

REGULATION No. 1011/2007

on Temporary Reimbursements in Respect of Film Making in Iceland

Article 1

General

Up to 20% of the production costs incurred in the production of films and television programmes in Iceland, or, as appropriate, in other EEA member states, may be reimbursed by the State Treasury (cf. Article 5 of this Regulation and Articles 2 and 5 of the Act on Temporary Reimbursements in Respect of Film Making in Iceland, No. 43/1999, with subsequent amendments).

Article 2

Conditions for reimbursement

In assessing whether a proportion of the production costs of a motion picture or television programme should be reimbursed, the following conditions shall be fulfilled:

- a. the production shall be suited for promoting Icelandic culture and the history and nature of Iceland;
- b. the production shall be suited for enhancing the experience, knowledge, and artistic ambition of the parties involved;
- c. a specific company shall be established in Iceland for the production; an Icelandic branch or agency of a company registered in another Member State of the European Economic Area shall be considered a specific company;
- d. information on the principal parties involved in the film or television programme shall be submitted;
- e. information on domestic parties and their share in the production of the film or television programme shall be submitted;
- f. an itemised estimate of the production costs and sources of funding shall be submitted, together with confirmation by the funding parties and a declaration by the producer to the effect that the production complies with the objectives of Act No. 43/1999;
- g. information on the content of the proposed film or television programme shall be submitted, including a manuscript, synopsis and information about filming locations;
- h. a production plan shall be available (i.e. filming, post-production and marketing plan), providing for completion of the production within three years of receipt of the application for reimbursement;
- i. a statement shall be submitted to the effect that the material to be produced is intended for general distribution to cinemas or television stations;

- j. the content of the film or television programme shall not violate the provisions of the Penal Code on pornography.

In the event of a change in estimated production costs (cf. paragraph 1, item f) after production begins, a new cost estimate shall be submitted to the Ministry of Industry.

Notwithstanding the provisions of paragraph 1, item c, an applicant for reimbursement may postpone the formal establishment of a specific company for the production of a film in Iceland, or the registration of a specific branch or agency, as appropriate, until the conditional promise of the Minister pursuant to paragraph 2 of Article 4 has been obtained. The applicant shall then have three months to finalise the formal establishment of a company or the registration of a branch or agency from the date of the approval. Failure on the part of the applicant to complete these formal requirements by the end of this period shall be interpreted as a withdrawal of the application.

Material relating to advertisements and news, short films, recordings of sports events and festivals, as well as the production of material that is primarily intended for showing in own distribution systems, shall not be regarded as material pursuant to item (i) of Paragraph 1.

Article 3

Application

Applications for reimbursement shall be submitted to the Ministry of Industry before production in Iceland commences. Applications shall conform to instructions posted by the Ministry on its website as regards form and include documents demonstrating that the reimbursement conditions of Article 2 of this Regulation are met.

Article 4

Processing of applications

A committee appointed in accordance with Article 3 of Act No. 43/1999 shall review submitted applications. In processing applications, the committee shall be guided by whether the film or television programme promotes Icelandic culture, and, as applicable, is relevant to Icelandic history and nature. The committee may request further information as it may consider necessary.

If the committee considers that an application qualifies for reimbursement, it shall submit to the Minister of Industry a recommendation that a conditional promise should be given for reimbursement. Such conditional promise issued by the Minister shall contain a reference to the authorisation under Article 8 for a deferral of reimbursements.

In processing applications, the committee may call for an expert opinion regarding the purported artistic value of the production in question.

Article 5

Production costs.

Production costs are defined as all costs incurred in Iceland that are deductible from the revenues of enterprises pursuant to the provisions of the Act on Income Tax or, as applicable, costs incurred in other EEA member states, cf. paragraph 2 of Article 2 of the Act No. 43/1999.

In order to qualify as reimbursable production cost, the portion of the production costs that is incurred in another EEA member state shall be recorded in accordance with the accountancy legislation of the state in which it is incurred, and that portion of the production cost shall be specifically confirmed by a certified public accountant of that same state.

Article 6

Decision on payment of reimbursement

When the production of a film or television programme is completed, the applicant shall send the Ministry of Industry confirmation in writing with a request for reimbursement.

The request shall be accompanied by the following documents:

- a. The annual financial report or interim report of the production company dated after the completion of the production;
- b. An itemised summary of production costs, where the final production cost is compared to the production budget and, as applicable, adjusted budget, which was submitted to the Ministry of Industry at the time of application for the reimbursement of production cost. If any part of the production cost does not comply with the conditions of paragraph 3 of Article 2 of Act No. 43/1999 on the taxation of wages and contractor payments, any deduction in respect of such cost shall be clearly disclosed in the presentation of the production costs in respect of which reimbursement is sought.
- c. If there is a significant difference between the budget and actual cost for individual cost items, an additional report shall be supplied which explains such deviations. A deviation of over 10% between the final amount and the original budgeted item constitutes a significant difference;
- d. Itemisation of production costs by the countries where they accrued.

The cost settlement and annual financial report or interim financial report shall be confirmed and signed by a certified public accountant. The confirmation by the certified public accountant shall also confirm that the cost settlement is final, taking into account the prospective reimbursement pursuant to this Regulation.

If a request for payment of a reimbursement is received after six months have passed from the end of the production of a motion picture or television programme, the request shall be denied.

The committee provided for in Article 3 of Act No. 43/1999 shall examine all documents submitted, and may request further documentation to clarify the cost settlement, e.g. the company's books. The committee may also request a meeting with the applicant. If the cost settlement and/or the accompanying documents are unsatisfactory, the committee shall set the applicant a time frame within which satisfactory documents are to be submitted. If the committee does not receive satisfactory documentation within the set time frame, it shall recommend to the Minister of Industry that the application for reimbursement be rejected.

Article 7

Process of payment.

The Minister of Industry shall decide on payment of reimbursements under this Regulation after receiving the recommendations of the committee appointed pursuant to Article 3 of Act No. 43/1999.

Article 8

Deferral of reimbursement.

Amounts reimbursed under this Regulation shall be subject to allocations made by the Althing in the State Budget at any given time. The Minister of Industry may defer payment of reimbursements exceeding the allocation in the State Budget at any given time. In the event of the reimbursements authorised during a budget year exceeding the budget allocation, the Minister may defer reimbursement, either entirely or partially, until the following budget year.

Article 9

Provisions Concerning Entry into Force.

This Regulation is issued on the basis of Article 7 of Act No. 43/1999, as amended, and shall take effect immediately. As of the same time, Regulations No. 131 of 9 February 2001 and 437 of 13 June 2001 stand repealed.

Ministry of Industry, 19 October 2007

Össur Skarphédinsson.

Gudrún Thorleifsdóttir.

B-Section – Date of Issue: 5 November 2007