MANUAL ON TAX INCENTIVES FOR AUDIOVISUAL PRODUCTIONS IN SPAINCONTENTS

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MINISTERIO PARA LA TRANSFORMACIÓN DIGITAL Y DE LA FUNCIÓN PÚBLICA

Plan de Recuperación, Transformación y Resiliencia

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CONTENT

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Spain has one of the most powerful tax incentives
for film and audiovisual production in Europe. A tax deduction regime validated by both national and European regulations provides our country with a unique and specialized tax system, allowing audiovisual productions to benefit from various tax incentives.

The Spanish legislator aims to create conditions that encourage business establishment and attract audiovisual productions to Spanish territory.

The tax incentive system for audiovisual productions complements Spain's well-known assets, such as its climate, natural conditions, diverse landscapes, and specialized infrastructure, among others.

This framework can be even more advantageous in certain regions where specific legislation exists to promote and facilitate sector development.

All the above makes Spain an ideal country for this type of production, whether for corporate taxpayers subject to the Corporate Income Tax or Personal Income Tax engaged in this business activity, and, of course, for foreign producers through an executive producer or local service provider.

In conclusion, Spain currently has an optimal tax framework for the development of audiovisual productions.

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1. GENERAL REGIME

At the national level, tax deductions for investments in these productions are regulated in Articles 36.1 and 36.2 of the Corporate Income Tax Law,[1] as detailed below.

A. NATIONAL PRODUCTIONS

Deduction

- 30% on the first million of the deduction base.

- 25% on the excess amount.

Deduction Base

Total production cost[2], expenses for obtaining copies, and advertising and promotion expenses incurred by the producer up to a limit of 40% of the production cost.

For instance, a production with a total cost of 2,000,000 euros and a deduction base of 1,500,000 euros, which represents the expenditure incurred by the production company in Spain.

Requirements and Limits

- Obtain nationality and cultural certificates issued by the Institute of Cinematography and Audiovisual Arts (ICAA).

- Deliver a new and flawless copy of the production to the Spanish Film Archive or an officially recognized film archive.

- At least 50% of the deduction base must correspond to expenses incurred in Spanish territory.

For example, this means that at least €750,000 of the €1,500,000 forming the deduction base must be considered as spent within Spanish territory.

- La base de la deducción se minorará en el importe de las subvenciones recibidas.

[1] Law 27/2014, of November 27, on Corporate Tax.
[2] The accounting regulations applicable for determining the production cost are primarily based on the resolutions of the Institute of Accounting and Auditing issued on May 28, 2013, and April 14, 2015.

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The deduction base will be reduced by the amount of subsidies received.

For example, if the production company receives a public aid amounting to €250,000, which is considered a subsidy by a public body, the total deduction base would be €1,250,000. In this example, the initial deduction base was €1,500,000.

- The amount of this deduction, together with the rest of the aids received, may not exceed 50% of the total production cost, with particularities depending on the type of production. This is known as the "aid intensity coefficient."

Maximum Amount

- €20 million for audiovisual productions.
- €10 million per episode for series.

Co-Production

In the case of a co-production, the above amounts will be determined for each co-producer based on their respective participation percentage.

For example, if two production companies each assume 50% of the production costs, the calculation of the deduction base and subsequent deduction, as well as all applicable limits regarding costs and subsidies, will apply to 50% for each production company.

If the production is carried out through a national co-production at 50%, each co-producer will have a deductible amount of €625,000. This amount corresponds to 50% of €1,250,000, once the €250,000 subsidy has been deducted from the initial deduction base of €1,500,000. The previous limits or maximum amount of €20 million and €10 million per episode will apply proportionally. That is, €10 million and €5 million per producer. However, in this case, the limit does not apply due to the amount.

APPLICATION OF DEDUCTIONS

- The deduction will be generated in each tax period for the production costs incurred during that period but will apply from the tax period in which the production of the work is completed.

- However, in the case of animated series, the deduction will apply from the tax period in which the corresponding nationality certificate is obtained.

- If a production extends over two fiscal years, the deduction will be generated for each of them based on the expenses incurred in each period.

- It is important to highlight that the deduction can only be claimed in the second fiscal year, as this is when the work is considered completed. That is, once the certificates issued by the ICAA (Institute of Cinematography and Audiovisual Arts) or the competent body have been obtained, or with work certifications in the case of partial deliveries and the submission of a copy to the Spanish Film Archive or its equivalent.

B. INTERNATIONAL PRODUCTIONS

Deduction

- 30% on the first million euros of eligible expenses.

- 25% on the excess of that amount.

Deduction Base

Eligible expenses include:

- Creative personnel expenses[3] provided they have tax residence in Spain or a member state of the European Economic Area ("EEA").

- Expenses derived from the use of technical industries and other suppliers, such as executive producers, scenography, costumes, cameras, technicians, filming, transportation, etc.[4]

Requirements and Limits

[3] The definition of creative personnel can be found in the Film Law, in its Article 4.j).
[4] The General Directorate of Taxes, among others, in its consultation V0065-17, has carried out an exhaustive detail of the expenses included in the deduction base. However, the definition of technical industries can be found in the Film Law, in its Article 4.p).

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- Registration of the executive producer[5] in the Administrative Registry of Cinematographic and Audiovisual Companies of the ICAA[6]. This requirement applies explicitly to foreign productions and is mandatory for national productions applying for various certificates, subsidies, and other measures under the Film Law in relation to the ICAA.

- Obtaining a cultural certificate issued by the ICAA.

- Inclusion in the final credits of a specific reference to the tax incentive and the collaboration of organizations that have directly participated in the shooting or other production processes developed in Spain, as well as, if applicable, the specific shooting locations in Spain or studios, for animations.

- Authorization by the rights holders for the use of the title of the work and the press graphic and audiovisual material that explicitly includes specific locations of the shooting or any other production process carried out in Spain for cultural or tourist promotional activities and materials.

- Expenses incurred in Spanish territory of at least €1 million and €200,000 in the case of animated works.

- This minimum spending requirement in Spanish territory has an exception for cases where the producer is responsible for executing visual effects (VFX) services. In these cases, the production may generate a deduction equivalent to 30% of the incurred expense.

- Additionally, Article 45 of the Corporate Tax Regulation establishes two quantitative requirements for international productions:

    - The productions eligible for this deduction must have a minimum total cost of €2 million. This minimum production cost is calculated based on the global production budget, including expenses incurred both in Spain and abroad.

      Se pretende primar, de alguna forma, el acceso a las deducciones a aquellas producciones extranjeras de cierta envergadura.

[5] A person or legal entity contracted by a non-resident production company will be considered an executive producer if they are responsible for the execution of the production on behalf of the latter, without at any time holding the intellectual property rights over the production. The mere provision of certain services to the production company is not sufficient to be considered an executive producer. Additionally, registration in the ICAA Executive Producers Registry is required.
[6] For example, in Catalonia, the Catalonia Audiovisual Companies Registry of the ICEC (Catalan Institute of Cultural Enterprises) applies.

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The deduction base may not exceed 80% of
the total production cost. This ensures that more money is not claimed than what is actually spent in Spain.

For example, if a film has a total production cost of €5 million, the maximum deduction base that this production can generate is 80% of that amount, i.e., a maximum of €4 million.

- The amount of this deduction, together with the rest of the aids received by the production company, may not exceed 50% (aid intensity coefficient) of the production cost, as is the case with national productions.

Maximum Amount

- €20 million for audiovisual productions.
- €10 million per episode for series.

Co-Production

In the case of a co-production, the amounts indicated in this section will be determined for each co-producer based on their respective percentage of participation, similarly to national productions.

APPLICATION OF DEDUCTIONS

The deduction will be generated in each tax period based on the production costs incurred, but it will apply from the tax period in which the work's production is completed.[7].

[7]Nevertheless, the General Directorate of Taxes, in its binding consultation V2533-23, dated September 21, 2023, determines that insofar as these work certifications entail the delivery of the corresponding work units, the production company may apply the deduction for expenses incurred in each tax period in which the partial delivery of the executed work units takes place, provided that such expenses are justified with the corresponding work certification.

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2. REGIONAL INCENTIVES

2.1. AUTONOMOUS COMMUNITY OF THE CANARY ISLANDS

The Autonomous Community of the Canary Islands also offers its own tax advantages[8] within the general regime for cinematographic productions. This is a territory that provides highly attractive benefits for producers and co-producers with tax residency in the Canary Islands.

A. NATIONAL PRODUCTIONS

While the general regime applies across the country, the Canary Islands' system includes higher deduction rates than those applicable in the common territory to encourage productions in the region:

Deducción

Deduction

- Up to a maximum of 54% on the first million of expenses incurred, forming part of the deduction base. The maximum 54% rate is only applicable if the expenditure in the Canary Islands exceeds €1,800,000.

- 45% on the excess beyond this amount.

- 54% if the producer is responsible for executing visual effects services (VFX) and total expenses in the Canary Islands are below €1 million.

Maximum Amount

A special feature of the Canary Islands regime is that it includes a higher maximum deduction cap than the general regime:

- €36 million for audiovisual productions.

- €18 million per episode for TV series.

To apply these enhanced incentives, the producer must obtain the Canary Islands Audiovisual Production Certificate, issued by Canary Islands audiovisual entities or by entities co-producing with at least one Canary Islands-based audiovisual company registered in the Canary Islands Audiovisual Companies Registry.

[8] Law 19/1994, of July 6, on the modification of the Economic and Fiscal Regime of the Canary Islands.

The requirements to obtain this certificate focus on:

- Filming time, depending on the budget and type of production.
- Hiring technical and artistic personnel with tax residency in the Canary Islands.
- For national co-productions, the Canary Islands co-producer must hold at least a 20% stake in the production. In the case of financial co-producers, this percentage must be between 10% and 15%.

B. INTERNATIONAL PRODUCTIONS

For foreign productions filmed in the Canary Islands, the deduction rates and limits are the same as for national productions, following the same requirements as in the common territory, but with the higher rates and limits detailed in the National Productions section.

Deduction Base:

Eligible expenses in the Canary Islands must be directly related to pre-production, production, and post-production, including expenses from technical industries and other suppliers, as well as creative personnel costs, provided that they have tax residency in Spain or the EEA.

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2.2. REGIONAL TAX REGULATIONS (NORMATIVA FORAL)

In Spain, certain historic territories have their own legislative framework, which significantly enhances the legal regime for audiovisual productions.

These additional tax incentives, derived from the application of regional tax laws, are subject to specific requirements depending on the territory.

The regional territories of Navarra and the Basque Country (Araba, Bizkaia, and Gipuzkoa) each have their own regulations and specific features.

Below are the most notable aspects of these regional regimes, considering that many of the requirements have already been covered in previous sections on Spanish productions.

2.2.1. NAVARRA

The Autonomous Community of Navarra regulates its own tax incentives for cinematographic productions and other audiovisual works through its Corporate Tax Law, as well as Foral Order 69/2021[9], applicable to producers and co-producers with tax residency in Navarra.

A. NATIONAL PRODUCTIONS

Beyond the deduction base, the competent body of the Government of Navarra (following a report prepared by the producer) determines deduction rates ranging from 35% to 40%.

Additionally, aid intensity coefficients range between 50% and 85%, similar to those in the common territory.

A series of territoriality requirements must also be met to ensure that the production is carried out in Navarra.

To apply the maximum deduction rate, at least 40% of the total investment must be spent in Navarra.

[9]Foral Order 69/2021, of May 7, from the Department of Economy and Finance, which establishes the conditions and requirements for applying the deduction for investments in cinematographic productions and audiovisual series, as regulated in Article 65.1 of Foral Law 26/2016, of December 28, on Corporate Tax.

If this percentage is not met, the deduction base is calculated by dividing the expenses incurred in Navarra by 0.4.

This effectively reduces the deduction amount when expenses in Navarra fall below the required 40% of the total investment.

For example, if a production has a deduction base of €5 million (as determined by the competent authority) with an expense in Navarra of €850,000 (17%), since this amount is below the required 40%, the deduction base will be calculated by dividing €850,000 by 0.4. That is, the deduction base will be €2,125,000 instead of the previous €5 million.

The maximum deduction limit in Navarra is €5 million per production. Unlike in other territories, in Navarra, there is no specific mention or provision regarding per-episode deductions for series.

Additionally, the final credits must include a reference to the application of this regime and the logo of the Government of Navarra. The logo requirement is a difference from the common regime, where including the logo is not mandatory. Furthermore, access must be provided to graphic and audiovisual materials from the filming and locations in Navarra to promote the Navarrese territory within the production.

Finally, the submission of an explanatory report on the project to the Department of Culture of the Government of Navarra is required as a prerequisite for generating and applying tax incentives.

B. INTERNATIONAL PRODUCTIONS

Regarding international productions filmed in Navarra, the fixed deduction rate is 35% of expenses incurred in Navarrese territory.

Additionally, a maximum limit is set for calculating creative personnel expenses, capped at €50,000 per person residing in Spain or the EEA, and a maximum deduction of €5 million can be generated, the same as for national productions.

As is common in special regimes, a minimum of one week of filming in Navarra is required. Additionally, as previously mentioned, the final credits must include a reference to the application of this regime, along with the logo of the Government of Navarra.

A key differentiating element of Navarrese territory
is that it allows the development of national productions through the hiring of a local service provider, similar to how it is structured for foreign productions.

2.2.2. BASQUE COUNTRY

Within the Basque Country, there are three distinct territories, each with its own specific tax incentive regulations: Araba, Bizkaia, and Gipuzkoa.

Among these, Gipuzkoa has a particularly advantageous special regime compared to the others.

2.2.2.1. ARABA Y GIPUZKOA

According to the regulations of these territories[10], the regimes in both Araba and Gipuzkoa are very similar. In both territories, the deduction percentage is significantly higher than in the rest of the common territory, ranging from 50% to a maximum of 60%. To reach the 60% deduction rate, expenses in the Historic Territories of the Basque Autonomous Community (in all three regions) must exceed 50% of total expenses. Additionally, an extra 10% deduction can be obtained if the work is entirely filmed in Basque (Euskera).[11].

The deduction base in both territories consists of expenses derived from the production cost, plus expenses for obtaining copies and for publicity and promotion, without any additional limit.

However, as a trade-off, a lower maximum deduction limit applies, set at €10 million for audiovisual productions and €3 million per episode for TV series.

Another significant aspect to highlight is the aid intensity coefficient, which ranges between the usual 50% and 60% (if the work is financed by more than one EU member state). However, in certain productions, this limitation on obtaining aid may not apply[12].

[10] Foral Law 37/2013, of December 13, on Corporate Tax, additional provision 15 and Article 67 (Araba), and Foral Law 2/1014, of January 17, on Corporate Tax of the Historical Territory of Gipuzkoa, additional provision 15 (Gipuzkoa).
[11] Since the applicable tax regulations do not contain a definition of when a work should be considered to have a single original version in Basque (Euskera), the applicable common regulations, the collaboration agreement for the support of independent Basque audiovisual production, formalized between EITB MEDIA (a public entity under private law, under the Department of Culture of the Basque Government, and legislatively, the Basque Parliament) and the Basque Producers' Associations, in line with the Department of Culture and Language Policy of the Basque Government, define a Basque original version as a live-action audiovisual work in which actors/actresses interpret dialogues in Basque when more than 70% of them are in this language.
[12] Works classified as "difficult", under foral regulations, and co-productions with countries from the Development Assistance Committee or the OECD.

For foreign productions filmed in these territories
and produced by an executive producer, the structure will be similar to national productions, although the increased aid intensity coefficients mentioned earlier will not apply.

2.2.2.2. BIZKAIA

Article 66 quater of Foral Law 11/2013, of December 5, on Corporate Tax, establishes the applicable regime for productions with Bizkaian nationality or for foreign productions filmed in this territory.

Thus, Bizkaia has a highly favorable regime, where the deduction percentage is determined based on the actual percentage of expenses incurred in the Historic Territory of Bizkaia.

The deduction ranges up to a maximum of 60% when expenses incurred in Bizkaia exceed 50% of total expenses. A residual 35% deduction applies in cases where the percentage of expenses is below 20% (although this scenario is rare in practice).

It is important to note that this territorialization of expenses applies exclusively to Bizkaia, which is a key difference from Araba and Gipuzkoa. In contrast, Araba and Gipuzkoa have a broader concept of expense territorialization, applicable to the entire Basque Historic Territory.

In certain cases, an additional 10% deduction can be added if the production is entirely filmed in Basque (Euskera).

However, it is not just the percentage that stands out but also the maximum deduction amount.

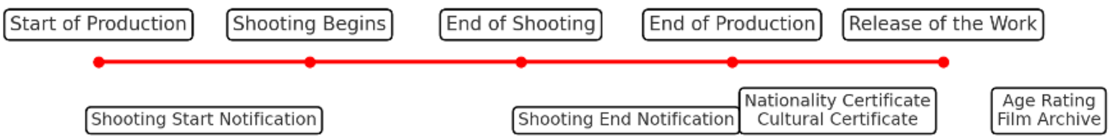
- In the Historic Territory of Bizkaia, there is no maximum deduction limit.
- Deductions can be generated without considering any cap other than the aid intensity coefficient, which is 50% (or 60%, with direct non-application in certain cases).
- This is a key difference from Araba and Gipuzkoa, where a maximum limit does exist.

Another advantage is that there is no restriction on expenses for obtaining copies and on publicity and promotion costs covered by the producer, which, as previously mentioned, are limited to 40% in the common territory.

3. FREQUENTLY ASKED QUESTIONS

3.1. SECTORIAL REQUIREMENTS FOR THE GENERATION AND APPLICATION OF TAX INCENTIVES

As detailed throughout this document, in addition to the specific tax requirements, the applicable regulations, particularly the Film Law and its implementing Regulation (Royal Decree 1084/2015), require a series of certificates depending on the stage of the production. The timeline for a national production follows this structure:



Nationality Certificate

A nationality certificate is issued by the ICAA or a competent authority, certifying the Spanish nationality of the production.

Generally, films produced by Spanish companies established in an EU member state or those created as international co-productions can obtain Spanish nationality. Productions in which at least 75% of the creative and technical team are Spanish nationals, EU, or EEA citizens may also be considered Spanish.

Cultural Certificate

The cultural certificate, issued by the ICAA or an official regional entity, certifies the production's connection to Spanish culture or its contribution to cultural diversity in Spain.

Key requirements for obtaining this certificate include:

- The production has an original version in an official Spanish language.
- The content is set or primarily developed in Spain.
- The script is adapted from a Spanish literary work.

- The content is based on historical characters
  or is intended for children, promoting educational values.

Age Rating

The Age Rating, also issued by the ICAA, is required for the commercialization, distribution, and advertising of the production, both in cinemas and on other platforms.

International Co-Productions

These involve collaborations between two or more countries with international agreements. Such productions are carried out in co-production with foreign production companies.

Co-productions follow various international agreements depending on the country, including the European Convention on Cinematographic Co-Production and the Latin American Cinematographic Co-Production Agreement.

Deposit of the Audiovisual Work

Another essential requirement for generating tax deductions is depositing a new, pristine copy of the production in the National Film Archive or the respective film archive of the Autonomous Communities.

3.2. TYPES OF PRODUCTIONS ELIGIBLE FOR TAX DEDUCTIONS

The productions eligible for these deductions include Spanish feature films, short films, and audiovisual series in fiction, animation, or documentary genres, provided they involve the creation of a physical format before industrial-scale production.

For foreign productions or co-productions, only feature films and visual works qualify.

However, the DGT (Spanish Tax Administration) has refined this classification in various binding rulings, such as V2673-22 (December 29, 2022) and V2351-23 (August 30, 2023). These rulings exclude foreign productions that do not fit the definition of a visual work under Article 4.b) of the Film Law. This exclusion applies to episodic game show TV programs, among others.

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3.3. TIMING OF TAX DEDUCTION APPLICATION

Deductions can generally be applied in the tax period when the production is considered complete, through its inclusion in the Corporate Income Tax return.

If a project is delayed across two tax periods, the deduction can be applied in the second fiscal year when it is officially completed.

An exception exists for animation productions, where deductions may be applied in partial installments, based on certified stages of completion.

Additionally, territory-specific rules apply:

- Navarra: If a production lasts more than 12 months or spans multiple tax periods, deductions can be applied progressively as expenses are incurred.
- Basque Country: Deductions are generally applied after production completion. However, they are generated as expenses are incurred, similar to a cash basis approach[13].

[13]A global estimate of the distribution of investments/expenses will be made in the first tax period, and it will be adjusted to the final percentage in the last tax period.

3.4. ELIGIBLE EXPENSES FOR THE DEDUCTION BASE.

As we have already mentioned, the deduction base for national productions consists of all direct and indirect costs incurred by the production company for the cinematographic or audiovisual production, regardless of whether it is carried out directly by the company or contracted to third parties.

Consequently, the essential requirement is that the expenses must have a direct connection to the production to be considered eligible for the deduction base.

Taking this into account, administrative doctrine has established a set of expense concepts that may be included in the deduction base, all of which are directly related to the definitions provided in the Film Law.

In particular[14], the most substantial eligible expenses include those related to creative personnel and technical industries involved in the production (such as directors, screenwriters, cinematographers, composers, actors, editors, art directors, sound engineers, costume designers, makeup artists, etc.), production team, set design, wardrobe and characterization, special effects team, secondary technical and artistic team, additional personnel expenses, lodging and meals for these individuals, transportation or relocation costs, rental and/or purchase of furniture and equipment directly related to production, rental of studios and filming locations, animal rental, civil liability insurance expenses directly linked to film production, expenses for pilot projects when they constitute an independent production different from the one used to present the audiovisual series to television networks (or a film, as applicable), as well as other miscellaneous costs such as filming permits and fees.

Although the range of eligible expenses is considerably broad, some costs cannot be considered directly related to the production and, therefore, are not eligible. These include administrative costs of any nature, recoverable taxes (such as Value Added Tax - VAT), tax depreciation of assets directly associated with the executive production of a series when related to foreign investments (even if they are later assigned to a production made in Spain), labor, legal, and accounting consultancy expenses, and, in general, all costs not directly linked to technical and/or creative work or directly associated with the production of the work itself.

[14]Among others, in binding consultations such as V0089-24, dated February 15, 2024.

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Finally, it is worth noting that administrative doctrine
has also addressed the deduction base for foreign productions, following a similar approach to that of national productions but with its own specific limitations applicable to such productions.

3.5. EXPENSE TERRITORIALIZATION

The location of expenses becomes essential to comply with the provisions of both common, regional, and Canary Islands regulations.

Thus, for the purpose of fulfilling the requirement of expense[15], territorialization, expenses shall be deemed to have been incurred in Spanish territory when the services generating those expenses are effectively provided in Spain. In the case of goods deliveries, when they take place within that territory.

All this applies regardless of the nationality of the service provider or supplier of goods. Therefore, to the extent that a service is partially provided in Spanish territory, the portion corresponding to the service performed in Spain will be considered as provided in Spain.

The aforementioned territorialization requirement must be examined considering all expenses that make up the deduction base. That is, when the applicable legislation requires a minimum amount of spending localized in Spain, it must be compared in relation to the total production, particularly in the case of foreign productions.

Thus, what determines the location of the expense is where the service is consumed, provided, or the good in question is acquired.

For example, expenses related to the hiring of foreign production staff for an animated film may be localized in Spain (in any of its territories), as long as these services are effectively provided in Spanish territory, for example, in a studio located in Spain. Similarly, expenses derived from the acquisition of cameras from foreign suppliers will be considered localized in Spain when they are delivered in Spanish territory or, in the case of equipment rental, if it is used within the domestic territory.

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[15]This criterion is based on the various rulings of the General Directorate of Taxes; however, compliance with the provisions of the applicable legislation in each local territory with special regimes (foral territories) is required. In the case of foral territories, adherence to the provisions of the Basque Economic Agreement is necessary, following a similar criterion. This approach has also been consistently upheld by the Foral Treasury of Navarra in various binding responses on the matter.

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3.6. ALTERNATIVE TO TAX DEDUCTIONS: AIEs AND FINANCING CONTRACTS

An alternative available to producers and co-producers in their search for financing is the assignment of the deductions generated to taxpayers who finance their works.

This type of financing can be carried out through a financing contract, applicable in both common regulations and in the territories of Navarra, the Basque Country, and the Canary Islands, or through the fiscal transparency regime of AIEs (Economic Interest Groupings).

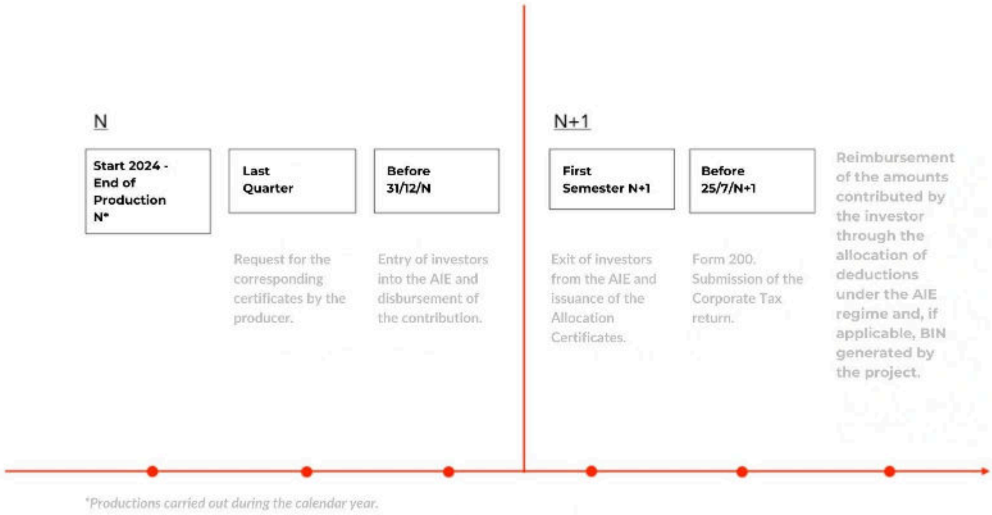
A. The AIE

On one hand, an AIE (Economic Interest Grouping) can be established by the producer to centralize the entire project, allowing investors to join as partners by contributing capital. In this case, the AIE itself will transfer negative taxable bases and the deduction bases generated to the partners in proportion to their participation percentage.

Thus, the AIE channels the project and, as a result, is considered the "producer" based on Article 120.2 of Royal Legislative Decree 1/1996, dated April 12, which approves the consolidated text of the Intellectual Property Law.

For the purposes of generating tax deductions, the AIE obtains funding from investors, while these investors receive the tax credits transferred by the AIE.

However, this AIE regime will vary depending on the territory where both the AIE and the investors reside. Ultimately, the profitability generated by the AIE will depend on the applicable regime in each territory.



B. The Financing Contract

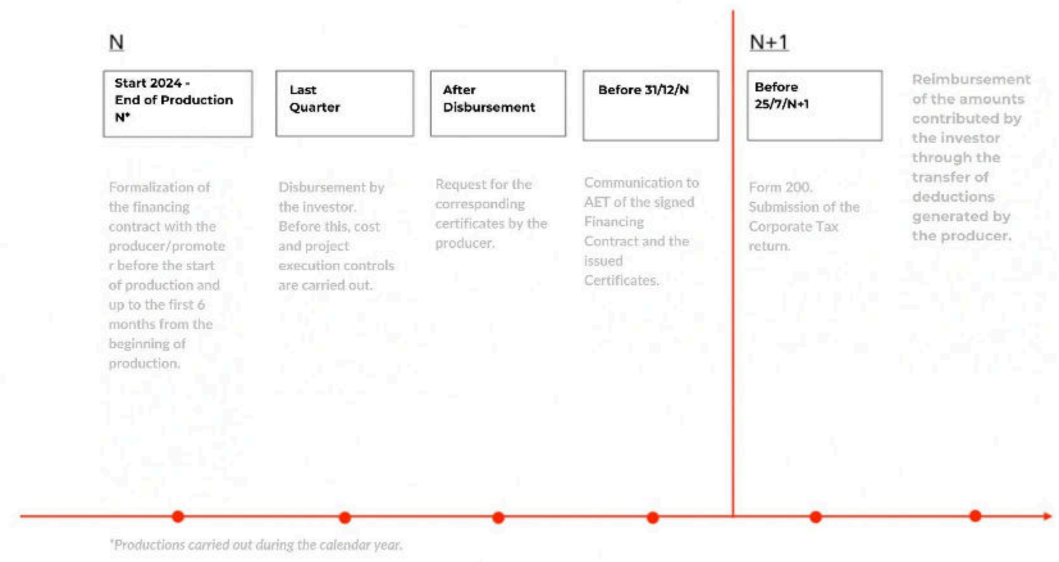
On the other hand, a producer who signs a financing contract will receive direct financing from investors.

In exchange for this financing, the producer will transfer the tax deduction to the investor.

The applicable tax deduction will be the result of multiplying by 1.20 the amount contributed by investors to finance all or part of the production costs, as well as expenses for obtaining copies, publicity, and promotion covered by the producer, up to the limit of 30% of production costs.

Unlike the AIE, the financier does not acquire intellectual property rights or any other type of ownership over the results of the production. The ownership must, in all cases, belong to the financed producer.

Funding for production costs may be provided at any stage of production, either before or after the producer incurs the mentioned production costs, and up to the issuance of nationality and cultural certificates, depending on the territory in which the contract is formalized.



As with AIE monetization, the legal regime of the financing contract will depend on the territory in which it is formalized.

Below are the expected returns for investors participating in the monetization of deductions generated by producers:

Method	Spain	Canary islands	Navarra	Araba	Bizkaia	Gipuzkoa
AIE	No maximum limit.	No maximum limit.	Monetization via AIE is excluded.	Max. 20% return.	Max. 20% return.	Max. 20% return.
Financing Contract	Max. 20% return.	Max. 20% return.	Max. 20% return.	Max. 20% return.	Max. 20% return.	Max. 20% return.

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4. EXAMPLE: QUANTIFICATION OF DEDUCTION AND MONETIZATION THROUGH A FINANCING CONTRACT

Deductions generated by a production with Spanish nationality, produced in the common territory, and with a general aid intensity coefficient of 50%.

Concept	Amount (€)
Total production cost.	5.000.000 €
+ Cost of copies, publicity, and promotion covered by the producer.	200.000 €
- Subsidies (reduce the deduction base).	1.800.000 €
= Deduction base.	3.400.000 €
Deduction generated by the production (first million at 30%, remainder at 25%).	900.0000 €
<u>Control of Aid Intensity Percentage</u>	Amount (€)
Direct aid: subsidies.	1.800.000 €
Indirect aid: tax deduction.	900.000 €
Total received support (subsidy + incentive).	2.700.000 €
50% of total production cost (general percentage).	2.500.000 €
Application of intensity percentage limit.	2.500.000 €

Deduction generated after applying the intensity percentage (deduction amount - difference between total support and aid intensity limit)	700.000 €
Assignment of Deduction to the Financier	Amount (€)
Financier's contribution through a financing contract.	583.333,34 €
Deduction assigned to the financier.	700.000 €

5. ESSENTIAL ASPECTS OF NATIONAL PRODUCTIONS

Region	Deduction	Deduction Base	Requirements	Amount
Common Territory	30% for the first million, 25% for the excess.	Total production cost + acquisition of copies + publicity and promotion (up to 40%).	ICAA and Filmoteca Española certificates, more than 50% of expenses in Spain, subsidies reduce the deduction base.	€20 million, €10 million per episode.
Navarra	35% of the deduction base, 40% if filmed in Basque.	Production costs + adaptation + copies + special audit report.	ICAA and Filmoteca Navarra certificates, more than 40% of expenses in Navarra, and submission of an explanatory report.	€5 million.
Araba	50%-60% of the deduction base; additional 10% if filmed in Basque.	Total production cost + acquisition of copies + publicity and promotion.	ICAA and Filmoteca Vasca certificates.	€10 million, €3 million per episode.
Bizkaia	35%-60% of the deduction base; additional 10% if filmed in Basque.	Total production cost + acquisition of copies + publicity and promotion.	ICAA and Filmoteca Vasca (or relevant institution) certificates.	No limit on deduction generation.
Gipuzkoa	50%-60% of the deduction base; additional 10% if filmed in Basque.	Total production cost + acquisition of copies + publicity and promotion.	ICAA and Filmoteca Vasca certificates.	€10 million, €3 million per episode.
Canary Islands	Up to 54% for the first million, 45% for the excess.	Total production cost + acquisition of copies + publicity and promotion (up to 40%).	ICAA and Canary Islands Audiovisual Production Certificates, hiring of crew with fiscal residency in the Canary Islands, and minimum shooting days in Canary territory.	€36 million, €18 million per episode.

6. ESSENTIAL ASPECTS OF FOREIGN PRODUCTIONS

Region	Deduction	Deduction Base	Requirements	Amount
Common Territory	30% for the first million, 25% for the excess.	Expenses on creative personnel residing in Spain or an EEA member state and expenses related to the use of technical industries and other providers.	Producer registered with ICAA and ICAA certificate. Productions must have a minimum cost of €2 million, with at least €1 million spent in Spain (€200,000 for animations).	€20 million, €10 million per episode.
Navarra	35% of the deduction base; 40% for productions in Basque (practically difficult to apply).	Expenses on creative personnel residing in Spain or an EEA member state (limit of €50,000) and expenses related to the use of technical industries and other providers.	Producer registered with ICAA + ICAA Certificate, and a minimum of one week of filming in Navarra.	€5 million.
Araba	50%-60% of the deduction base; additional 10% for productions in Basque (practically difficult to apply).	Expenses incurred in the territory of Araba by the national producer.	Producer registered with ICAA + ICAA Certificate.	€10 million, €3 million per episode.
Bizkaia	35%-60% of the deduction base; additional 10% for productions in Basque (practically difficult to apply).	Production costs assumed by the Spanish executive producer.	Producer registered with ICAA + ICAA Certificate.	No limit on deduction generation.
Gipuzkoa	50%-60% of the deduction base; additional 10% for productions in Basque (practically difficult to apply).	Expenses incurred in the territory of Gipuzkoa by the national producer.	Producer registered with ICAA + ICAA Certificate.	€10 million, €3 million per episode.
Canary Islands	Up to 54% for the first million, 45% for the excess.	Expenses on creative personnel residing in Spain or an EEA member state and expenses related to the use of technical industries and other providers.	Producer registered with ICAA and ICAA certificate. Productions must have a minimum cost of €2 million, with at least €1 million spent in Spain (€200,000 for animations).	€36 million, €18 million per episode.

- As previously mentioned, the amount of subsidies obtained reduces the deduction base, and there are also specific intensity percentages regarding the acquisition of these subsidies.

7. CRITERIA FOR EXPENDITURE TERRITORIALIZATION FOR DEDUCTION GENERATION

Common Territory	Navarra	Araba	Bizkaia	Gipuzkoa	Canary Islands
At least 50% of the expenses must be incurred in the common territory.	At least 40% of the expenses must be incurred in Navarra.	A deduction will be generated based on the percentage of expenses incurred in the Basque Country, ranging from a minimum of 35% up to 50% or more.	A deduction will be generated based on the percentage of expenses incurred in Bizkaia, ranging from 20% to 50% or more.	A deduction will be generated based on the percentage of expenses incurred in the Basque Country, ranging from a minimum of 35% up to 50% or more..	There is no specific territorialization requirement. However, obtaining the Certificado de Obra Canaria is required, which entails conditions regarding the nationality of technical and artistic teams, shooting duration, etc.

CONTACT

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Legal Notice

This document should be considered only as a general guide. Each case must be analyzed by specialized advisors who can help determine whether the expenses qualify, considering the particularities and specificities of different local regimes (foral territories) and the applicable limits for foreign productions. The information contained in this document does not constitute legal advice and does not replace consultation with qualified legal professionals who can provide specific advice based on the particular circumstances of your case.

Revisions

This document will be reviewed and updated periodically. Ensure you have the latest version.

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For further inquiries, please contact: coordinacion@spainfilmcommission.org

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