

Pursuant to Article 7 of the Law on the Budget of Serbia for 2011 (The Official Gazette of RS, No. 101/10) and Article 42 Paragraph 1 Law on Government (Official Gazette of RS, no. 55/05, 71/05 - correction, 101/07 and 65/08),

The Government of the Republic of Serbia passes the following

DECREE

ON MEASURES REGARDING THE DEVELOPMENT AND POSITIONING OF THE NATIONAL BRAND OF SERBIA THROUGH FOREIGN FILM PRODUCTION IN THE REPUBLIC OF SERBIA IN 2011 VIA INVESTMENTS IN DOMESTIC FILM INDUSTRY

Article 1

This decree regulates the extent of construction and positioning of the national brand of Serbia, through allocation of financial incentives for the production of foreign films in the Republic of Serbia, with intent to improve the global visibility and position of the national brand of Serbia, and ensure a positive impact on the development of domestic film production.

Article 2

The measures referred to in Article 1 of this decree are mediated through allocation of financial incentives provided for in Article 7 of the Law on the Budget of Serbia for 2011, Division 61, program 1504-01 "Development and Positioning of the National Brand Of Serbia, Economic Classification 454 - Subsidies to Private Companies, up to and Including the Amount of 150 Million Dinars".

Article 3

For the purposes of this regulation, the following terms have the following meaning:

- 1) foreign film is a film produced by order of and paid for by foreign legal entities or individuals, as producers, or those persons as co-producers together with local companies and individuals, partly or wholly produced in the Republic of Serbia, predominantly using resources of foreign origin;
- 2) production is a legal entity or individual, or group of persons contractually bound to organize, finance and operate the production of films;
- 3) production budget is the total amount of funds allocated for the production of a film, excluding distribution costs.

Article 4

Conditions that are to be met by a foreign film in order to qualify for allocation of financial incentives are:

- 1) that the total amount of funds of foreign origin allocated to the purpose of production of a foreign film in the Republic of Serbia is equal to at least EUR 2,000,000
- 2) that the foreign film has no content that is contrary to morality, public order and public interest of the Republic of Serbia, that it does not damage the reputation of the Republic of Serbia nor promote hate speech or violation of human rights, nor contain pornographic content;
- 3) that it is in one of the following formats: feature, documentary, animation or television film or television series.

Article 5

The measures referred to in Article 1 of this regulation are exercised through financial incentive grants through remuneration of expenses incurred in the Republic of Serbia.

Financial incentives are granted or paid to the amount of 12% of the production budget relating to salaries, fees and other personal income, and 15% of the production budget as relating to other expenses, provided that all these costs associated with the development of a foreign film are incurred and paid for in the Republic of Serbia.

Production, or a person who is a member or a participant in the production, as well as the foreign film itself, can not benefit from more than one measure described in Article 1 of this decree.

The following legal entities are not entitled to incentives described in Article 1 of this decree:

- 1) those against whom bankruptcy proceedings are in effect;
- 2) those which have unpaid tax obligations and other financial obligations due towards the Republic of Serbia;
- 3) those which are already using other funds from the budget of the Republic of Serbia or the budget of other countries in the production of the film that is applying.

Article 6

Financial incentives are allocated on the basis of a competition announced by the Ministry of Trade and Services (hereinafter: Ministry).

Competition in paragraph 1 of this Article pertains to the full amount specified in Article 2 of this regulation. The application deadline is 31st of October 2011. The invitation to participate in the competition shall be published in at least one daily paper covering the whole territory of the Republic of Serbia and on the website of the Ministry.

Article 7

All foreign productions of films have the right to apply through authorized persons.

The authorized person under paragraph 1 of this Article (hereinafter: authorized person) is a company that owns the copyright for the film that is applying and the appropriate contract regarding production cooperation for the film that is applying, or that person which has special authority to perform tasks related to the development of said film.

Article 8

Applications for the competition are to be submitted to the Ministry, and must include:

- 1) a description of the composition of production and information about its members or participants;
- 2) a synopsis or a screenplay of the film, which includes its format;
- 3) a list of important team members included in the creation of the film (director, actors, etc..)
- 4) a breakdown of the production budget, with the specification of costs and the breakdown of the budget segment allocated for production in the Republic of Serbia;
- 5) proof of foreign origin of the funds allocated for the production of the film in the Republic of Serbia, in the amount mentioned in Article 4, Paragraph 1 of this Decree;
- 6) activity plan for the production of said film in the Republic of Serbia;
- 7) a list of films in which the production company that is making the application, or its members or participants, has taken part in (reference list);
- 8) evidence that requirements of Article 5, Paragraph 4 of this Decree have been fulfilled;
- 9) other information or documentation requested in the competition conditions.

Article 9

The fulfillment of prerequisites for the allocation of financial incentives in accordance with this Decree is established by the Commission for Application Assessment (hereinafter: Commission).

The Commission is established through the decision of the minister responsible for trade (hereinafter: Minister), with the President of the Commission and one member being from the Ministry, one member from the Ministry of Finance and two members delegated from the ranks of Serbian filmmakers.

Article 10

The Commission assesses the application and determines whether the film meets the requirements for the allocation of financial incentives and to what level, and makes draft decisions containing information on the foreign film, its production, the production budget with specified costs for production that takes place in the Republic of Serbia, and the amount of financial incentives that are

approved based on data provided in the application.
Incomplete submissions will not be considered.

Article 11

Participants in the competition that were rejected have a right to submit a complaint within seven days from receipt of notification.
The Minister shall make a decision regarding the complaint within 15 days of receipt of the complaint.

Article 12

The authorized person applies for the payment of financial incentives during or after the production of a film in the territory of the Republic of Serbia, and no later than 15th of November 2011.

Request for payment of financial incentives in particular must contain:

- 1) a statement from the register of the Business Registration Agency for the applicant;
- 2) a report on the realized budget of the production, with a special breakdown of expenditure of funds of foreign origin, as well as the costs related to the production of the foreign film containing a specification of all costs incurred in the Republic of Serbia, in an amount of at least € 2,000,000;
- 3) an independent auditor's report on business operations of the applicant;
- 4) documents certifying the stated costs (invoices, contracts, evidence of payment of funds to suppliers and the like);
- 5) a statement of acceptance of terms of Article 15, Paragraph 1 of this Decree;
- 6) other documents confirming the validity of the remuneration pursuant to Article 13 of this regulation.

The report referred to in paragraph 2 item 2) of this Article, will be submitted to the Tax Administration by the Ministry.

Article 13

Costs that are recognized as expenses in connection with the development of films are those that are incurred and paid to persons or entities on the territory of the Republic of Serbia, which are related to the procured goods and services provided, used locations, fee payments to domestic and foreign members of the team, including the amount of tax paid, in accordance with the laws of the Republic of Serbia.

Costs incurred in connection with the use of goods or lease of movable property may be recognized only if the goods or movables are owned by legal entities or individuals from the Republic of Serbia.

The costs of permanent (fixed) assets are considered to be depreciation costs incurred during the production of films and are calculated on the basis of Article 10 of the Law on Corporate Income Tax Law ("Official Gazette of RS, no. 25/01, 80/02, 43/03, 84/04 and 18/10).

Expenses not deductible as expenses incurred in respect of making a film are: marketing costs related to the making of a film, the costs associated with buying real estate and fees of members and participants in the production.

Article 14

The Ministry shall supervise the expenditure of production budget related to the approved incentives, and shall pay the financial incentives to the receiver's

account, up to the amount stated in the decision regarding the approval of financial incentives.

Incentives are paid as a one-time grant and subsidy.

Incentives are paid to the amount of budget funds available under Article 2 of this Decree, in order of request submittal.

Article 15

A foreign film which has fulfilled the incentive criteria according to this Decree must contain the information that the Republic of Serbia has financially supported the production of the film as well as a visual representation of the specific national brand of the Republic of Serbia, at the appropriate visible place in all versions, copies, and when screened in different markets .

The Minister shall prescribe the form and method of displaying the specific national brand.

Article 16

This Decree shall come into force eight days after publication in the Official Gazette of the Republic of Serbia.

05 No: 110-1359/2011-1
In Belgrade, 25th of February 2011

GOVERNMENT

PRESIDENT

Mirko Cvetković, Ph.D.