



Israel's Film Law Benefits

The Law for the Encouragement of the Production of Films was approved by the Israeli Knesset on October 28th, 2008.

The main aim of the law is to encourage the production of foreign films in Israel.

To this end, the law offers generous tax benefits that reduce the cost of production by up to 20%.

The law recognizes two models:

- a) Foreign Productions
- b) Co-Productions

In both cases the benefits by law accrue to an Israeli production company who is expected to pass on these benefits to the foreign production company.



Foreign Production Model

Films or TV series produced by foreign filmmakers in Israel retaining the services of an Israeli production company.

An Israeli film production company that purchases Israeli goods and services on behalf of a foreign production company can withhold tax payments of 17%, which subsequently does not have to be transferred to the Tax Authority. Given the 15.5% value added tax rate, the effect is a savings of **19.6%** in the cost of those goods and services as shown below.

Example:

■ A qualified production of	\$1,000
■ Value Added Tax (VAT) in Israel - 15.5%	\$155
Total	\$1,155
■ Withheld tax of 17% according to the Film law Benefit.....	17%*(\$1,155) = \$196
■ Expenses following tax reduction (i.e - actual reduction of 19.6%).....	\$804

To qualify for this benefit, the foreign production company needs to have an Israeli company purchase these goods and services on its behalf. This benefit pertains to films in which the local production costs exceed 8 million shekels (approximately \$2 million).



Co-Production Model

Films with Israeli co-producers and co-financiers who own certain rights in the film.

A Co-Produced film between an Israeli production company and a foreign production company is entitled to tax benefits as well. To qualify, the total production expense in Israel less 85% of the amount of the investment made by the Israeli residents in the film's budget, must be at least 4 million shekels (approximately \$1.0 million).

- When the foreign investor's share is at least 75%, the Israeli producer will be able to withhold tax payments of 13% over most Israeli goods and services purchased for the production of the film. Taking into consideration the VAT (see above example) this implies an actual reduction of **15%** in the costs of the production in Israel.
- When the foreign investor's share is 50% - 75%, the Israeli producer will be able to withhold tax payments of 9% on most Israeli goods and services purchased for the production of the film. Taking into consideration the VAT (see above example) this implies an actual reduction of **10.4%** in the costs of the production in Israel.

Other important aspects of the Law:

- The responsibility to pass on the benefit to the foreign company will be vested in the Israeli production company.

For this reason, the foreign production company must complete a form stating that they were informed that the provisions of the Law for the Encouragement of the Production of Films apply to the production costs of the film in Israel. This form will be submitted to the Tax Assessment Officer by the Israeli production company.

- These tax benefits relate only to costs "below the line". The provisions of the Film Law do not apply to payments to the film's director, producer, screen writer, lead actor (i.e. any actor whose income for acting in the film, excluding a share in the film's income, is at least NIS 150,000 [approximately \$ 37,500]) and for the purchase of the copyright on which the film's script is based (if relevant).

For further information please contact:

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