

Corporate tax deduction for investments in cinematographic films and other audiovisual works



Includes latest modification to the Regional Law on Corporate Tax of December 2024

REGIONAL LAW 26/2016 ON CORPORATE TAX IN NAVARRE REGIONAL ORDER 69/2021

Audiovisual and digital projects section



REGIONAL LAW 26/2016

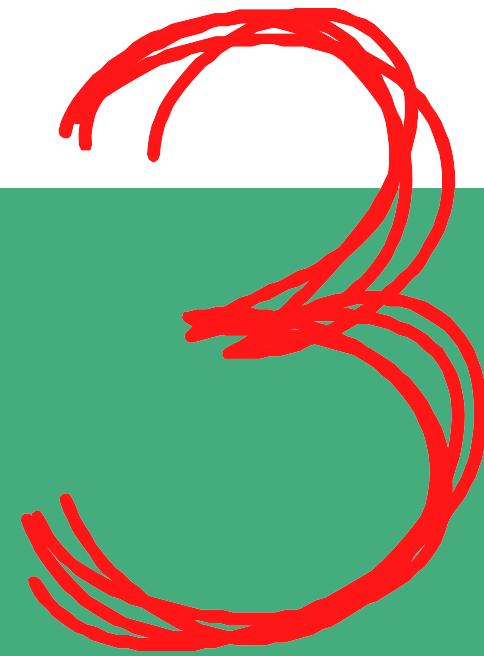
ON CORPORATE TAX IN NAVARRRE

**Deduction for
investments in
cinematographic
films and other
audiovisual
works**

This is a tax benefit for investments in film productions and other audiovisual works of fiction, animation or documentary.

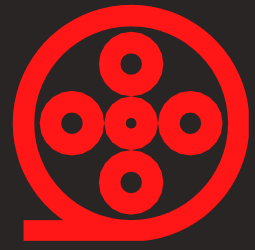
(Regional Law 26/2016 on Corporate Tax in Navarre, article 65).

Article 65 of Regional Law 26/2016 on Corporate Tax in Navarre regulates the **tax incentive** for film-making and audiovisual production.



main areas covered,
always affecting Corporate Tax
in the form of a tax deduction

BENEFICIARIES



Article 65.1.

Production or co-production companies involved in Spanish productions of cinematographic films and other audiovisual works of fiction, animation or documentary.

% TAX DEDUCTION



General: 45% of the deductible base.
Special: 50% on the **first three million** of the deductible base in the following cases:

- The only original version is in the **Basque language**.
- Made exclusively by **female directors**
- **Documentaries** or **animation**
- Directed by a person who **has not directed or co-directed** a feature-length film or audiovisual series in the categories of fiction, animation and documentary.
- **Short films**



Article 65.2.

Services that are responsible for **the execution of a foreign production** for the production of cinematographic films or audiovisual works which have a cultural certificate.

% TAX DEDUCTION

35% of expenses incurred in Navarre



Article 65.bis.

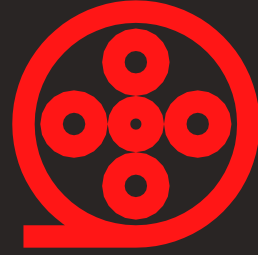
Payers of Corporate tax or Non-resident income tax that **participate in the financing of Spanish productions** of cinematographic films and audiovisual works of fiction, animation and documentary.

TAX DEDUCTION

Taxpayers that participate in financing will be entitled to accredit the deduction relevant to the production company provided for in article 65.1 to a maximum resulting from multiplying the sum of the amounts disbursed to finance the audiovisual work by **1.20**.

The amount of the deduction not applied by the financing company may be applied by the production company.

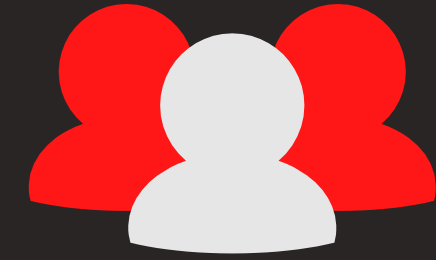
TAXABLE AMOUNT



Article 65.1.



Article 65.2.



Article 65.bis.

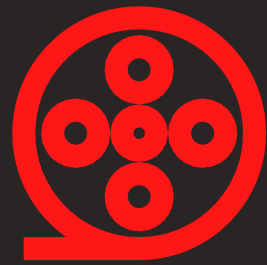
DEDUCTIBLE BASE (Regional Order 69/2021)

- The **costs of production** of the work until the standard or digital master copy is obtained, **with certain special cases and limits**.
- **Advertising and promotion expenses** to a limit of **40% of production costs**.
- **Expense of adaptation** to a support or system, expenditure on creating the necessary supports to preserve the work and obtain copies intended for screening in cinemas or cinematographic exploitation, or, in the case of series, for broadcasting on television or on platforms that offer streaming content.
- The **expenses of the special audit report**.

DEDUCTIBLE BASE (Regional Law on Corporate Tax 26/2016)

The expenses incurred in Navarre.

REQUIREMENTS



Article 65.1.

Expenses in Navarre must account for no less than 40% of the investment.

(If the percentage is lower, the deductible base will be calculated by dividing expenses in Navarre by 0.4)

RECOGNITION OF THE INVESTMENT

Procedure under the responsibility of the Directorate General of Culture of the Government of Navarre according to Regional Order 69/2021 of 7 May.

In addition, the production company must:

Provide or permit access to the graphic and audiovisual material from the shooting and locations in Navarre for its non-commercial and exclusive use for the promotion of Navarre.

Include in the closing credits:

- 1.º "Que la producción se ha acogido al esquema de incentivos fiscales previsto en la Ley Foral del Impuesto sobre Sociedades de la Comunidad Foral de Navarra"/"Ekoizpen hau Nafarroako Foru Komunitateko Sozietateen gaineko Zergaren Foru Legean aurreikusten diren sustagarri fiskalen babesarekin egin da"/"This production has benefited from the tax deductions included in the Foral Law of Corporate Tax of the Region of Navarra".
- 2.º The Government of Navarre logo.

Deliver a copy of the production to the Navarre Film Library (Filoteca de Navarra) within three months of completing the work in the case of national productions or co-productions.



Article 65.2.

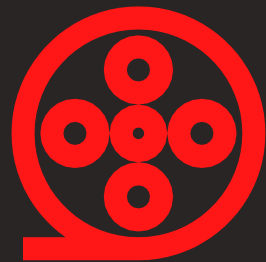
Minimum of one week shooting interiors or exteriors in Navarre.



Article 65.bis.

A financing agreement signed between the production company and the taxpayer participating in the financing of the production prior to completion of the tax period in which the deduction is generated.

CAPS



Article 65.1.

Cap on the deduction: €5,000,000



Article 65.2.

Cap on the deduction: €5,000,000

Cap on the deductible base: 80% of the total cost of production.



Article 65.bis.

- **NOT** applicable when the taxpayer is **associated with the production company.**
- The taxpayers may **NOT** acquire **intellectual property rights or rights of any other nature regarding the results of production.**
- **The production company is NOT entitled to application of the deductions provided for in Article 65.1 when the total amount deducted by the financing entity coincides.**

The sum of the deduction and other forms of aid **may not exceed 50%** of the **eligible costs.**

This cap will be raised in the following cases:

- **85%** for **short films or projects with production costs of less than 1,000,000 euros.**
- **80%** for productions:
 - **directed by a person who has not directed or co-directed more than two feature-length films qualified for commercial exploitation in cinemas, whose production budget does not exceed 1,500,000 euros**
 - **shot entirely in the Basque language**
 - **directed exclusively by people with a degree of disability equal to or greater than 33%**
- **75%** for audiovisual works:
 - **made exclusively by women directors**
 - **of special cultural and artistic value** which require exceptional funding support according to the criteria established by Regional order or in the corresponding calls for grants
 - **which are documentaries**
 - **of animation whose production budget does not exceed 2,500,000 euros**
- **60%** in the case of:
 - **cross-border productions financed by more than one Member State of the European Union** and in which producers from more than one Member State take part
 - **international co-productions with Ibero-American countries**





Article 67.2 of Regional Law 26/2016 on Corporate Tax in Navarre



The deductible base will be reduced by the amount of the grants received to fund the investments or to promote activities that generate entitlement to deduction.

In what period is it understood that the deduction is generated?

In the tax period in which the production of the work ends.

If the production period is longer than twelve months or affects more than one tax period, the taxpayer may choose to apply the deduction as payments are made and in the amount of these.

In this case, the deduction will be understood to be generated in the periods in which the expenditure is incurred.

PROCEDURE
Arts. 3 and 4.



Deductible base
Art. 1.



Expenses in Navarre
Art. 2.



Audit report
Art. 4



REGIONAL ORDER

69/2021



pre-validation

Stage 1.

application for prior report

from that moment, the deduction generated
can be entered

issue of prior report

in a maximum of 3 months

post-validation

Stage 2.

justification of the investment
made and compliance with the
established requirements

in a maximum period of 6 months from
application for a nationality certificate

subsequent validation and
determination of the
deductible base

in a maximum of 6 months

pre-validation

Stage 1

application for prior report

issue of prior report

Who applies for it?

THE PRODUCTION COMPANY. From that moment on, the deduction generated can be entered in its settlement statement.

The application for a prior report can be made at any time prior to the application for subsequent validation.

How?



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Trámites

Sede electrónica del Gobierno de Navarra

Con el plazo de solicitud abierto

Who issues it?

The General Directorate of Culture

When?

Maximum 3 months after application

■ What documentation needs to be submitted?

- Application for prior report
- Basic details of the project
- Report explaining the project
- Declaration on honour for the **50%** deduction, if applicable
- Declaration on honour of nationality and cultural nature
- Declaration on honour to apply an intensity limit higher than 50%
- Project expense budget

In the case of co-productions, the simplified budget (presentation and production cost tabs) of the Navarrese co-producer applying.



■ What must the report include?

If the project meets the conditions to be entitled to the deduction

If **45% or **50%** applies**



post-validation

Stage 2

justification of the investment made and compliance with the established requirements.

subsequent validation and determination of the deductible base

Who applies for it?

THE PRODUCTION COMPANY. Within 6 months of applying for a nationality certificate. The application for subsequent validation must be processed within six months of applying for the nationality certificate for the audiovisual project.

Application for the prior report does not need to be resolved at the time of application for subsequent validation

How?



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Trámites

Sede electrónica del Gobierno de Navarra

Con el plazo de solicitud abierto

Who validates it?

The General Directorate of Culture

When?

Maximum 6 months after submitting documentation

■ What documentation needs to be submitted?

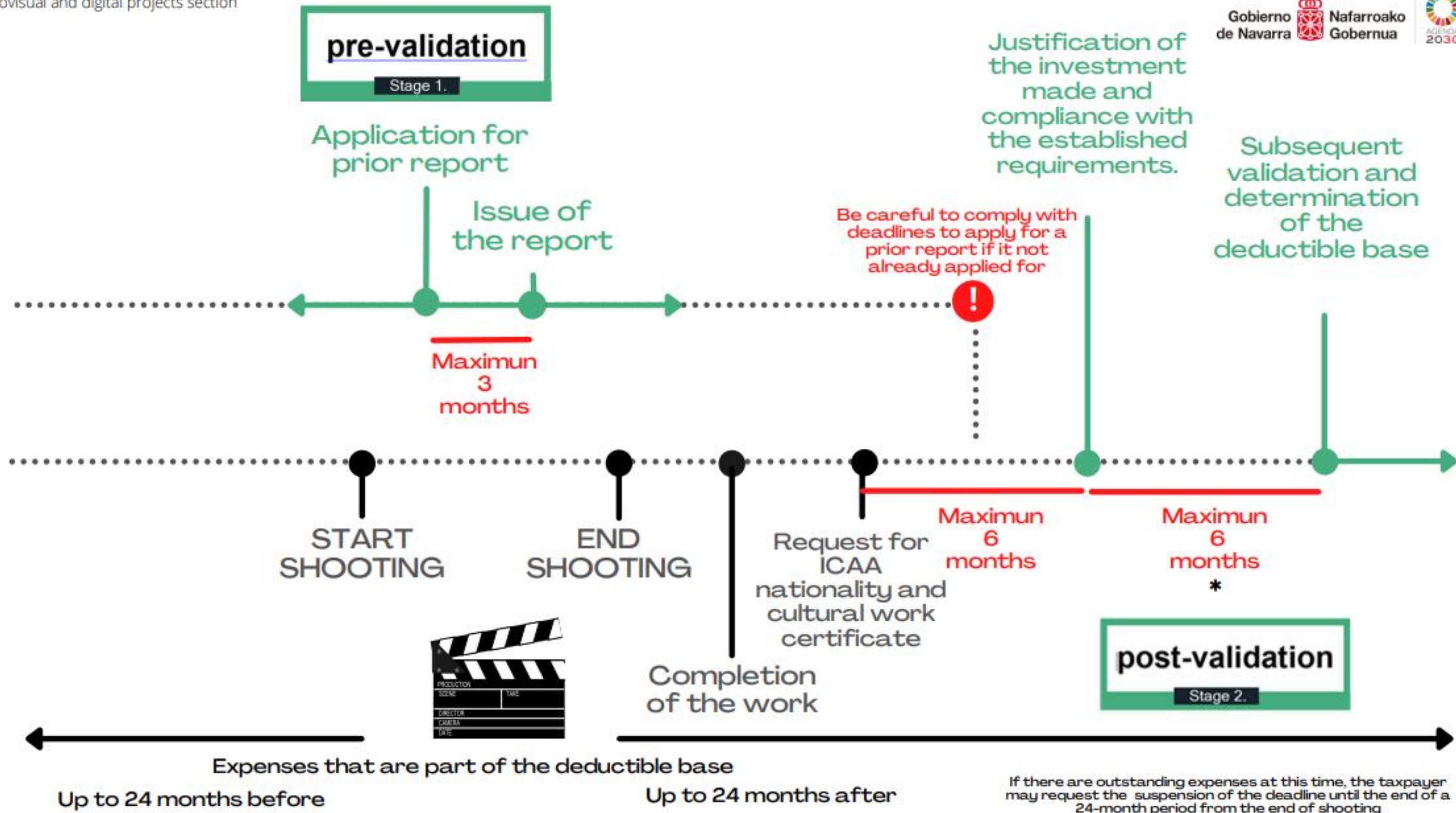
- Application for subsequent validation
- Audiovisual work cost statement
In the case of co-productions, the simplified cost statement (presentation and production cost tabs) of the Navarrese co-producer applying.
- Special audit report reviewing and verifying the cost of the film or series.
- Nationality certificate
- Cultural certificate
- Notification of start and end dates of shooting
- Proof of delivery of a copy of the audiovisual work issued by the Archive of the Navarre Film Library
- Certification of compliance with the obligations established in article 65.6 of the Regional Law on corporate tax
- Declaration on honour tax regime of AIE components, if applicable
In the case of co-productions: last co-production contract signed by all the co-producers before a notary public expressly stating the percentages of execution assumed and those of ownership.

■ What will post-validation include?

The deductible base

This will take into account:

- The cost of production or investment by the production company
- The expenses incurred in Navarre
- The grants received to fund audiovisual production
- The percentage to be applied to determine the aid intensity limit
- In the case of co-productions, the percentages of execution assumed and those of ownership (the two percentages must coincide)



Deductible base Art. 1



NOT
financial expenses
indirect taxes

The cost of production until the standard or digital master copy is obtained, **with certain special cases and limits** 

Promotion and advertising expenses (limit of 40% accounting cost of production)

Expenses of adaptation to support or system

intended for screening in cinemas or cinematographic exploitation, or, in the case of series, for broadcasting on television or on platforms that offer streaming content.

Expenditure on making supports to preserve the work and obtain copies

Expense of the special audit report

Art. 1 ?

limits

special cases:

Compensation of the executive producer
(with specific contract + corporate purpose
executive production + effective participation)

Cannot exceed the higher of the following limits:
a) 10 per cent of the accounting cost of production
b) 100,000 euros

Amount of overhead expenses

Up to 10 per cent of the accounting cost of production. To be allocated to overhead expenses:
- Staff personnel expenses for those who do not have a specific employment contract for the work eligible for the deduction.
- Expenses on supplies occurring at the registered office of the production company when these are not the premises directly associated with shooting
- Catering, hotel, travel, mobility, telephony and internet service expenses outside the shooting period

Utility and supply expenses
(water, electricity, gas, cleaning)

Produced within the shooting period at premises or facilities directly associated with shooting

Depreciation/amortisation cost
(technical material belonging to the production company)

That corresponding to the time of use making the audiovisual work

Catering, hotels, travel, mobility, telephony and internet services

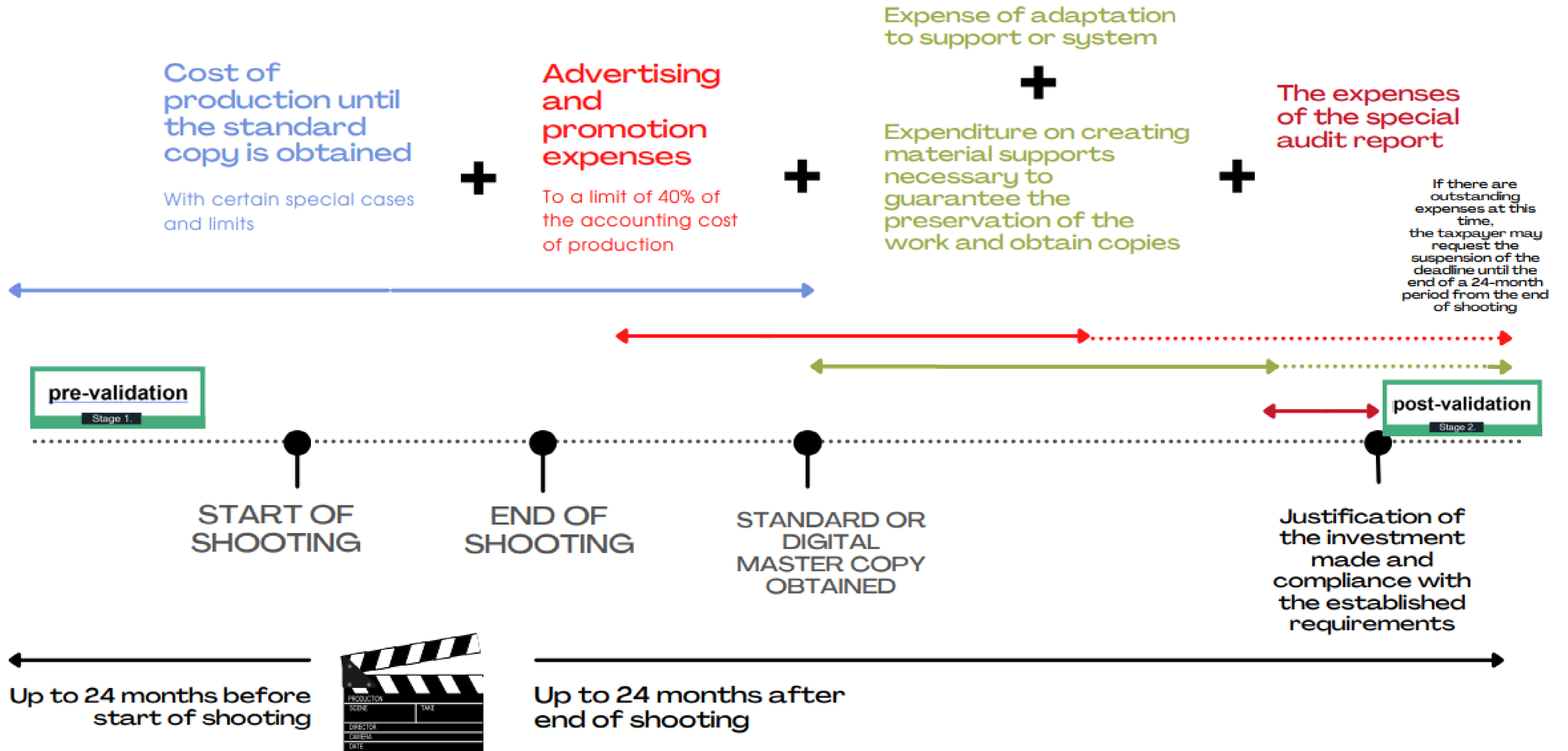
In the shooting period



- **Services that are carried out from Navarre when the provider is domiciled in Navarre.**
- **Expenses corresponding to the acquisition of goods used in Navarre and paid to persons or entities domiciled in Navarre.**
- **Depreciation/amortisation expenses derived from tangible or intangible fixed assets when their effective use occurs in Navarre and the deliverer is domiciled in Navarre.**

The following expenses are also considered to have been incurred in Navarre:

- **Expenses derived from the payment of wages of workers in employment when the work or services are provided in Navarre.**
- **Expenses derived from water, gas or electricity supplies when made available to the customer from Navarre, understanding as such the place where the meter or connection is located.**
- **Expenses derived from the payment of insurance when the location of the risk or commitment occurs in Navarre.**
- **Expenses related to the concession of use or rental of real estate when said assets are located in Navarre.**
- **Hotel and catering expenses when the service is provided at establishments located in Navarre. Except for services provided by outside catering companies.**



Special audit report



OBJECTIVE:
TO REVIEW AND VERIFY THE COST OF PRODUCTION

WHO?

WHO DOES IT?: External auditor registered in the Official Register of Auditors
WHO SUBMITS IT?: The taxpayer

WHEN?

In a maximum period of 6 months from applying for a nationality certificate.

REGULATIONS?

Procedural rules provided for in current legislation on auditing.

IMPORTANT:

If the audiovisual work is made by several production companies, there will be one single report

CONTENTS

Description of the scope of the work performed

If done by sampling:
- >85%
- Personnel costs 100%

Procedures carried out

Conclusion

- Structure of the total costs of the audiovisual work.
- If the applicant is a Navarrese co-producer, its cost structure.
- Calculation of these follows Regional Order 69/2021

Auditor name, contact details, signature and date

SPECIFIC INDICATION

Labour and commercial contracts, and those related to the acquisition of rights
+
Related invoices and documentation.

Travel and mobility
+
Tickets, invoices and documentation of probative value

Accreditation of Navarrese expenses
+
% of the deductible base

Service, supply and utility contracts
+
Invoices and documentation of probative value

List of sub-contracted expenses
+
Identification of contractors and relationship Art. 28 Regional Law on Corporate Tax

Amount of public aid and grants obtained by the project

IMPORTANT:

The association of the expenses will be accredited by indicating the title of the work on the invoices.
Art. 4 Regional Order 69/2021 specifies: expenses for scenography, decoration, storyboarding, modelling, editing...

Frequently asked questions

1

Depreciation/amortisation must be associated with the equipment and technical material belonging to the producer.

These have to be directly related to the production.

2

Catering, hospitality, travel and mobility expenses are part of the cost of production. Only those incurred in the shooting period are part of the deductible base. The rest are considered overhead expenses.

3

Expenses corresponding to insurance which are not associated with the audiovisual production are considered overhead expenses

4

Financial expenses are NOT considered part of the deductible base even if they are part of the cost of production

5

Legal and financial advice, notary public, registration and expert expenses will be part of the cost of production if they are necessary in order to make the film and comply with the accounting regulations.

6

Recoverable indirect taxes and personal income tax are NOT considered costs of production

7

When the taxpayer requests the suspension of the resolution period to determine the deductible base to incorporate expenses:

- The deadline for issuing a resolution is suspended for the remaining period until the end of the 24-month period from the end of shooting
- The Directorate General responsible for culture may in such cases request a complementary audit report.

8

The expense of the audit report, structural expenses and those of promotion and marketing are not costs of production but are part of the deductible base.

Contact

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