



FAQs

Corporate tax deduction for investments in cinematographic films and other audiovisual works



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1. ABOUT THE TAX INCENTIVE AND THE REGULATIONS GOVERNING IT

1.1. Why is this tax deduction considered an incentive?

Because it is a **tax measure** which aims to promote and support the audiovisual industry in accordance with the strategic economic development priorities established in the “Navarre-S3” plan.

1.2. What regulations govern the deduction?

- Article 65 of Regional Law 26/2016 on Corporate Tax in Navarre
- Regional Order 69/2021 of 7 May issued by the Regional Minister of Economy and Finance.

1.3. How is the Department of Culture involved in this deduction?

Article 65.1 of the Regional Law on Corporate Tax in Navarre establishes that the Directorate General of the Navarre Government's Department of Culture shall issue a prior report on whether the project meets the requirements and conditions for the deduction, and shall subsequently draft and notify as to the resolution that determines the deductible base.

Regional Order 69/2021 of 7 May issued by the Regional Minister of Economy and Finance specifies the criteria and procedures for application of the two processes.

1.4. Does the Department of Culture intervene in the deduction for services or in the deduction for companies that participate in the financing of foreign productions?

No. The Regional Law on Corporate Tax in Navarre establishes that the Department of Culture shall only intervene in the case regulated in Article 65.1 (production companies that invest in feature-length film and audiovisual series in the categories of fiction, animation or documentary), not in the rest.



2. THE DEDUCTION

2.1. Who can claim the deduction?

The deduction can be claimed by Navarrese production companies involved in Spanish productions of cinematographic films and other audiovisual works of fiction, animation or documentary. (Art. 65.1)

Services for the production of foreign cinematographic films or audiovisual works which have a cultural certificate. (Art. 65.2)

Payers of Corporate tax or Non-resident income tax that participate in the financing of Spanish productions of cinematographic films and other audiovisual works of fiction, animation or documentary. (Art. 65 bis)

2.2. What tax deduction can a production company claim for a Spanish production?

This deduction is regulated in Article 65.1 of the Regional Law on Corporate Tax in Navarre. The deduction which can be applied is **45% of the base and can rise to 50% of the first three million euros of the deductible base** for productions:

- Whose sole original version is in the Basque language
- Which are made exclusively by women directors
- Which are documentaries
- Which are animations
- Which are directed by a person who has not directed or co-directed any other previous work
- Which are short films

2.3. Is there a limit on the amount of the deduction that the production company of a Spanish production or a service provider can claim in its corresponding tax return?

Production companies can deduct **at most the lesser of the following two amounts:**

- €5,000,000
- Sum of the forms of aid and deductions not >50% production costs

The amount of the deductions regulated in this article, together with any other aid received by the taxpayer for each production, may not exceed 50% of the eligible costs. However, this cap will be raised to:

- a) 85% for short films or projects with a cost of production of less than 1,000,000 euros.
- b) 80% for productions whose cost of production does not exceed 1,500,000 euros directed by a person who has not directed or co-directed more than two feature-length films qualified for commercial exploitation in cinemas.



- c) 80% for productions shot entirely in the Basque language.
- d) 80% for productions directed exclusively by people with a degree of disability recognised by a competent body equal to or greater than 33%.
- e) 75% for productions made exclusively by women directors.
- f) 75% for productions of special cultural and artistic value which require exceptional funding support according to the criteria established by Regional Order or in the corresponding calls for grants.
- g) 75% for documentaries.
- h) 80% for works of animation whose cost of production does not exceed 5,000,000 euros.
- i) 60% for cross-border productions financed by more than one Member State of the European Union and in which producers from more than one Member State take part.
- j) 60% for international co-productions with Ibero-American countries.

2.4. In the case of the producers of Spanish films and other audiovisual works, when can the beneficiary claim the deduction?

The production company can enter the deduction generated in its tax return **from the moment it requests the prior report** on compliance with the production requirements and conditions.

The deduction is considered generated in the tax period in which the production of the work concludes. However, if the production of the work takes place over two or more tax periods, the beneficiary may apply the deduction in the periods in which the payments are made and for the amounts of said payments.

2.5. What happens when the production company declares a deduction higher than the amount ultimately determined by the Department of Culture?

The taxpayer must pay, along with the tax due for the tax period in which the definitive deduction is notified, the full amount corresponding to the deduction unduly applied plus late payment interest.



3. THE DEDUCTIBLE BASE for production companies that opt for Article 65.1.

3.1. What is the deductible base?

The amount to which the deduction percentage is applied.

3.2. How is the deductible base calculated for the producer of a Spanish production?

It depends on the percentage of expenses incurred in Navarre.

- If the percentage of expenses is equal to or greater than 40%, the deductible base will coincide with the total cost of production, with certain limitations and specific conditions.
- If the percentage of expenses is less than 40%, the deductible base will be the result of dividing the expenses incurred in Navarre by 0.4.

In the case of co-productions, it will be determined individually for the co-producer applying for the deduction, taking into account its investment, the amount of aid received and the expenses incurred in Navarre.

3.3. What expenses are included in the deductible base?

Starting with **cost of production**, certain expenses are limited. However, the deductible base also includes other expenses which are not part of the cost of production, **such as the promotion and advertising expenses for the work or the expenses incurred for the audit report.**

According to Article 1 of Regional Order 69/2021, the deductible base will consist of:

- a) THE COST OF PRODUCTION until the standard or digital master copy is obtained, with the following special cases and limits..

1) The **executive producer's compensation**, provided this does not exceed the greater of the following limits:

- a) 10% of the cost of production
- b) 100,000 euros

(The greater of the two limits applies)

Only executive production carried out by natural persons or by legal persons whose corporate purpose specifically includes executive production, without prejudice to others, will be recognised as a cost.

When a commercial relationship exists between the production company and the executive producer, the contract must be accompanied by the corresponding invoice. When the relationship is one of employment, the corresponding payslip,



expressly indicating the general social security scheme, must be submitted along with the contract.

When the object of the executive producer's contract or that of other employees is generic and covers several film or audiovisual series productions undertaken by the production company, its cost will be prorated according to their actual participation in each production.

When the production company's staff performs executive producer duties without a specific contract for this purpose, their compensation will be allocated to overhead expenses under the same allocation conditions as those established in the preceding paragraph.

2) **The amount of overhead expenses**, up to a **limit of 10 percent of total cost** of production.

Staff personnel expenses for those who do not have a specific employment contract for the work eligible for the deduction will be allocated to overhead expenses.

Staff personnel expenses for those who have signed a specific employment contract, according to their assigned job category, for their participation in several of the production company's audiovisual works will be prorated according to their actual participation in each production and allocated as technical personnel expenses.

3) Expenses related to **utilities** such as water, gas or electricity incurred **during the shooting period** at premises or facilities directly associated with shooting, provided that said association can be justified by submitting the corresponding contracts. When these expenses are incurred at the production company's registered office and these premises are not directly associated with shooting, they will be charged to overheads.

(In the case of an animated audiovisual work, the registered office will be considered the location associated with shooting and, consequently, expenses of this kind incurred at the registered office will not be charged to overheads.)

4) The tax-deductible **depreciation** cost corresponding to the time of use of the equipment and technical material owned by the production company in the making of the audiovisual work.

5) Expenses related to **catering, hotels, travel, mobility, telephony and internet services** incurred during the shooting of the audiovisual work. Outside the period between the start and end dates of shooting, these expenses will be charged to overheads.

b) **PROMOTION and ADVERTISING expenses** for the audiovisual work up to a limit of 40% of the cost of production.

c) **ADAPTATION EXPENSES**, once the audiovisual work is completed, to adapt it to the supports or systems necessary for its screening in cinemas or cinematographic



exploitation, or, in the case of series, for broadcast on television or streaming platforms.

d) **Expenses incurred making the MATERIAL SUPPORTS** needed to guarantee the preservation of the audiovisual work. Likewise, expenses made to obtain copies or other supports provided they are intended for screening in cinemas or cinematographic exploitation, or, in the case of series, for broadcast on television or streaming.

e) **The expenses of the SPECIAL AUDIT REPORT** to accredit the cost of the audiovisual work referred to in Article 4.

All expenses incurred between 24 months prior to the start date of shooting and 24 months after the end date of shooting.

Financial expenses and indirect taxes are NOT included in the deductible base.

3.4. What are the special cases and limits concerning cost of production?

The following table shows what Article 2 of Regional Order 69/2021 says about the special cases and limits concerning production costs:

special cases:	limits
Compensation of the executive producer (with specific contract + corporate purpose executive production + effective participation)	Cannot exceed the higher of the following limits: a) 10 per cent of the accounting cost of production b) 100,000 euros
Amount of overhead expenses	Up to 10 per cent of the accounting cost of production. To be allocated to overhead expenses: - Staff personnel expenses for those who do not have a specific employment contract for the work eligible for the deduction. - Expenses on supplies occurring at the registered office of the production company when these are not the premises directly associated with shooting - Catering, hotel, travel, mobility, telephony and internet service expenses outside the shooting period
Utility and supply expenses (water, electricity, gas, cleaning)	Produced within the shooting period at premises or facilities directly associated with shooting
Depreciation/amortisation cost (technical material belonging to the production company)	That corresponding to the time of use making the audiovisual work
Catering, hotels, travel, mobility, telephony and internet services	In the shooting period

3.5. Can financial expenses and indirect taxes be considered expenses that form part of the deductible base?

Financial expenses and indirect taxes are not considered part of the investment and, therefore, are not part of the deductible base.

3.6. What depreciation/amortisation expenses are included in the deductible base?

Depreciation expenses of equipment and technical materials owned by the production company corresponding to the time of use in the audiovisual work.



The depreciation/amortisation of other tangible and intangible fixed assets for the time of use associated with the audiovisual production will be charged as overheads, provided that these assets are necessary for the creation of the audiovisual work, taking into account their useful life and their apportionment to all the possible projects in which they have been used.

3.7. How are insurance and legal advice expenses, notary fees, etc., treated?

If a direct link to the audiovisual work cannot be established, these expenses will be considered overhead expenses, provided they are necessary for the production.

3.8. During what time period must these expenses have been incurred?

Expenses considered part of the investment must have been incurred **between the 24 months prior to the start of shooting and the 24 months following its completion.**

The criteria established by the Institute of Cinematography and Audiovisual Arts (ICAA) will apply in order to determine the start and end dates of shooting.

The Regional Order does not expressly refer to development expenses, but these will form part of cost of production if they are attributable to the audiovisual work and were incurred within the established deadlines. If they have been subsidised, the amount subsidised must be deducted.

3.9. What expenses are not included?

In addition to those mentioned in point 3.4, **financial expenses** and **indirect taxes** will not be included as part of the investment.

Article 67 of the Regional Law on Corporate Tax in Navarre expressly excludes these from calculation of the deductible base for all deductions. Expenses related to structuring tax credit are also excluded because they do not arise from the production cycle.

3.10. How should expenses of related parties be treated?

If the investment comes from the acquisition of goods or services from a related party, as defined in Article 28 of the Regional Law on Corporate Tax in Navarre, the amount of the investment will be determined by **the cost of said goods or services at the related party**, provided this is sufficiently justified.

The cost incurred by the related party must be justified.



3.11. How are subcontracted expenses treated?

The limits and special cases established in the preceding sections also apply to expenses which have been subcontracted.

3.12. How are development expenses treated?

Regarding the development phase, the Regional Order does not explicitly address development expenses, but **these will form part of cost of production if they are attributable to the audiovisual work.**

Consequently, they will be included in the deductible base if such expenses were incurred **within the time frames established by the Regional Order**. If they have been subsidised, the amount subsidised must be deducted.

3.13. What is meant by the cost of production of an audiovisual work?

The cost of production of an audiovisual work includes all costs attributable and necessary to create, produce or prepare the audiovisual work to make it suitable for its intended use. Cost of production includes the costs of registering and formalising the audiovisual work, and those financial expenses which, according to accounting regulations, may be considered production costs.

Under no circumstances are marketing expenses, such as advertising and promotion, or overhead expenses included in cost of production.

Overhead expenses are defined as those administrative or management expenses which are not directly related to production. These include the expenses incurred in the production of the audit report.

To determine the cost of production, all expenses incurred until the audiovisual work receives its age rating will be taken into account.

3.14. What is meant by the total cost of the audiovisual work?

The total cost of the audiovisual work will be understood as the sum of the following items:

- **cost of production** until the standard or digital master copy is obtained, **promotion and advertising expenses**
- **adaptation expenses** for screening or broadcast
- **preservation expenses**
- **expenses to obtain copies**
- **the special audit report** to accredit the total cost of the audiovisual work,

without considering time or monetary limitations.



In the case of international co-productions, the cost of the audiovisual work will include the foreign contribution.

3.15. How do forms of aid received for the audiovisual project affect the determination of the deductible base?

The corresponding deduction percentage will be applied to the deductible base minus forms of aid received for the audiovisual work for which the tax incentive is requested which cover expenses in the deductible base.

4. EXPENSES IN NAVARRE

4.1. What is the objective of territorialising expenses?

It is hoped that the new criteria for territorialising expenses **will strengthen Navarre's audiovisual and related sectors** to generate wealth in Navarre.

To this end, the territorialisation criteria established in tax queries are being abandoned and replaced, as a general rule, by the criterion of the tax domiciliation in Navarre of the person or entity providing the services or delivering the goods.

4.2. What expenses are considered to be incurred in Navarre?

The following will be considered expenses incurred in Navarre:

- a) **Services provided from Navarre** when the service provider has its tax domicile in Navarre.
- b) Expenses corresponding to the **acquisition of goods used in Navarre and made from persons or entities with tax domicile in Navarre**.
The aim is for the property to be acquired from a person or entity domiciled in Navarre and to be used in Navarre. Both requirements need to be met.
- c) **Depreciation/amortisation expenses** derived from tangible or intangible fixed assets when their **effective use occurs in Navarre and the deliverer is domiciled in Navarre**. If the goods are used partially in Navarre, the expenses will be considered to have been incurred in Navarre in proportion to the degree of their use within it.

The concept of “delivery” originates from the Economic Agreement between the State and the Community of Navarre, which further defines what constitutes a delivery. For Corporate Income Tax purposes, this is addressed in Article 21:

The following transactions will be considered to have taken place in Navarre:

- a) Deliveries of goods.
 1. Deliveries of tangible movable assets manufactured or processed by the deliverer when the taxpayer's manufacturing or processing facilities are located in Navarre.



When the same deliverer has manufacturing or processing facilities in both Navarre and the rest of Spain when the final stage of manufacture or processing of the assets delivered takes place in Navarre.

2. In the case of deliveries involving the installation of industrial components outside Navarre, the deliveries will be considered to have taken place in Navarre when the preparation and manufacturing work involved is carried out in Navarre and the cost of the installation or assembly does not exceed 15 percent of the total consideration.

Conversely, deliveries of industrial components with installation in Navarre will not be considered to have taken place in Navarre when the preparation and manufacturing work involved is carried out in the rest of Spain and the cost of the installation or assembly does not exceed 15 percent of the total consideration.

3. Deliveries made by electricity producers when their generating facilities are located in Navarre.
4. Other deliveries of tangible movable assets when made available to the purchaser from Navarre. When the assets must be transported to be made available to the purchaser, deliveries will be considered to have taken place at the location of the assets when their dispatch or transport begins.
5. Deliveries of immovable assets when located in Navarre.

In summary:

When the supplier is also the manufacturer, delivery is considered to take place in Navarre when the manufacturing facility is located in Navarre. When the supplier has several facilities, delivery is considered to take place when the final stage of processing takes place in Navarre.

When the assets require installation, delivery will be considered to take place in Navarre when they are manufactured in Navarre and installation outside Navarre does not exceed 15% of the total.

If assets not manufactured by the supplier are delivered, when they are made available to the purchaser in Navarre and if transportation is required, when said transportation begins in Navarre.

And the delivery of immovable assets when they are located in Navarre.

Notwithstanding the provisions of the preceding section, the following expenses shall be considered to have been incurred in Navarre:

- a) Expenses derived from the **payment of wages/salaries of workers in employment when the work or services are provided in Navarre**. If the work or services are partially performed in Navarre, it will be presumed, unless proven otherwise, that the services are performed in Navarre when the worker's workplace is in Navarre.

In the case of telework, expenses will be considered incurred in Navarre when the teleworker has their tax domicile in Navarre.



Expenses for employee wages/salaries will be considered incurred in Navarre when the work is performed in Navarre. When the work is performed in several territories, it will be considered an expense in Navarre when the employee's workplace is in Navarre (in both cases, the employee's withholding tax must be paid in Navarre).

In the case of telework, it should be clarified that wage/salary expenses will be considered expenses incurred in Navarre when the teleworker has their tax domicile in Navarre. The telework scenario is not expressly regulated in the Economic Agreement between the State and the Community of Navarre, so, for the purposes of the deduction, such expenses are considered to be made in Navarre when the person teleworking has their tax domicile in Navarre.

That is to say, personnel expenses with withholding tax on income paid in Navarre are considered expenses made in Navarre.

The services do not need to be provided with a Navarrese tax identification number (CIF) or national identity card (DNI). **In the case of a relationship based on employment, the connecting factor is that the work is performed in Navarre.** If the work is partially performed in Navarre, **the expense will be presumed to be incurred in Navarre when the employee's workplace is in Navarre, regardless of whether the employee is a resident in Navarre or not.** **Only in cases of telework will the employee's tax domicile be taken into account.**

b) Expenses derived from **water, gas or electricity supplies when made available to the customer from Navarre**, understanding as such the place where the meter or connection is located.

c) Expenses derived from the **payment of insurance** when the location of the risk or commitment occurs in Navarre. For these purposes, the risk shall be deemed to be located in Navarre in accordance with the rules established for the Insurance Premium Tax in Law 28/1990 of 26 December by which the Economic Agreement between the State and the Chartered Community of Navarre is approved.

d) Expenses related to the **assignment of use or rental/lease of real estate** when said assets are located in Navarre.

e) **Hotel and catering** expenses when the service is provided at establishments located in Navarre.

The provisions of e) shall not apply to expenses relating to services provided by outside catering companies.

The location criteria established above shall **apply to expenses incurred by the production company and to expenses which are subcontracted**.

In the case of subcontracting, the same criteria for territorialisation of expenses must be applied as when the expense is made directly by the producer, taking into account the relationship between the subcontracted company and the worker.



4.3. In schematic terms, what does expenses incurred in Navarre mean?

The following table shows what Article 2 of Regional Order 69/2021 says about the consideration of expenses in Navarre:

- Services that are carried out from Navarre when the provider is domiciled in Navarre.
- Expenses corresponding to the acquisition of goods used in Navarre and paid to persons or entities domiciled in Navarre.
- Depreciation/amortisation expenses derived from tangible or intangible fixed assets when their effective use occurs in Navarre and the deliverer is domiciled in Navarre.

The following expenses are also considered to have been incurred in Navarre:

- Expenses derived from the payment of wages of workers in employment when the work or services are provided in Navarre.
- Expenses derived from water, gas or electricity supplies when made available to the customer from Navarre, understanding as such the place where the meter or connection is located.
- Expenses derived from the payment of insurance when the location of the risk or commitment occurs in Navarre.
- Expenses related to the concession of use or rental of real estate when said assets are located in Navarre.
- Hotel and catering expenses when the service is provided at establishments located in Navarre. Except for services provided by outside catering companies.

5. PROCEDURE

5.1. What regulations govern the procedure that a production company must follow to become entitled to the deduction?

Regional Order 69/2021 of 7 May, as established in Article 65.1 of Regional Law 26/2016 on Corporate Tax in Navarre, determines:

- The expenses that form part of the deductible base.
- The criteria for determining the expenses considered to have been incurred in Navarre.
- **The content and procedure of the prior report** issued by the Department of Culture regarding compliance with the requirements and conditions of the deduction so that the taxpayer can enter the deduction generated in their tax return.
- **The procedure for submitting justification of the investment made and compliance with the other requirements** for the deduction applied to the Department of Culture.

5.2. What does the procedure to become entitled to the deduction consist of?

It is regulated in Articles 3 and 4 of Regional Order 69/2021 and consists of **two distinct phases**:

- **Application for prior report (pre-validation).**
- **Subsequent validation of the deductible base.**

5.3. What is the purpose of application for a prior report or pre-validation?



Pre-validation is based on estimates; its sole purpose is to provide legal certainty, establishing clear criteria so that the production company can know that if it incurs the expense in the amount and under the conditions specified in pre-validation, that expense will be deductible. However, a deduction cannot be claimed if the final amount of the expense is lower or does not meet the pre-validated requirements. The pre-validation system was included in Navarrese legislation at the request of the audiovisual industry. Legal certainty is increased by establishing clear criteria which allow the producer to know whether an expense will be deductible or not; this is the sole objective of pre-validation.

5.4. How to apply for a prior report?

Application for a prior report can be made at any time prior to application for subsequent validation.

Taxpayers who intend to claim the deduction under Article 65.1 of the Regional Law on Corporate Tax in Navarre must submit the following documentation to the Directorate General of the Navarre Government department responsible for culture for the issuance of a report on whether the project meets the requirements and conditions for the deduction:

- a) Application for prior report
- b) Form with basic details of the project
- c) **Memorandum explaining the project**, including:
 - 1) Proposed title for the cinematographic production or audiovisual series
 - 2) Tax Identification Number (NIF) and company name of the production companies involved in the project
 - 3) Period(s) in which the deduction will be generated
- d) **Budget of expenses related to the project**, according to the template which will be published in the [navarra.es](#) procedures catalogue, with a breakdown of the expense items that constitute the deductible base for each of the periods in which the deduction is to be applied, specifying the amount of the expenses incurred in Navarre.
- e) **Declaration on honour** that the project meets the conditions required by the Institute of Cinematography and Audiovisual Arts to obtain the **certificate of nationality and the certificate accrediting its cultural nature**.
- f) **Declaration on honour**, where applicable, that the project meets the conditions established in Article 65.1.a) of the Regional Law on Corporate Tax in Navarre to qualify for a **50% deduction**.
- g) Declaration on honour, where applicable, of compliance with the conditions in Article 65.3 of the Regional Law on Corporate Tax in Navarre to apply an aid intensity limit of over 50%.

After the report has been requested, the taxpayer may include the deduction generated in their tax return before a final decision has been made.

5.5. What does the prior report contain?

The report indicates whether the project meets the conditions needed to be entitled to the deduction and whether it is eligible for the 45% or 50% deduction on the



deductible base. It also includes the corresponding aid intensity percentage for the project.

In the case of co-productions, if the increased deduction percentage applies, the first three million euros of the deductible base will be prorated for each production company according to the percentage of its participation in the total cost of the audiovisual work.

5.6. When is the report issued?

The Directorate General responsible for culture will issue the report within a maximum of **3 months** from the date of application.

5.7. What is the purpose of post-validation?

The purpose of post-validation is **to accredit the investment and determine the deductible base**.

5.8. When do you have to submit the application for post-validation?

Within 6 months of applying for the certificate of nationality, the taxpayer must submit justification of the investment and proof of compliance with the other requirements established to qualify for the deduction to the Audiovisual and Digital Strategic Projects Section.

It is not necessary for a final decision regarding the application for prior report to have been reached in order to apply for post-validation.

5.9. What documentation do you have to submit for post-validation?

To justify the investment, the following must be submitted: **the application for post-validation, the certificates of nationality and cultural nature, notification of the start and end dates of shooting, proof of delivery of a copy of the audiovisual work issued by the Archive of the Navarre Film Library**, and:

- a) **Declaration of the cost of the audiovisual work**, detailed by chapters and items, according to the template to be published in the navarra.es procedures catalogue.

In the case of co-productions and in addition to the above: last co-production contract signed by all the co-producers expressly stating the percentages of execution assumed and ownership, and the total cost of the audiovisual work.

- b) **Special audit report reviewing and verifying the cost** of the entire film or series, which must:

- be carried out by external auditors registered with the Official Register of Auditors in accordance with the procedural rules established in current auditing legislation after analysing the duly completed



accounting records of the production company or companies and taking into account all the supporting documentation for the expenses incurred in the production of the audiovisual work.

- include a description of the scope of work performed, reference to the procedures carried out or a description thereof in an appendix, the auditor's conclusion stating that the structure and cost calculations for the film have been prepared in accordance with the provisions of this Regional Order, the auditor's name or business name, contact information, signature and date. If the scope of work is carried out by sampling, the percentage analysed must be no less than 85%, without prejudice to the fact that 100% of personnel expenses must be analysed.

When the audiovisual work has been made by several production companies, there will only be one single audit report.

The report must comply with the criteria established in Article 1 of Regional Order 69/2021 of 7 May issued by the Regional Minister of Economy and Finance, specifically addressing the following:

- 1) Employment contracts, commercial contracts and contracts related to the acquisition of rights, together with the documentation and invoices pertaining to said contracts.
- 2) Invoices and other documents of equivalent probative value valid in commercial transactions or with administrative effect and, where applicable, contracts that substantiate the costs of services or supplies. In particular, connection to the audiovisual work of expenses related to set design, decoration, storyboard, modelling and post-production expenses such as editing, visual effects, music, production and creation of synthetic images, sound post-production, laboratory services, negative in post-production and credits must be demonstrated by indicating the title of the work on the invoice.
- 3) Tickets, invoices and other documents of equivalent probative value valid in commercial transactions or with administrative effect justifying trips and mobility.
- 4) List of expenses invoiced through subcontracting, identifying the contractors.
- 5) Proof of expenses incurred in Navarre that form part of the deductible base and the percentage they represent in relation to the deductible base.
- 6) Amount of forms of public aid and subsidies granted.
- 7) List of acquisitions of goods or services from related parties, related party status in accordance with Article 28 of the Regional Law on Corporate Tax in Navarre and justification of the cost of said goods or services at the related party.
- 8) In the case of financial co-productions, the contribution received by the co-producer applying the deduction, if applicable.

c) **Proof of compliance with the obligations established in Article 65.6 of the Regional Law on Corporate Tax in Navarre regarding graphic and audiovisual material, inclusion of logos and delivery of a copy to the Archive**



of the Navarre Film Library in the manner specified on the website culturanaarra.es.

- d) **In the case of Economic Interest Groupings (AIEs), a declaration on honour stating that all the entities comprising the group are subject to Navarre regional regulations on the closing date of the tax periods in which the deduction is generated.**
- e) In the case of co-productions: **the last co-production agreement signed by all the co-producers**, expressly stating the percentages of execution assumed and ownership, and the total cost of the audiovisual work.
- f) In the case of international co-productions: **resolution approving international co-production issued by the ICAA**.

5.10. What is the time frame for the final decision regarding the application for post-validation?

Within **6 months of submitting the application**. It is possible to suspend the procedure to provide justification for investments that have not been made by the end of the 6 months, provided they are made within 24 months of the end of shooting.

5.11. What happens if the deductible base determined in the post-validation phase does not match the amount deducted in self-assessment?

The deduction base determined in the pre-validation phase is an estimate. The final deductible base is the one determined in the post-validation phase.

If it is lower than the one used in self-assessment because the estimate failed to match the reality of the investment made or because the criteria or requirements demanded by the regulations have not been met, the taxpayer must pay the full amount corresponding to the unduly applied deduction plus late payment interest together with tax liability for the tax period in which the definite deduction is notified. There is no financial penalty when, on the contrary, the amount deducted in self-assessment is less than the definitive deduction.

5.12. What happens if the taxpayer suspends the post-validation period in order to provide new supporting documentation?

The Department of Culture will stipulate that, in these cases, the taxpayer must submit a **new special audit report** with the content established in Article 4.b) of Regional Order 69/2021.

5.13. Does the issuance of the prior report affect the production company's financing?



The regional order only elaborates on certain aspects of Article 65.1. The financial backer's deduction falls outside this scope although, given that the backer can only apply the deduction that would have been available to the producer, the prior report logically affects it because the producer needs to have requested it in order to apply the deduction.

Article 65 bis allows for the involvement of different financial backers throughout the project's lifespan.

5.14. How can you prove that a production is Spanish?.

The prerequisite is that the production is Spanish. To prove Spanish nationality, the ICAA will consider the applicable requirements,

6. AID INTENSITY

6.1. What does the intensity of aid in the tax incentive mean?

It refers to the percentage that the sum of the deduction regulated in Article 65 of the Regional Law on Corporate Tax in Navarre plus any other aid received for the audiovisual production represents **of the eligible costs**.

6.2. Is there a limit to the amount of the deduction?

Generally speaking, the amount of the deduction **cannot exceed €5,000,000 and the intensity of aid cannot exceed 50% of the eligible costs**.

However, Article 65.3 of the Regional Law on Corporate Tax in Navarre establishes that this limit shall be increased to:

- a) 85% for short films or projects with production costs of less than 1,000,000 euros.**
- b) 80% for productions whose cost of production does not exceed 1,500,000 euros directed by a person who has not directed or co-directed more than two feature-length films qualified for commercial exploitation in cinemas.**
- c) 80% for productions shot entirely in the Basque language**
- d) 80% for productions directed exclusively by people with a degree of disability recognised by a competent body equal to or greater than 33%.**
- e) 75% for productions made exclusively by women directors.**



f) 75% for productions of special cultural and artistic value which require exceptional funding support according to the criteria established by Regional Order or in the corresponding calls for grants.

g) 75% for documentaries.

h) 80% for works of animation whose cost of production does not exceed 5,000,000 euros.

i) 60% for cross-border productions financed by more than one Member State of the European Union and in which producers from more than one Member State take part.

j) 60% for international co-productions with Ibero-American countries.

In the case of co-productions, the maximum deduction cap of 5,000,000 euros will also be prorated according to the percentage of participation in the total cost of the audiovisual work.

- **adaptation expenses** for screening or broadcast
- **preservation expenses**
- **expenses to obtain copies**
- **the special audit report** to accredit the total cost of the audiovisual work,

without considering time or monetary limitations.

In the case of international co-productions, the cost of the audiovisual work will include the foreign contribution.