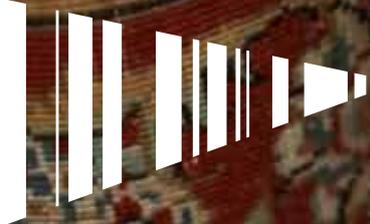




# Made in India:

Attracting and incentivizing  
film productions



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FILM COUNCIL

# Overview

India's film and television industry is one of the fastest growing sectors in the country today and has attracted significant investments from Indian and international corporates. With more than 800 television channels, 135 million pay-TV households and 1,000 films produced annually, the film and television industry contributed over INR 500 billion to the economy last year, constituting approximately 0.5% of the GDP of India.

Overseas studios are increasingly entering into arrangements with producers in India to jointly produce films and television series. India's Foreign Direct Investment ('FDI') regulations permit 100 percent FDI for film and TV productions under the automatic route. India has been blessed with scenic locations, incredible cultural diversity, trained film crews and low production costs. Increased collaboration between India and other countries will aid in optimizing and the country realizing its true potential in terms of its natural and man-made resources.

## Single window clearance <sup>1</sup>

In April 2013, the Ministry of Information & Broadcasting ('MIB') constituted an inter-ministerial committee for promotion and facilitation of film production in India. This has initiated the roll-out of the single window clearance mechanism for filmmakers wanting to shoot across various locations in India. The committee includes representatives from the Home, Tourism, Culture, Railways, Civil Aviation, Defence and External Affairs ministries. Further, State Governments have been asked to nominate nodal officers for film clearances and a standard operating procedure has been developed to accord clearances for film shooting by domestic and foreign filmmakers in India.

## Guidelines and policies for shooting films in India <sup>2</sup>

The MIB has recently issued fresh simplified guidelines for foreign film shooting by foreign nationals/ co-productions in India. The guidelines provide a step-by-step guidance on the procedure and approvals required to shoot films in the country. Any foreign film production intending to shoot in India, will need to inform the MIB of its intention to do so mentioning dates of shooting, particulars of cast/ crew, four copies of the final detailed shooting script and chosen locations at least a month in advance along with a draft of US\$ 225. MIB will then help the filmmaker obtain permissions to shoot across chosen locations within three weeks. The permission letter issued by the Government of India will facilitate permissions from local authorities across States.

Furthermore, to facilitate the shooting procedure, a liaison officer may be assigned to the team shooting a film. This officer helps the filmmaker obtain local clearances and enable an interface with local institutions. The Government of India bears the expenses of a liaison officer assigned to a film-shooting team.

## Film tourism and production incentives - Current scenario <sup>3</sup>

The Ministry of Tourism (MoT) has recognized films as a powerful tool for promotion of tourism destinations and locations in India.<sup>4</sup> MoT has formulated guidelines, for extending Central Financial Assistance (CFA) to various State Governments/Union Territory (UT) Administrations, for promotion of Film Tourism. MoT and the MIB also entered into a Memorandum of Understanding (MoU) in February 2012, inter-alia, to promote Cinema of India as a sub brand of "Incredible India" at various international film festivals and markets abroad.

<sup>1</sup> <http://pib.nic.in/newsite/erelease.aspx?relid=94685>

<sup>2</sup> Ministry of Information & Broadcasting, Government of India - <http://mib.nic.in/WriteReadData/documents/film1.pdf>

<sup>3</sup> FICCI-KPMG Indian Media and Entertainment Industry Report 2014

<sup>4</sup> <http://www.tourism.gov.in/writereaddata/Uploaded/Guideline/080320121058581.pdf>

Further, key State Governments in India have recognized benefits of promoting Film Tourism and have proactively initiated measures to attract both foreign and local filmmakers by offering production and tax incentives as highlighted below:

Sno.	State	Fiscal Benefits
1.	Maharashtra	<ul style="list-style-type: none"> <li>▶ Mumbai, being the film hub of the country, has many film studios and hosts film festivals. Additionally, the city has seen many iconic Indian movies being shot in it.</li> <li>▶ The Maharashtra Government has provided five-year tax exemption to single-screen theaters under municipal councils and a seven-year tax exemption to those located in rural areas.</li> <li>▶ It has sanctioned INR150 million for setting up of a film city in Chitranagari to serve as an alternative to the Goregaon film city.</li> <li>▶ The Maharashtra Tourism Development Corporation (MTDC) has announced a Bollywood tourism plan, which will enable Indian and foreign tourists to take guided tours of film studios and sets while being exposed to a first-hand experience of film shooting.</li> <li>▶ Maharashtra was one of the Indian states that provided tax breaks to the film Bhaag Milkha Bhaag because of its patriotic theme.</li> </ul>
2.	Gujarat	<ul style="list-style-type: none"> <li>▶ The Gujarat Government offers 100% exemption from Entertainment Tax for Gujarati films. It is also offers a INR500,000 subsidy to Gujarati-language filmmakers.</li> <li>▶ It is working on a policy to attract more film shoots to the state and seeks to ease the procedures for film-makers. It also plans to provide discounts on government accommodation at shooting locations.</li> <li>▶ The State Government has started a single-window clearance desk to help filmmakers scout locations and provide them with logistic support.</li> </ul>
3.	Andhra Pradesh	<ul style="list-style-type: none"> <li>▶ Andhra Pradesh is the first to earmark 7% of the Entertainment Tax it collects to use it to develop films and arts in the state.</li> <li>▶ The State Government has provided 7% concession on Entertainment Tax for low-budget Telugu films and 15% for high-budget ones.</li> <li>▶ According to the Andhra Pradesh Government's Animation, Media and Entertainment policy (2014-2019), the Government will offer incentives, including reimbursement of INR500,000, lease rentals, power subsidies, etc., to makers of animation films.</li> </ul>
4.	Karnataka	<ul style="list-style-type: none"> <li>▶ The Karnataka Government has increased the award for national award-winning Kannada films from INR300,000 to INR500,000.</li> <li>▶ The Government has decided to raise its subsidy to the Kannada film industry. The subsidy will now be given for 100 films instead of 75.</li> <li>▶ Karnataka's Animation, Visual effects, Gaming &amp; Comics policy (AVGC) aims to attract investors and provide employment in the state with various initiatives such as creating skilled labor at its training institutes and providing various tax incentives. The Government also plans to set up an AVGC Centre of Excellence with funding from The Central/State Governments and private players.</li> </ul>

Sno.	State	Fiscal Benefits
5.	Tamil Nadu	<ul style="list-style-type: none"> <li>▶ The Tamil Nadu Government will provide 100% exemption from entertainment tax exemption on films with Tamil names, which have been given U certificates.</li> <li>▶ The Government has spent INR80 million on upgrading infrastructure at the M.G.R. Film City by setting up an animation and visual effects studio, renovating dubbing theaters, constructing hostels, etc.</li> </ul>
6.	Uttar Pradesh	<ul style="list-style-type: none"> <li>▶ Hindi films that are shot at least 75% in Uttar Pradesh will be eligible for a grant amounting to 25% of their production cost or INR10 million (whichever is less).</li> <li>▶ The Uttar Pradesh Government gave INR10 million to the producers of Dedh Ishqiya and Bullet Raja to attract other producers to the state. It has exempted Dedh Ishqiya from Entertainment Tax in the state.</li> <li>▶ Films in the local dialects of Awadhi, Braj, Bundeli and Bhojpuri are to be given the same sops.</li> <li>▶ Film directors selected for awards under this policy will be eligible for a grant of INR12.5 million if they produce their next film in the state.</li> </ul>
7.	West Bengal	<ul style="list-style-type: none"> <li>▶ The West Bengal Government is planning to introduce a single clearance window that will process requests for films to be shot in the state</li> <li>▶ The Government provides various subsidies for cinemas/ multiplexes.</li> <li>▶ New cinema halls will be given an Entertainment Tax subsidy for up to two years.</li> <li>▶ New multiplexes will be given an Entertainment Tax subsidy for up to four years.</li> <li>▶ The Government has reduced Entertainment Tax on Bengali films (from 10% to 2%) to ease the financial burden on the Bengali film industry.</li> </ul>
8.	Jammu & Kashmir	<ul style="list-style-type: none"> <li>▶ The Jammu &amp; Kashmir Government has decided to waive taxes for filmmakers while they shoot films in the state</li> <li>▶ The Kashmir Film Festival is held to support local Kashmiri films and promote tourism in Jammu &amp; Kashmir.</li> <li>▶ Films recently shot in Kashmir include Yeh Jawaani Hai Deewani and Highway.</li> </ul>
9.	Rajasthan	<ul style="list-style-type: none"> <li>▶ Films that are 75% shot in Rajasthan and have been given U certificates, will get a 100% exemption from Entertainment Tax for one year.</li> <li>▶ New cinema halls and drive-in theaters have been exempted from Entertainment Tax for three years - 75% in the first year, 50% in the second year and 25% in the third year.</li> <li>▶ Rajasthani films with U certificates are provided aid of INR500,000 if they are shot extensively in Rajasthan.</li> <li>▶ Foreign films shot in Rajasthan include Dark Knight Rises and Darjeeling Limited.</li> </ul>

Sno.	State	Fiscal Benefits
10.	Goa	<ul style="list-style-type: none"> <li>▶ The International Film Festival of India is held annually at Goa. It sees the participation of various filmmakers from across the world and India. Goa already has a single window clearance system and permits films to be shot anywhere in the state. The MIB has proposed that this system should be adopted by the rest of the country.</li> <li>▶ Goa is one of the most popular locations for shooting films in India. More than 100 films, including Chennai Express, Once upon a time in Mumbai Dobaara and Go Goa Gone, were shot in the state in the recent past.</li> <li>▶ The State Government is reviewing a proposal that will allow filmmakers to claim up to 5% of the shooting costs incurred by them in Goa.</li> </ul>
11.	Punjab	<ul style="list-style-type: none"> <li>▶ The Punjab Government is setting up a film city and a film institute near Mohali to promote the Punjabi film industry and also help filmmakers shooting films in the state.</li> <li>▶ The State Government plans to present exceptional filmmakers and actors with awards ranging from INR1 million to INR25 million. Additionally, it will set up one or two-screen cinemas in rural locations to enable local people to watch films.</li> <li>▶ The Government gives Punjabi filmmakers a rebate of 5% of the Entertainment Tax to be paid by them, provided 75% of the dialogues are in Punjabi.</li> </ul>
12.	Himachal Pradesh	<ul style="list-style-type: none"> <li>▶ The Himachal Pradesh Government offers 100% exemption from Entertainment Tax to filmmakers shooting their films in the state.</li> <li>▶ The State Government is formulating a draft of its film tourism policy, which includes incentives for the film industry, e.g., single window clearance of permission requested to shoot films, facilitation of travel and accommodation during duration of stay, etc.</li> </ul>



# Need for Film Commissions

Today, tourism boards across many countries are targeting Bollywood films as a medium to showcase their countries as ideal destinations to attract Indian tourists. In the recent past, many films have been extensively shot in foreign locations. These include:

Movie	Country
Zindagi Na Milegi Dobara	Spain
Rockstar	Czech Republic
RA One	United Kingdom
Don 2	Germany
Ek Main Aur Ek Tu	United States of America

For India, there is an equal opportunity to promote inbound tourism beyond popular destinations such as Goa, Kerala and Rajasthan. Indian films can be a great platform to showcase to the world India's rich cultural heritage, its variety of travel destinations and diverse cuisines. Hollywood films have already showcased India's rich culture and heritage through films such as Eat Pray Love, The Best Exotic Marigold Hotel, etc.

International collaborations facilitate and strengthen motion picture production, distribution, technology and commercial cooperation between film communities. In addition to helping local industry up their production standards and expertise across the production value chain, it creates opportunities for additional employment, tax revenues and upgrading skill levels. With the MIB and MoT introducing reforms to make it easier for filmmakers (international and local) to shoot in India, the time is right for the Government to set up Film Commissions with a mission to attract international production, support local production crews and introduce an incentive regime across various regions/ states, thus increasing the economic impact of the Indian film industry.

The shooting in India has always been erratic in the absence of a transparent policy and structure across the country. The experience therefore differs from location to location. There are few states which provide a very good support which is mostly to do with relationships and individual choices preferences rather than a structured policy.



**Kulmeet Makkar**  
**Chief Executive Officer, The Film and Television Producers Guild of India**

## Film commissions gaining international traction

Film and television businesses in addition to generating significant revenues help maintain sustainable economic growth through the millions of dollars spent annually for "on location" production. A studio based feature film can spend upwards of US\$ 250,000 per day in a local economy and a large international television commercial can generate local spending of up to US\$ 1 million in less than two weeks. This highly competitive environment makes a film commission an economic necessity and an integral ingredient in generating revenues in a region.<sup>5</sup>

Globally, production companies in the film, television, and multimedia industry consider film commissions a valuable partner and resource. Often the presence of a film commission, and level of development and resources offered by them will determine whether production companies will consider filming in a particular region. While there are film commissions present at a national level, respective states in particular countries also have film commissions at a state level.

### Examples of National film commissions

- ▶ **China :** The National Film Industry Development Special Fund Management Committee ('NFIDSFMC') allows local productions (including co-productions) and exhibition companies that contribute to the growth of the local box office to be awarded performance based box office bonuses. Typically, the bonus compensation for production companies of domestic 3D and IMAX films are as follows:
  - ▶ If any domestic film 3D film (without other formats available) grosses 50-100 million RMB, its production company will be awarded 1 million RMB; if the box office gross is between 100-300 million RMB, the award is 2 million RMB; where the box office gross is 200-500 million RMB, the award is 5 million RMB and if the if the box office gross surpasses 500 million RMB, then the award will be 10 million RMB.
  - ▶ If any domestic IMAX film (without other formats available) grosses 25-100 million RMB, the award is 1 million RMB, if the box office gross is above 100 million RMB, the award standards are the same as the aforementioned for 3D productions.

Chinese blockbusters such as Back to 1942 and Jackie Chan starrer China Zodiac both have benefitted from such incentives provided by the NFIDSFMC.

<sup>5</sup> <http://www.afci.org/production/value-commission>

- ▶ **Malaysia<sup>6</sup>:** National Film Development Corporation Malaysia ('FINAS') is the Central Government agency for the film industry of Malaysia. As an objective they have to promote, maintain and facilitate film production development in Malaysia and also uphold the national and cultural heritage through films. The FINAS provides various technical services and facilities that are useful for film production, sets up film training programs and hosts a library or resource centre which offers various kinds of references such as books, magazines and newspapers that are related to film industry.
  - ▶ One of the schemes promulgated by FINAS is the Film Art and Multimedia Development Fund, which was introduced in 2013 wherein a 30% film rebate on production costs is extended to international film productions that meet the prescribed criteria.
- ▶ **Japan :** Japan Film Commission (JFC) is a national film commission covering the entire country of Japan. It is the first contact if a filmmaker is interested in filming in Japan. JFC is a non-profit organization comprised of over 70 regional film commissions as well as various film and video industry guilds and organizations, such as the Directors Guild of Japan. It is supported and endorsed by ministries and agencies of the federal government, such as the Ministry of Economy, Trade and Industry, the Agency for Cultural Affairs, and the Japan Tourism Agency.
  - ▶ Film commissions in Japan offer funds and/ or fee exemptions such as Matsumoto: Film aid fund (max. 5 million yen), Nagoya: Film aid fund (max. 10 million yen), Osaka: Location Scout Fund.
  - ▶ International productions that have been filmed in Japan include The Last Samurai (Warner Bros), Fast and the Furious: Tokyo Drift (Universal Pictures), Kill Bill Vol I (Miramax).

"The incentives in Malaysia are amongst the most attractive in the world and local studios like KRU Studios and Pinewood Iskandar Malaysia Studios have benefitted significantly from it. Bookings at the Pinewood studio for example have been snapped up for the next few years and as we speak , 10 episodes of the TV series "Marco Polo," produced by The Weinstein Company for Netflix, are being wrapped up there, after utilizing all the sound stages at the Iskandar facility as well as its back lots over the last two years. This is just one of the early examples of what we foresee to be a great future for the film and TV industry in Malaysia."



**Kamil Othman , Vice President  
Creative Multimedia Division  
Multimedia Development  
Corporation (MDeC), Malaysia**

<sup>6</sup>Malaysia National Film Development (FINAS) - <http://culture360.asef.org/organisation/malaysia-national-film-development-finas/>

## Examples of state film commissions

- ▶ **California**<sup>7</sup>: The California Film Commission is a one-stop resource for film and TV production. Some of the services the Commission facilitates include film and TV tax credits and online permits for filming on government property (beaches, parks, roadways, universities and government buildings). Additionally, the Commission offers an online location database via “CinemaScout” as well as personalized assistance on location-related issues. Moreover, it facilitates access to California’s state-wide network of more than 60 regional film offices (for local support, location-related information and permits). Recently, California increased its film and TV tax credit incentive program from US\$100 million to US\$330 million per year for five years, a move aimed at reversing the export of the state’s movie industry to other states. The changes to the incentive program lower the threshold at which a production can qualify for the incentives. Moreover, California’s incentive programs have also been unavailable to projects with budgets over US\$75 million, but the new program is expected to remove that qualifier.<sup>8</sup>
- ▶ **New York**<sup>9</sup>: Mayor’s Office of Film Theatre & Broadcasting, New York, the first film commission in USA, serves all production needs in New York City. Whether production companies are shooting a feature film, a commercial, a television show or a music video, the Mayor’s Office of Film, Theatre and Broadcasting serves as a resource to the New York City entertainment production industry.

New York state offers several programs to the film and television industry in the form of tax credits and sales tax incentives. It offers US\$ 420 million per year in credits for 30% of production costs.

Type of incentive	Benefits offered (subject to conditions)
Film production credit	30% fully refundable tax credit on qualified production and post-production expenses incurred in New York State
Post-production credit	30%-35% on qualified post-production expenses incurred in New York State.
Commercial credit	5% on qualified production expenses for commercials and a 20% annual growth credit.
Sales tax exemption	Film production activities/expenses that are exempt from New York State sales tax

New York City’s production industry generates over \$7 billion annually and employs over 130,000 people.

- ▶ **Louisiana**<sup>10</sup>: Louisiana Entertainment, an office within the state of Louisiana’s Economic Development serves as a one stop shop for producing films in Louisiana. Over the years, the state has been recognized as a global destination for motion picture and television production and the industry has grown exponentially thanks to its innovative and unique tax incentive packages. Louisiana offers tax credits of up to 40 percent of the money spent to buy, build and use movie production facilities<sup>11</sup>. Further, films such as “Fantastic Four,” “Terminator 5,” “Pitch Perfect 2”, “Jurassic World,” the fourth film in the “Jurassic Park” series and other big-budget films are set to be shot in Louisiana on account of the state’s investment in a tax credit program that draws producers.
- ▶ **Georgia**<sup>12</sup>: The Georgia Department of Economic Development is the state’s sales and marketing arm and the lead agency for attracting new business investments and tourists in addition to promoting the state as a destination for film music and digital entertainment projects. It provides 10 different types of credits and two types of tax exemptions including financial assistance and small business incentives.

Georgia has become one of the top states for film production outside of California due to some of the incentives it provides. The industry directly employs 23,500 people, including nearly 8,200 production-related employees. According to the state, the film industry has made a US\$5.1 billion economic impact during the 2014 fiscal year. Georgia-filmed movies that are scheduled to open in theatres in the coming months include “The Good Lie” starring Reese Witherspoon, “The Hunger Games; Mocking Jay-Part I” and “Dumb and Dumber to” starring Jim Carrey.

<sup>7</sup> <http://www.film.ca.gov/>

<sup>8</sup> California to triple film tax credits: what does it mean for Louisiana?, 5 September 2014 - [http://www.nola.com/entertainment/baton-rouge/index.ssf/2014/09/california\\_to\\_triple\\_film\\_tax.html](http://www.nola.com/entertainment/baton-rouge/index.ssf/2014/09/california_to_triple_film_tax.html)

<sup>9</sup> <http://www.nyc.gov/html/film/html/about/agency.shtml>

<sup>10</sup> Louisiana Entertainment - <http://louisianaentertainment.gov/index.php/film/why-shoot-here/overview>

<sup>11</sup> News Sentinel.com, Businesses grow as Hollywood embraces Louisiana - <http://www.news-sentinel.com/apps/pbcs.dll/article?AID=/20140602/ENT/140609960>

<sup>12</sup> The Atlanta Journal Constitution, 5 August 2014, Hollywood boosts film, TV spending in Georgia



# Benefits of Film Commissions



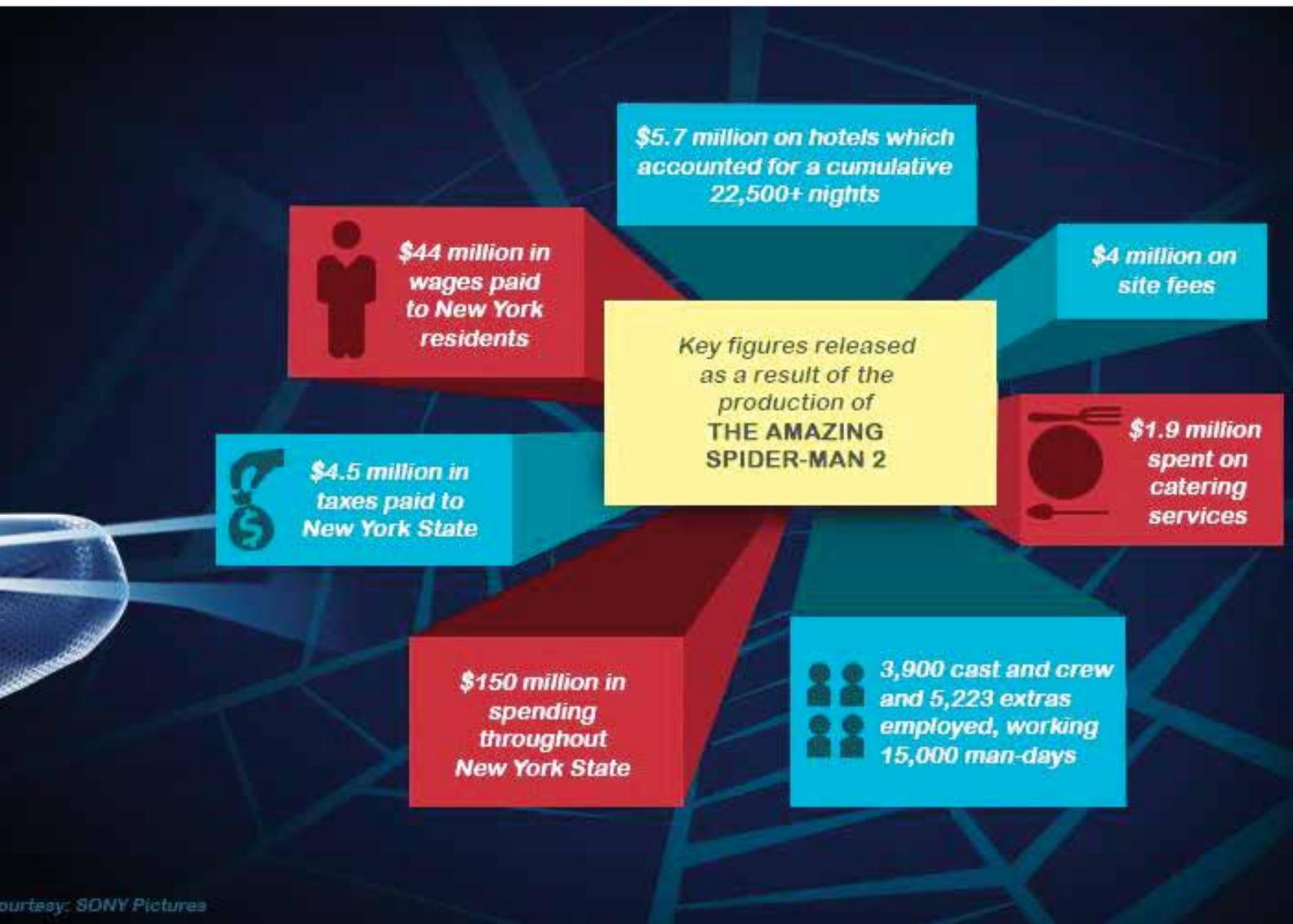
The benefits of attracting film productions include:

- ▶ **Creation of employment opportunities:** International / large film productions rely on local labour which helps boost employment opportunities and incomes in allied industries.

The impact of Teenage Mutant Ninja Turtles on the allied industries include US\$ 3.2 million in taxes paid to New York, over US\$ 55 million in total spending throughout New York including US\$ 30 million in salaries New York labour. In just three days of shooting, the production paid wages to 155 crew members and further 1500 New York residents over 12,000 man-days.

- ▶ **Increased revenues for the Government:** In addition to employment opportunities, economic activities stimulated by film productions result in tax revenues for local or State Governments. The taxes collected by Central, State and local governments (eg. personal Income Tax, State Value Added Tax, Excise duties, Service taxes, Custom duties, duties on fuel, Corporate Income Tax, local body taxes, etc) generally increase with higher film productions in the region. These taxes apply to film producers, their suppliers and cast and crew associated with the production. For example, State Value Added Tax shall get collected on local procurement of goods, central Service taxes shall be charged by cast and crew and duties and taxes paid by suppliers.
- ▶ **Boost to the Tourism industry:** The host location is expected to gain visibility due to film production and associated publicity generated from it. Films shot at local locations tend to introduce the audience to the host country's culture and bio diversity hence, attracts tourists.
- ▶ **Exchange of cultural and technological expertise:** Films shot in foreign locations, result in collaborations between local and foreign enterprises and expose local production units/ crews to global standards of production practices. While such collaborations encourage knowledge-sharing, they also expose filmmakers to diverse cultures and nationalities.
- ▶ **Development of allied industries:** In the long run, film production enables additional production activity and a sustainable market place in the local economy, which results in the development of allied industries such as post production, travel, hospitality, catering, etc.







# Objectives of Film Commissions

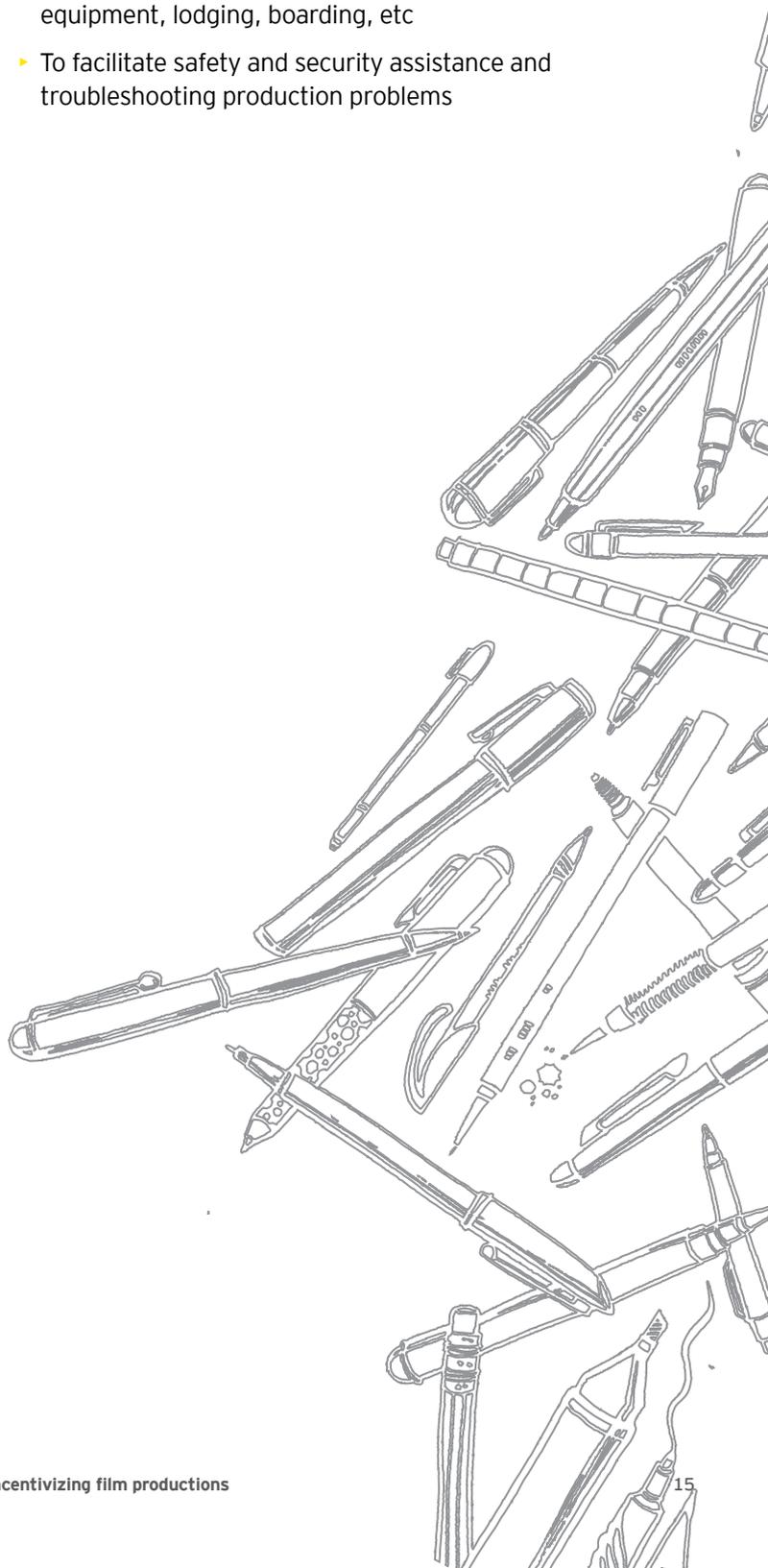
Globally, services provided by film commissions have expanded in response to the growth of on-location filming. For film, episodic television and commercials producers, film commissions provide a large range of free services, from scouting locations within their areas to trouble-shooting with local officials and helping film producers cut through paperwork and bureaucratic red tape. Some also provide hard economic incentives, such as tax rebates and hotel discounts. Others offer a variety of essential free services such as research for screenwriters or liaison work with local government agencies.

More recently, progressive film commissions around the world have begun developing an even broader scope of their activities – not merely limiting to Hollywood, but attracting other international film industries. The role of this new generation film commissions generally includes encouraging development and distribution of local productions, attracting audiences to diverse film formats and stories (particularly through film festivals), undertaking research studies, promoting film education, and supporting a climate of entrepreneurship.

The main functions of a film commission can be summed up as follows:

- ▶ To promote, market and develop its country/ region as a location for film and television production
- ▶ To serve as a body that represents people and associations participating in production of film and television production
- ▶ To provide coordination and leadership while serving as the liaison between businesses, services, agencies and the film production agencies
- ▶ To facilitate training and community development in the film and television production
- ▶ To formulate incentive policies and provide easy access to film incentives information

- ▶ To serve as a link between Central, State and local governments for film clearances, rationalizing film shooting regulations, etc
- ▶ To act as a forum to lobby for the interests of the film and television industry
- ▶ To formulate and execute single window clearance guidelines, provide listing of locations, labour, jobs, equipment, lodging, boarding, etc
- ▶ To facilitate safety and security assistance and troubleshooting production problems





# Production incentives

Film commissions formulate and implement benefits ranging from cash rebates, tax credits, exemption from or refund of VAT/customs duty to financial assistance in the form of interest-free loans and other facilities such as easy processing of visas, discounts on accommodation and travel, etc. In other words, film production incentives can be broadly bifurcated into monetary and non-monetary benefits. Interestingly, any film production-related incentive is not restricted to a particular area or field, but offers a number of incentives (e.g., exchange of expertise along with cash assistance). However, these incentives are subject to fulfilment of certain conditions. Following are typical conditions which need to be satisfied for grant of incentives:

- ▶ **Minimum Spend:** Schemes specify the minimum amount to be spent in the country where the film is to be shot. The minimum amount could be an absolute figure or a specified percentage of the production budget.
- ▶ **Cultural test:** Cultural test requirement assesses a film on certain cultural parameters. Further, in a few countries, there exists a point rating system for attaining the minimum points, subject to which specific incentives would be granted under the host country regulations. Typically, the requirements are minimum number of days of shooting in the host country, specified percentage of production activities to be carried on in the host country (ie photography, visual/ special effects, performing and recording music score, etc), employment of local manpower, dubbing of film in the local language of the host country, etc. Moreover, certain countries require specific on-screen credits.

“Shooting in a foreign location is determined by few factors such as story and script requirements, attractive tax credits and subsidies, better amenities and locations, well organised and articulated information systems, honest and clear government bodies and supportive film production eco system”



**Shibasish Sarkar**  
**CFO, Reliance Big Entertainment Pvt Ltd**



## Cash grants

Cash grants are non-refundable funds disbursed to the production companies which help them to reduce their cost of production. Cash grants can be paid upfront or on completion of a particular project. Further, generally, cash grants are subject to some level of compliance, however, grants are also provided without any conditions.

## Case study: *Life of Pi* (Taiwan)

### Quick Facts

Title of the movie	Life of Pi
Produced in	United States of America
Shot in	Taiwan
Production scheme/tax incentives	Around NT\$400 million (US\$13.3 million) from the Central and local governments
Benefits to Taiwan's economy	Tourist inflow in Taiwan increasing by 43% y-o-y in 1Q13

### Introduction

Life of Pi was an American 3D live-action, computer-animated adventure film, based on Yann Martel's 2001 novel by the same name, which was released in 2012. Around 70% of the film was shot in Taiwan, including at Taipei Zoo, an airport in Taichung and at the Kenting National Park. Some parts of it were shot in Pudukcherry and Munnar (a hill station in Kerala) in India.

### Tax and financial incentives offered to *Life of Pi* <sup>13</sup>

- ▶ The Taiwan Government contributed **NT\$50 million (US\$1.7 million)** to the **film's budget**. In addition, it subsidized construction of an NT\$150 million (US\$5.1 million) artificial pool in a defunct airport, where parts of the film were shot.
- ▶ Taiwan's Central Government also invested **NT\$200 million (\$6.7 million)** in the film through a long-running subsidy scheme set up to aid projects undertaken by the island's filmmakers.

- ▶ The Taipei Film Commission undertook free promotion of the film, and also provided administrative support or counsel for its 464 crew

The Taiwan Government contributed around NT\$400 million (US\$13.3 million) for shooting of Life of Pi in the country.

### Impact on Taiwan's economy <sup>14</sup>

- ▶ **Life of Pi was a hit in Taiwan, generating US\$17.5 million.**
- ▶ Hotel occupancy in Taichung increased by 10% where Life of Pi was shot, benefitting from the visits of more than 300 foreigners and locals.
- ▶ After release of the film in 1Q13, the number of Australians visiting the country increased by a considerable 43% over 1Q12 figures.

<sup>13</sup> "Oscars 2013: Asia Celebrates Ang Lee's Best Director Win," Hollywood Reporter, Oscars 2013: Asia Celebrates Ang Lee's Best Director Win, accessed 18 July 2014.

<sup>14</sup> "The Legacy of Pi," Taiwan Today, <http://taiwantoday.tw/ct.asp?xItem=201777&CtNode=124>, accessed 14 July 2014; "Taiwan credits Ang Lee's Life of Pi filming for Australian tourism boost," The Location Guide, <http://www.thelocationguide.com/blog/2013/05/ng-film-tourism-taiwan-credits-ang-lee%E2%80%99s-life-of-pi-filming-for-australian-tourism-boost/>, accessed 20 July 2014.

## Impact on India's economy <sup>15</sup>

Life of Pi was partly shot in Puducherry and Munnar in Kerala. The film has attracted international tourists to these locations. To capitalize on this, India's Tourism Ministry and the the Puducherry Government announced their plan to launch a "Land of Pi" campaign across all media channels, including print, online, electronic and outdoor, in 2013 in order to promote Puducherry and Munnar as tourist destinations. The highlights of the campaign:

- ▶ "Land of Pi" posters will be displayed worldwide through India's overseas tourism offices. These will also be put up on the Incredible India website and the websites of the Puducherry and Kerala Tourism Departments.
- ▶ Luxury buses plying to Puducherry and Munnar from Chennai and Kochi will be branded with "Land of Pi" visuals.
- ▶ Special "Land of Pi" tours and walking trails will be organized for tourists visiting Puducherry and Munnar.
- ▶ Short films and promos on tourist attractions have been created and uploaded on Youtube and other social media networks in Puducherry and Munnar.
- ▶ "Land of Pi" contests will be organized online, with two prizes given every month. The prize will be a holiday package to Puducherry or Munnar, including air tickets to Chennai/Kochi, and local hospitality.
- ▶ A boat with a stuffed toy tiger will be permanently placed at two prominent locations in Puducherry. Tourists can take photographs with the boat.
- ▶ T-shirts and caps branded with the two "Lands of Pi" will be produced and distributed.
- ▶ Online video games will be part of the campaign.
- ▶ Road shows for attracting tourism to India will be organized in China and Taiwan.



<sup>15</sup> "Chiranjeevi Announces Campaign "Land of Pi"," Press Information Bureau, <http://pib.nic.in/newsite/erelease.aspx?relid=91510>, accessed 21 July 2014.

## Cash rebates

Cash rebates are refund of actual expenditure incurred. Typically, cash rebates are provided at a specified percentage of the qualifying expenditure. Qualifying expenditure includes costs incurred in the host country during the shoot on the cast and crew, goods and services purchased or at a specified percentage of overall production budgets. Interestingly, rebates offered are grants, however not all grants are rebates.

## Case study: *Krrish* (Singapore)

### Quick Facts

Title of the movie	Krrish
Produced in	India
Shot in	Singapore
Production scheme/tax incentives	"Film in Singapore" subsidy
Benefits to Singapore's economy	Annual Indian tourist traffic to Singapore increased from six to seven million after Krrish was released.

### Introduction

Krrish is an Indian science fiction film directed, produced and written by Rakesh Roshan in 2006. It is the second film in the Krrish series and is the sequel to Koi... Mil Gaya. More than 60% of the film has been shot in Singapore in prominent locations including the Singapore Zoo, the Gateway building and the Singapore National Library.

- ▶ By launching this scheme, the STB is targeting 17 million visitors and S\$30 billion (US\$23.9 billion) in tourism receipts by 2015, up from 8.9 million visitors and S\$10.8 billion (US\$8.6 billion) in tourism receipts in 2005.
- ▶ In addition to offering financial benefits, the STB and the Media Development Authority of Singapore also provide technical information and support to applicants for permits and licenses, sourcing of locations, and the hiring and rental of resources.

### Tax and financial incentives offered to Krrish<sup>16</sup>

Krrish was the first Indian film to be shot in Singapore under the Singapore Tourism Board's (STB) Film-in-Singapore subsidy scheme.

- ▶ The STB introduced the subsidy in May 2004 to encourage international film producers to shoot and produce high-quality films and TV programs in Singapore. The scheme subsidizes up to 50% of the qualifying expenses incurred by foreign producers during their shoots in Singapore. This includes hiring of local talent and production staff, post-production services, rental of production facilities and equipment, and airfare and accommodation.

The STB invested S\$6.3 million (US\$5.0 million) in its "Film in Singapore" scheme. Krrish was the first production to benefit from the scheme.

<sup>16</sup>"Film in Singapore" scheme for producers," HTKDC Research, <http://economists-pick-research.hktcdc.com/business-news/article/International-Market-News/Film-in-Singapore-scheme-for-producers/imn/en/1/1X000000/1X00G936.htm>, accessed 14 July 2014.

## Impact on Singapore's economy<sup>17</sup>

- ▶ After the movie was released, the local people enthusiastically visited places with which they were already familiar. In addition, Indian visitors began looking at Singapore as a modern destination that is culturally and economically similar to the “new India” and the lifestyles of its middle-class diaspora.
- ▶ Immediately after the release of the film, annual Indian tourist traffic to Singapore increased from six to seven million.

According to an STB report, the number of international visitors to Singapore rose to 15.6 million in December 2013, up 7% y-o-y, amounting to S\$23.5 billion (US\$18.8 billion) in tourism receipts.

The STB has taken several initiatives to attract domestic and international tourists. Some of these include the following:

- ▶ In June 2006, the STB launched a unique Krrish tour package, which included a guided tour of several of the country's attractions where the film was shot, along with interesting trivia provided about the movie and its production. The tours were launched in conjunction with worldwide release of the movie.
- ▶ To attract domestic travelers, the country's media aggressively covered details relating to production of the film, e.g., topics such as road closures and the protagonist's fitness routine, along with information on locations where the film was shot.

<sup>17</sup> The location power of Bollywood,” The Location Guide, <http://www.thelocationguide.com/blog/2009/11/the-location-power-of-bollywood/>, accessed 14 July 2014; “Singapore gears up to encash Krrish,” The Economic Times, [http://articles.economicstimes.indiatimes.com/2006-06-26/news/27426133\\_1\\_singapore-tourism-board-assistant-chief-executive-indian-film-makers](http://articles.economicstimes.indiatimes.com/2006-06-26/news/27426133_1_singapore-tourism-board-assistant-chief-executive-indian-film-makers), accessed 14 July 2014.

## Tax Credits

Tax credit is a sum deducted from the total amount a taxpayer owes to the treasury. A tax credit can be granted for various types of taxes such as income tax, value added tax, etc. Further, another form of tax credit is by way of a refund of taxes paid while filming in a location. Tax credits can either be refundable or non-refundable and further, transferable and non-transferable. A refundable tax credit is one through which the tax liability of the taxpayer can be reduced to below zero. Because it is possible to receive a tax refund from this type of credit, it is referred to as refundable tax credit. However, in case of a non-refundable tax credit, the tax liability can be reduced only to zero and not below. Furthermore, only a few countries permit transfer of tax credits, i.e., a tax credit can be sold or brokered to another company that has a tax liability in the country. Typically, tax credits are transferred by non-resident production companies that generally have no tax liabilities. Additionally, accumulated credits can also be refunded.

## Case study: *Zindagi Na Milegi Dobara* (Spain)

### Quick Facts

Title of the movie	Zindagi Na Milegi Dobara
Produced in	India
Shot in	Spain
Production scheme/tax incentives	18% refund on Value Added Tax (VAT)
Benefits to Spain's economy	Indian tourist traffic to Spain increased by 65% after release of the film

### Introduction

*Zindagi Na Milegi Dobara* was an Indian comedy directed by Zoya Akhtar and produced by Excel Entertainment in 2011. Made on a budget of INR550 million (US\$9.0 million), the movie was mainly shot in Spain and partly in India, Egypt and the UK.

### Tax and financial incentives offered to *Zindagi Na Milegi Dobara*<sup>18</sup>

- ▶ The Government of Spain offered VAT refund of around 18% for shooting the movie in the country. In addition, it made the visa process easier, offered discounts on hotel stays and travel, ensured fast approvals and offered other sops.
- ▶ Following the success of *Zindagi Na Milegi Dobara*, Spain's Tourism Board began offering incentives, along with tax deduction of 18%, to attract Bollywood filmmakers to the country. These incentives included subsidies from its Ministry of Culture and autonomous bodies.

In 2011, the National Tourist Office of Spain earmarked US\$1 million to promote Spain in India.

<sup>18</sup> Tourism Office of Spain targets 40 per cent growth in Indian arrivals for 2011, Travel Business Monitor, <http://www.travelbizmonitor.com/tourism-office-of-spain-targets-40-per-cent-growth-in-indian-arrivals-for-2011-14550>, accessed 16 July 2014.



## Tax holiday

A tax holiday is a temporary reduction or elimination of tax. In other words, there shall be no tax liability for a particular period on taxable income earned during the said period. Over the years, countries have been offering tax breaks and holidays to attract production companies to shoot films. It is relevant to note that such breaks and holidays bring down production costs significantly.

## Case study: *Harry Potter (US)*

### Quick Facts

Title of the movie	Harry Potter
Produced in	US
Shot in	UK
Production scheme/tax incentives	Tax breaks of around £95 million (US\$160 million) a year
Benefits to USA's economy	Contribution of over £1 billion (US\$2.0 billion) a year to the UK's economy by Warner Bros.

### Introduction

Harry Potter is a feature film series based on the Harry Potter novels written by J. K. Rowling. The series are distributed by Warner Bros. and includes eight fantasy films. It comprises the highest-grossing film series, with US\$7.7 billion in worldwide receipts. Each film individually features among the 50 highest-grossing movies in the world. The movie was mainly shot in the UK.

### Tax and financial incentives offered to Harry Potter<sup>20</sup>

- ▶ Films made in the UK receive tax breaks worth around £95 million (US\$160 million) a year, with 25% of their production costs incurred in the country.
- ▶ Consequently, shooting films in the UK is up to 40% cheaper for filmmakers than in the US. The UK's film industry accounts for £1.4 billion (US\$2.4 billion) of the country's GDP.
- ▶ Harry Potter also benefitted from the scheme.

The UK government offers tax breaks to foreign film makers for shooting and releasing a film in the country through 2015.

### Impact on UK's economy<sup>21</sup>

- ▶ In 2010, Warner Bros. purchased Leavesden Studios in Watford, where all the Harry Potter films were shot. It also unveiled its plans to invest £100 million (US\$168 million) to create its own TV and film production base in the UK.
- ▶ After acquiring the site, Warner Bros. launched The Warner Bros. Studio Tour - London in 2012. This sees over 5,000 visitors a day and has a secure studio space in the same complex.
- ▶ Warner Bros' expenditure on salaries, national insurance contribution, marketing, advertising and infrastructure amounts to £1.2 billion (US\$2.0 billion) a year for the UK's economy (as of April 2013).

<sup>20</sup> Government extends tax breaks for UK films," BBC, <http://www.bbc.com/news/entertainment-arts-15673867>, accessed 30 July 2014.

<sup>21</sup> Harry Potter is UK's most popular tourist attraction," Yahoo, <https://uk.movies.yahoo.com/harry-potter-is-uk%E2%80%99s-most-popular-tourist-attraction-154958512.html>, accessed 30 July 2014; "Warner Bros contributes £1bn a year to UK economy," The Telegraph, <http://www.telegraph.co.uk/finance/newsbysector/mediatechnologyandtelecoms/10019472/Warner-Bros-contributes-1bn-a-year-to-UK-economy.html>, accessed 30 July 2014.

## Warner Bros. contributes over £1 billion (around US\$2.0 billion) a year to the UK's economy.

- ▶ In 1998, before Harry Potter was released, expenditure on film production in the UK was valued at £398 million (US\$670 million). By 2011, it rose to over £1.1 billion (US\$1.8 billion), backed by Warner Bros.' investment in technicians specializing in special effects.
- ▶ The movie also attracted tourists to Pembrokeshire County, where Harry Potter and The Deathly Hallows premiered.
- ▶ The number of visitors rose by almost 30,000 to 4.2 million in Pembrokeshire in 2010. They stayed for an average of 3.3 days in 2010, compared to 3.1 days in 2009, and helped to boost the total spend of visitors in the county by 5.4%.

Initiatives by UK's Tourism Department to attract domestic and international tourists:

- ▶ Following the release of the movies, a series of themed Harry Potter guided tours and events were undertaken throughout the UK.
- ▶ In 2013, leading tour operator British Tours Ltd., which specializes in tailor-made trips around the British Isles, revealed that more tourists book their "Harry Potter" tours than for any other special interest outing it offers.
- ▶ The London-based tour company reports that almost 700 groups booked "Harry Potter locations" tours over the last five years. This falls slightly short of 50% of the share of its second most popular trip, a tour of pre-historic monuments, including Stonehenge, at sunrise or sunset.



## Non-monetary assistance

Apart from monetary assistance in the form of exemption from tax and cash rebates, many governments address other issues faced by production companies, e.g., clearances, approvals from various dignitaries, visa procedures, etc.

### Case study: *Dilwale Dulhania Le Jayenge (Switzerland)*

#### Quick Facts

Title of the movie	Dilwale Dulhania Le Jayenge
Produced in	India
Shot in	Switzerland
Production scheme/tax incentives	No financial incentives/tax rebates; other benefits offered
Benefits to Swiss economy	Increase in tourism by 7%

#### Introduction

Dilwale Dulhania Le Jayenge (DDLJ) was an Indian film, which was released in 1995. It was written and directed by debutante director Aditya Chopra and produced by his father Yash Chopra. The film was shot in India, London and Switzerland.

#### Tax and financial incentives offered to DDLJ<sup>22</sup>

- ▶ Switzerland is an expensive country for shooting films and does not offer any tax or financial incentives/rebates to foreign filmmakers. However, Indian filmmakers are still attracted to the country. More than 200 Bollywood films have been shot in Switzerland over the past two decades. Indian filmmakers flock to the country to tap the following benefits:
- ▶ Natural daylight is plentiful, especially during summer (for 12 to 13 hours). This reduces the cost (including hiring, freight, etc.) of using artificial lighting.
- ▶ Permission to shoot is easily available from local authorities without any red tape or costs involved.
- ▶ Labor costs in Switzerland are similar to those in its neighboring countries. In addition, Swiss legislation allows longer working hours, which implies tight production schedules.

The Swiss Government gives quick and trouble-free permission to shoot films as well as for advanced equipment and infrastructure for foreign film producers.

- ▶ Its landscape includes beautiful mountains, lakeshore scenery, picturesque villages and medieval towns.
- ▶ Switzerland does not place any restrictions on the amount of Swiss francs that can be imported, exported or exchanged.

The Swiss Government is encouraging and promoting film shoots in Switzerland through Film Location Switzerland, a public organization set up to offer logistical support to foreign film producers.

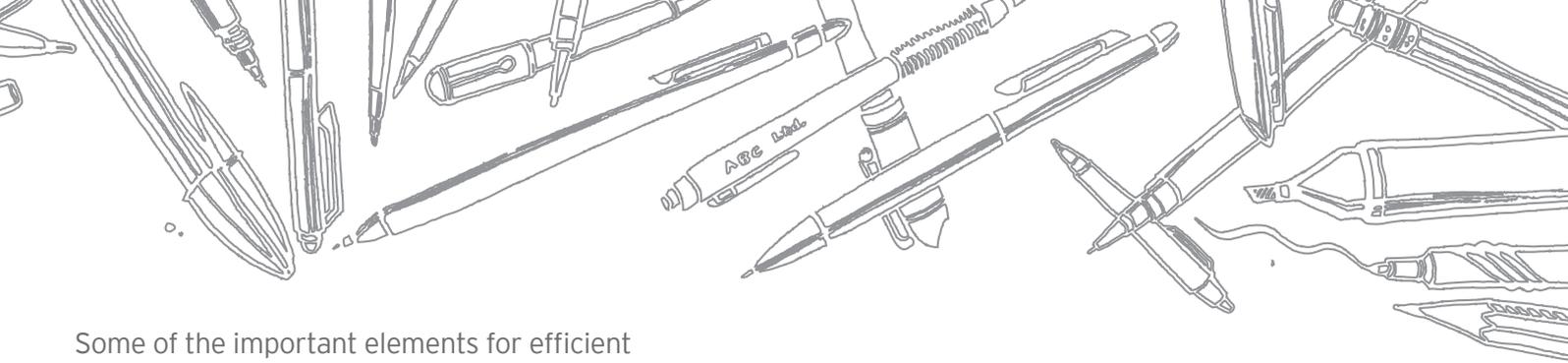
<sup>22</sup> Switzerland for Movie Stars," Swiss Tourism, [http://www.filmlocation.ch/uploads/indian\\_films.pdf?bcsi\\_scan\\_debb0e326e6a7dd8=0&bcsi\\_scan\\_filename=indian\\_films.pdf](http://www.filmlocation.ch/uploads/indian_films.pdf?bcsi_scan_debb0e326e6a7dd8=0&bcsi_scan_filename=indian_films.pdf), accessed 24 July 2014.





# Key necessities for Film Commissions





Some of the important elements for efficient functioning of Film Commission in India can be:

### Online Portal

For effective communication, the film commissions (centre and state level) need to be powered by a common digital platform. This platform will serve as a central repository for providing information to production (local and international) intending to shoot or produce in India. Examples of some of the film commission websites include California Film Commission ([www.film.ca.gov](http://www.film.ca.gov)), Georgia Film Commission ([filmcommission.ge](http://filmcommission.ge)), New Zealand Film Commission ([www.nzfilm.co.nz](http://www.nzfilm.co.nz)), Japan Film Commission ([www.japanfc.org](http://www.japanfc.org)).

Building a comprehensive online portal shall require integrated efforts from both Central as well as State Governments. Key features of an effective film commission website include:

Key feature	Information provided
Location	▶ Interactive map, weather, terrain, best ways to get there, photographs and videos, films shot in the past, religion and culture, local population, languages spoken, medical facilities
Permits and guidelines	▶ Listing of permits, visa information, how and where to apply, estimated approval time, nodal officers, guidelines for shooting, conditions and restrictions imposed, laws, police and enforcement, nearby courts
Incentives	▶ Types of incentives, quantum of benefit, how and where to apply, criteria to qualify, conditions and restrictions, incentive process with estimated time of receipt, details of authorities granting incentives, contact details of authorities
Production resources	▶ Types of film equipment available, time taken to supply, supplier name and address, cost of transportation, travel and accommodation, post production facilities, safety and security
Labour	▶ Local line production companies, listing of skilled and unskilled labour, job posting, recruitment agencies
Workshops and training	▶ Details of various courses conducted, affiliations, universities and deemed universities, campus placements, training and workshops, vocational courses, career counselling
Grievance Cell	▶ Real time dispute resolution mechanism, local authorities, contact details, application process, public listing of grievances and its resolution, arbitration and settlements, public discussion forums
Film festivals	▶ Hosting film festivals, recognition and rewards, participation in International film festivals, promote tourism
Contact us	▶ Who's who and their contact information, enquiries and feedback

## Integration with Incredible India campaign

The 'Incredible India' campaign introduced in the year 2002, was an integrated communication strategy with the aim of promoting India as a destination of choice for the traveller. Over the years, efforts have been made to re-instil the campaign by way of partnerships which complement the campaign, redefine the brand and provide a strategic vision.

In 2013, MoT partnered with WoNoBo.com to launch Walking Tours<sup>24</sup>, an online experience where users navigate and route their way through cities based on a choice of themes. The website also offers guides, created by users as well as experts, that feature restaurants, shops and more.

Moreover, in May 2014, MoT partnered with Worth Your Holidays, a travel solutions provider, to launch a travel planner portal, Tripigator.com<sup>25</sup>. The new site, besides providing information about attractions in a destination, mode of transport, distance between places, hotels, etc., provides travellers with the real-time cost of travel to any destination. The initiative by the MoT will help both domestic and international travellers in planning trips seamlessly, on the basis of basic inputs such as timeline, budget, areas of interest (adventure, romance, nature, etc.) and destinations of choice.

While reforms to promote film tourism at central and state level are already under way, the Government should consider launching film commissions to position India as a preferred filming destination for both local and international productions.

"Film tourism is considered as a powerful tool to promote tourism destinations and locations in a country. India needs to adopt a globally recognised standard to introduce production benefits to boost film production across various locations. Production incentives, timely permits, availability of local talent, production resources and infrastructure are key ingredients to attract foreign and local productions to shoot in a country. This will ensure retention of local productions within the country and help position India as an International filming destination globally."



**Vijay Singh**  
**Chief Executive Officer**  
**Fox Star Studios, India**

<sup>24</sup> Fonearea, WoNoBo. Com India's first 360-degree street view launched - <http://www.fonearena.com/tech/india/wonobo-com-indias-first-360-degree-street-view-launched/5148/>

<sup>25</sup> Press Information Bureau, Government of India, Ministry of Tourism, 5 May 2014 - <http://pib.nic.in/newsite/PrintRelease.aspx?relid=104992>  
TravelBizmonitor.com, MoT partners with Worth Your Holidays to launch real-time travel planner, Tripigator.com, 6 May 2014 - <http://www.travelbizmonitor.com/mot-partners-with-worth-your-holidays-to-launch-realtime-travel-planner-tripigatorcom-23904>

# Our M&E publications

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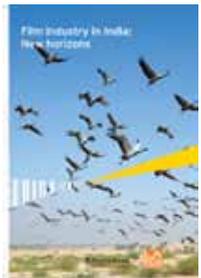
## Roadmap for single window clearance for film production in India

This report was released in association with LA India Film Council. The report looks at existing Indian regulations, co-production agreements with other countries and the clearances required, and in the process, highlights some development areas.



## In the decade of the customer, knowing your customer means owning your data

The report presents innovative solutions to help our clients stay competitive in this decade of the customer - domain-name consolidation across multiple online properties and its benefits, and the lessons learned and challenges faced.



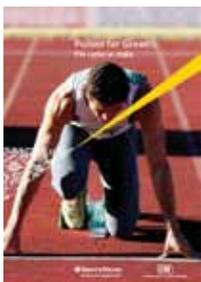
## Film industry in India: New Horizons

This report was released in association with the LA India Film Council. The report highlights how the Indian film industry will benefit by partnering with Hollywood.



## Spotlight on China: Building a roadmap for success in media and entertainment

This report was released at the inaugural M&E Emerging Markets Executive Forum in Shanghai and focuses on the Chinese media and entertainment landscape.



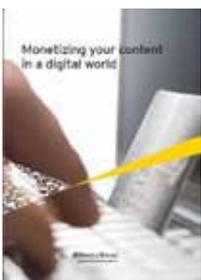
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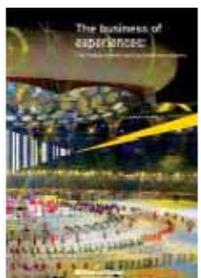
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## The business of experiences: The Indian events and activation industry

This report was released in association with EEMA at Eemagine 2012. The first report on the events and activation industry, this report captures the emerging trends and challenges that this nascent sector faces.



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## LA India Film Council

Established in November of 2010 by a Joint Declaration between the City of Los Angeles and the Indian Film Industry, the LA India Film Council was formed to facilitate and strengthen motion picture production, distribution, technology, content protection, and commercial cooperation between the above two communities.

The Governing Council is an amalgamation of a prestigious panel of members from India and the U.S. This body collectively strives towards creating a support system that facilitates motion picture production, distribution, technology, content production, content protection and commercial cooperation between Hollywood and Bollywood. The current Governing council members are: Film Federation Of India, Film and Television Producers Guild of India, National Film Development Corporation, Federation of Indian Chambers of Commerce and Industry, AP Film Chambers, California Film Commission, LA Mayor's Office, MovieLabs, Technicolor India, DQ Entertainment, Reliance MediaWorks, Prime Focus, Peter Law Group, Whistling Woods International, Film and Television Institute of India, University of Southern California- School of Cinematic Arts and Motion Picture Dist. Association (India) Pvt. Ltd., UCLA School of Theater, Film and Television.  
[www.mpaa-india.org](http://www.mpaa-india.org) (<http://www.mpaa-india.org>)

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