



## “Tax solace for Promoting Film Tourism” Indian and Global perspectives

<b>Dr.P.Natarajan,</b>	Professor & Head, Department of Commerce,Pondicherry University.
<b>D.Sadish Kadhane,</b>	Research scholar, Department of Commerce,Pondicherry University.

**ABSTRACT**

Film Making can generate economic revenue through filming fees, Tax and employing local crew members. Cinematography is a billion dollar industry and like tourism it has the ability to invoke images and increase the revenue generation of a country. India has been blessed with scenic locations, incredible cultural diversity, trained film crews and low production costs. Increased collaboration between India and other countries will aid in optimizing and the country realizing its true potential in terms of its natural and man-made resources. Few State Governments in India have recognized benefits of promoting Film Tourism and have proactively initiated measures to attract both foreign and local filmmakers by offering production and tax incentives. This paper narrates various tax incentives relevant for promoting film tourism which in turn promotes cross cultural relations, employment opportunities, technology transfer etc

**KEYWORDS**

Film Tourism, tax Incentives, tax rebates, tax credits, tax holiday.

**Film Tourism**

Film tourism can be defined from two unique perspectives: one, the aspect of producing and shooting motion pictures, and secondly, the tourism activities induced as a result of the movies shot in a location or destination. Cultural tourism is seen as an educative form of tourism through what people can learn more about others’ ways of life. Film tourism has also been referred in the international bibliography with the terms “film induced tourism”, or “media induced tourism”, or “movie induced tourism”, or “cinematographic tourism”, or even “media pilgrim” seen as a media pilgrimage. Hudson and Ritchie (2006), suggest that film tourism is the tourism that is generated as a result of the appearance of a destination or attraction in the cinema, video or television. Falling loosely under the umbrella of cultural tourism, film tourism is a growing phenomenon worldwide, fueled by both the growth of the entertainment industry and the increase in international travel. The benefits of film tourism are becoming increasingly apparent.

Film tourism includes two major activities .viz,

Film production and shooting

Film induced tourism activities

**a) Film production and shooting**

The film has three main process like pre-production, production and post production . Here the films are produced abroad and gain some incentives and in return the movie increases the stimulation of the people to visit the place or country.

**b) Film induced tourism activities**

Film-induced tourism has gained increasing attention from academics and the industry alike which increases the tourism.

The objectives of this paper is to give an overview about Film Tourism in India and to highlight the tax incentives, rebates and other fiscal benefits for promoting film tourism in Indian context and the global level.

It is a descriptive research paper based on policy research. It explains how fiscal policy of a country and across the world promotes the new concept Film Tourism a “Sun-rise Industry / Entertainment Industry”. Due to non availability of numerical data much analysis could not be done.

**Film Tourism in India**

Today, tourism boards across many countries are targeting Indian films as a medium to showcase their countries as ideal destinations to attract Indian tourists. In the recent past, Bollywood as well as many regional films of India have been extensively shot in foreign locations. For India, there is an equal opportunity to promote inbound tourism beyond popular destinations such as Goa, Kerala, Pondicherry and Rajasthan. Indian films can be a great platform to showcase to the world India’s rich cultural heritage, its variety of travel destinations and diverse cuisines. Hollywood films have already showcased India’s rich culture and heritage through many films .

International collaborations facilitate and strengthen the film production, distribution, technology and commercial cooperation between film communities. In addition to helping local industry up their production standards and expertise across the production value chain, it creates opportunities for additional employment, tax revenues and upgrading skill levels. Increased collaboration between India and other countries will aid in optimizing and the country realizing its true potential in terms of its natural and man-made resources.

**Guidelines for shooting films in India**

In April 2013, the Ministry of Information & Broadcasting (‘MIB’) constituted an inter-ministerial committee for promotion and facilitation of film production in India.

The MIB has recently issued fresh simplified guidelines for foreign film shooting by foreign nationals/ co-productions in India.

Any foreign film production intending to shoot in India, will need to inform the MIB of its intention to do so mentioning dates of shooting, particulars of cast/ crew, four copies of the final detailed shooting script and chosen locations at least a month in advance along with a draft of US\$ 225. MIB will then help the filmmaker obtain permissions to shoot across chosen locations within three weeks.

The permission letter issued by the Government of India will facilitate permissions from local authorities across States. Furthermore, to facilitate the shooting procedure, a liaison officer may be assigned to the team shooting a film.

This officer helps the filmmaker obtain local clearances and enable an interface with local institutions. The Government

of India bears the expenses of a liaison officer assigned to a film-shooting team.

**Tax Incentives for promoting Film Tourism in India**

Every State Governments in India have recognized benefits of promoting Film Tourism and have proactively initiated measures to attract both foreign and local filmmakers by offering production and tax incentives. Bollywood, as the Hindi film industry is commonly referred to, is one of the largest movie industries in the world, both in the volume of films released as well as the manpower involved. Apart from this, a majority of the Indian states have their own regional film industries of respectable sizes, despite the fact that they are shadowed by the size of the Hindi film industry (the film industries of South India, Kollywood, Tollywood, Mollywood, Marathi etc.). Indian films are not only watched by people in India, also neighboring countries like Pakistan, Bangladesh, Nepal, Pakistan, Sri Lanka watch the movies. Moreover, countries with large groups of Hindi, Tamil and Urdu speaking nationalities like Australia, UK, Africa and the US have many fans. Old trading partners like Russia and Japan are also buyers of Indian films. Every state has their own tax benefit for the promotion of film in their state for location and to develop their own language.

**Tax Incentives and Rebates prevalent across various countries**

Film tourism as portrayed and promoted by foreign countries needs a lot of engagement from the local Government to give it a boost. The local Governments in general appoint a Destination Management Organization (DMO) which keeps a tab over the films that are being shot by helping scout for the location, create marketing around the shooting and even negotiate tax benefits and also the feasibility of attracting the director to marketable destinations.

Co-productions were initially perceived to enhance collaboration between countries with small production industries which would be able to pool resources and compete in an international market (Taylor, 1995, p. 414). Co – production between two countries could be made only when content gets treated as a national property in both nations and therefore is allowed to claim tax benefits/rebates from both sides. India has co-production agreements with Germany, Italy, UK, New Zealand, Brazil, and France.

S.No	State	Tax Benefits
1.	Maharashtra	a) The Maharashtra Government has provided five-year tax exemption to single-screen theaters under municipal councils and a seven-year tax exemption to those located in rural areas. b)The Maharashtra Tourism Development Corporation (MTDC) has announced a Bollywood tourism plan, which will enable Indian and foreign tourists to take guided tours of film studios and sets while being exposed to a first-hand experience of film shooting.
2.	Gujarat	The Gujarat Government offers 100% exemption from Entertainment Tax for Gujarati films. It is also offers a INR500,000 subsidy to Gujarati-language filmmakers.
3.	Andhra Pradesh	The State Government has provided 7% concession on Entertainment Tax for low-budget Telugu films and 15% for high-budget ones.
4.	Karnataka	The Government has decided to raise its subsidy to the Kannada film industry. The subsidy will now be given for 100 films instead of 75.
5.	Tamil Nadu	The Tamil Nadu Government will provide 100% exemption from entertainment tax exemption on films with Tamil names, which have been given U certificates
6.	Uttar Pradesh	Hindi films that are shot at least 75% in Uttar Pradesh will be eligible for a grant amounting to 25% of their production cost or INR10 million (whichever is less).
7.	West Bengal	The Government has reduced Entertainment Tax on Bengali films (from 10% to 2%) to ease the financial burden on the Bengali film industry
8.	Jammu & Kashmir	The Jammu & Kashmir Government has decided to waive taxes for filmmakers while they shoot films in the state
9.	Rajasthan	Films that are 75% shot in Rajasthan and have been given U certificates, will get a 100% exemption from Entertainment Tax for one year.
10.	Goa	The State Government is reviewing a proposal that will allow filmmakers to claim up to 5% of the shooting costs incurred by them in Goa
11.	Punjab	The Government gives Punjabi filmmakers a rebate of 5% of the Entertainment Tax to be paid by them, provided 75% of the dialogues are in Punjabi.
12.	Himachal Pradesh	The Himachal Pradesh Government offers 100% exemption from Entertainment Tax to filmmakers shooting their films in the state.

**Source: Made in India : Attracting and incentivizing film production**

Co-Production Country	Benefits
UK	1.Under this treaty, in India the import and export of equipment would be duty & tax free 2. If the film does win a National Award in India then the Government has discretionary power to enable theatrical tickets tax free and all other revenues received tax free.
France	An Indian producer can co-produce a movie with a French production house by paying 10 % of the total budget
Australia	Film spends of INR 2.5 crores (USD 500,000) can avail a 15% location offset or 15% refund on production, digital and visual (PDV) effects. Also, the Australian Government is doing away with the location offset rider that offered 70%funds on film-related investments to only those film studios which spent between USD 15 million and USD 50 million
Italy	Tax relief of up to 30% for films costing USD 1-2 million
New Zealand	Access to funding and incentives, temporary immigration and equipment importing
Malaysia	Films will be able to claim a rebate of up to 30% of the cost of production, conditional upon the production of receipts and the claim being audited
Singapore	Media Development Authority of Singapore supports up to 40% of any project's total Singapore Spend

**Source: FICCI/yes Bank**

**Film Production incentives and the Economic Impact**

Film commissions formulate and implement benefits ranging from cash rebates, tax credits, exemption from or refund of VAT/customs duty to financial assistance in the form of interest-free loans and other facilities such as easy processing of visas, discounts on accommodation and travel, etc. Interestingly, any film production-related incentive is not restricted to a particular area or field, but offers a number of incentives. Due to film production the economy of the country increased because many tourists started to visit that location shown in the

cinema. The various incentives available for producing a film in different countries are:

**Cash grants**

Cash grants are non-refundable funds disbursed to the production companies which help them to reduce their cost of production. Cash grants can be paid upfront or on completion of a particular project. Further, generally, cash grants are subject to some level of compliance, however, grants are also provided without any conditions.

Film	Production Country	Shot in Country	Tax and financial incentives	Economic Impact
Life of Pi	United States of America	Taiwan	<ol style="list-style-type: none"> <li>1. The Taiwan Government contributed (US\$1.7 million) to the film's budget. In addition, it subsidized construction of an (US\$5.1 million) artificial pool in a defunct airport, where parts of the film were shot.</li> <li>2. Taiwan's Central Government also invested million (\$6.7 million) in the film through a long running subsidy scheme set up to aid projects undertaken by the island's filmmakers</li> </ol>	<ol style="list-style-type: none"> <li>1. Life of Pi was a hit in Taiwan, generating US\$17.5 million.</li> <li>2. Hotel occupancy in Taichung increased by 10% where Life of Pi was shot, benefitting from the visits of more than 300 foreigners and locals.</li> </ol>

**Cash rebates**

Cash rebates are refund of actual expenditure incurred. Typically, cash rebates are provided at a specified percentage of the qualifying expenditure. Qualifying expenditure includes costs incurred in the host country during the shoot on the cast and crew, goods and services purchased or at a specified percentage of overall production budgets. Interestingly, rebates offered are grants, however not all grants are rebates.

Film	Production Country	Shot in Country	Tax and financial incentives	Economic Impact
Krrish	India	Singapore	<ol style="list-style-type: none"> <li>1. The STB introduced the subsidy in May 2004 to encourage international film producers to shoot and produce high-quality films and TV programs in Singapore.</li> <li>2. The scheme subsidizes up to 50% of the qualifying expenses incurred by foreign producers during their shoots in Singapore. And under Krrish Subsidy it spends (US\$5.0 million).</li> </ol>	<ol style="list-style-type: none"> <li>1. Krrish helped to revive Singapore's economy by attracting domestic resident tourists and global India tourists.</li> <li>2. After the movie was released, the local people enthusiastically visited places with which they were already familiar. In addition, Indian visitors began looking at Singapore as a modern destination that is culturally and economically similar to the "new India" and the lifestyles of its middle-class diaspora.</li> <li>3. Immediately after the release of the film, annual Indian tourist traffic to Singapore</li> </ol>

**Tax Credits**

Tax credit is a sum deducted from the total amount a taxpayer owes to the treasury. A tax credit can be granted for various types of taxes such as income tax, value added tax, etc. Further, another form of tax credit is by way of a refund of taxes paid while filming in a location. Tax credits can either be refundable or non-refundable and further, transferable and nontransferable. A refundable tax credit is one through which the tax liability of the taxpayer can be reduced to below zero. Because it is possible to receive a tax refund from this type of credit, it is referred to as refundable tax credit. However, in case of a non-refundable tax credit, the tax liability can be reduced only to zero and not below. Furthermore, only a few countries permit transfer of tax credits, i.e., a tax credit can be sold or brokered to another company that has a tax liability in the country. Typically, tax credits are transferred by non-resident production companies that generally have no tax liabilities. Additionally, accumulated credits can also be refunded.

Film	Production Country	Shot in Country	Tax and financial incentives	Economic Impact
Zindagi Na Milegi Dobara	India	Spain	The Government of Spain offered VAT refund of around 18% for shooting the movie in the country. In addition, it made the visa process easier, offered discounts on hotel stays and travel, ensured fast approvals and offered other perks	<ol style="list-style-type: none"> <li>1. The number of Indians visiting Spain surged after the release of the movie. According to Spain's Tourism Board, within six months of the release of the film, the number of Indian tourists to the country jumped by 65% to more than 115,000 in 2011, compared to 75,000 in 2010.</li> <li>2. There was an increase in the number of enquiries and booked holidays in Spain after its release.</li> <li>3. According to Spain's Tourism Board, the number of visas issued to Indians after the movie went up by 50%-60%.</li> </ol>

**Tax holiday**

A tax holiday is a temporary reduction or elimination of tax. In other words, there shall be no tax liability for a particular period on taxable income earned during the said period. Over the years, countries have been offering tax breaks and holidays to attract pro-

duction companies to shoot films. It is relevant to note that such breaks and holidays bring down production costs significantly

Film	Production Country	Shot in Country	Tax and financial incentives	Economic Impact
Harry Potter	United States of America	UK	Films made in the UK receive tax breaks worth around £95 million (US\$160 million) a year, with 25% of their production costs incurred in the country	The number of visitors rose by almost 30,000 to 4.2million in 2010. They stayed for an average of 3.3 days in 2010, compared to 3.1 days in 2009, and helped to boost the total spend of visitors in the county by 5.4%.

**Conclusion**

The film tourism has gained momentum and been successful throughout the world. Every country is concentrating to produce film in different parts of the world and to attract film-induced tourists. Film is a powerful destination promotional vehicle for the country's economy in which the tourist can follow the steps of their favorite stars and even react to their favorite scene. The government and film commission of each country provide various schemes and incentives for promoting film tourism. As India has become a largest production house in the world by producing more than 1000 feature films in a year and it started to shot film in different part of the world. The Central Government has granted 'industry' status to the film sector, and many states have taken the cue, offering tax rebates and other incentives to filmmakers. Thus the film tourism is an effective way of promoting the countries culture, value, destination and it also contributes to the economy. Hence, ensuring Tax advantage across the world will promote film tourism and cross cultural relations.

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