

TAX REBATE FOR SCREEN PRODUCTIONS : HUNGARY

- Films (for cinema and television) produced in Hungary are eligible for a **30% rebate** based on their expenditure (all the direct film production costs) emerged in the country.
- The incentive is available through local business companies who receive tax relief after their support of films or through the Collection Account operated by the Hungarian National Film Institute.
- The incentive is guaranteed by the Hungarian state through the Collection Account. The financial support is provided in the form of a cash refund (post-financing). The incentive is up to 30% of the eligible production expense (Hungarian or non-Hungarian). The non-Hungarian eligible spend is capped at 25% of the Hungarian eligible spend. See the detailed presentation below!

	Hungarian Spend	Non-Hungarian Spend	Basis of the taxrebate (max 125% of the Hungarian Spend)	Tax rebate (30%)
Example 1	1 000	0	1 000	300
Example 2	800	200	1 000	300
Example 3	600	400	750	225
Example 4	200	800	250	75

WHAT PRODUCTIONS CAN BENEFIT?

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

CULTURAL TEST

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

REGISTRATION OF COMPANY PRODUCTION

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

WHO PROVIDES THE FINANCIAL SUPPORT?

- Corporate-tax-paying domestic companies that may reduce their tax payable and tax base by the financial support they provide (double write-off) - a maximum of 7,5% incentive available.
- The financial support is provided in the form of a cash refund (post-financing).
- Film producing companies can request the support from the custody account of the Hungarian National Film Institute (it may charge a maximum administration fee equal to 2.5% of the subsidy granted).

ELIGIBLE EXPENSES

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

EXCLUDED OR LIMITED COSTS

- Part of copyright costs over 4% of the budget.
- Travel costs are limited to trips from and to Hungary, stopover possible.
- P&A is limited up to 2% of the budget (but max 10m HUF).

- Cost of services delivered by non-Hungarian sub-contractors limited up to 30% of eligible Hungarian spend.
 - Producers' fee maximum up to 4%.
 - Expenses, where date of the certificate of completion falls out of the production period or it is issued later than 3 months from the end date, are excluded.
 - Any expenses settled by compensation (products or services) have to be excluded.
 - Any costs related to a film produced about an event, are limited to the expenses incurred regarding the production, and not the event. If costs cannot be separated, all expenses should be excluded.
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HOW MUCH IS THE INCENTIVE?

- Up to 30% of the eligible production expense (Hungarian or non-Hungarian).
 - The non-Hungarian eligible spend is capped at 25% of the Hungarian eligible spend.
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OTHER ADVANTAGES

- Experienced crews
 - Languages spoken
 - Well equipped new studios – sound stages
 - Variety of filming locations
 - Post-production facilities and expertise
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IS PRE-FINANCING POSSIBLE?

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