[FR] New tax credit for expenditure on delegated production of cinematographic and audiovisual works

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With the appearance of Decree No. 2016-1191 of 31 August 2016, new arrangements regarding tax credit for expenditure on the delegated production of cinematographic and audiovisual works have come into force. Article 111 of the 2016 Finance Act amended Article 220 sexies of the General Tax Code, which governs these arrangements, under which cinematographic or audiovisual production companies subject to company tax which take on the function of delegated production companies are able to benefit from a tax credit. This tax credit relates to certain items of production expenditure, listed in the legislation, corresponding to operations carried out with a view to producing full-length cinematographic works or audiovisual works (fiction, documentaries, or animated works).

Firstly, the 2016 Finance Act indicates that certain films are able to benefit from the tax credit even if they do not meet the requirement of the film being made principally in the French language. This refers to animated films, fiction films with substantial visual effects, and works produced in a language other than French for screenplay-related reasons. Secondly, the rate of the tax credit is increased to 30 per cent for films produced in French and for animated films, which are assimilated works with substantial visual effects. The upper limit of tax credit for a cinematographic work has been increased to EUR 30 million. Lastly, for audiovisual fiction works, the rate of the tax credit has been increased to 25 per cent and the ceiling determined according to the cost of production, subject to a maximum of EUR 10,000 per minute produced and delivered.

Article 111 (III) of the 2016 Finance Act provides that these measures should enter into force on a date to be determined by a decree which was to be passed within six months of the European Commission’s decision on the arrangements; the Commission authorised all the changes in its decision on 21 March 2016. The Decree as presented lays down the date on which the arrangements are to enter into force as being the day after its own publication, i.e. 3 September 2016. The new arrangements will therefore apply to tax credits calculated for financial years commencing on or after 1 January 2016.

Lastly, with regard to the new category of cinematographic works introduced by Article 111 of the new Act, namely cinematographic fiction works with substantial visual effects, the Decree provides the possibility of waiving the requirement that

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most of the image treatment work must be carried out in France, to take account of the specific artistic features of certain projects.

Décret n° 2016-1191 du 31 août 2016 fixant l'entrée en vigueur des dispositions relatives au crédit d'impôt pour dépenses de production déléguée d'œuvres cinématographiques ou audiovisuelles prévues à l'article 111 de la loi n° 2015-1785 du 29 décembre 2015 de finances pour 2016 et modifiant la partie réglementaire du code du cinéma et de l'image animée

https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000033084715&dateTexte=20161012

Decree No. 2016-1191 of 31 August 2016 determining the entry into force of the arrangements for tax credit in respect of delegated production expenditure on cinematographic audiovisual works provided for in Article 111 of Act No. 2015-1785 of 29 December 2015 (2016 Finance Act) and amending the regulatory part of the Cinema and Animated Image Code

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