

REGULATION

on Temporary Reimbursements in Respect of Film Making in Iceland

Article 1

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).

The calculation of reimbursement is based on total production costs of a film or television programme regardless of from what production aspect these costs derive from.

Article 2

Applications for reimbursement of production costs shall be submitted to the Ministry of Industry before production in Iceland commences. A committee appointed pursuant to Article 3 of Act no. 43/1999 reviews submitted applications that are to be made in accordance with the Ministry's instructions on the form of applications.

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.

Article 3

A condition for eligibility for reimbursement is that the production is suited for disseminating Icelandic culture, promoting the history or nature of the country or the production shall be suited to promoting increased experience, knowledge and artistic ambitions of the parties involved.

When evaluating whether par. 1 is fulfilled the following product evaluation shall be applied. The evaluation scheme is divided into two parts, a cultural and production evaluation.

In the cultural part a maximum of two points can be awarded for each of the items below if fully complied with, but partial compliance awards one point.

- a. Storyline, screenplay, central theme of the film is based on events that are a part of Icelandic or European culture, history, mythology, religion,
- b. Film is based on a character, personality from Icelandic or European culture, history, society, religion
- c. Storyline of the film is connected with an Icelandic or European setting, place, location, architectural or cultural setting
- d. Storyline, script, central theme of the film is based on a literary work or adapted from another artistic discipline (fine arts, music, etc.) of cultural importance

- e. Storyline, script, central theme of the film focuses on current cultural, sociological, political themes in Icelandic or European society
- f. Film reflects important Icelandic or European value(s), such as cultural diversity, solidarity, equality, protection of minorities or human rights, tolerance, environmental protection, respect for cultural or family traditions, respect for nature and sustainable use of natural resources.
- g. Film focuses on Icelandic or European culture, identity or Icelandic or European customs and traditions
- h. Storyline, script, central theme of the film is based on current or historical events affecting Icelandic or European society.

In the production part points are awarded for the items below and the maximum points are stipulated.

- i. Film is a cinematographic work that contributes to the development of its genre, maximum 3 points.
- j. Film is suited to increase the capacity of the filmmakers involved to undertake ambitious and demanding productions of cultural value, maximum 4 points.
- k. The filmmakers are Icelandic citizens or citizens of EEA member states. Half a point is awarded for each point below but a maximum of 3 points.
 - i. director
 - ii. producer / co-producer
 - iii. DOP
 - iv. assistant DOP
 - v. script writer
 - vi. lead actor / actress
 - vii. supporting actor / actress
 - viii. composer
 - ix. production designer
 - x. costume designer
 - xi. editor
 - xii. makeup artist
 - xiii. head of production / line producer
 - xiv. postproduction or VFX supervisor
- l. Final version of the film is in any language of the EEA. 1 point shall be awarded for 10% of the dialogue; 2 points for 25%; 3 points for 50%. 4 points for 75%
- m. At least 51% of the crew (excluding those in Point k) are citizens of EEA countries, maximum 4 points.
- n. Shooting takes place on locations or in studios in Iceland, maximum 4 points.
- o. Production uses Icelandic service providers in Iceland, maximum 4 points.
- p. Post-production (including sound and visual post-production, laboratories, soundtrack recording, etc.) takes place in Iceland or the EEA, maximum 4 points.

The points for categories n., o., and p. shall be awarded on a pro-rata basis based on to what extent the production fulfils each criterion. The Committee evaluates to what extent the shooting/service provision/post-production takes place in Iceland and adds to the permanent pool of skills and experience in the industry.

The Production must score a minimum of 4 points from the Cultural Criteria, and receive a minimum of 23 points overall, out of a possible total of 46 points.

Article 4

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, in addition to the conditions of Article 3:

- a. 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;
- b. information on the principal parties involved in the film or television programme shall be submitted;
- c. information on domestic parties and their share in the production of the film or television programme shall be submitted;
- d. an itemised estimate of the production costs and sources of funding shall be submitted, together with confirmation by the funding parties;
- e. that the applicant has prepared a statement to the extent that the production harmonises with the objective of the Act;
- f. information on the content of the proposed film or television programme shall be submitted, including a manuscript, synopsis and information about filming locations;
- g. a production plan shall be available (i.e. filming and post-production) with information on the progress of the production, i.e. when it is estimated to start working on the production, key stages of the production and completion and public screening of the material. The production plan shall provide for completion of the production within three years of receipt of the application for reimbursement by the Ministry. Under special circumstances a committee on reimbursements may waive this condition for a maximum of five years from the date of a conditional promise;
- h. information on general distribution of the material;
- i. the content of the film or television programme shall not violate the provisions of the Penal Code.

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

Notwithstanding the provisions of paragraph 1, item a, 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 2 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.

Advertising material and news related material, short films, recordings of sports events and recreational events, material primarily intended for the promotion of a specific product or services, as well as the production of material primarily intended for showing in own distribution systems, shall not be applicable for reimbursement.

Article 5

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 Act no. 43/1999. Furthermore the board of directors and managing director of the applicant shall confirm that the statement of costs is in accordance with national law.

Article 6

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 20% between the final amount and the original budgeted item constitutes a significant difference;
- d. Itemisation of production costs by the countries where they accrued;
- e. Confirmation of the board of directors and managing director of the applicant that the statement of costs is in accordance with the provisions of Act no. 43/1993, on Temporary Reimbursements in Respect of Film Making in Iceland, with amendments and regulations adopted under the Act.

If the reimbursement is higher than ISK 20 million the cost settlement shall moreover be reviewed. In order to verify cost settlements the committee provided for in Article 3 may request the relevant information from tax authorities as well as the company's books. 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, or the documents of the case indicate that the cost settlement is not in accordance with the provisions of this Act it shall recommend to the Minister of Industry that the application for reimbursement be rejected.

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.

Article 7

If the committee considers that the conditions for reimbursement are satisfied it prepares a recommendation for the Minister for reimbursement in accordance with this Regulation and Act no. 43/1999.

Article 8

If the applicant has received grants from public parties for the production the grant is subtracted from the production costs pursuant to Article 5.

The combined grants of public parties and the total amount of reimbursement pursuant to Article 1 shall not exceed 85% of the total production costs of the same motion film or television programme.

Amounts reimbursed under this Regulation shall be subject to allocations made by the Althing in the State Budget at any given time. The Minister 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

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, Regulation No. 726/2009 stands repealed.

Ministry of Industry, May 27 2012.