



## NATIONAL OFFICE OF CULTURAL HERITAGE NATIONAL FILM OFFICE

### **I. What does the Hungarian National Film Office do?**

The National Film Office (NFO) is a central budgetary agency supervised by the Ministry of Education and Culture. NFO operates according to the general rules of public administration and the Motion Picture Act. The NFO is an institution fulfilling the state's administrative and controlling functions in relation to films. Among many other tasks, the NFO is the organization that issues the tax certificates proving eligibility for tax benefits.

### **II. What does the tax relief system offer to the film producers?**

Foreign film producers can reduce the production costs of their films  
Hungarian producers and co-producers can have access to additional resources

### **III. What types of productions can receive the film rebate?**

Films made on order – service jobs: productions produced by foreign film producers with the involvement of an assigned Hungarian film production company

Co-productions or Hungarian films: productions produced by a Hungarian producer or co-producer.

### **IV. What kinds of films can receive the subsidy?**

All films made in Hungary, produced or serviced by a registered Hungarian film production company are eligible for the tax relief. All films shooting in Hungary have to pass a cultural test, which tests for European cultural and industrial criteria. Films excluded by law: extremely violent or porno movies, reality shows, soap operas, advertisements.

### **V. What film production costs qualify as eligible costs?**

All payments contained in the budget that were paid to a Hungarian taxpayer.

Direct production expenses paid by the qualified Hungarian production (pre-production, production, post production)

Wages, above- and below-the-line, when paid by the qualified Hungarian production

All kinds of financing costs, and administration, insurance, completion bond, accommodation, etc. costs

Items excluded by the law:

Indirect costs (advertising, promotion),

Costs incurred after the master print (distribution)

Royalties are limited to 4% of the Hungarian budget of the film

The sum of the producers' fees are limited to 4% of the Hungarian budget of the film

**In the beginning of 2008, the total qualifying expenses were extended to include some expenses incurred outside of Hungary, as long as they are paid by the Hungarian production company. Now *non-Hungarian expenses* – up to ¼ of the total *Hungarian expenses* – also qualify for a 20% rebate.**

The qualifying *non-Hungarian expenses* can be incurred in any country. The non-Hungarian expenses are subject to the same qualifying rules as the Hungarian expenses.

### Example Rebate Calculations

	Before 31. 12. 2007.	From 1. 08. 2008		
Total Budget	\$ 90 million	\$ 90 million	\$ 20 million	\$ 110 million
Hungarian expenses	\$ 40 million	\$ 40 million	\$ 10 million	\$ 100 million
20%	\$ 8 million	\$ 8 million	\$ 2 million	\$ 20 million
Non Hungarian expenses	\$ 50 million	\$ 50 million	\$ 10 million	\$ 10 million
Qualifying foreign spend	-	\$ 10 million	\$ 2.5 million	\$ 10 million
20%	-	\$ 2 million	\$ 0.5 million	\$ 2 million
<b>Total Cash Back</b>	<b>\$ 8 million</b>	<b>\$ 10 million</b>	<b>\$ 2.5 million</b>	<b>\$ 22 million</b>

## VI. Procedure description

### 1. Registration/Qualification procedure

Registration of the *Hungarian film production company* with the NFO - This only has to be done for new companies. The NFO checks if the company has any outstanding debts towards the government. (The process usually takes 60 days. If the owners and management of the new company are the same as those of a company already registered with Film Office, the new company is automatically registered.)

Qualification of the *film* – The following must be submitted to the Film Office: production schedule, company documents, the production service agreement, the cultural test, and a statement declaring how often the production wishes to receive the rebate. The official resolution provisionally calculates the direct film production costs in Hungary, which form the basis of the 20% tax relief.

### 2. Financial auditing

After the completion of production in Hungary and the settlement of all bills and production costs the film production company can apply for the tax certificate.

Upon request the NFO reviews the accounting submitted by the Hungarian film production company – (by Hungarian law this process cannot take longer than 30 days, unless uncertainty exists in the eyes of the financial controller). Monthly, quarterly or yearly controlling is possible.

### 3. Issuance of the tax certificate and the payment of support:

After the controlling phase the NFO calculates and certifies the direct film production costs in Hungary and issues a tax certificate with eligibility for tax benefits up to a maximum of 20% of the direct production costs.

Usually taxpaying companies pay the amount of support after the receipt of the tax certificate. However, the system does not prohibit sponsors from providing support in advance, at their own risk.