

# [LT] Corporate Income Tax Incentives for Investments in Film Production

**IRIS 2013-7:1/18**

*Laurynas Ramuckis  
Sorainen*

On 13 June 2013, the Seimas, the Parliament of the Republic of Lithuania, approved the amendment to the Law on Corporate Income Tax. The amendment intends to create incentives for investment in Lithuanian film production and will come into force once it is signed by the President of the Republic of Lithuania, which is expected to happen within the next four weeks.

The amendment envisages that the expenses of the Lithuanian film industry are deductible for Lithuanian corporate income tax purposes up to a level of 75 % of the amount. Hence, the amendment introduces the possibility of reducing the taxable income with expenses incurred due to an investment in film production if the following cumulative conditions are met:

1. At least 80 % of the expenditure of the budget of the film is incurred in Lithuania,
2. the overall budget incurred in Lithuania amounts to at least LTL 150,000, and
3. no more than 20% of the budget of the film are financed by funds of Lithuanian entities or entities with a permanent establishment in Lithuania.

However, the expenses occurred by the Lithuanian film industry cannot be deducted for Lithuanian corporate income tax purposes if they are used by the film company for one of the following purposes within the film production:

1. consultation related to an application for film subsidy;
2. preparation of the application for film subsidy;
3. payment of fines, penalties, litigation;
4. mere capital acquisition purposes, like the accumulation of fixed assets or acquisition of premises, as long as such are not necessary for or directly linked with the production of the film;
5. film production-related travel expenses if the Republic of Lithuania is neither the entry or exit country;

6. expenses arising from preparatory work on the film;
7. advertising of the film and marketing activities;
8. film distribution, and
9. extra-high remunerations for performers that are in excess of 4 % of the overall budget of the film.

The amendment applies to expenses that are provided to the Lithuanian film industry as from the year 2014.

***Pelno Mokesčio Įstatymo 2 Straipsnio, IX1 Skyriaus Pavadinimo Pakeitimo Ir Papildymo Ir Įstatymo Papildymo 172, 462 Straipsniais Įstatymas***

[http://www3.lrs.lt/pls/inter2/dokpaieska.showdoc\\_l?p\\_id=448027](http://www3.lrs.lt/pls/inter2/dokpaieska.showdoc_l?p_id=448027)

*Amendment to the Law on Corporate Income Tax, 13 June 2013*

[http://www3.lrs.lt/pls/inter2/dokpaieska.showdoc\\_l?p\\_id=448027](http://www3.lrs.lt/pls/inter2/dokpaieska.showdoc_l?p_id=448027)

