

# International co-production and the UK

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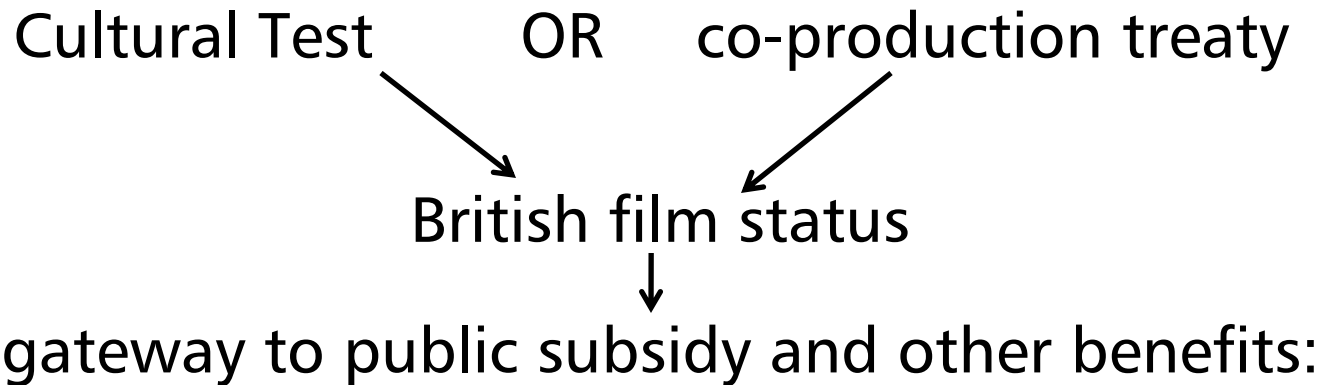
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# Why co-produce?

Pooling of resources –

- creative
- technical expertise
- sharing of risk
- Financial (inc national subsidies and other benefits)

# Qualification as a British Film



- » UK Film Tax Relief
- » UK Film Council production funds
- » Regional funds
- » Support for UK sales agents at key markets
- » *May* help with certain European sales

# Co-production treaties

## 7 bi-lateral treaties

- Australia
- Canada
- France
- India (in force since 2008)
- Jamaica – (in force since 2007)
- New Zealand
- South Africa - (in force since 2007)
  
- Treaty with Morocco signed in October 2009 (not yet in force)

## 1 multi-lateral treaty

- European Convention on Cinematographic Co-Production (number of current signatories who have ratified: 40)
- can be used bi-laterally unless a bi-lateral treaty already exists, eg UK-France

# How does co-production work?

## Main terms

- Co-producer in each country – majority / minority
- Financial contribution from each country
- Filmmaking contribution (proportional to finance)
- Rights and revenue split (proportional to finance)
- 20/80 min/max split in bi-lateral (Australia: 30/70)
- Third party co-producer / non-party co-producer – 20/60 split
- Finance only co-producer
- Provision for location shooting in 'third' country
- EU/EEA personnel in all UK treaties; personnel from CSME member states under UK/Jamaica; and SADC states for UK /South Africa are allowable (subject to balance of personnel from co-producing countries)
- [http://www.ukfilmcouncil.org.uk/media/pdf/p/i/Full\\_Co-production\\_Guidance\\_October\\_08.pdf](http://www.ukfilmcouncil.org.uk/media/pdf/p/i/Full_Co-production_Guidance_October_08.pdf)

# How to apply

- Application lodged in each country with competent authority / delegated organisation by respective co-producers
- Decisions taken jointly by competent authority in each country
- Certification now assessed by Certification Unit at UK Film Council
- UK competent authority remains DCMS
- 2 stages: provisional and final
- Provisional **must** be 4-6 weeks prior to principle photography  
(CT allows optional interim certification)

# European Convention

- Can be used bi-laterally where no treaty exists eg UK and Poland
- Or multi-laterally
- Min 20 / 80 in bi-lateral, 10/20/70 in multi-lateral
- Non party <30%
- Third country location shooting where script allows <30% (no HODs, no set building)
- Finance only - discretion 10%-25%
- Points test - 15/19 (discretion to allow fewer - European identity)
- 40 signatories to date (Bosnia & Herzegovina and Norway recently ratified)

<http://conventions.coe.int/Treaty/Commun/ChercheSig.asp?NT=147&CM=&DF=&CL=ENG>

# European Convention points test

Director - European National or resident	3
Scriptwriter - European National or resident	3
Composer - European National or resident	1
First Role - European National or resident	3
Second Role - European National or resident	2
Third Role- European National or resident	1
Cameraman- European National or resident (interpreted as Director of Photography)	1
Sound Recordist- European National or resident	1
Editor- European National or resident (interpreted as Film/picture Editor)	1
Art Director- European National or resident (interpreted as Production Designer)	1
Studio or shooting Location in Europe	1
Post production in Europe	1
total	19

# European Convention

if less than 15 points, may be allowed if reflects a European identity. The UK determines this by the following:

- (a) The demands of the screenplay; for example does it tell a European story
- (b) Whether the co-production is filmed in Europe, using European nationals

# UK film tax relief and co-production

- British qualifying films
- Intended for theatrical release
- Minimum UK core spend requirement of 25%
- Up to a maximum of 80% of total core spend
- FPC (Film Production Company), which must be within the UK corporation tax net.
- Costs must be incurred by UK FPC
- Administered through HM Revenue & Customs:  
<http://www.hmrc.gov.uk/films/ftr-unit.htm>

# UK tax relief qualifying spend

- “Used or Consumed” in UK, irrespective of nationality
- NOT the same as co-production spend definition:
  - Co-production = who
  - Tax = where
- Excluded costs
  - Development (speculative v purposive)
  - financing, bond
  - marketing, P&A, entertaining

# UK Film Tax Relief

## value in co-production

- Films under £20 million, rebate of up 25% of qualifying spend
- Costs must be incurred by UK FPC
- Where UK core represents over 80% of total core, rebate capped at 80%
- Therefore, 25% of up to 80% of UK FPC's total core NOT global budget
- Treaties require at least two companies to incur cost
- think about CT if only need British nationality

# UK Film Tax Relief

- Rebate
- No cap
- Direct benefit to the production company – paid through corporation tax return of FPC
- Reliable, paying out on time
- Possibility for a producer to negotiate equity position
  
- Plan tax year carefully – interim payment(s) possible
- Number of entities are now cash flowing

# Cultural Test

- Gives British nationality only
- Can be used in “unofficial” co-production where no treaty exists or where no benefit to nationality in the co-producing country

# Cultural Test

Four sections:

- A) Cultural content
  - B) Cultural contribution
  - C) Cultural hubs
  - D) Cultural practitioners
- 
- A film needs to score 16 out of a possible 31 points, subject to a “Golden Points Rule” :

if a film scores all 15 of the points available in sections C, D and A4: if it scores less than two points in section A1 and less than two points in section A2, it must additionally obtain the points in section A3 to pass the Cultural Test. If a film scores two points in section A1 or two points in section A2, it will not require the additional points from section A3 in order to pass the test.

# Cultural Test points

- **A Cultural Content**
- A1 Film set in the UK 4
- A2 Lead characters British citizens or residents 4
- A3 Film based on British subject matter or underlying material 4
- A4 Original dialogue recorded mainly in English language 4
- Total Section A16**
- **B Cultural Contribution**
- Film represents/reflects a diverse British culture, British heritage or British creativity 4
- Total Section B4**
- **C Cultural Hubs**
- C1 Studio and/or location shooting/ Visual Effects/ Special Effects 2
- C2 Music Recording/Audio Post Production/Picture Post Production 1
- Total Section C3**
- Continued next slide...

# Cultural Test points (contd)

▪ D Cultural Practitioners	
▪ D1 Director	1
▪ D2 Scriptwriter	1
▪ D3 Producer	1
▪ D4 Composer	1
▪ D5 Lead Actors	1
▪ D6 Majority of Cast	1
▪ D7 Key Staff (lead cinematographer, lead production designer, lead costume designer, lead editor, lead sound designer, lead visual effects supervisor, lead hair and makeup supervisor)	1
▪ D8 Majority of Crew	1
	<b>Total Section D8</b>

**TOTAL ALL SECTIONS (pass mark 16) 31**

# Regional Funds

- each fund has own criteria
- money from different sources - impacts funding decisions
- £10,000 - £800,000
- Can have regional effect
- Can be about supporting local talent
  
- <http://www.ukfilmcouncil.org.uk/ukscreenagencies>

# Further information

- [www.ukfilmcouncil.org.uk/coproduction](http://www.ukfilmcouncil.org.uk/coproduction)
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