[FR] Increased cinema and audiovisual tax credits

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The European Commission has just authorised the measure adopted by the French Parliament at the end of 2013 and notified to the Commission on 1 April 2014 for adopting certain changes in the scheme of cinema and audiovisual tax credits. In addition to extending the tax credits until 31 December 2017, the Commission has authorised the increase in the rate of the credit from 20 to 30% for films with a budget of less than 4 million euros. The new rate does not affect the audiovisual tax credit. Otherwise, the accumulation of aid for cinematographic works remains unchanged, at 50% of the total cost of production. The measure is to be applicable retroactively to all tax credits calculated for tax years starting from 1 January 2014.

In addition, by voting to adopt the supplementary budget for 2014, the French Parliament has strengthened the arrangements for national and international cinema and audiovisual tax credits (crédit d'impôt cinéma et audiovisuel national - CICA; crédit d'impôt cinema et audiovisuel international - CII) (Articles 220 *sexies* and 220 *quaterdecies* of the general tax code (Code Général des Impôts - CGI).

For the French cinema, the rates have been increased to 30% for films with a budget of up to 7 million euros. The rate of the tax credit for expenditure on production in the animation sector has also been increased, from 20 to 25%, and the ceiling has been raised from 1 300 to 3 000 euros per minute. It should be recalled that under Article 220 *sexies* of the CGI the works that may benefit from the tax credit (either fiction, documentaries or animation) must be produced entirely or mainly in the French language, be accepted for receipt of financial support for cinematographic production, be produced mainly in France, and contribute to both the development and diversity of French and European cinematographic and audiovisual creation (see IRIS 2005-5/12). The increase is aimed at relocating durably not only the stages of conception, pre-production and production, but also filming on sets and the post-production of films and animated film series.

The rate of the international cinema and audiovisual tax credit (CII) has been raised from 20 to 30%, and the ceiling has been raised from 20 to 30 million euros. The aim of this is to make the arrangement more competitive compared with aggressive mechanisms elsewhere, and thereby to relocate and attract to

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France those productions which, purely for tax reasons, would have been produced elsewhere. “Since the creation of the CII, the industry has seen a burst of activity, particularly in the technical industries, generating 130 000 additional days of work per year. One euro of international tax credit means seven euros spent in France,” recalled Minister for Culture Fleur Pellerin.

These new changes will apply to tax credits calculated for tax years starting from 1 January 2016. They will come into force on a date determined by decree once the French Government has received a reply from the European Commission to the effect that the scheme has been notified to it as being in compliance with European Union law on State aid.

Loi n° 2014-1655 du 29 décembre 2014 de finances rectificative pour 2014

http://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000029990432&categorieLien=id

Act No. 2014-1655 of 29 December 2014 on the supplementary budget for 2014

Aide d'Etat n° SA. 38539 (2014/N) – France, Crédit d’impôt cinéma et audiovisuel – modifications, Bruxelles, 19 novembre 2014 C(2014) 8798 final

http://ec.europa.eu/competition/state_aid/cases/252284/252284_1615827_79_2.pdf

State Aid No. SA. 38539 (2014/N) – France, Cinema and audiovisual tax credit scheme – amendments, Brussels, 19 November 2014 C(2014) 8798 final

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