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**STATE AID PROGRAMME FOR THE PROMOTION OF INVESTMENT
IN THE PRODUCTION OF AUDIOVISUAL WORKS 2024-2026**

1. Aid provider:

Croatian Audiovisual Centre (hereinafter: the Centre)
Trg J. J. Strossmayera 4
10000 Zagreb
Republic of Croatia
www.havc.hr

2. Name of programme:

State Aid Programme for the Promotion of Investment in the Production of Audiovisual Works 2024-2026 (hereinafter: the Programme).

3. Category of state aid:

Audiovisual Works Aid Programme.

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 (OJ L 187/1, 26 June 2014), 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 sport and multifunctional recreational infrastructures and regional operating aid schemes for outermost regions, and amending Regulation (EU) No. 702/2014 as regards the calculation of eligible costs (OJ L 156, 20 June 2017), and Commission Regulation (EU) 2020/972 of 2 July 2020 on amending Regulation (EU) No. 1407/2013 as regards its prolongation and amending Regulation No. 651/2014 as regards its prolongation and relevant adjustments (OJ L 215, 7 July 2020), Commission Regulation (EU) 2021/1237 of 23 July 2021 on amending Regulation (EU) no. 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 270, 29 July 2021) and Commission Regulation (EU) 2023/1315 of 23 June 2023 amending Regulation (EU) no. 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty and Regulation (EU) 2022/2473 declaring certain categories of aid to undertakings active in the production, processing and marketing of fishery and aquaculture products compatible with the internal market in the application of Articles 107 and 108 of the Treaty (OJ L 167, 30 June 2023) hereinafter collectively: General Block Exemption Regulation.

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

Individual aid granted on the basis of this Programme is exempted from the prior notification requirement to the European Commission referred to in Article 108 (3) of the Treaty on the



Functioning of the European Union, provided that the aid in question meets the conditions set out in this Programme, and the relevant conditions set out in Chapter I and 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 fostering the development and production of audiovisual works.

5. Legal basis:

The Audiovisual Activities Act (OG 61/18, 114/22 hereinafter: the Act) and the Regulation on the Promotion of Investment in the Production of Audiovisual Works (OG 70/19, 152/22, 9/24) hereinafter: the Regulation.

6. State aid intensity and eligible costs:

In calculating the intensity of the aid and the eligible costs of the Programme, all amounts shall be amounts before deduction of taxes and other charges. However, value added tax charged on eligible costs or expenditures, which is refundable in accordance with applicable national tax law, shall not be taken into account for the calculation of aid intensity and eligible costs.

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) Aid for the production of audiovisual works

The Programme aids 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 supports the creation of cultural products. In order to avoid manifest 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.

More specifically, as the legal basis for the adoption of this Programme the very Act sets out in Article 3 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 (4) of the Act provides that the Centre shall decide on an application



by issuing a Certificate on the recommendation of the Commission for the Promotion of Investment in the Production of Audiovisual Works, which is appointed and relieved in accordance with the Regulation.

The Commission reviews the applications and assesses whether the conditions for awarding aid have been met. The Commission consists of five members: one member from the Ministry of Culture, two members 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.

Aid 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-production: 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 while processing applications 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 territory of 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. EUR 250,000.00 for a feature film;
- b. EUR 150,000.00 for a television film;
- c. EUR 100,000.00 for one episode of television series;
- d. EUR 60,000.00 for a documentary film, animated film, for one episode of a documentary television series, for an animated television series with a minimum total duration of 24 minutes, for post-production of an audiovisual work if the application refers only to that phase of production.

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 productions funded by several Member States and involving producers from several Member States.



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

b) Aid for pre-production

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

Eligible costs are specified in Appendix 2 which is an integral part of the Regulation and is also 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 shall be 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.

Aid for audiovisual works awarded under this Programme is not limited only to citizens of the Republic of Croatia and applicants are not required to have the status of an undertaking 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 television series) within the last three years prior to the date of submission of the Application. This audiovisual work must have been publicly exhibited in at least one of the following ways: commercially distributed in movie theatres and/or broadcast on television and/or via an audiovisual media service on demand and/or screened at minimally one international film or television festival. At the moment of submission of 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 that do not have a registered office in the Republic of Croatia must have a subsidiary or a business unit in the Republic of Croatia at the moment when state aid is paid out.

The beneficiary of state aid that does not have a registered office in the Republic of Croatia, independently and autonomously decides at what time they will establish a subsidiary or a 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 line ministry for cultural affairs, within the scope of 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 is the following:

- for 2024, a total of EUR 20,000,000.00
- for 2025, a total of EUR 25,000,000.00
- for 2026, a total of EUR 30,000,000.00

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

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

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

10. Duration of the programme:

Until 31 December 2026.

11. Cumulation of 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 undertakings to which the aid is granted shall be taken into account.

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

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

The aid granted under this Programme, the costs of which are possible to be determined, 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* aid with respect to the same eligible costs, 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, when submitting the application the aid beneficiary shall submit to the aid provider an overview of the amounts of all state aid, *de minimis* aid and other financing previously granted to a specific activity, project, or an undertaking, 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:

Aid from this Programme related to audiovisual works within the meaning of Article 54 of the General Block Exemption Regulation shall have the effect of an incentive.

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

The application for aid, together with the documentation specified in the Regulation, must contain at least the following information:

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

13. Restrictions and supervision:

Aid for audiovisual works and aid for pre-production under this Programme shall not be granted nor paid out 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 safety, and similar,
- daytime dramas (“soap operas”),
- situation comedies (“sitcoms”),
- undertakings in difficulties defined by Article 2, point 18 of the General Block Exemption Regulation, with the exception of the aid programmes for compensation of damage caused by certain natural disasters, aid programmes for newly established companies, programmes of regional operational support, aid programmes under Article 19b, aid to SMEs based on Article 56f and aid to financial intermediaries based on Articles 16, 21, 22 and 39 and Section 16 of Chapter III of the General Block Exemption Regulation, if undertakings in difficulties are not put in a privileged position compared to other undertakings, while it applies to undertakings who on 31 December 2019 were not in difficulties, but in the period from 1 January 2020 to 31 December 2021, became undertakings in difficulties.

An undertaking in difficulties means an undertaking in respect of which at least one of the following circumstances occurs:

- (a) In the case of a limited liability company (other than an SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid, an SME that meets the requirement referred to in Article 21 (3) (b) and that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its subscribed share capital has disappeared as a result of accumulated losses. This is the case when deduction of accumulated losses from reserves (and all other elements generally considered as part of the own funds of the company) leads to a negative cumulative amount that exceeds half of the subscribed share capital. For the purposes of this provision, “limited liability company” refers in particular to the types of company mentioned in Annex I of Directive 2013/34/EU of the



European Parliament and Council and “share capital” includes, where relevant, any share premium.

- (b) In the case of a company where at least some members have unlimited liability for the debt of the company (other than an SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid, an SME that meets the requirement referred to in Article 21 (3) (b) and that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its capital as shown in the company accounts has disappeared as a result of accumulated losses. For the purposes of this provision, “a company where at least some members have unlimited liability for the debt of the company” refers in particular to the types of company mentioned in Annex II of Council Directive 2013/34/EU.
- (c) Where the undertaking is subject to collective insolvency proceedings or fulfils the criteria under its domestic law for being placed in collective insolvency proceedings at the request of its creditors;
- (d) Where the undertaking has received rescue aid and has not yet reimbursed the loan or terminated the guarantee, or has received restructuring aid and is still subject to a restructuring plan;
- (e) In the case of an undertaking that is not an SME, where, for the past two years:
 - (1) the undertaking's book debt to equity ratio has been greater than 7,5 and
 - (2) the undertaking's EBITDA interest coverage ratio has been below 1,0:

- undertakings in the process of pre-bankruptcy or bankruptcy proceedings or liquidation
- applicant who has been ordered to reimburse state aid or is in the process of reimbursement of state aid,
- applicant who has unpaid outstanding liabilities due to the government and/or to the Centre,
- an undertaking that is subject to an unexecuted order for the return of funds on the basis of a previous decision of the Commission whereby the aid that had been granted by the same Member State is considered unlawful and incompatible with the internal market, with the exception of the aid programme for compensation for damage caused by certain natural disasters,
- in the cases prescribed by Article 1 (2) and (3) of the General Block Exemption Regulation,
- if the Applicant and a duly authorized representative has been finally convicted for one or several of the following criminal offences: fraud (Article 236), fraud in economic business operations (Article 247), accepting a bribe in economic business operations (Article 252), offering a bribe in economic business operations (Article 253), malpractice in procurement procedures (Article 254), tax or customs evasion (Article 256), subsidy fraud (Article 258), money laundering (Article 265), abuse of office and official authority (Article 291), illegal preferential treatment (Article 292), accepting a bribe (Article 293), offering a bribe (Article 294), trading in influence (Article 295), offering a bribe for trading in influence (Article 296), criminal enterprise (Article 328) and organized criminal offences (Article 329) as defined by the law governing criminal offences and the execution of criminal penalties,
- 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.

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

Aid for audiovisual works awarded under this Program are not binding of the applicant that has an establishment in the Republic of Croatia or that the majority of his business units has an establishment in the Republic of Croatia. However, state aid beneficiaries who do not have



an establishment in the Republic of Croatia must have a subsidiary or a business unit in the Republic of Croatia at the time of disbursement of the state aid, whereby the beneficiary of the state aid who does not have an establishment in the Republic of Croatia independently and autonomously decides at what moment to establish a subsidiary or business unit, and at the latest at the moment when state aid is paid out.

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 aid 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, together with 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 requirements laid down by the General Block Exemption Regulation. These records shall be kept for 10 years from the date the last aid 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. The Croatian Audiovisual Centre will submit to the European Commission via the Module for transparent allocation of aid the information from Appendix III on the award of each individual aid that exceed EUR 100,000, within 6 months from the date of aid allocation. The subject data are organized and available in the standardized form described in Appendix III which enables their efficient search and data retrieval functions. They are published within six months from the date of granting the aid or, for aid in the form of tax benefits, within one year from the deadline for submitting the tax return and are available for at least 10 years from the date of aid allocation. For aid in the form of tax benefits, if there is no formal request for an annual application, the aid allocation date will be deemed 31 December of the year for which the aid was granted.

By way of the Commission's electronic system for submitting applications, the Commission will be provided with a summary of information on each aid measure that is exempted under the General Block Exemption Regulation, in the standardized form established in Annex II together with a link to access the full text of the aid measure, including amendments, within 20 working days of its entry into force and the annual report from Commission Regulation (EC) no. 794/2004 (1), in electronic form, on the application of the General Block Exemption Regulation, which contains the information specified in that regulation for each full year or each part of the year during which the General Block Exemption Regulation applies.

Aid awarded based on this Program:

- a) Aid that is not conditional on giving priority to the use of domestic goods over foreign goods;
- b) This is not aid for activities related to exports to third countries or member states, that is, aid directly related to exported quantities, the establishment and operation of a distribution network or other current costs related to export activities;



The payment of individual aid granted on the basis of this Program cannot be made in favour of an undertaking that has not executed a refund order on the basis of a previous decision of the Commission by which the aid granted by the same Member State was deemed illegal and incompatible with the internal market, with the exception of the aid program to make good the damage caused by certain natural disasters and aid programmes under Article 19b, section 2.a and section 16 of Chapter III of the General Block Exemption Regulation.

- 14.** This Program comes into effect on 28 February 2024.

Annex: ANNEX I Qualification tests

ANNEX II Eligible costs

CROATIAN AUDIOVISUAL CENTRE

Christopher Peter Marcich, Chief Executive Officer