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Zagreb, 1st December 2020.

STATE AID PROGRAMME FOR ENCOURAGING INVESTMENT IN THE PRODUCTION OF AUDIOVISUAL WORKS 2021

1. Aid provider:

Croatian Audiovisual Centre (hereinafter: the Centre)
J.J. Strossmayer
Square no. 4
10000 Zagreb
Republic of Croatia
www.havc.hr

2. Name of programme:

State Aid Programme for Encouraging Investment in the Production of Audiovisual Works 2021
(hereinafter: the Programme).

3. Category of state aid:

Support for audiovisual works.

This State Aid Programme is in line with Articles 1 through 12, as well as Article 54 of the Commission Regulation (EU) No. 651/2014 of 17 June 2014, declaring certain categories of aid compatible with the internal market in the application of Articles 107 and 108 of the Treaty Text with EEA relevance (OJ L 187, 26 June 2014; hereinafter: the General Block Exemption Regulation), Commission Regulation (EU) No. 2017/1084 of 14 June 2017 amending Regulation (EU) No. 651/2014 as regards aid for culture and heritage conservation and aid for sports and multifunctional recreational infrastructure and regional operating aid schemes for outermost regions, and amending Regulation (EU) No. 702/2014 as regards calculating eligible costs (OJ L 156, 20 June 2017), and Regulation (EU) 2020/972 of 2 July 2020 on amending Regulation (EU) No. 1407/2013 as regards its extension and on amending Regulation No. 651/2014 as regards its extension and corresponding adjustments (OJ L 215, 7 July 2020), hereinafter collectively: General Block Exemption Regulation.

The support for audiovisual works is awarded in accordance with Article 54 of the General Block Exemption Regulation, for i) production of audiovisual works; ii) pre-production.

Individual support granted under this Programme is exempted from prior notification to the European Commission under Article 108 (3) of the Treaty on the Functioning of the European Union, provided that the support in question meets the conditions set out in this Programme, and the relevant conditions set out in Chapter I and Article 54 of the General Block Exemption Regulation. On all matters not covered by this Programme, that is, if the provisions of this Programme contradict the regulations of the General Block Exemption Regulation, the GBER



regulations shall apply.

4. Objective/purpose of the aid:

The aid supports the creation of cultural products by providing systematic support and encouragement for the development and production of audiovisual works.

5. Legal basis:

The Audiovisual Activities Act (OG 61/18, hereinafter: the Act) and the Regulations on Encouraging Investments in the Production of Audiovisual Works (OG 70/19, hereinafter: the Regulations).

6. State aid intensity and eligible costs:

In calculating the intensity of the aid and the eligible costs of the Programme, all amounts will be amounts before deduction of taxes and other charges. Eligible costs should be accompanied by written proof that should be clear, specific and up-to-date.

Aid paid out in the future, including aid paid out in several instalments, should be discounted to its value at the moment of allocation.

Eligible costs should be discounted to their value at the moment of allocation. The interest rate to be applied in discounting is the discounted interest rate applicable at the moment of aid allocation.

a) Support for the production of audiovisual works

The programme supports the production of feature, animated and documentary films, television films and television series, which are entirely or partly produced in the Republic of Croatia and are intended for public exhibition, regardless of whether they are financed from national or international sources.

This aid support the creation of cultural products. In order to avoid obvious errors in designating a product as a cultural product, each Member State shall establish effective procedures, for example, one or more persons entrusted with the selection or verification in accordance with a previously established list of cultural criteria.

Namely, the Act itself, as the legal basis for the adoption of this Programme, in Article 3 states that a cultural product is an audiovisual work for which it is possible to grant state aid in accordance with an established national selection system based on measurable criteria. Furthermore, Article 13, Paragraph 4 of the Act stipulates that the Centre decides on an application by issuing a Certificate on the recommendation of the Commission for the Encouragement of Investment in the Production of Audiovisual Works, which is appointed and relieved in accordance with the Regulations.

The Commission reviews the applications and assesses whether the conditions for awarding grants have been met. The Commission consists of five members: one member from the Ministry of Culture, two producers from the Croatian Producers Association, one member from the Ministry of Finance and one member from the Centre. Members are appointed by the Minister of Culture for a period of two years, with the possibility of reappointment.



The decisions are made in the order in which the applications were received.

Grants may be awarded to projects that score at least 14 points (out of a total of 36 points) for service productions, and 22 points (out of a total of 44 points) for co-productions on the Qualification Test which is Annex 1 of this Programme. The purpose of the Qualification Test is to evaluate the Cultural content of the work (A), the Contribution of human resources of the Republic of Croatia and other EEA countries (B) and the Exploitation of production potentials of the Republic of Croatia (C) through a scoring system. In each of these three categories the minimum number of points must be met, namely I) for service productions: 4 points from Section A, 6 points from Section B, and 4 points from Section C, and II) for co-productions: 6 points from Section A, 10 points from Section B and 6 points from Section C. The project should score the required minimum of points on the test, but there are no benefits or reservations of funds in the order of application processing for projects that score a higher number of points.

In order for projects to be eligible for state aid under this Programme, the minimum of production activity in the Republic of Croatia needs to be met, while said minimum cannot exceed 50% of the total production budget. In addition, the maximum expenditure in the Republic of Croatia which forms the basis for granting the aid, shall in no case exceed 80% of the total production budget.

In order to pass the eligibility test for state aid, funds spent in the Republic of Croatia for the production of audiovisual works, net of value added tax, must amount to at least:

- a. 2,000,000.00 HRK for a feature film;
- b. 300,000.00 HRK for a documentary film;
- c. 500,000.00 HRK for an animation;
- d. 1,000,000.00 HRK for a television film;
- e. 750,000.00 HRK for one episode of television series;
- f. 450,000.00 HRK for one episode of a documentary television series;
- g. 500,000.00 HRK for an animated television series with a minimum total duration of 24 minutes.

The intensity of the aid is limited to 50% of eligible costs of production of audiovisual works, except in the case of difficult audiovisual works. In the case of difficult audiovisual works, the intensity of the aid is limited to 80% of eligible production costs.

The intensity of the aid is limited to 60% of eligible costs for cross-border co-productions funded by several Member States and involving producers from several Member States.

Eligible costs are: costs of production of audiovisual works, specified in Annex 2 which is an integral part of the Regulations and is attached to this Programme.

b) Support for pre-productions

Eligible costs for receiving pre-production grants are the costs of development of audiovisual works.

Eligible costs are specified in Annex 2 which is an integral part of the Regulations and is attached to this Programme.



The intensity of aid for pre-production may not exceed 100% of eligible costs. If the project in question yields an audiovisual work such as a film, the pre-production costs are included in the total budget and taken into account when calculating the intensity of the aid.

7. The beneficiaries of state aid:

Micro, small and medium enterprises.

Grants for audiovisual works awarded under this Programme are not limited only to citizens of the Republic of Croatia and applicants are not required to have the status of business enterprise established on the basis of commercial law of the Republic of Croatia.

In order for the applicant to meet the eligibility criteria for receiving state aid, they must have produced at least one audiovisual work (feature, animated or documentary film, television film or series) within the last three years prior to the date of submitting the Application. This audiovisual work must have been publicly exhibited in at least one of the following ways: commercially distributed in theatres and/or broadcast on television and/or screened at minimally one international film or television festival. At the moment of submitting the application, the applicant must secure at least 70% of funding needed to cover the cost of production of the audiovisual work in the Republic of Croatia.

Beneficiaries of state aid who are not based in the Republic of Croatia must have a branch or a business unit in the Republic of Croatia at the moment when state aid is paid out.

The beneficiary of state aid who is not based in the Republic of Croatia, independently and autonomously decides at what time they will establish a branch or business unit in Croatia, but at the latest at the moment when state aid is paid out.

8. Instrument of state aid:

Grant.

9. Sources of funding:

The state budget of the Republic of Croatia, in the section of the competent ministry for cultural affairs, within the activities and positions intended for incentive measures, as well as from other sources.

According to the Financial Plan of the Croatian Audiovisual Centre for the implementation of the Programme proposal, the planned allocation of funds in the total annual amount of 120,000,000.00 HRK is as follows:

- for 2021, a total of 120,000,000.00 HRK
- for 2022, a total of 120,000,000.00 HRK
- for 2023, a total of 120,000,000.00 HRK

This Programme shall not apply to aid if said aid should exceed the following thresholds:

- for aid programmes for audiovisual works: 50 million EUR per programme per year.

These thresholds shall not be avoided by artificially splitting support programmes or projects.

10. Duration of the programme:



From 1st January 2021 until 31st December 2023.

11. Combining aid:

In determining whether the thresholds referred to in Point 9 of this Programme and the maximum intensities of aid referred to in Point 6 of this Programme are respected, the total amount of state aid awarded to the activity, project or entrepreneur to which the aid is granted shall be taken into account.

If EU funding, centrally managed by EU institutions, agencies, joint ventures or other bodies of the European Union that are not under the direct or indirect control of the Republic of Croatia, is combined with state aids, for the purposes of determining whether the thresholds set out in Point 9 of this Programme and maximum intensities of aid or maximum amounts of aid referred to in Point 6 of this Programme are respected, only state aids will be taken into consideration, provided that the total amount of public funding allocated in relation to the same eligible costs does not exceed the most favourable rate of funding determined by applicable legislation of the European Union.

The aid granted under this Programme, the costs of which are possible to determine, may be cumulated with any other state aid, provided that the measures in question refer to different eligible costs that are verifiable.

The aid granted under this Programme, the costs of which are possible to determine, may be cumulated with any other state aid relating to the same eligible costs, whether they partially or completely overlap, only if such cumulation does not cause the maximum aid intensity or amount of aid applicable to that measure to be exceeded under the General Block Exemption Regulation.

The state aid awarded under this Programme shall not be cumulated with de minimis aids referring to the same eligible expenses, if their cumulation would result in the intensity of aid exceeding the aid intensities specified in Point 6 of this Programme.

In order to determine whether the thresholds referred to in Point 9 and the maximum aid intensities referred to in Point 6 of this Programme are respected, the aid beneficiary shall submit to the aid provider an overview of the amounts of all state aids, de minimis aids and other financing previously granted to a specific activity, project, or entrepreneur, which includes a separate presentation of the same and different eligible costs in accordance with this Programme, as well as the sources of funding at the local, regional, national level and sources of the European Union.

12. Effect of the incentive:

Grants from this Programme related to audiovisual works in terms of Article 54 of the General Block Exemption Regulation have the effect of an incentive.

The beneficiary of aid for audiovisual works shall submit a formal application for support to the aid provider (Croatian Audiovisual Centre) before starting work on the project or initiating activity.

The application for support, together with the documentation specified in the Regulations,



must contain at least the following information:

- a) Name and size of business enterprise;
- b) Description of the project, including start and completion dates;
- c) Location of the project;
- d) List of project expenses;
- e) Type of support – grant and amount of public funding needed for the project;

13. Restrictions and supervision:

Support for audiovisual works and support for pre-production under this Programme shall not be granted to:

- promotional audiovisual works and/or audiovisual commercial communication
- works that promote violence, racism, hate speech and/or have pornographic content and similar,
- works that promote behaviour contrary to the interests of public health, protection of human rights, public security, and similar,
- daytime dramas (“soap operas”),
- situation comedies (“sitcoms”)
- entrepreneurs in difficulties defined by Article 1, Paragraph 4 of the General Block Exemption Regulation, who were not in financial difficulty on 31st December 2019, but who became entrepreneurs in difficulties in the period from 1st January 2020 until 30th June 2021,
- entrepreneurs in the process of pre-insolvency or insolvency proceedings or liquidation management,
- applicants who have been instructed to repay funds allocated by public financing or are in the process of repaying previously awarded funds,
- applicants who have outstanding and past due obligations for public levies and/or to the Centre,
- entrepreneurs subject to an outstanding recovery order based on a previous decision of the Commission declaring aid granted by the same Member State to be illegal and incompatible with the internal market, with the exception of aid schemes designed to compensate for damages caused by certain natural disasters,
- in instances stipulated by Article 1, Paragraphs 2 and 3 of the General Block Exemption Regulation,
- applicants or persons authorised to represent an applicant against whom a final court decision has been made regarding one or several of the following criminal offenses: fraud (Article 236), fraud in business operations (Article 247), receiving bribes in business operations (Article 252), offering bribes in business operations (Article 253), misuse of power in the public procurement process (Article 254), tax or customs duty evasion (Article 256), subsidy fraud (Article 258), money laundering (Article 265), misuse of power and authority (Article 291), unlawful bargaining (Article 292), receiving bribes (Article 293), offering bribes (Article 294), influence peddling (Article 295), offering bribes for influence peddling (Article 296), participation in a criminal association (Article 328), and committing a criminal offense as part of a criminal association (Article 329) of state act regulating criminal offences and corresponding legal sanctions.
- aid measures for which the granting of aid depends on the obligation of the beneficiary to use goods produced or services provided in the national territory.

Grants for audiovisual works awarded under this Programme are not limited to certain production activities or individual parts of the production value chain. Grants for audiovisual works for film studio infrastructures may not be awarded under this Programme.



**Hrvatski
audiovizualni
centar**
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After the completion of the production of an audiovisual work in the Republic of Croatia and based on the calculation of actually incurred costs of production of the work in the Republic of Croatia, confirmed by audit findings and a written report, the aid beneficiary shall justify the use of the allocated funds of state aid.

The final amount of state support as established in the Payment Certificate shall not exceed the amount established in the Provisional Certificate.

If the Centre determines that the allocated funds have not been spent for the intended purpose, the aid beneficiary is obliged to reimburse them, increased by the amount of statutory interest, starting from the day the state aid was paid out.

The Centre shall keep detailed records of the information and supporting documentation necessary to determine that this Programme meets all the conditions established by the General Block Exemption Regulation. These records shall be kept for 10 years from the date of the last grant is awarded under this Programme.

The information on this Programme will be published in accordance with the provisions of Article 9 of the General Regulation Block Exemption.

Annexes: Qualification tests and Acceptable expenses

Croatian Audiovisual Centre
m.p. Christopher Peter Marcich, Chief Executive Officer