

## NOTE ON THE APPROVAL OF MEASURES TO SUPPORT THE AUDIOVISUAL SECTOR IN RESPONSE TO COVID-19

Last Wednesday May 6, Royal Decree-Law 17/2020 of 5 May, approving measures of support for the cultural sector and in regard to taxation in response to the economic and social impact of COVID-19, was published in the Official State Gazette (BOE). In its third and final provision this Royal Decree-Law sets forth the increase in tax incentives for international filming.

The rate of deduction for production companies (entered in the ICAA's Administrative Register of Cinematographic Companies) responsible for executing a foreign production has been raised to 30% for the first million euros and 25% for the remaining costs incurred in Spain. The maximum amount of this deduction is also increased from three to ten million euros for each production. This will mean that a significant proportion of a film or several episodes of a foreign series can be filmed in Spain.

Additionally, the one million euro limit is reduced to 200,000 for preproduction and postproduction costs for the case of animation and visual effects created in Spanish territory.

With regard to the Canary Islands, the incentives are further increased to as much as 50%, making it now the most favorable region in the world for shooting movies in terms of tax incentives (see table).

With this reform, Spain positions itself as a highly competitive and profitable location for the international industry.

<b>Table of deductions from tax incentives before and after Covid-19</b>		
<b>Previous situation in Spanish territory</b>	<b>Situation in Spanish territory with Royal Decree Covid-19</b>	<b>Situation in the Canary Islands with Royal Decree Covid-19</b>
<b>36.2 International productions</b> ➤ 20% Deduction of eligible costs.	<b>36.2 International productions</b> ➤ 30% Deduction on the first million euros in eligible costs. ➤ 25% Deduction on all other eligible costs.	<b>36.2 International productions</b> ➤ 50% Deduction on the first million euros in eligible costs. ➤ 45% Deduction on all other eligible costs.
Minimum cost in Spain: 1M euros	Minimum cost in Spain: 1M euros  200,000 euros for preproduction and postproduction costs in the case of animation and visual effects.	Minimum cost in the Canary Islands: 1M euros for real image.  200,000 euros for postproduction services or animation of a foreign production.
Maximum deduction 3 million euros	Maximum deduction 10 million euros	Maximum deduction 18 million euros (*)  (*) Pending publication through subsequent legislative modifications.