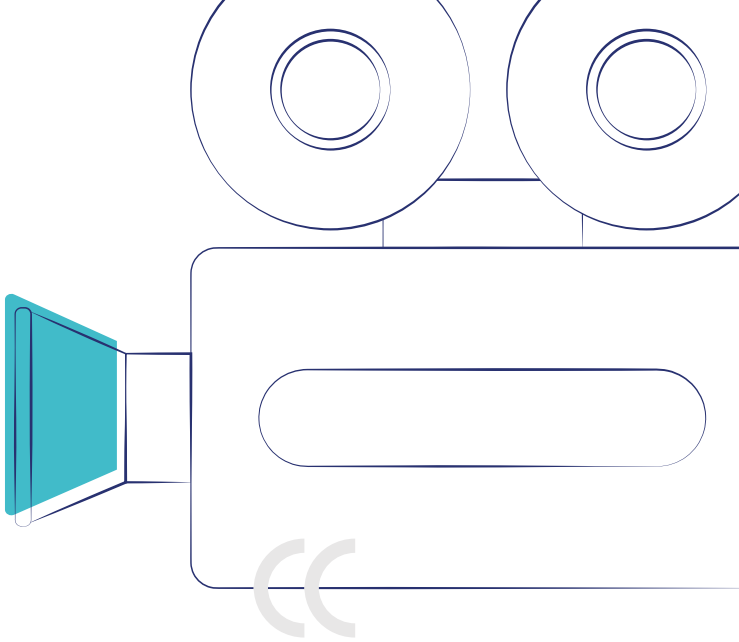
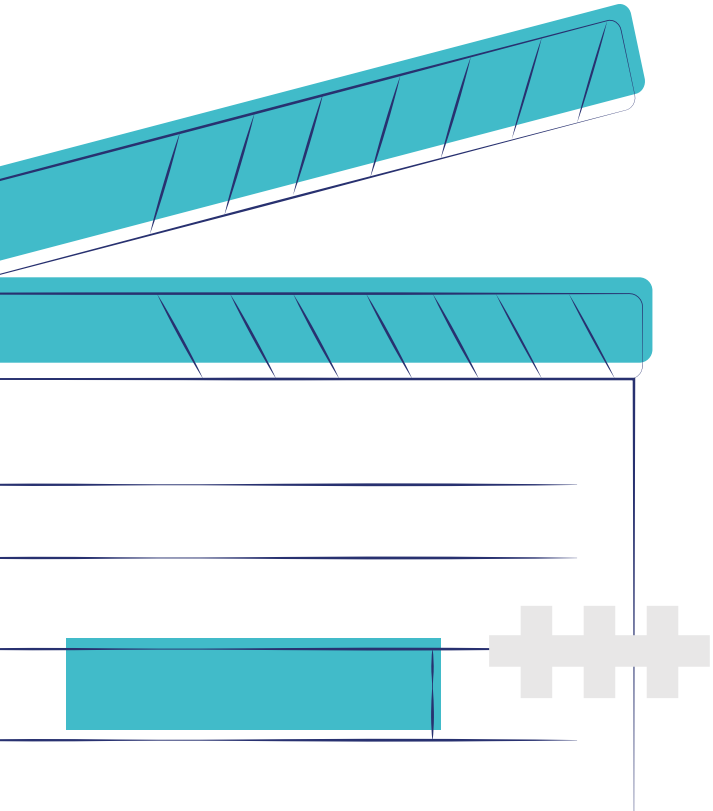


TAX INCENTIVES GUIDE

TO FILMING *IN TENERIFE*

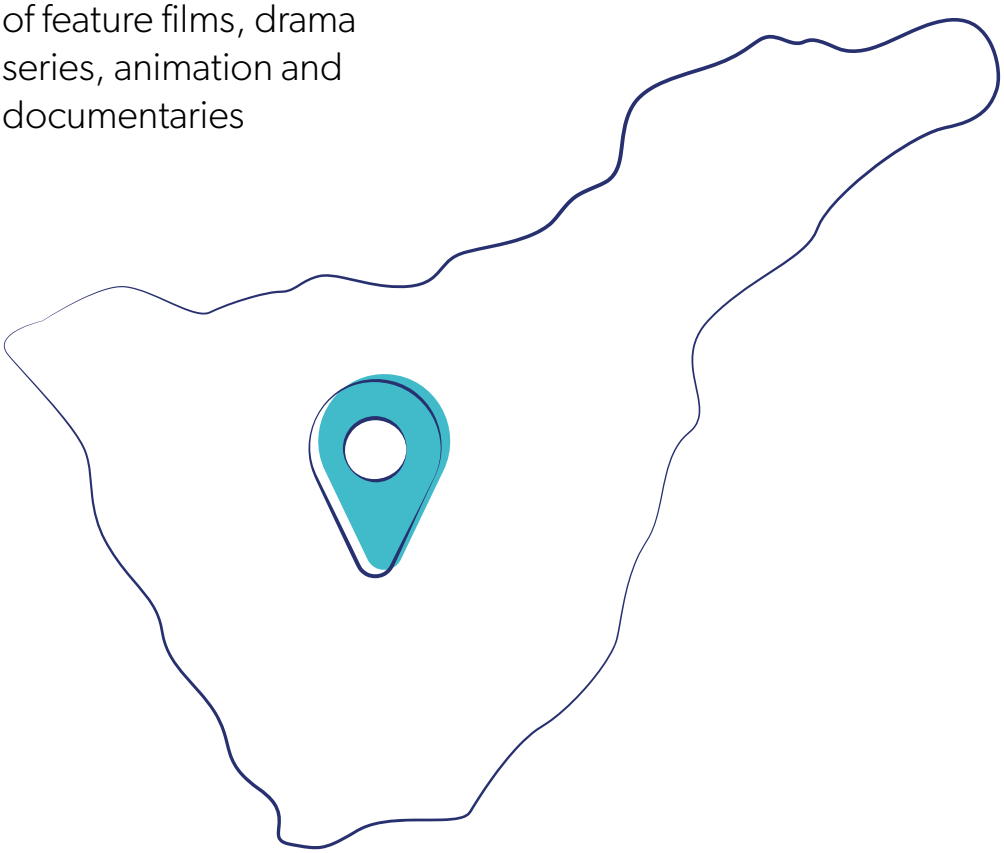


tenerife! film commission | ISLA CARTOON

Produce your next project in Tenerife and take advantage of a tax relief of up to:

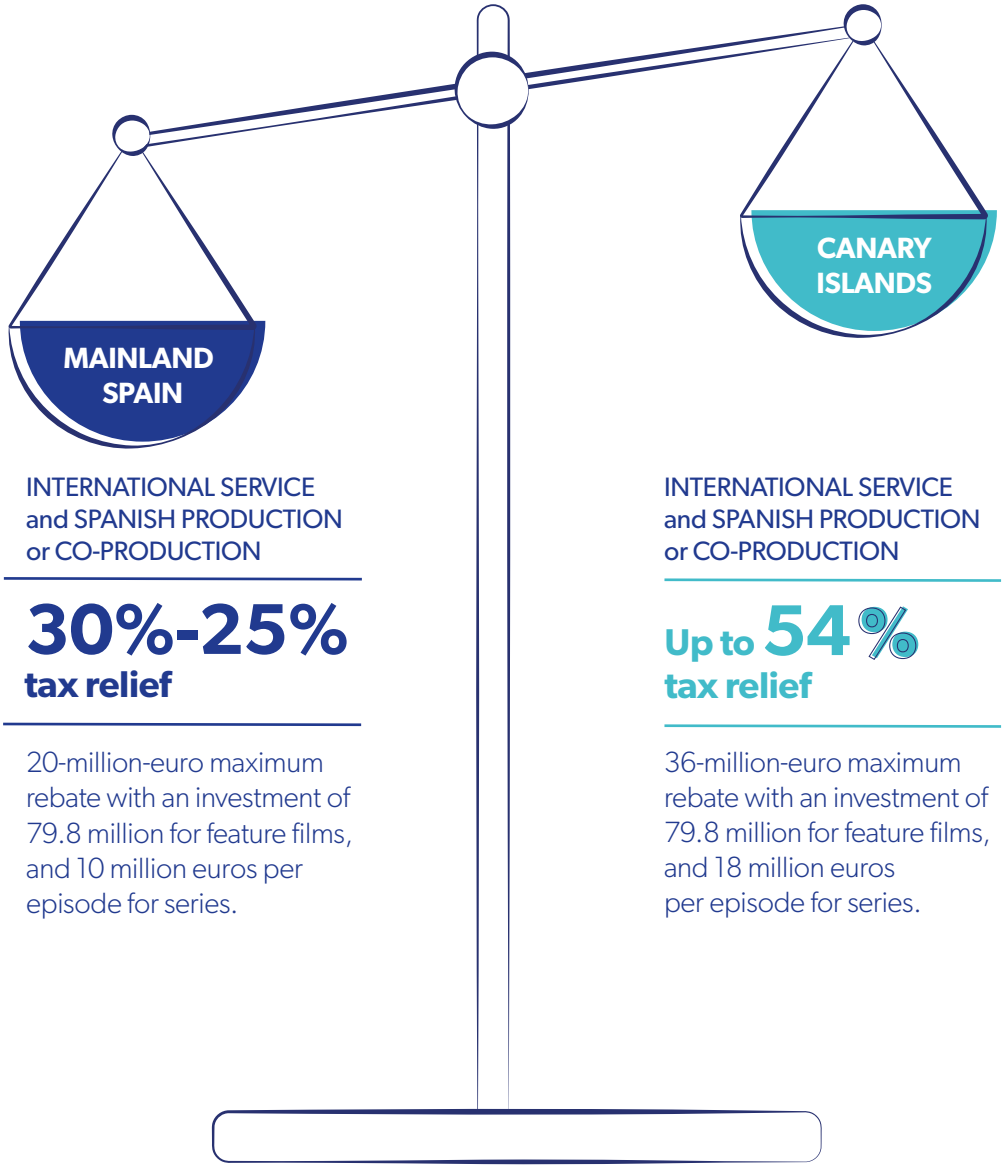
54%

For the PRODUCTION of feature films, drama series, animation and documentaries



In Spain, Articles 36.1 and 36.2 of the Corporate Income Tax Act (the 'Ley del Impuesto sobre Sociedades', or 'LIS') govern tax incentives for film productions. The LIS applies in the Canaries, as it does across the rest of the country, but the regional Economic and Tax Regime (the 'Régimen Económico y Fiscal', or 'REF') establishes a permanent increase of 20 percentage points over the reliefs applicable elsewhere in Spain for projects shot on the islands.

TAX RELIEF COMPARISON



INTERNATIONAL SERVICE and SPANISH PRODUCTION or CO-PRODUCTION

30%-25%
tax relief

20-million-euro maximum rebate with an investment of 79.8 million for feature films, and 10 million euros per episode for series.

INTERNATIONAL SERVICE and SPANISH PRODUCTION or CO-PRODUCTION

Up to 54%
tax relief

36-million-euro maximum rebate with an investment of 79.8 million for feature films, and 18 million euros per episode for series.

In addition, specific REF reliefs are available such as setting up a ZEC company and paying just 4% Corporate Income Tax; or 0% VAT in your film production costs or reducing the taxable base by up to 90% (RIC).

CANARIES ECONOMIC AND TAX REGIME (REF)

1 **Up to 54% Tax incentives**
for international service and Spanish productions or co-productions

2 **Canaries Special Zone (ZEC)**
Corporate Income Tax at **4%**

3 **Other tax incentives only applicable in the Canaries:**

3.1. No 'IGIC' (Canary Island's VAT) - **0% IGIC**

3.2. Advertising expenses rebate of **10% - 15%**

3.3. Canaries Investment Reserve ('RIC')
Tax base reduced by up to **90%**

These tax reliefs make Tenerife and the other Canary Islands a leading region for both national and international film production.

Please find below a detailed description of how the incentives work and an overview of the benefits the Canarian tax regime offers to film production. Tenerife Film Commission can give you a **bespoke service** for specific projects and/or setting up on the Island.

CONTACT US

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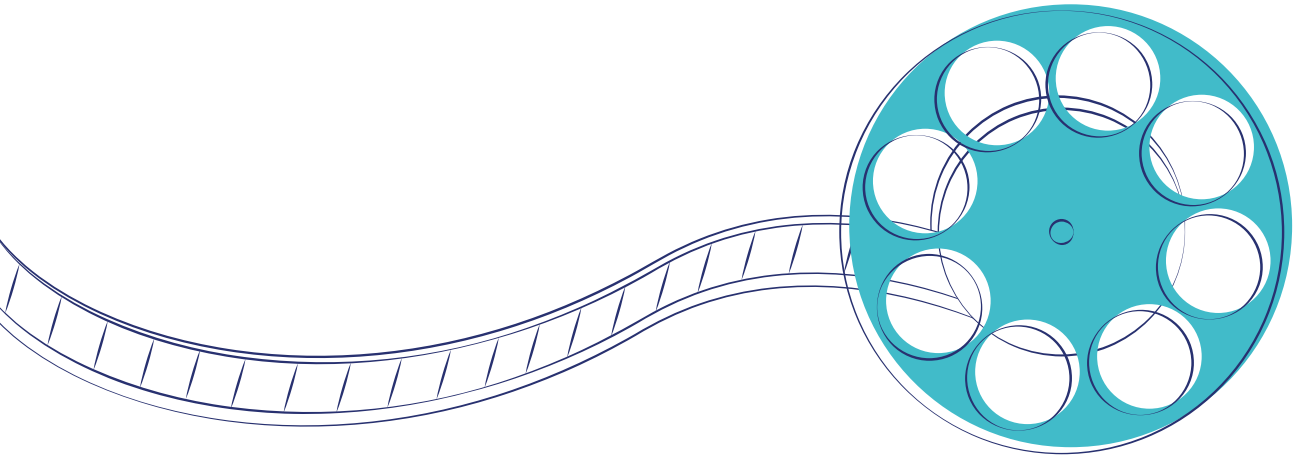
1 SPECIFIC TAX INCENTIVES FOR FILM PRODUCTION



Expenses directly related to the production and incurred in the Canaries can benefit from a **50% deduction on the first million and 45% on the remainder, up to a maximum rebate of 36 million** euros for feature **films and 18 million** per episode for **series**. In some cases, the deduction may reach up to **54% on the first million.**

These benefits are available to **producers that have their tax domicile in the Canaries** and are registered in the Canaries Administrative Register of Audiovisual Companies that have provided production services to an international live action, animation or documentary film or series shot on the islands or have produced or co-produced Spanish feature films or short films, drama series, animation, or documentaries.

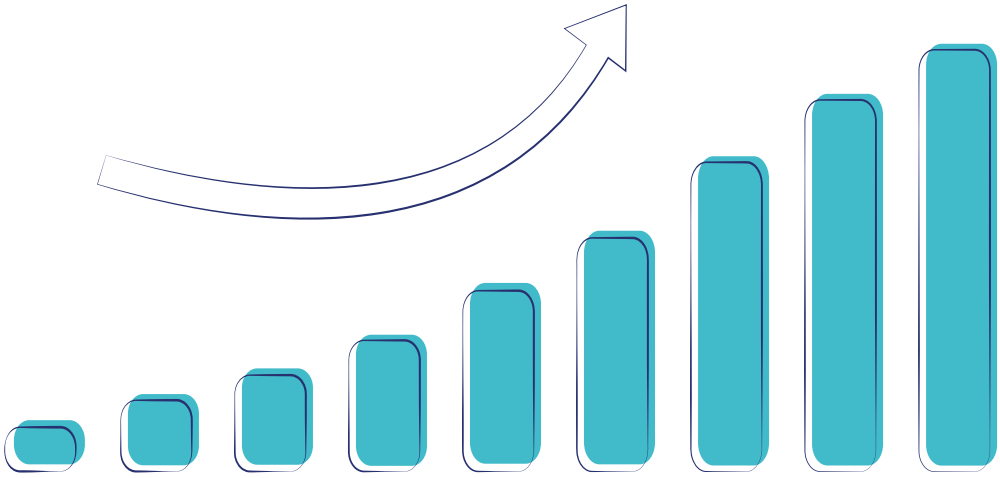
The deduction is made on the Corporate Income Tax payment due in the financial year after executive production ends in Spain. For animation, where the service could span several financial years, the deduction may be applied in instalments in accordance with annual certifications.

TAX REBATE: UP TO 54% FOR INTERNATIONAL PRODUCTIONS

Requirements for international productions (service):

1. The **overall spend** in the Canaries must be at least 1 million euros for live action, or 200,000 euros for animation.
2. If the spend in the Canaries is above 1.8 million euros, the percentage rebate will be **54% for the first million.**
3. **The minimum overall budget** for the project must in any event be more than 2 million euros.
4. The international producer must hire a service **producer who is tax resident in the Canaries.**
5. It must be a **documentary, series or feature film**, whether live action or animation, intended for theatrical release, television or Video on Demand (VoD) channels, and classed as a foreign production.
6. The deduction base cannot exceed **80% of the total cost of the production.**
7. The rebate, together with all other grants awarded to the same production, cannot exceed **50% of the overall production cost.**
8. **Cultural test** of the Spanish Institute of Cinematography and Audiovisual Arts (ICAA).
9. The incentive and the Film Commission must be included in the **credits**; also, promotional materials of the film are to be **delivered** to the Film Commission.

ELIGIBLE EXPENSES



LIVE ACTION

Expenses incurred in the Canaries that are directly related to the production, and others derived from the use of technical industries and other service providers.

Creative staff is eligible only if they are tax **resident in Spain or in a Member State of the European Economic Area.** Creative staff includes the director, screenwriter, director of photography and music composer; the actors and other artists involved, as well as technical creative staff: editor, art director, sound designer, costume designer and head of make-up and hairstyling.

The full list of eligible expenses can be read in Binding Tax Ruling V2402-15

ANIMATION

Minimum **spend** of 200,000 euros **incurred in the Canaries and directly related to** the production, as well as other expenses derived from the use of **technical industries, other service providers and creative staff** that are tax resident in Spain or in a Member State of the European Economic Area.

In animation, the deduction may be applied in instalments as the different phases are completed.

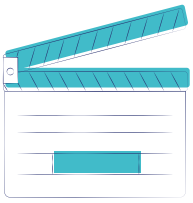
The full list of eligible expenses for Animation can be read in Binding Tax Ruling V0065-17

In the interest of greater legal certainty, and in those cases not included in the above Binding Tax Rulings, a prior consultation may be filed with the Spanish Tax Office (Agencia Tributaria Estatal)

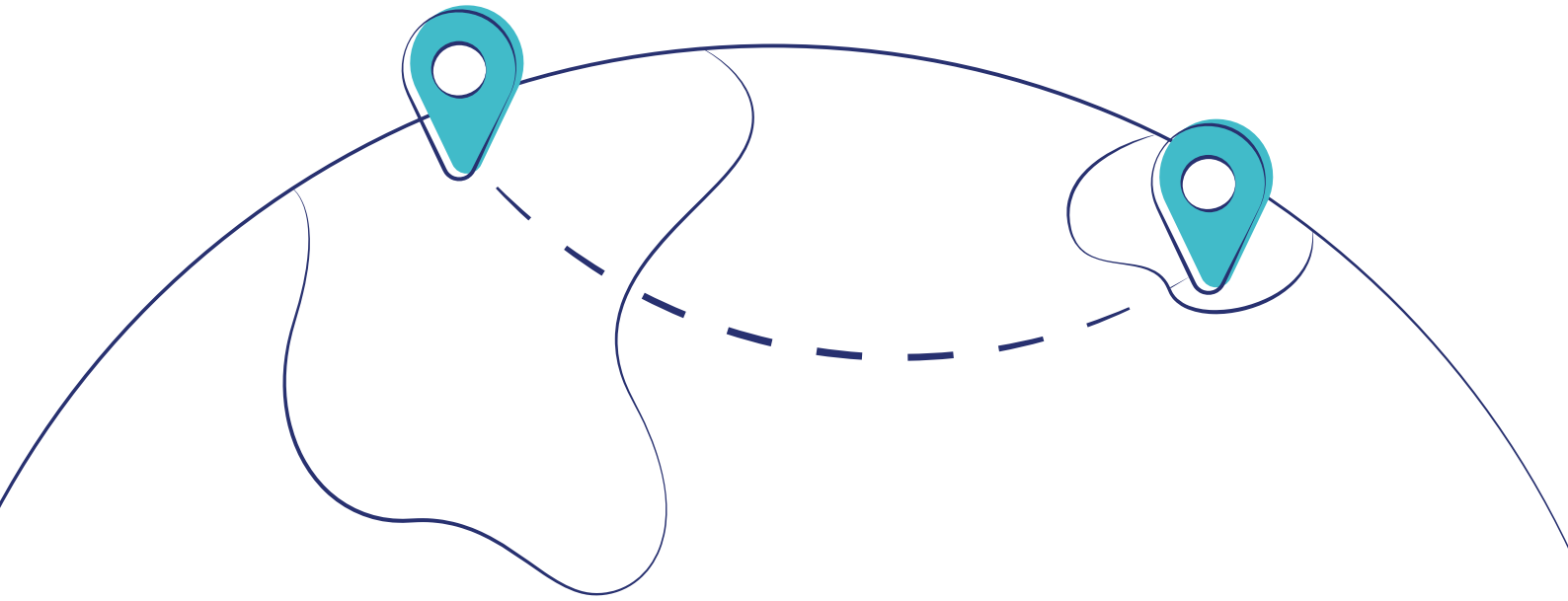
CULTURAL TEST FOR FOREIGN PRODUCTIONS IN SPAIN

Foreign productions must obtain a Cultural Certificate from the Institute of Cinematography and Audiovisual Arts (ICAA), requiring a minimum of 15 points out of a total of 35.

The closing credits of the production must include a specific reference to the tax incentive, the name of the Film Commission, Government or Regional Government involved in the filming, the specific filming locations, and in the case of animation, the location of the studio hired to provide the production service.



The Film Commissions and the Spanish and Regional Governments will be allowed to use the title and press materials that include specific filming locations for cultural or tourism promotional purposes.



TAX CREDIT: UP TO 54% FOR SPANISH PRODUCTIONS AND CO-PRODUCTIONS

Requirements:

1. **Classification** as a short film, feature film or drama series, animation or documentary.

2. It must be intended for **theatrical release,** television and/or Video on Demand (VoD) channels.

3. It must be classified as a Spanish film and obtain the **Canarian Certificate of Audiovisual Production.**

4. The producer must have their tax domicile in the Canaries and be registered in the **Canaries Register of Audiovisual Companies.**

5. This credit, combined with all other grants received cannot amount to more than 50% of the production cost. However, an exceptional increase applies in the following cases:

   - Cross-border productions in the European Union or co-productions with Latin America
     60%
   - Productions by directors of particular cultural and artistic value; documentaries or animated films with a budget of less than 2.5 million euros
     75%
   - Productions by a new director with a budget of less than 1.5 million euros, filmed entirely in any of the co-official languages or directed solely by persons with a disability of 33% or more
     80%
   - Short films
     85%

6. The above applies to the part of the **budget covered by the Spanish producer**, including:

   - Production, creative and technical staff, dubbing, accommodation and living expenses.
   - PR & marketing expenditure paid by the producer capped at 40% of the total production cost.
   - Grants received are excluded from the tax credit

OBTAINING THE CANARIAN CERTIFICATE OF AUDIOVISUAL PRODUCTION

To be eligible to apply for the relief, the production must be classified as a feature film, drama series, animation or documentary and obtain the **Spanish nationality and culture certificate** issued by the Institute of Cinematography and Audiovisual Arts (ICAA) and the **Canarian Certificate of Audiovisual Production**, issued by the Regional Government of the Canary Islands.

To obtain the Canarian Certificate of Audiovisual Production, the film must be made by a Canaries film company, or by companies working in co-production with at least one Canaries film company that is registered in the Canaries Register of Audiovisual Companies. The following requirements must be met:

- The contribution by the Canaries producer will be at least 20% of the production cost.
- In the case of financial co-production, the contribution by the Canaries co-producer must be no less than 10% and no more than 25% of the production cost.
- Minimum filming time at interior or exterior locations in the Canaries, according to the budget.
- Local staff with their tax residence in the Canaries must also be hired, depending on the type of production.

Minimum filming time at interior or exterior locations in the Canaries, according to the budget.

- For live action feature films:

11 days if the budget is LESS THAN TWO MILLION euros.

14 days if the budget is between TWO AND FOUR MILLION euros.

16 days if the budget is between FOUR AND EIGHT MILLION euros.

18 days if the budget is above EIGHT MILLION euros.

* *Exception: Only **9 days of filming**, provided that proof is given that at least **15% of the budget** is spent on post-production in the Canaries.*

- For live action SERIES:

20 % of the filming time of one season must take place in the CANARIES

* *Exception: Only **15% of filming time** of one season, provided that at least **15% of the budget** is spent on post-production in the Canaries.*

- For animation series and films:

15 % of the production time if the budget is MORE THAN FIVE MILLION euros.

20 % of the production time if the budget is LESS THAN FIVE MILLION euros.

In calculating the production times in the Canaries, rendering tasks must not account for more than 20% of the total production time. No minimum time requirement applies to documentaries.

Local staff with their tax residence in the Canaries must be hired, depending on the type of production:

LIVE ACTION SERIES AND FEATURE FILMS:

One person classed as **creative staff**: director, screenwriter, director of photography, soundtrack composer, actors, other artists and technical creative staff (chief editor, art director, sound designer, costume designer and head of make-up and hairstyling).

Nine people with a technical role from at least five different departments: production, locations, direction, camera, lighting and grip, sound, art, costume, make-up and hairdressing, special effects, post-production and VFX, stunts.

DOCUMENTARIES:

At least **two people** in the following positions must have their tax residence in the Canaries: director, screenwriter, composer of the original score, director of photography or executive producer.

ANIMATION:

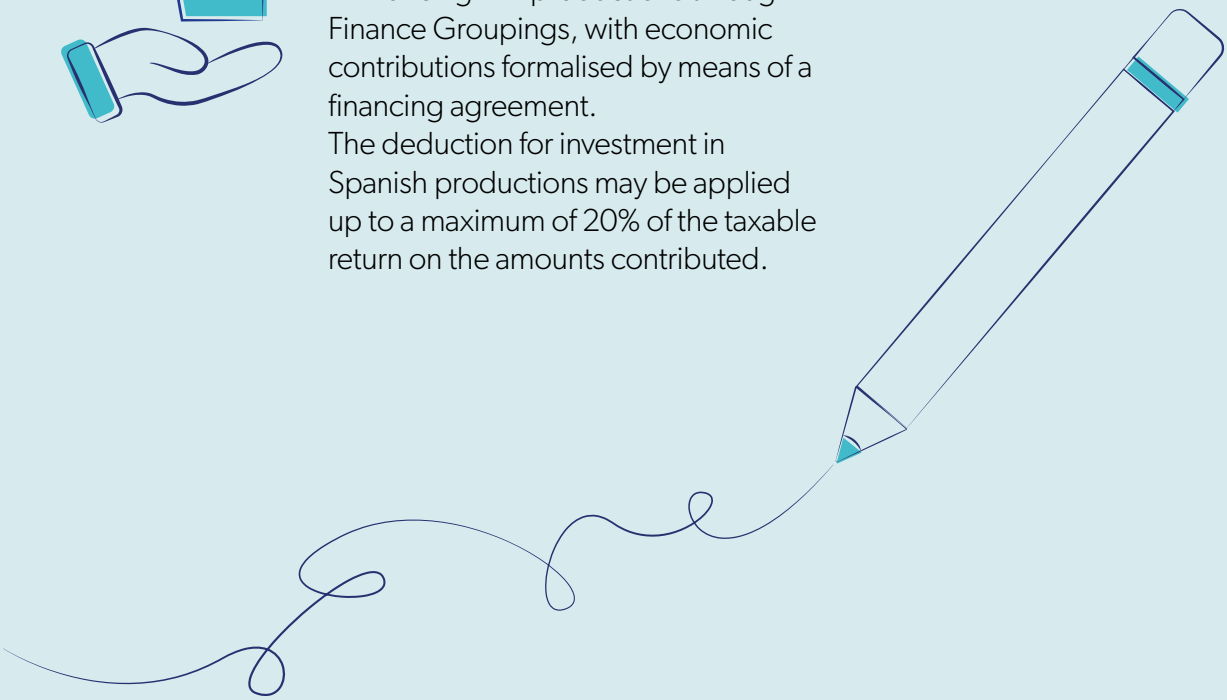
At least **one person** in the following position: team leader, animation lead, senior animator or a voice actor in a main or supporting role must have their tax residence in the Canaries.

APPLYING THE TAX INCENTIVE

There are two options when applying this incentive:

If the producer is an Economic Interest Grouping (EIG), the tax credit derived from the investment in the film production will be transferred to its partners according to the percentage of capital paid up.
The partners may thus allocate the deductions, rebates, taxable profits and losses, financial expenses and withholdings generated by the production grouping directly to their Corporate Income Tax payment.

Likewise, any taxpayer may be involved in financing film productions through Finance Groupings, with economic contributions formalised by means of a financing agreement.
The deduction for investment in Spanish productions may be applied up to a maximum of 20% of the taxable return on the amounts contributed.



2 CANARIES SPECIAL ZONE (ZEC) CORPORATE INCOME TAX AT 4%

The Canaries have other tax instruments in place to promote the economic and social development of the islands irrespective of the business sector, which therefore also apply to the film industry.

CANARIES SPECIAL ZONE (ZEC) - CORPORATE INCOME TAX AT 4%

The Canaries Special Zone ('Zona Especial Canaria', or 'ZEC') is a tax incentive authorised by the European Commission and jointly supervised by the Spanish Ministry of Finance and the Regional Government of the Canary Islands. It has been successfully applied since the year 2000 and allows for a permanently reduced flat rate of 4% Corporate Income Tax, as opposed to the 25% in force in the rest of the country. The ZEC also offers other benefits, such as an exemption on the repatriation of dividends for non-resident companies and in Property Transfer Tax and Stamp Duty (ITP-AJD), among others. This incentive is compatible with the rebate for international productions or services established in Article 36.2 of the Corporate Income Tax Act.

- Requirements

Set up a new company, or a subsidiary of an existing company.

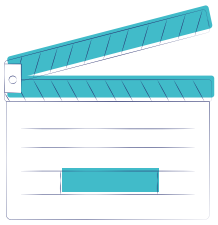
Minimum investment of €100,000 in fixed assets (tangible and/or intangible) during the first two years in operation. Most activities related to the film industry are exempt from this requirement, provided that six jobs are created.

Five jobs created in the first six months of operations. This average annual headcount must be maintained.

At least one administrator must be resident in the Canaries.

Undertake any of the following activities in the Canaries, among others:

1



FILM, VIDEO AND TV PRODUCTION

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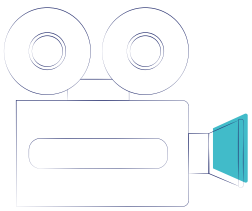
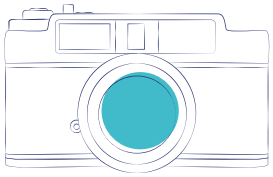


PRODUCTION SERVICES, FILMING SUPPORT AND POST-PRODUCTION

3



PHOTOGRAPHY AND ADVERTISING

More info on our website

3 OTHER TAX INCENTIVES ONLY APPLICABLE IN THE CANARIES

3.1. NO IGIC (CANARY ISLANDS' VAT) - 0% IGIC

Documentaries, live action and animation series and feature films both national and international that hire the production services of a Canaries producer, may benefit from a 0% rate of Canaries General Indirect Tax (IGIC) on deliveries and imports of goods, and related services provided. To benefit from the 0% rate, the Canaries production services company must send an application to the Canaries Tax Office before production starts.

3.2. 10%-15% DEDUCTION ON ADVERTISING EXPENSES

Tenerife film producers can also benefit from a 10% to 15% deduction on advertising expenses for product launching to open and explore new markets abroad, and for participating at trade fairs and events, including those held elsewhere in Spain, provided that they are international in scope.

3.3. CANARY ISLANDS INVESTMENT RESERVE (RIC)

This incentive allows any company with its tax residence and headquarters in the Canaries to reduce its taxable base for Corporate Income Tax by up to 90% of non-distributed profits, in exchange for assigning this amount to a reinvestment reserve. Film producers can therefore attract RIC of other companies to be invested in productions on the islands that get the Canarian Audiovisual Work Certificate.

LINKS TO LEGISLATION

- Film Production

Film Act 55/2007, of 28 December 2007:
https://www.boe.es/eli/es/l/2007/12/28/55/con
Corporate Income Tax Act 27/2014, of 27 November 2014:
https://www.boe.es/eli/es/l/2014/11/27/27/con
Royal Decree 634/2015, of 10 July 2015, approving the Corporate Income Tax Regulation:
https://www.boe.es/eli/es/rd/2015/07/10/634/con
Administrative procedure to apply for cultural test from the Institute of Cinematography and Audiovisual Arts (ICAA):
https://www.culturaydeporte.gob.es/cultura/areas/cine/informacion-servicios/in/procedimientos-administrativos/certificado-cultural-rodajes-extranjeros.html
Order CUD/582/2020, of 26 June 2020, establishing the regulatory conditions for State grants for the production of feature length and short films, and governing the structure of the Administrative Register of Cinematographic and Audiovisual Companies:
https://www.boe.es/eli/es/o/2020/06/26/cud582/con
Binding Tax Ruling V2402-15 (eligible expenses, live action):
https://petete.tributos.hacienda.gob.es/consultas/?num_consulta=V2402-15
Binding Tax Ruling V0065-17 (eligible expenses, animation):
https://petete.tributos.hacienda.gob.es/consultas/?num_consulta=V0065-17

- Canaries Tax Regime (REF)

Act 20/1991, of 7 June 1991, amending the taxation aspects of the Economic and Tax Regime of the Canaries (Article 94) (recast text)
https://www.boe.es/eli/es/l/1991/06/07/20/con
Act 19/1994, of 6 July 1994, amending the Economic and Tax Regime of the Canaries (Fourteenth Additional Provision) (recast text)
https://www.boe.es/eli/es/l/1994/07/06/19/con
Decree 88/2019, of 22 May 2019, amending Decree 18/2009, of 10 February 2009, creating the Register of Audiovisual Companies and Works of the Canaries, and regulating the procedure to obtain the Canarian Certificate of Audiovisual Work with reference to feature length and short films and audiovisual drama series, animation or documentaries produced in the Canaries:
http://www.gobiernodecanarias.org/boc/2019/106/002.html
Decree 18/2009, of 10 February 2009, creating the Register of Audiovisual Companies and Works of the Canaries, regulating the procedure to obtain the Canarian Certificate of Audiovisual Work with reference to feature length and short films and audiovisual drama series, animation or documentaries produced in the Canaries:
http://www.gobiernodecanarias.org/boc/2009/035/001.html
Order of 23 May 2017, governing the recognition of application of the zero rate of the Canaries General Indirect Tax to deliveries and imports of goods:
http://www.gobiernodecanarias.org/boc/2017/101/001.html

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