

## SUMMARY ELIGIBLE COSTS according to binding consultation nº V2402-15 of 29 July 2015

### Regulations

- Law 20/1991, of 7 June, art. 94
- LIS (Corporate Income Tax Law) / Act 27/2014 of 27 November, art. 36.2
- Binding consultation nº V2402-15 of 29 July 2015

<http://petete.minhap.gob.es/Scripts/know3.exe/tributos/CONSUVIN/texto.htm?NDoc=35183&Consult a=%2EEN+NORMATIVA+%28%33%36%2E%32%29&Pos=10&UD=1>

Section 2 in article 36 of LIS establishes that the deduction base is composed of the following expenditure met in Spain and directly related to the production:

1<sup>st</sup> Expenditure on **creative crew** provided that they have their tax residence in Spain or in other European Economic Area Member State.

2<sup>nd</sup> Expenditure deriving from the use of **technical industries and other suppliers**

### Creative crew

Article 4 of Law 55/2007, of 28 December (BOE 29 December), establishes that

j) The creative crew in a film includes

- Authors, which according to article 5 of this Law, are the director, the scriptwriter, the director of photography and the score composer.
- Actors and other performers who take part in the production.
- Technical creative crew: editor, production designer, editor, head of sound, costume designer and the head of prosthetics.

Therefore, expenditure on creative crew as defined above can be part of the deduction base, provided that they have their tax residence in Spain or in any European Economic Area Member State. The said expenditure can be on either employment or commercial contracts as the rule does not specify the contractual relationship.

The cost of actors who do not reside in Spain or in any European Economic Area Member State cannot be included in the deduction base established in article 36.2 of LIS, as only the expenditure on actors residing in Spain or in the said area can be included.

The cost of social security for the said actors cannot be included in the deduction base either because they are expenses directly related to creative staff who do not reside in Spain or in any European Economic Area Member State.

### Technical Industries

Article 4 of Law 55/2007, of 28 December on Film, establishes that:

p) Technical industries: the industries necessary to make the film, from the shooting to the first copy or digital master, in addition to those needed for the distribution and

circulation of the films using whichever means.

In accordance with the above, **the following expenses will be included in the deduction base, provided that they are incurred into in Spain:**

- **Script and music**, like expenditure in additional dialogues, translations, background music composition, orchestra conductor, arranger, recording teachers, singers, music copies, among others.
- **Cast**, supporting actors, doubles, stunt doubles, extras, choreographers, dancers, orchestra, among others.
- **Technical crew** direction (first assistant director, script continuity, second assistant director and cast director), production (executive producer, production director, production manager, first production assistant, property master, second production assistant, payroll accountant and production secretary), Photography (assistant cameraman, clapper-loader, focus puller and still photographer), set decoration (art director, decorator, dresser, upholsterer, head of construction, painter and carpenter), costumes (costume designer, head seamstress and seamstress), make-up and hairdressing (make-up artist and assistants), special effects and sound effects (head of special effects, assistant, armorers, sound designer, ambient sound, Foley artist), sound assistant, editing (assistant editor), related to electricians and grips.
- **Set design**, decoration and sets (set construction in soundstages, set striking, construction in exterior locations, construction in natural interiors, scale models, backdrops, hiring of sets, hiring natural interiors), set dressing (hiring and purchasing furniture, props, garden items, guns, scene vehicles or scene food), hiring and purchasing costumes, expenses on animals and carriages.
- **Sound stages** (set hire, on location filming, power supply in the soundstage and complementary facilities), editing and adding soundtrack (editing suites, projection rooms, dubbing, sound recording, mix recording, as well as the cost of recording the soundtrack, magnetic transcriptions, etc.), and other production items like script copies, photocopies while shooting, telephone on shoot dates, hiring dressing rooms, caravans and office, different storage rooms, garages on shoot dates, cleaning of sets and communications while shooting.
- **Film equipment** (main camera, secondary cameras, special and complementary lenses, accessories, lighting equipment, cranes, fuel, helicopter/planes, sound equipment, among others).
- **Transport** such as production cars, self-drive car hire, camera vans, trucks, buses, taxis on shoot dates, plane tickets, provided the journey is within Spain.
- **Hotels and food** on shoot dates.
- **Laboratory**: film developing, positive print, magnetic, among others.
- **Postproduction**: visual effects, sound effects, animation work, subtitling, dubbing and similar.
- **Specific insurance** for the production such as insurance of the negative, shooting equipment, public liability, accident, shoot interruption, completion bond, among others.
- **Non-deductible taxes** and fees related to executing the production.
- **Pre-production expenses** such as location scouting, casting and similar.
- **Other complementary staff** like set medic, security, laborers and assistants of any kind, can be included in the deduction base if they are directly related to the production and are met in Spain.

**The following expenses cannot be included** in the deduction base:

- Overheads related to administrative tasks such as office hiring, administrative staff, courier, post/telegraph, electricity, water, cleaning, stationery, administrative agency, tax, social security and accounts consultancy.
- Expenses for distribution and circulation like making copies and publicity.
- Operating and commercial costs, such as internegative and copies, publicity (trailer and making of).
- Expenditure on customs and freight related to international transport.
- Financial expenses on interests and the costs of negotiating official loans if they are capitalized.

Summary by Tenerife Film Commission based on binding consultation nº V2402-15 of 29 July 2015, which we recommend you read in full

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