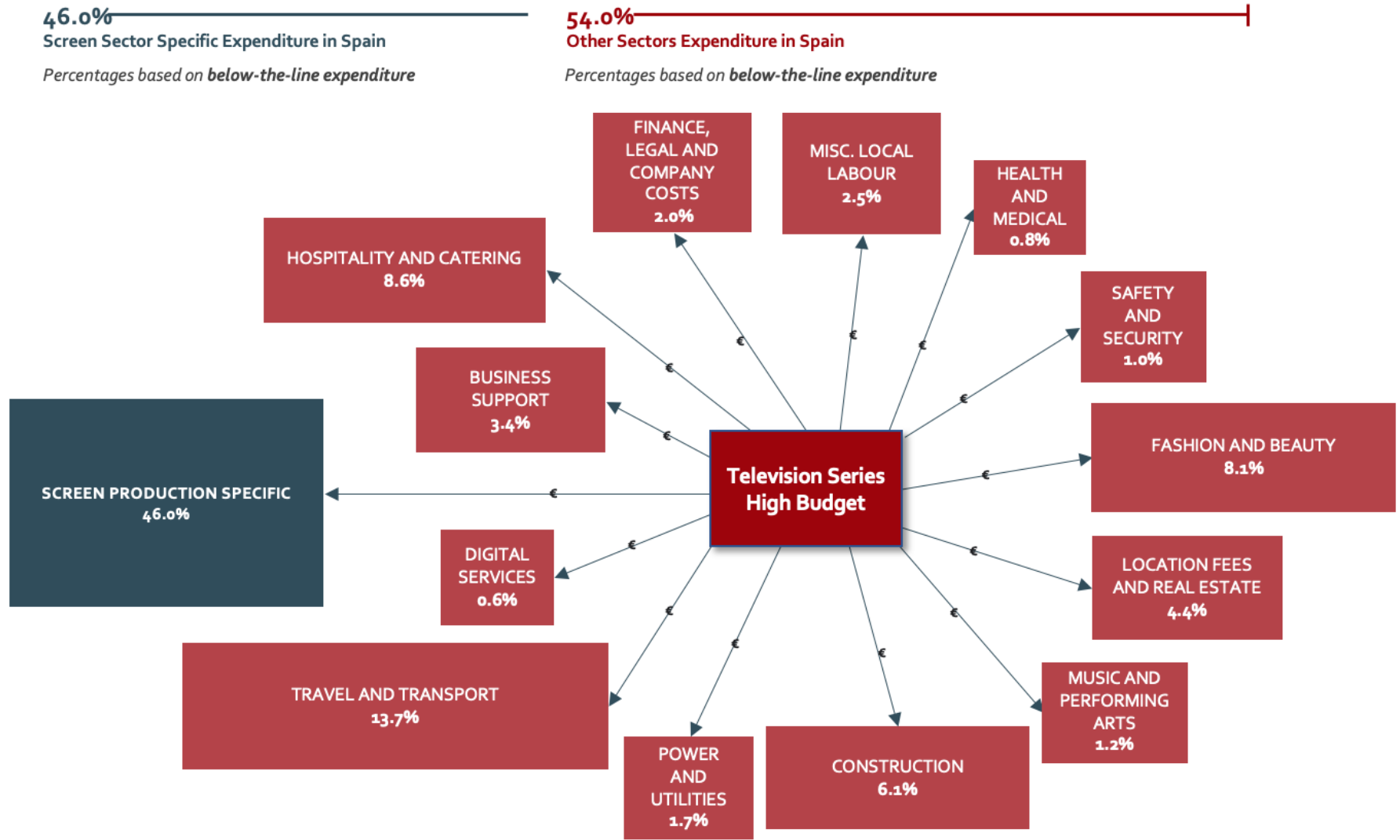
Figure 20 and Figure 21 show the proportion of Screen-sector and non-Screen-sector-specific spend for each production analysed.

Figure 20 – Ripple Analysis of a High-budget Feature Film in Spain



Source: SPI (2024)

Figure 21 – Ripple Analysis of a High-budget Television Series in Spain



Source: SPI (2024)

### **5.2.1. Spend on World Building Versus Utilising Existing Locations**

**SPI analysis shows that the highest level of non-Screen specific spend for the feature film was for Construction** (17% of total BTL expenditure, as shown in Figure 20). This could refer to the production utilising purpose-built stages and sets. The skills and resources required for this work can typically be from local specialists who work across multiple business sectors. Further impact often occurs through the acquisition of materials, such as wood for set building, as well as the labour involved in sourcing materials and the assembly of the construction work. In addition, the use of local vendors for set building would likely be considered eligible Spanish spend. With such a notable level of set construction occurring on location for this feature film, a portion of spending would naturally need to be directed to Power and Utilities (5%). This captures the supply of generators and fuel as well as the payment of municipal services, all of which can be and are supplied and administrated by non-Screen specific entities. The notable portion of Location Fees and Real Estate (7%) for the feature film indicates a production completing a significant portion of shooting at locations that serve other purposes outside of the production (i.e. non-soundstages).

**When looking at the television series, it is notable that the percentage of spend allocated to Construction is lower** (6% of total BTL expenditure, as depicted in Figure 21). However, this is still a significant portion of the non-Screen specific budget allocation, which can refer to the project using production infrastructure and facilities, such as studios or backlots, and building the relevant stages and sets using local vendors and suppliers that cater to a range of sectors. There is a lower level of spend allocated to Power and Utilities (1%) for the television series, which could refer to using the services and utilities supplied by the screen facility or studio being used. Thus, the majority of spend for Power and Utilities would fall under Screen-specific spend. The spend allocated to Location Fees and Real Estate (4%) for the television series is a notable portion of the overall non-Screen specific budget allocated, although lower than the feature film. This could be because the majority of the location fees are for permits or location production services that are Screen sector specific.

Filming on location can often result in a portion of spend going towards on-site security providers or hiring external security or health and safety providers that service a variety of consumers. There are various medical aid providers that cater specifically to the Screen sector, particularly in the case of stunts, explosions, or other special effects. This is reflected in the smaller portion of spend to Health and Medical (4%) for the feature film and Health and Medical (0.8%) for the television series. The same reasoning applies to Screen-specific security vendors as well as many production facilities having on-site services, which is reflected in the small portion of spend allocated to Safety and Security by both productions (1%).

### **5.2.2. Spend on Transporting and Accommodating Cast and Crew**

**With productions bringing crew and/or talent from abroad, additional spend is normally allocated to business sectors that facilitate the transportation of the incoming workforce.** This is reflected in the percentage of non-Screen specific spending being directed towards travel-related expenditure. In fact, a notable portion of the non-Screen specific spend for the feature film is allocated to Travel and Transport (7%). This refers to the cast and crew transport, i.e. smaller-to medium-sized vehicles for catering and wardrobe, and some specialised picture vehicles sourced by non-Screen specific vendors that supply vehicle rentals for multiple business sectors. In comparison, the non-Screen specific spend for television series for Travel and Transport (13%) is significantly higher. This larger portion of spend allocation is normally linked to factors taking place over the longer production run-time of a television series. This highlights the potential for cumulative impacts with television series productions as a result of their production timescales.

**A range of services is needed to accommodate and feed the substantial number of talent and crew employed by a production.** The large allocation of non-Screen specific spend for



Hospitality and Catering (13%) for the feature film refers to the level of international crew and talent being brought in. A notable portion of non-Screen specific spending is allocated to Hospitality and Catering (8%) for the television series. Hospitality includes accommodation such as local bed and breakfasts, part-time apartment rentals or hotels, and any additional events required for press or marketing. Catering can capture all non-production based and off-set meals – which involve local restaurants, cafes, and grocery stores through the use of per diems, for example, all of which were considered under this non-Screen specific budget allocation for the duration of the television series production.

### **5.2.3. Spend on Production Service Providers**

**Productions often hire day labourers with various skillsets to service the production.** The higher portion of non-Screen specific spend for the feature film allocated to Miscellaneous Local Labour (10%) is an indicator of the positive impact a production can have on local employment beyond the hiring of cast and crew. A notable portion of spend was allocated for Miscellaneous Local Labour (2.5%) for the television series also.

**Productions also use general business equipment, services, and supplies.** In the case of an international production, acquiring financial and legal services to facilitate operations in another country can be necessary. Also, purchasing office equipment or using printing and copying services would often be sourced via non-Screen specific suppliers. This is reflected through the portion of spend allocated to Finance, Legal, and Company Costs (3%) and Business Support (1%). This is also the case for the television series, where the portion of spending allocated to Finance, Legal, and Company Costs is 2%, and for Business Support is 3%.

The low portions of spend allocated to Fashion and Beauty (0.9%) and Music and Performing Arts (0.3%) for the feature film indicate that these services, such as extras and soundtrack scoring and any resources needed, such as make-up and hair styling products, were brought in by the production or acquired through a Screen-specific supplier. In comparison, the higher portion of non-screen specific spend allocated to Fashion and Beauty (8%) for the television series refers to the use of wardrobe, make-up, and hair provisions from vendors that service various sectors and/or consumers, as the show might not require the level of design or specificity that a Screen-specific supplier would provide.

### 5.3. Impact of the International Incentive on the National Production Market

**Quantitative and qualitative evidence clearly show that international film and television production in Spain has increased in recent years, driven by the international incentive.** In addition to its incentives, Spain's growth has also been driven by various factors, such as its low cost base, availability of talent, diversity of locations, and the potential of the global Spanish-speaking market. Indeed, Spain is playing a significant role as a hub for Spanish-language content thanks to the investment of global players. A key example is Netflix's *Money Heist* (*La casa de papel*, 2017-2021), which was particularly popular in the international market. Similarly, Amazon Prime reported that around 80% of streams of the top three most-watched Spanish Originals of 2023 originated from outside of Spain.<sup>33</sup>

**Spain's international incentive has attracted a significant number of foreign productions to the country, increasing the demand for crew.** Some stakeholders flagged that the labour market has not been able to meet the demands of the production sector quickly enough. Other consultees highlighted that skilled crew members are scarce outside the established audiovisual hubs of Madrid and Barcelona. As an example, the president of Alianza de la Industria Audiovisual (ALÍA, alliance of technical and service providers for the audiovisual industry) indicated in 2022 that professionals were in high demand and unemployment within their sector was almost non-existent.<sup>34</sup> In places like the Canary Islands, the situation is particularly acute, as the incentive uplift has attracted high-budget productions. That said, the production workforce has steadily increased since the introduction of the incentive and Spanish professionals are now more capable of working in high-budget productions and with international crews. Indeed, some stakeholders highlighted the fact that some of these professionals have now entered the international workforce. Most consultees also highlighted that thanks to the excellent quality of Spain's professionals and companies, the country has become a strong shooting location, attracting even more foreign productions.

**Due to the increased volume of work brought by the incentive, international service production companies have grown both in terms of budgets and the number of projects managed per year, which also means an increase in staff.** In addition, it has been reported that some companies previously not working with the Screen production sector have reoriented their lines of business to expand into it. This is particularly true outside Madrid and Barcelona. For example, a producer mentioned the case of a construction company that now specialises in providing cranes and scaffolding for Screen production.

**The success and potential of the incentive have helped shine a significant spotlight on the sector.** Within the last five years, the number and size of film commissions, audiovisual clusters, and other related measures have grown significantly.<sup>35,36</sup> This shows that regional and local governments are actively seeking domestic and foreign investors, as well as facilitating their work once they decide to come to a Spanish region, highlighting the importance of a coordinated, holistic approach to incentives, as these can only unleash their full potential when

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<sup>33</sup> Amazon MGM Studios' James Farrell Outlines Strategy for Original Content in Spain, Globally Following 'Red Queen' Premiere, Variety, 28<sup>th</sup> February 2024. Accessible at: [https://variety.com/2024/tv/global/amazon-studios-prime-video-james-farrell-1235924212/#recipient\\_hashed=14d03854eabfc7bbd1af2ac62985ab6149bad84cb5f249bac9f42fcd30b58ec7&recipient\\_salt=58f1ec1a2a97ecab4a643df4obfof7022947ff7b83b1d8035d7ff48ce727b6f3](https://variety.com/2024/tv/global/amazon-studios-prime-video-james-farrell-1235924212/#recipient_hashed=14d03854eabfc7bbd1af2ac62985ab6149bad84cb5f249bac9f42fcd30b58ec7&recipient_salt=58f1ec1a2a97ecab4a643df4obfof7022947ff7b83b1d8035d7ff48ce727b6f3)

<sup>34</sup> El crecimiento de la industria audiovisual tiene como resultado la alta demanda de equipos y profesionales, Cine&Tele, 12<sup>th</sup> September 2022. Accessible at: <https://www.cineytele.com/2022/09/12/el-crecimiento-de-la-industria-audiovisual-tiene-como-resultado-la-alta-demanda-de-equipos-y-profesionales/>

<sup>35</sup> Los clusters audiovisuales ganan enteros en las estrategias regionales de la industria, Audiovisual 451, 9<sup>th</sup> October 2023. Accessible at: <https://www.audiovisual451.com/los-clusters-audiovisuales-ganan-enteros-en-las-estrategias-regionales-de-la-industria/>

<sup>36</sup> REDCAU: los Clústeres Audiovisuales sumarán esfuerzos en una Red, Panorama Audiovisual, 27<sup>th</sup> May 2021. Accessible at: <https://www.panoramaaudiovisual.com/2021/05/27/redcau-red-espanola-clusteres-audiovisuales/>

accompanied by other support measures and a well-established infrastructure and pool of experienced crew.

#### **5.4. Impact of the Incentive on Infrastructure**

**International investment attracted by the international incentive is leveraging interest in studio infrastructure.** A higher level of production, especially high-budget international productions brought to Spain, has resulted in increased investment in infrastructure. Madrid is building the latest development of its Content City, and there are plans to build a Catalonia Media City.<sup>37</sup> Facilities are now either planned or under construction outside the two main audiovisual hubs and in regions with less production volume, signalling an increased interest in audiovisual investment generally. Some proposed new developments throughout Spain include Sevilla Content City,<sup>38</sup> Mallorca Green Film Studios in the Balearic Islands, Punta Zorroza City of Cinema in the Basque Country, and Cidade das Tics in Galicia. Other more recent projects include Murcia Audiovisual Hub and Stage Fifty's announcement of a €120 million investment to build 100,000 m<sup>2</sup> studios in Murcia.<sup>39</sup> However, it remains to be seen how many of these projects will eventually become a reality.

The case of the Canary Islands deserves special attention, as no robust infrastructure existed before the introduction of the international incentive. Stakeholders reported that the international incentive played an important role in driving infrastructure investment in the Canary Islands.

#### **5.5. Impact of the International Incentive on Skills**

**There is an overall perception that Spanish crews are knowledgeable and highly skilled.** However, there is evidence of limited availability in crew provision, particularly in very technical or specific roles (e.g. production accountants).

**Consultees reported that local crew members have learned new ways of working thanks to the international productions shot in Spain.** Several consultees reported that crews have become more competent by participating in large and more complex international productions. This has a high potential for domestic productions, as knowledge and experience can be applied to the creation of domestic features or series. Crews are able to work in international productions thanks to the high level of skills and experience built by the high technical standards of Spanish domestic productions and, at the same time, participating in larger, more complex international productions is allowing crews to train and develop new ways of working and expand their experience.

**There has been an expansion of film schools and relevant university degrees,** underlining the growth of the sector and the need for skills. Existing institutions such as Escuela de Cinematografía y del Audiovisual de la Comunidad de Madrid (ECAM), Escola Superior de Cinema i Audiovisuals de Catalunya (ESCAC), and Universidad Carlos III de Madrid have enlarged their offerings. For instance, Madrid's ECAM now offers postgraduate degrees in very specific areas such as ecological management and sustainable production, clearance

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<sup>37</sup> *Proyecto Catalunya Media City*, Catalan Regional Government. Accessible at:

<https://cultura.gencat.cat/ca/catalunyamediacity/proyecto/>

<sup>38</sup> *Sevilla Content City, nuevo hub de producción en Tomares que estará listo en 2024* (Seville Content City, new production hub to be completed by 2024), Audiovisual 451, 11<sup>th</sup> April 2024, Accessible at: <https://www.audiovisual451.com/sevilla-content-city-nuevo-hub-de-produccion-en-tomares-que-estara-listo-en-2024/>

<sup>39</sup> *Hollywood Comes to Murcia as Universal Announces Largest Film Production Studio in Europe*, Murcia Today, 15<sup>th</sup> July 2024. Accessible at: [https://murciatoday.com/hollywood-comes-to-murcia-as-universal-announces-largest-film-production-studio-in-europe\\_1000085022-a.html](https://murciatoday.com/hollywood-comes-to-murcia-as-universal-announces-largest-film-production-studio-in-europe_1000085022-a.html)

coordination, artificial intelligence and big data for the audiovisual industry, and executive production.<sup>40</sup>

Catalonia's ESCAC offers a Master's in film directing entirely taught in English.<sup>41</sup> In addition, new institutions have been established in the last few years. The Core School,<sup>42</sup> an audiovisual campus part of Madrid Content City, started operations recently, offering online and on-site masters and vocational training. Outside of the main audiovisual hubs of Madrid and Barcelona, new schools have also opened recently, such as Instituto de Cine Canarias (ICC) (the Canary Islands), Pixelian (Navarre), Escuela de Oficios del Cine (Alicante), and Mallorca Film School. Moreover, the Canary Islands administration is investing in skills development opportunities to further support the growing sector and demand.

Spain's national Public Service Media RTVE has also launched the HAZ training programme, with funds from the Spain Audiovisual Hub. The programme consists of short courses devoted to specific aspects of the sector (i.e. business models for production companies, writing of bibles for television series, show-running, and interactive virtual narrative).<sup>43</sup>

In addition, there have been several private and public initiatives to attract talent to technical positions within the sector. In 2022, Asociación Madrileña Audiovisual (Madrid Audiovisual Association, AMA) surveyed members, revealing all respondents stated that they were having problems filling in positions across different departments, from technicians to team leaders, including sound editors, image editors, accountants, administrators, and secretaries. To alleviate this problem, AMA launched, along with the Madrid City Council, several training initiatives to urgently train and prepare new professionals.<sup>44</sup>

Spain Film Commission has launched a programme at Universidad Pablo de Olavide (Seville) involving professors from fifteen Spanish universities that will promote research analysing the impact of filming for film and television on the economy, tourism, sociology, heritage, etc.

## 5.6. Impact of Incentive-Supported Productions on Tourism

**Although it is challenging to quantify the impact of incentivised production on tourism, it is evident that tourism offices and businesses across the world have identified the potential of screen tourism.** A report undertaken by Netflix and the World Tourism Organisation, using a survey conducted among a sample of Netflix audiences in Canada, Japan, Spain, and Turkey, concluded that audiences who watch content from other countries or cultures are significantly more likely to travel to the featured destinations.<sup>45</sup>

*Games of Thrones* (2011-2019) was an example of a production that underlined the great potential of screen tourism for the Spanish economy. Tourism agencies for regions where the HBO series was shot reported increased tourism. In fact, these agencies have used images from the series to drive the attractiveness of the areas. San Juan de Gaztelugatxe is an established tourist destination in the Basque Country, but when it was featured in *Game of Thrones* as Dragonstone, foreign tourism began to increase – 725,000 people visited the town in 2019, 25% more than the previous year. Navarre's Bardenas Reales National Park, another location of the

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<sup>40</sup> <https://ecam.es/>

<sup>41</sup> <https://escac.com/formacion/masters/master-in-film-directing/>

<sup>42</sup> <https://www.thecoreschool.com/>

<sup>43</sup> <https://haz.institutortve.com/>

<sup>44</sup> *Faltan técnicos especializados en la industria audiovisual: "Un rodaje es mucho más que los actores y el director"*, Manuel Chamorro, Cadena SER, 9<sup>th</sup> May 2023. Accessible at: <https://cadenaser.com/cmadrid/2023/05/09/faltan-tecnicos-especializados-en-la-industria-audiovisual-un-rodaje-es-mucho-mas-que-los-actores-y-el-director-radio-madrid/>

<sup>45</sup> *Cultural Affinity and Screen Tourism*, UNWTO and Netflix, 2021. Accessible at: <https://www.e-unwto.org/doi/pdf/10.18111/9789284422838>

series, saw an increase in tourism from 46,000 visitors in 2015 to 88,000 in 2019. A similar course followed the ancient Roman city of Itálica, outside Seville when it became the Dragonpit in the series.<sup>46</sup>

The Spain Film Commission has developed a screen tourism strategy that includes several partnerships with different institutions. In 2021, the Spain Film Commission created the project Spain Screen Grand Tour<sup>47</sup> – an initiative to promote Spain as a tourism destination by showcasing films shot in the country. The organisation also created FITUR Screen, a specific section on screen tourism in the International Tourism Trade Fair FITUR, in collaboration with IFEMA.<sup>48</sup> Netflix and the Spanish national agency for tourism, Turespaña, also launched a marketing initiative, Spain Travel Guide,<sup>49</sup> to promote screen tourism by creating new promotional content and public engagement.

### **5.7. Feedback on the Incentive and Additionality**

**Overall, consultees reported that the international incentive had a very positive impact on Spain's Screen production sector and the economy.** International production investors engaged in this Study reported that the incentive had played a substantial role in their decision to film in Spain and that a large proportion of production expenditure in Spain would not have happened without the incentive. Stakeholders engaged in the context of this Study reported:

*"[The incentive] makes us more competitive in the European and international environment. It generates a lot of employment, creates more training opportunities, and helps export Spanish culture and brand internationally".*

Spanish producer, as reported to SPI (2024)

*"Incentives are a great investment attraction and promote local and national economic development, the training of talent, the creation of a greater business network, and the activation of new organisational and administrative approaches at an institutional level".*

Spanish producer, as reported to SPI (2024)

SPI undertook an online survey with Spanish production/service companies and international investors utilising Spain's international incentive. The survey gathered feedback from 23 companies, with respondents receiving at least 65% of the amount distributed through the international incentive by the Spanish government between 2019 and 2022.

**According to the survey<sup>50</sup>, 70% of expenditure would not have taken place in Spain if no incentive had been in place. In contrast, only 30% of the initially planned expenditure would have proceeded in Spain without the incentive.** This 70% can be considered as additional activity directly attributable to the Spanish incentive. This analysis is also used in the economic impact analysis outlined in Section 4 of this Study.

**The results indicate a relatively high level of additionality.** This means that a high proportion of the production expenditure would not have taken place in Spain without the international

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<sup>46</sup> España, el "Hollywood de Europa": el 85% de los beneficios fiscales del cine son para producciones extranjeras, Javier Zurro, El Diario, 11<sup>th</sup> April 2023. Accessible at: [https://www.eldiario.es/cultura/cine/espana-hollywood-europa-85-beneficios-fiscales-cine-son-producciones-extranjeras\\_1\\_10107815.html#:~:text=En%202022%20los%20rodajes%20internacionales,solo%20el%2015%25%20en%20esta](https://www.eldiario.es/cultura/cine/espana-hollywood-europa-85-beneficios-fiscales-cine-son-producciones-extranjeras_1_10107815.html#:~:text=En%202022%20los%20rodajes%20internacionales,solo%20el%2015%25%20en%20esta)

<sup>47</sup> Spain Screen Grand Tour, Shooting in Spain, Spain Film Commission. Accessible at: <https://www.shootinginspain.info/es/spain-screen-grand-tour>

<sup>48</sup> FITUR Screen. Accessible at: <https://www.ifema.es/fitur/fitur-screen>

<sup>49</sup> The initiative is an educational programme for schools and a photo competition. Spain Travel Guide. Accessible at: <https://spaintravelguide.ethic.es/en/map/>

<sup>50</sup> The results of the survey have been weighted based on the production expenditure each respondent incurred in Spain from 2019 to 2022. This means that production companies or streamers that spent more in Spain have been attributed a larger 'weight' in the sample.

incentive. This underscores the system's significant role in stimulating and encouraging international Screen production activities in Spain. The result is also in line with an analysis prepared in 2012 (i.e. before the incentive was in place), which estimated that Spain was losing 80% of the potential international productions by not offering an incentive.<sup>51</sup>

Since attracting international production depends on a range of factors, the additionality rate identified for Spain should not be directly compared with additionality rates for production incentives in other jurisdictions. This is because of various reasons, including sample sizes and individual circumstances, as well as when the surveys were undertaken. However, SPI notes that the additionality rate is slightly lower than the additionality rates identified by SPI in some other jurisdictions. This is likely to be linked to the specific context in Spain: as identified in this Study, Spain is an attractive production market for a variety of factors, including its talent and crew base, sectoral maturity, and ability to function as a hub to produce Spanish-language content aimed at the global Spanish-speaking market. These elements may represent factors of equal or higher importance in relation to the incentive for some of the international investors, resulting in a slightly lower additionality rate.

**Consultees reported some challenges, including issues in communication with the tax authority,** as it can be difficult for service providers to get feedback or ask questions on an application to the tax authority. Moreover, **slowness of payments** was cited several times as one of the concerns within the production sector, as it leaves Spanish service providers in a difficult situation and may undermine the country's reputation as a shooting destination. That said, SPI notes that key stakeholders did report that payment is not slower when compared to the payment timelines for other incentives or fiscal support available for other sectors.

**Consultees reported that the incentive application process is simple, and the requirements are straightforward. However, the system does carry an inherent risk for Spanish service companies that is not present in all competitor systems.** Spain's tax authority does not require companies that apply for the incentive to provide any audits as a condition of application and does not provide any up-front certification for applications. This means that the tax authority can reopen cases years after the incentive payment has been accessed, with liability to the service production company that originally submitted the application. Some systems require a third-party audit as a condition of application. While this may not preclude authorities from re-examining an incentive application or payment at a later date if new information is made available, it does de-risk the process at a key point for both applicants and government.<sup>52</sup>

**In other jurisdictions, the system followed by authorities is different.** For example, in Germany, the German Motion Picture Fund (GMPF) incentive requires an audit of final costs in order for the funds to be disbursed. In this system, the German Federal Film Board determines the cost auditor, and the applicant producer bears the cost of the audit.<sup>53</sup> Similarly, the US State of Georgia requires mandatory audits for all productions since 2023.<sup>54</sup> In this case, the auditors are also certified by the public authorities (Department of Economic Development) and listed on a public website.<sup>55</sup>

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<sup>51</sup> *El impacto económico de los rodajes en España y los incentivos fiscales en Europa*, MRC, 2012. Accessible at: [https://www.asociacionappa.es/wp-content/uploads/2016/07/Estudio-Impacto-Eco\\_002.pdf](https://www.asociacionappa.es/wp-content/uploads/2016/07/Estudio-Impacto-Eco_002.pdf)

<sup>52</sup> For example, the German Motion Picture Fund (GMPF) incentive requires an audit of final costs. See [https://www.kulturstaatsministerin.de/SharedDocs/Downloads/DE/2023/2023-08-08-gmpf-guidelines-en.pdf?\\_\\_blob=publicationFile&v=1](https://www.kulturstaatsministerin.de/SharedDocs/Downloads/DE/2023/2023-08-08-gmpf-guidelines-en.pdf?__blob=publicationFile&v=1). Meanwhile, from 2023, the US State of Georgia requires mandatory audits for all productions certified by the Department of Economic Development. <https://dor.georgia.gov/required-mandatory-film-tax-credit-audit-fees>

<sup>53</sup> See Section 8.1 and 8.4 at [https://www.kulturstaatsministerin.de/SharedDocs/Downloads/DE/2023/2023-08-08-gmpf-guidelines-en.pdf?\\_\\_blob=publicationFile&v=1](https://www.kulturstaatsministerin.de/SharedDocs/Downloads/DE/2023/2023-08-08-gmpf-guidelines-en.pdf?__blob=publicationFile&v=1)

<sup>54</sup> See <https://dor.georgia.gov/required-mandatory-film-tax-credit-audit-fees>

<sup>55</sup> See <https://dor.georgia.gov/film-tax-credit-certified-eligible-auditor-list>

**Some incentives for film and television productions around the world request producers to submit their applications after the list of eligible expenses has been checked by a third party – either vetted by the tax authority or certified to follow accounting standards developed by the relevant tax authority.** In addition, given that incentive applications can only be initiated at the start of the fiscal year subsequent to the shooting, there is a potential for payment to take more than 12 months. For instance, an international producer who has worked on a high-budget feature experienced a two-year delay between application and receiving the rebate from their service provider in Spain. This is a key issue for smaller producers/service companies with limited cash flow and even for larger companies who may be able to cashflow this delay internally. The current global financial and sectoral climate and the cost of borrowing mean that this timeframe could blunt Spain's competitive edge.

**Some producers expressed concern over the ambiguity surrounding eligible expenditures,** which can be open to interpretation. For instance, one respondent in charge of a production services company reported the case of two AEAT<sup>56</sup> regional bureaus considering costs for comparable concepts in two separate productions as eligible and non-eligible. This adds uncertainty to the incentive applications, increasing the risk for Spanish production/service companies.

**Finally, SPI recommends a review and enhancement of data collection for the international incentive.** As mentioned elsewhere in the Study (see Section 4), the tax authority should collect and publicly release information on the individual productions supported through the incentive. The data should include, at a minimum, the incentive amount paid to the applicants, the eligible spend, and the date of payment. Ideally, the data should also include the total production spend in the country and the year(s) in which the production took place. Collecting and publishing these data will be necessary for the programme's transparency and allow parties to evaluate the incentive in future years.

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<sup>56</sup> AEAT is the Agencia Estatal de Administracion Tributaria, an autonomous body attached to the Ministry of Finance overseeing taxes.



## **6. APPENDIX ONE – THE ECONOMIC IMPACT ASSESSMENT (EIA) METHODOLOGY**

This section provides a detailed overview of the methodological approach taken in this Study to conduct the EIA. It outlines key data sources, model assumptions, and the approach taken to derive economic impact estimates, ensuring transparency and understanding of the findings.

The analysis of Spain's Rebates for Investments in International Film and Television Series was estimated using an EIA, which considered three channels of impact: direct, indirect, and induced. Therefore, the total impact is the sum of these three impact channels and builds a picture of the incentive's overall contribution to Spain's economy across key metrics: GVA, FTE jobs, employee compensation, and GVA RoI.

All estimated economic impact results are expressed in net terms, using assumptions on additionality which is based on insight gathered from survey responses. A further discussion on additionality is outlined later in the Appendix.

### **6.1. Direct Impacts**

For this Study, **direct output** was assumed to be equivalent to **incentivised production expenditure**.<sup>57</sup>

Data from Spain's I-O table was a source for key assumptions underpinning the economic model.<sup>58</sup> More specifically, SPI used the three most recent I-O tables to produce a three-year (2018-2020) average ratio of output to GVA for the 'Motion picture, video and television programme production services, sound recording and music publishing; programming and broadcasting services' sector (CNAE 2-digit sub-sector 38).<sup>59</sup> While this did not solely include film and television production and post-production activity, it was the most granular level of sector data available from the I-O table.

The average ratio of 0.409 was applied to the incentivised production expenditure data (i.e. direct output) to estimate **direct GVA**.

From the same I-O table, SPI also calculated a three-year (2018-2020) average employee compensation and GVA ratio for the same 2-digit CNAE sub-sector. This ratio of 0.52 was applied to direct GVA to produce an estimate for **direct employee compensation**.

**Direct employment was measured in terms of FTE jobs.** The FTE figures for the production and post-production sectors were estimated using INE data. Using data provided by INE, SPI created a three-year (2019-2021) weighted average, which was based on the latest available information, of the number of FTE jobs per €1 million of GVA for the relevant sectors. This was then applied to direct GVA to estimate direct FTE jobs.

### **6.2. Indirect and Induced Impacts**

To estimate the **indirect and induced impacts**, SPI used an I-O model built using the latest I-O table from the INE and benchmarked against data from the OECD.<sup>60</sup> As with the estimation

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<sup>57</sup> Refer to Section 4 for further discussion.

<sup>58</sup> The latest I-O table for Spain is available from Instituto Nacional de Estadística (INE), and it refers to the year 2021. The data table is accessible via <https://www.ine.es/>

<sup>59</sup> Sector classification is based on CNAE 2009. N.B. SPI did not find or receive more detailed sector data that more closely relates to production and post-production activity. SPI has used Spain's Input-Output table as the core source of key definitions even if the data relates to a wider sector definition. SPI has also compared against other sources, including OECD Stat.

<sup>60</sup> OECD provides national IO tables, tax and GVA data for Spain and comparable countries. Data are available for the 1) motion picture, video & television programme production activities, sound recording and music publishing and 2) programming and broadcasting services sector. SPI has used this source of information for benchmarking and sense-check purposes.



of direct impact, for this Study, SPI modelled the impacts based on data for the 'Motion picture, video and television programme production services, sound recording and music publishing; programming and broadcasting services' sector (CNAE 2-digit sub-sector 38). As mentioned above, while this did not solely include film and television production and post-production activity, it was the most granular level of sector data available from the I-O table.

A domestic I-O model gives a snapshot of an economy at any point in time. It shows the major spending flows from final demand; intermediate spending patterns (i.e. what each sector buys from every other sector); and income generated from employment. In other words, an I-O table shows the interlinkages between industries for a given country at a given time.

More specifically, the I-O table provides a matrix of coefficients on which a series of calculations were performed to derive the Leontief inverse matrices, from which sector-specific type I (direct and indirect) and type II (direct, indirect, and induced) output multipliers were produced (see Table 2). These multipliers were then applied to direct output, deriving estimates of indirect and induced output.

**Table 2– Type I and Type II Output Multipliers for Motion picture, video and television programme production services, sound recording and music publishing; programming and broadcasting services**

	Type I	Type II
Output	2.235	3.890
Employment	2.99	5.544

Source: SPI analysis (2024)

**Indirect output** was converted into GVA using the same assumptions used to derive direct GVA. It was reasonable to assume that the assumption used fits the sector of interest well and its related supply chain. **Induced GVA**, however, was estimated using the economy-wide output to GVA ratio of 0.505, given wages are spent across a myriad of sectors. A similar process was taken to derive **indirect and induced employee compensation**.

Indirect and induced GVA were converted into FTE jobs, respectively, using the GVA to output ratio and FTEs per €1 million output.

### 6.3. Estimating GVA RoI

This study does not include reporting the tax impact (or tax revenue) associated with the production incentive. Instead, SPI estimates GVA RoI as this aligns more closely with the broader economic development objectives typical for Screen production incentives.

SPI estimated the GVA RoI, which typically involves comparing the net cost of the incentive (total incentive net of direct tax receipts) against the estimated total GVA impact. To estimate the direct tax receipts, SPI used a three-year (2020-2022) average of Spain's tax revenue as a share of its output (GDP). SPI adjusted this slightly to remove taxes that are less associated with production and post-production activity, i.e. property tax. This resulted in a ratio of 0.348,<sup>61</sup> which was applied to direct output. In addition, the indirect and induced tax impact was then calculated by applying the GDP to tax ratio.

While Spain's national accounts data track net taxes on production (and so includes subsidies), it excludes broader taxes like income tax. For a more complete picture of tax income, SPI used OECD data on total tax as a proportion of output – which was then applied accordingly.

<sup>61</sup> This figure has been calculated using OECD data covering the 2020-2022 period.

#### **6.4. Note on Deadweight and Additionality**

Not all expenditure on film and television production in Spain can be considered a direct consequence of the incentive. For this reason, to accurately estimate the economic impact of the incentive, it is important to estimate the amount of production expenditure attracted and supported only by the incentive.

Using data collated from the survey of production/service companies and international investors (studios and streamers) engaged in the study, SPI estimated the proportion of production expenditure considered additional activity to Spain – i.e. that would not have occurred without the rebate. More specifically, survey respondents were asked to estimate the proportion of their production expenditure that would have been undertaken in Spain in the absence of the incentive. Respondents were asked to provide estimates rounded to the nearest 10%, with a value of:

- One hundred percent indicating that the exact same level of production expenditure would have occurred in Spain if there was no incentive, and
- Zero percent indicating that no production expenditure would have been made in Spain without the incentive.

SPI collected responses from 23 respondents, and results were weighted based on the amount spent by each respondent in Spain. Overall, the aim of this analysis was to provide insight into the degree of influence the incentive has had on production/service companies when deciding on Spain as a filming location.

It is important to note that the self-reporting nature of this survey raises the possibility of response bias, where respondents might exaggerate the significance of the incentive, potentially influenced by anchoring bias or a desire to mitigate perceived risks of loss. To address this concern, the survey was designed to mitigate the risk of bias by ensuring that various decision factors are considered before assessing the impact of the incentive. This approach aims to provide a more nuanced and accurate representation of the incentive's effects.

The most robust method to assess the additionality of policy would be a quasi-experimental approach, which identifies a 'control' jurisdiction or company and tests results against this control. However, it is not possible to undertake such an experiment in this case as incentives are very common across Screen production markets globally, and activity in any control jurisdictions without an incentive offer would be highly impacted by incentives offered by other jurisdictions, given the prevalence of incentives and the production sector's high sensitivity to them.

The methodological approach implemented aligns with international best practices for similar studies, drawing parallels, for instance, with practices observed in the UK.<sup>62</sup>

#### **6.5. General Limitations of EIAs**

EIAs are a widely adopted method to quantify and analyse the economic contributions of a given entity, including businesses, industries, specific investments, and public policies. The approach is internationally recognised and is used by both the private and public sectors to demonstrate the economic significance of an activity, helping to inform decision-making. SPI takes a best-practice approach to conducting EIAs, ensuring its methods align with international standards.

However, as with any modelling approach, EIAs have limitations, including:

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<sup>62</sup> *Screen Business*. Olsberg•SPI for British Film Institute, 2021. Accessible at: <https://www.bfi.org.uk/industry-data-insights/reports/uk-screen-sector-economy>

- EIAs assume there are **no supply constraints** in terms of inputs, raw materials, and employment. This means that modelling a change in the sector needs to be undertaken sensitively, given this assumption might not hold. **The model is not dynamic.** There are no embedded feedback loops or price effects dampening demand. As such, EIAs do not account for the counteracting or balancing effects of a change being offset or counterbalanced by a change in another sector.
- EIAs assume **constant returns to scale**, whereby the same quantity of inputs is needed per unit of output, regardless of the level of production.
- **The input structure is fixed.** It is assumed that changes in the economy will affect the level of inputs and outputs but not the mix.
- **Type II multipliers – risk of double counting private consumption effects.** Household consumption is incorporated in GVA. Therefore, if Type II is not applied and the results are not interpreted correctly, there might be a risk of double counting consumption effects. If induced impacts were calculated for all industries in a national economy, the total impact would exceed the national GVA. Type II multipliers should only be used to illustrate the footprint effects of a particular sector or policy.
- This approach does not consider the economic benefits that may have been supported through the alternative use of funding that was used for the incentive i.e. the **opportunity cost**. This was not in the scope of this Study and would be difficult to robustly quantify, given considerable uncertainties. The 'net' impact of the incentive is considered through the application of an additionality ratio.

## **7. APPENDIX TWO – ESTIMATED TOTAL PRODUCTION EXPENDITURE BASED ON INCENTIVE DISBURSEMENT DATA**

### **7.1. Context**

**As outlined earlier in the Study, data on production expenditure is a key driver for the EIA.** While the Agencia Estatal de Administracion Tributaria (AEAT) – the entity responsible for managing the incentive – collect and publish information on the amount paid out by year, it does not collect and publish data on expenditure in Spain or on eligible expenditure made through the international incentive.

**Consequently, SPI undertook two approaches to estimate the annual total incentivised expenditure on international film and television production in Spain.** To recap, the first approach, led by primary data collated by SPI from key production/service companies, was used to estimate the economic impact results presented as a key finding of the Study (see Section 4).

The second approach used government data on the total annual incentive amount distributed, which was combined with an estimated rebate rate. This produced an estimate of total incentivised expenditure on international film and television production in Spain that is associated with the level of incentive paid out. However, given the lag between production and rebate payouts, the disbursement data likely understates activity in the years analysed. In addition, the annualised results do not align with the sector's pattern of production activity. Given these limitations, SPI decided to analyse the economic impact of expenditure estimated using this approach separately. **It was deemed a valuable and insightful exercise to produce a separate analysis based on this second approach, given it is driven largely by national statistics published by the government. However, given the limitations of the underlying data and approach, it is not presented as a key finding of this Study.**

**Comparison of results presented in Section 4 with results set out in this section is not recommended because the characteristics of the underlying data are different.**

### **7.2. Estimated Total Production Expenditure Based on Incentive Disbursement Data**

**In this approach, SPI estimated the overall production expenditure associated with the level of incentive payments distributed by the Spanish tax authority over 2019-2022.** Broadly, two key steps were taken to achieve this. Firstly, SPI created an average ratio between the total production expenditure incurred in Spain and the incentive amount paid out. To account for the change in the incentive programme in 2020, which saw the rebate rate on eligible expenses increase, SPI created two average ratios: one for productions with a start of principal photography in 2019-2020 and a second for those in 2021-2022. This was done for each production using data gathered from companies engaged in this Study. Next, these ratios were applied to the amount distributed each year through the incentive, as reported by the Ministerio de Hacienda in the 2022 report *Revisión de Beneficios Fiscales*.<sup>63</sup>

To reiterate an earlier point, the figures generated from this approach represent the total production expenditure associated with the level of incentive distributed in each year for international projects in receipt of the incentive. The figures do not show the year in which production expenditure occurred. Between 2019 and 2022, SPI estimates that it **approximates to €774.3 million** – refer to the second column in the table below.

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<sup>63</sup> *Revisión de beneficios fiscales 2022*. Ministerio de Hacienda, March 2023. Accessible at: <https://www.hacienda.gob.es/Documentacion/Publico/GabineteMinistro/Varios/Informe-revision-beneficios-fiscales-2022.pdf>

**Table 2 – Amount Distributed Through the Incentive for International Productions and the Associated Estimated Total Expenditure in Spain, € Millions, 2019-2022**

Year	Incentive distributed (€ millions)	Estimated total expenditure linked to the incentive amount distributed (€ millions)
2019	31.1	143.0
2020	52.8	242.8
2021	50.4	177.2
2022	60.1	211.3
<b>Total</b>	<b>194.4</b>	<b>774.3</b>

Source: SPI (2024) Survey / Ministerio de Hacienda. N.B the estimated total expenditure that is linked to the incentive amount distributed does not reflect when spending occurred. Numbers are rounded

### 7.3. Economic Impact Results

SPI modelled the total economic impact (direct, indirect, and induced) of the total production expenditure associated with the level of incentive paid out to international productions between 2019 and 2022. In other words, the expenditure figures presented in the table above were run through SPI's economic model.

The results are presented below and represent the economic impact associated with the incentive amount distributed each year in Spain to international productions.

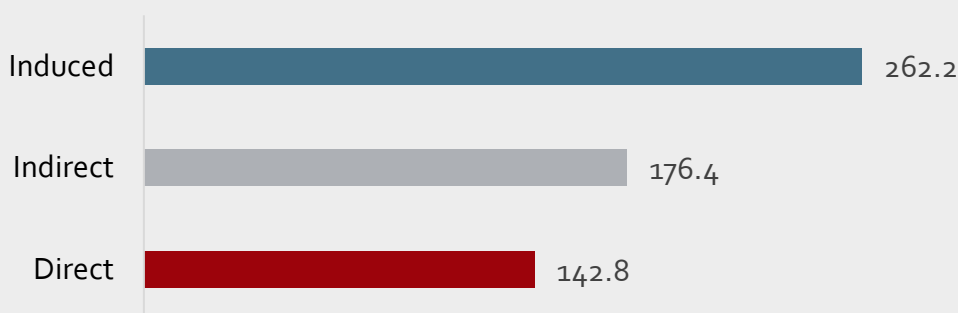
#### 7.3.1. GVA and Employee Compensation

SPI estimates that the amount of incentive payments distributed to international productions generated €1,054.7 million in GVA contributions to Spain's overall economy between 2019 and 2022. This is the sum across all impact channels (direct, indirect, and induced), and so captures the knock-on impacts on different goods and services across Spain's whole economy. Of this total, the level of incentive payments issued over this period was estimated to have directly supported €246.4 million in GVA. This is the contribution by companies directly involved in production activities. The combined activity in the supply chain (indirect impact) and the wider economy through wage-spending effects (induced impact) supported a further estimated €808.3 million in GVA.

**Productions supported by Spain's international incentive also had an impact on employee compensation.** Between 2019 and 2022, the total cumulative employee compensation of employees in Spain was estimated at €581.4 million, or 55% of the total GVA impact. To reiterate an earlier point, this is the impact associated with the amount distributed from the incentive programme to international productions over the period.

Of the total employee compensation impact, €142.8 million was accounted for by workers in companies directly involved in incentivised productions that had received the incentive during 2019 and 2022 and €438.6 million by workers in the combined indirect and induced impact channels.

**Figure 22 – Cumulative Employee Compensation Impact of Incentive Payments Issued for International Film and Television Production in Spain's Wider Economy, 2019-2022, € million**



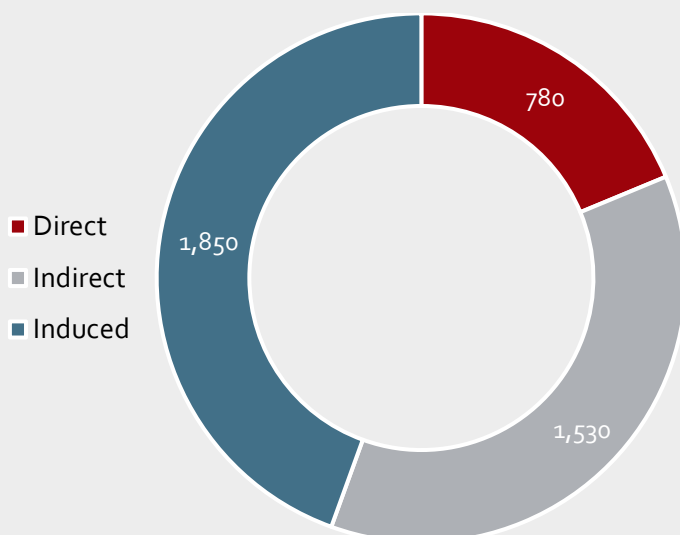
Source: SPI (2024)

### 7.3.2. FTE Jobs

Incentivised international film and television productions also had a considerable impact on employment in Spain. SPI estimates that, on average, 4,150 FTE jobs were associated with the amount of incentive payments disbursed each year between 2019 and 2022. Of these, 780 FTE jobs were allocated to companies directly engaged in international productions that received the incentive at some point during the period. A further 3,380 FTE jobs were associated with the combined activity in the supply chain (indirect impact) and the wider economy through wage spending effects (induced impacts) as a result of the amount of incentive disbursed each year between 2019 and 2022.

Given that economic modelling is based on published statistics that capture employment within a given sector, the model assumes that both above-the-line (ATL) and below-the-line (BTL) statistics are implicitly captured. The data, however, does not provide a breakdown of ATL/BTL.

**Figure 23 – Number of FTE Jobs per Year on Average Supported by Incentive Payments Issued for International Film and Television Production in Spain's Wider Economy, 2019-2022**



Source: SPI (2024)

### 7.3.3. GVA RoI

Overall, the incentive had a positive and significant GVA RoI of 8.0 from 2019 to 2022. In other words, for every €1 invested through the programme, the benefits to the Spanish

economy were €8.0 in terms of additional economic value from direct, indirect, and induced effects. Of this, €1.9 was attributable to the direct channel of impact alone.

## 8. APPENDIX THREE – THE RIPPLE EFFECT ANALYSIS

Film and television production is a manufacturing process that requires a range of inputs, including many workers – varying in creative, technical, logistical, and support roles – as well as equipment, facilities, infrastructure, and services. While a portion of a production's expenditure is directed towards Screen production-specific vendors, significant spend is also directed into other areas of the economy, such as real estate and hospitality services, that do not solely service the Screen production sector.

To demonstrate this impact, an analysis of production budgets was undertaken. Here, production costs are allocated to the business sector into which the money is spent. The analysis focuses on below-the-line production expenditure to exclude the effect of payments to major creative talent that could imbalance the analysis.

The process of assigning expenditure involves evaluating each individual line item of spend and firstly determining if that spend is associated with a Screen specific vendor or service provider (for example, a gear rental house, special effects make-up artist, or production crew wage). If it is not, then that line item is categorised into one of the non-Screen specific categories according to the vendors' role or function, such as Travel and Transport or Construction. This is to ensure that all possible non-Screen specific activity can be captured. Those totals are then calculated into percentages of the overall budget. The ripple analysis investigates production spend in the following business sectors, Screen-specific and non-Screen specific.

- **Screen-specific category** indicates the percentage of a production's spend that goes to crew wages and companies supplying goods and services that exclusively work in the film and television production sector, such as equipment rental, special effects, make-up, and set builders, for example. The vendors included in this category do not participate in other sectors of the economy and, therefore, do not contribute to the ripple effect. Analyses undertaken by SPI show that this portion of expenditure usually amounts to between 25% and 45% of the below-the-line budget for the local spend of the production analysed.
- **Non-Screen specific category** is the portion of the budget spent on services and supplies from individuals or companies that supply a variety of sectors in addition to Screen production. Within the ripple analysis, this spend is designated to its associated business sector. Analyses undertaken by SPI show that between 55% and 75% of a production's below-the-line expenditure will typically occur in these non-Screen specific sectors. This means that, for example, if a feature film has €20 million in below-the-line expenditure, between €11 million and €15 million of that spend would likely be spent in these non-Screen specific sectors.

Non-Screen specific sectors are considered for this analysis.

**Business Support.** Like any economic activity, film and television production uses the general business equipment, services, and supplies sector in many ways. This could involve purchases of office equipment and printing and copying services. Producers also purchase or rent a large number of miscellaneous items, such as storage containers and marquees, especially when a significant production goes on location, when producers will rely heavily on being able to access local supplies as they set up temporary bases.

**Construction.** Much of a production's construction expenses could be classified as Screen production specific. The construction department, however, will reach out to the wider construction sector to hire equipment and specialists, e.g., earth diggers and heavy lifting equipment. Such costs are allocated here.



**Digital Services.** This sector is heavily dependent on-Screen production as it refers to DIT and LAB services, which involve processing daily footage from a production, and editorial services and vendors, predominantly referring to post-production, VFX, and graphic design, as well as sound recording. The bulk of such costs in most budgets will be allocated to the category specific to Screen production. However, there is some crossover of skills between this sector and the other key digital industries, particularly the video games sector, and the costs of such persons and suppliers have been allocated to this category.

**Location Fees and Real Estate.** The costs of renting space from purpose-built or adapted studios are included in the Screen production-specific category. However, when productions are on location, they may rent buildings that also serve other sectors of the economy. This would include permitting fees that are administered by a municipal body, the managing organisation, such as a national or historical agency, or the private organisation that owns or manages the location.

**Travel and Transport.** A key expense of production is the cost of bringing personnel into and around the production location. Furthermore, a moving unit requires considerable transport backup – whether that is by road, train, or air. The spend is normally higher on location-based productions rather than largely studio-based shows. Significant portions of travel spend are usually attributed to air travel costs as those are related to non-screen specific businesses. However, this can vary across national and international carriers. The Travel and Transport portion predominantly includes transport spend, which often has multiple strains of impact. For example, the total expenditure allocated to one crew member's transport would include the car rental (usually from a local car rental franchise), the fuel for that vehicle for the duration of the production (often this can also include part of pre-production and/or post-production), and car cleaning (usually provided by local service providers).

**Hospitality and Catering.** These costs relate to accommodating and feeding substantial numbers of talent and crew, especially when a production is using locations at a distance from where the workforce is permanently based. Consequently, the hotel and accommodation sector is an important supplier to productions, regardless of whether they are largely studio-based or predominantly moving between different locations. Mobile catering companies usually provide catering for the working unit, but the quality and availability of restaurants are also important to those having travelled to the production location.

**Finance, Legal, and Company Costs.** Like any business sector, Screen production has many requirements for finance and legal expertise, with a plethora of standard and specialised contracts to be negotiated. The accounts department of a production also has a crucial role, especially as so many projects involve funding sources that require external audits.

**Fashion and Beauty.** For many contemporary productions, much of the on-Screen costume requirement is simply purchased from retailers, while period or futuristic shows, on the other hand, will require considerable work by skilled cutters, tailors, and dressmakers. Specific costume hire spend has been allocated to the Screen-production specific category. Equally, hair and make-up look to the general beauty sector for both their products and skilled practitioners. Wig makers are a good example of the Screen production world interacting to mutual benefit with the broader fashion and beauty sector.

**Music and Performing Arts.** It is sometimes challenging to differentiate between these two sectors and Screen production specifically. Almost all the creative roles are filled with people who have either moved in the past or continue to move between theatre, musicals, and the visual arts. In the design area, for example, the concept artists who bring the designer's work to life will also work in the exhibition field and theatre. Actors and writers move continuously between live theatre and Screen. Producers are constantly looking to the live theatre scene for

new talent. Musicians and singers who work in orchestras and performing art organisations will often be found in recording studios providing musical background for Screen productions.

**Power and Utilities.** Screen production is a considerable consumer of power and general utilities. While on location, production units will use generators to power their lighting rigs and location bases. However, the sector is increasingly looking to adapt to more environmentally responsible ways of consuming power and other utilities, and major financiers are constantly interested in mitigating their environmental impact.

**Safety and Security.** Risk assessments for Screen productions can be very specific, so specially trained health and safety advisors are common and of more importance in recent years because of the COVID-19 pandemic. Stunt work, for example, calls for close cooperation between the production, the stunt coordinator, and health and safety officers. Security, particularly on location, can be coordinated by the production but will require considerable support from the local community, and close contact between the production and a local security operation is often a huge asset to both sides.

**Training and Education.** Many countries have adopted various training initiatives, internships, and apprenticeship structures to enable pathways for diverse kinds of training across many disciplines. All training and education have been considered to be within the Screen-specific component rather than taking place in other business sectors.

**Health and Medical.** This area includes medical staff attending sets and construction sites, providing immediate health cover. Screen production also relies on the medical community in several ways, including the health checks all key staff undergo. This has increased substantially since the issues and protocols introduced during the Covid-19 pandemic. Linked to this, special training of such staff has become necessary with considerably increased costs in this category as a result.

**Miscellaneous Local Labour.** Where it was not sufficiently clear to which expenditure category some labour costs belonged, these were allocated to a miscellaneous category.

## **9. APPENDIX FOUR – ABOUT OLSBERG•SPI**

SPI is an international creative industries consultancy specialising in the global Screen sector.

The company provides a range of expert consultancy and strategic advisory services to public and private sector clients in the worlds of film, television, video games, and digital media. Formed in 1992, it has become one of the leading international consultancies in these dynamic creative Screen industries.

SPI's expert advice, trusted vision, and proven track record create high levels of new and repeat business from a diverse group of companies and organisations, including:

- National governments, including culture and economics ministries
- National film institutes and Screen agencies | Regional and city development agencies and local authorities
- Multi-national cultural funds and authorities
- National and regional tourism agencies
- Established studios and streamers
- Independent companies at all points of the Screen business value chain
- National and international broadcasters
- Trade associations and guilds
- Training and skills development organizations
- Publishers and conference organisers.

With expertise in all areas of the fast-moving global creative sector, SPI offers a wide range of services, including:

- Analysis and strategic advice for building healthy and sustainable national and regional industries and recommendations for public policies to support this
- Mapping and assessment of physical infrastructure, services, and workforce
- Delivering economic impact studies of whole sector activity or of incentives
- Advice on the creation of fiscal incentives for Screen productions
- Helping businesses and governments interpret the strategic implications of digital media innovations
- Business development strategies for content companies
- Feasibility studies, marketing and business strategies for small and large-scale studio facilities
- Evaluations of publicly-funded investment structures
- Acquisition and divestment advice for owners or managers of SMEs
- International cost comparisons for small and large film and television productions
- Strategic advice on inward investment and exports for national and regional public bodies
- Analysing and explaining the links between growth in tourism and a nation's film and television output
- Providing strategic advice for Screen commissions, including business and marketing plans
- Keynote speakers at industry events.

Further information on SPI's work can be found at [www.o-spi.com](http://www.o-spi.com).

Please contact **Marta Moretto** at [marta@o-spi.com](mailto:marta@o-spi.com) for further information about this study.

## **10. APPENDIX FIVE – ABOUT THE SPAIN FILM COMMISSION AND PROFILM**

### **10.1. The Spain Film Commission**

Spain Film Commission is a non-profit institution that, since 2001, has led the promotion of Spain as a worldwide filming hub.

SFC offers personalized assistance to national and international producers who trust our country as a destination to successfully develop their projects, coordinating the efforts of a wide network of film commissions and offices distributed throughout the Spanish territory (currently +45 associated partners), supported by Regional Governments and Local Corporations.

In its aim to promote and facilitate the Audiovisual sector in Spain, SFC supports national producers and attracts foreign companies in all traditional AVS segments (Film, TV, VFX, Animation, and Postproduction), offering assistance in different aspects related to the logistics and execution of their project, such as permits and locations, communication with local and regional authorities, and information on tax and financial incentives. SFC has also become the leading Spanish institution in developing relatively new fields like screen tourism (in cooperation with the Spanish national authorities and the UNWTO) or locations marketing, promoting initiatives like FITUR SCREEN or the Shooting Locations Marketplace.

SFC is also the Spanish national representative in the main international film commission bodies, such as EUFCN or AFCI, and develops an intense and extensive programme to promote Spain AVS assets internationally, thus participating in the most relevant festivals, markets, and events worldwide, while establishing a wide network of collaboration agreements with sister institutions.

Currently, Spain Film Commission is the main partner in the Spain AVS Hub Plan, an initiative by the Spanish government launched to enhance and boost the country's industry. This plan is part of Spain's Recovery, Transformation, and Resilience Plan and is designed to strengthen the Audiovisual sector and attract international investments, making Spain a global benchmark in the Audiovisual sector and the EU leading AVS Hub.

### **10.2. PROFILM**

The production of foreign audiovisual works in Spain generates great opportunities both at a public and private level. The diversity and richness of the culture and Spanish landscape make our country an ideal setting for international productions. That is why PROFILM, the association of Spanish International Audiovisual Production Companies was born in 2018.

PROFILM works to accelerate official processes, eliminate obstacles and simplify the work of Spanish producers. We cooperate closely with public administrations to improve the current legislation and simplify the bureaucracy preventing more international productions from shooting in Spain.

We carry out information campaigns about the economic, social, and artistic opportunities that filming brings to the local area.

PROFILM also works to bring Spanish tax incentives in line with other EU countries to become even more attractive for foreign productions of audiovisual works.

PROFILM represents 90% of the production companies that develop international audiovisual projects in Spain. The current members achieve investments of hundreds of millions a year providing employment to thousands of the best professionals in this sector.

As a result, the vast majority of foreign productions of series and films shot in Spain choose producers who are members of PROFILM because of our experience and professionalism.



We  
Make  
The  
Magic

In collaboration with



**OLSBERG • SPI**  
The strategy consultancy for the creative industries



Financiado por  
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