ELIGIBLE EXPENDITURES

50% - 45% TAX REBATE FOR FOREIGN PRODUCTIONS IN THE CANARY ISLANDS

REGULATIONS:
- Law 20/1991, of 7 June, art. 94 (Corporate Tax Law) LIS
- Law 27/2014, of 27 November, art. 36.2.
- CONSULTATION Nº V2402-15 of 29/07/2015

Expenses in the Canary Islands directly related to the production. The basis for calculation of the allowance will include the following production costs:

- Expenses related to the creative staff: exclusively applicable to the director, the scriptwriter, the director of photography, the music composer, actors and other artists taking part in the production, editor, production designer, sound director, costume designer and head of prosthetics, provided they have their tax domicile in Spain or in a European Economic Area Member country.

- Other expenses incurred for hiring technical companies and other providers of services.

In this regard, it is relevant to point that according to the ruling question number V1746-15 issued by the Spanish Tax Administration (hereafter DGT), dated June 2, 2015 **the basis of deduction will be compound by the following expenses**:

• Expenses related to technical industries and other suppliers. The following expenses are included:

- Those related to the executive producer, producer and production assistant.

- Those related to the director crew: director, assistant director, property master, script supervisor, casting staff and extras or cast controllers.

- Expenses incurred into related to the set design crew that have not been included in the expenses of the creative staff. These expenses involve the set designer, set decorators, florists, decorator assistant, set dresser, property assistant, carpenters, etc. and the material needed to build the set (construction material, carpentry, paint,fabrics, etc.)

- Expenses of the wardrobe and make-up crews which cannot be included in those of the creative staff. These include expenditure on dressmakers, hairdressers, make-up artists, etc. It would also include expenses on wardrobe, make-up, wigs, etc.

- Expenditure related to special effects, including special effects technician, scale model makers, etc., as well as pyrotechnic material, smoke-producing materials, combustion

accelerants, detonators, extinguishers, etc.

- Camera crew expenses (camera operators, assistants, etc.), lighting and sound.

- Expenditure on the technical crew, including, on the one hand, the crew (telecommunication technical engineer, electronic maintenance technician, image control technician), and on the other hand, related expenditure (mobile telephones, internet, satellite lines, data lines for routers, etc).

- Expenses related to secondary cast which cannot be included in the creative staff, such as extras in general, special extras, stunt doubles, doubles and stand-ins.

- Expenses on additional staff: choreographers, armorers, army advisors, dialogue coaches, animal wranglers, drivers, cleaning staff, security staff, medical staff and ambulances, work risks supervisor at the set, labourers to help unload trucks and move technical equipment or props.

- Maintenance and accommodation expenses for the crew, both during pre-production (for example, while scouting for exterior locations) or during production (while shooting).

- Maintenance and accommodation expenses for the crew working in places other than the set (such as the crew in charge of property, locations, production, drivers on the road, etc.) who cannot enjoy the catering at the set or stay at accommodation near the shooting area.

- Travelling expenses, within Spain, due to the shooting taking place in different locations, including pre-production work for location scouting and / or journeys to select the cast.

- Expenses incurred in the hiring and / or purchasing of furniture and machinery directly related to the production of the series, such as pop-up gazebos, umbrellas, portable toilets, fences, chairs, tables, make-up mirrors, generators, cranes, etc.

- Hiring shooting premises and locations (castles, bullrings, factories, etc.), including fees and taxes paid to Town Councils for certain exterior locations. Hiring other premises directly involved in the production (premises or caravans for wardrobe or make-up, managerial meetings, security huts, storage huts etc.).

- Epenses for hiring animals, weapons and ambulances for the shoot.

- Public liability insurance covering the film production specifically.

Note: The said expenditure can be on either employment or commercial contracts as the rule does not specify the contractual relation.

The **following expenses** related to administration tasks **cannot be included in the deduction base**:

- Expenses incurred into for the air, sea and / or road transportation of shooting equipment, property and / or machinery to be used in the shoot from other countries into Spain as these expenses are not made in Spanish territory.

- Expenses on labour and legal advice.

- Expenses related to the administration staff, including hiring the premises (administration office), staff expenses (head accountant, accountant, paymaster and assistant accountant), hiring office machinery and furniture (photocopiers, printers, office furniture, etc.) purchasing stationery, and courier expenses.

- The costs of the tax depreciation of those assets directly involved in the executive production of the series, proportionate to their allocation in the series, will not be part of the deduction base when these are in no case expenses incurred into in Spanish territory, but investments abroad which are later allocated to make the series.

In this sense, the DGT stated in the query above referenced that those costs form part of the deduction when “the service is actually provided in Spain or in the case of deliveryof goods, when it is made in this country, regardless of the nationality of the goods supplier or service provider. If a service is partially offered in Spain, the deduction basewill include the part of the service carried out in Spain”.