

## **Criteria for Refundable Qualified Expense in the Final Report of Beneficiaries under the Film Industry Promotion Project of the Produce in Georgia State Program**

Refunding under the Film in Georgia Program shall be carried out by the Agency within 90 (ninety) days after the submission of a relevant independent assurance report filed to the Agency by relevant auditing companies, in the form defined by the Agency, as stipulated in the September 5, 2012 Decree #360 of the Government of Georgia.

### **Definitions**

**“Entrepreneurial Entity”** refers to a legal entity registered in compliance with the requirements of the Law of Georgia on Entrepreneurs (with the exception of legal entities founded and co-owned by the state or self-governing entities), with no past due state taxes and not listed in the registry of debtors.

**“Program Beneficiary”** refers to an “Entrepreneurial Entity” who, in compliance with the terms defined under the “Program”, and based on an agreement executed in line with the procedures defined by the “Agency”, receives a status of a beneficiary of the “Program”.

**“Qualified Expense”** refers to a particular expense incurred/to be incurred by a “Program Beneficiary” in accordance with Appendix 2.

**“Overall Qualified Expense”** refers to the total amount of concrete “Qualified Expense” incurred/to be incurred by a “Program Beneficiary” (in line with Appendix 2), excluding expenses incurred from the state budget or financing provided by legal entities cofounded and co-owned by the state and/or a municipality.

**Refundable “Qualified Expenses” in the final report of a “Program Beneficiary” must be based on the following criteria.**

- Expense incurred by an “Entrepreneurial Entity” shall be deemed qualified only within a period from granting a status of “Program Beneficiary” to the submission by the “Program Beneficiary” of a an independent assurance report to the “Agency”.
- Expense incurred by a “Entrepreneurial Entity” shall be deemed qualified only when document(s) verifying such an expense are in place, proving beyond doubt the execution of a relevant operation, containing detailed information (date, place, and parties to the operation, their identification information, the nature of the operation, amount, quantity, and other relevant details), certified by authorized representatives of the parties to the operation, and scrupulously reflecting the operation’s details.
- For the purposes of the “Program”, “Qualified Expense” shall be calculated using the cash basis accounting method (with the exception of sums paid for services in advance, with the “Program Beneficiary” authorized to submit a relevant document verifying such an advance payment within a month after the submission of the final report).
- Expense incurred by an “Entrepreneurial Entity” shall be deemed qualified only if the expense is incurred (amount is paid) and relevant service accepted (that is, a relevant delivery and acceptance certificate is in place).
- For the purposes of the “Program”, “Qualified Expense” incurred in foreign currency shall be calculated based on the exchange rate set by the National Bank on the day of payment.
- Expense incurred by an “Entrepreneurial Entity” shall be deemed qualified only if the project’s unique identification code (found in the certificate), and a relevant code for the relevant “Qualified Expense”, are included in the document verifying payment/transaction.

- For the purposes of the “Program”, barter transactions shall be excluded from the calculation of “Qualified Expense”.
- Expense incurred by third parties shall be deemed qualified only if a given service is delivered by an entity registered according to Georgian legislation.
- Overnight accommodation expense incurred by an “Entrepreneurial Entity” shall be deemed qualified only if it is incurred in compliance with Georgian legislation (using the terminology defined in the Decree #220 of the Minister of Finance: reimbursement of expenses on rent for residential property).
- Work related travel expense incurred by an “Entrepreneurial Entity” shall be deemed qualified only if such expense is incurred in compliance with Georgian legislation (using the terminology defined in the Decree #220 of the Minister of Finance).

№	Code	Qualified Expense	Limits of Co-financing, % of total qualified expenses budget
1	001	Rental of audiovisual equipment in Georgia	100%
2	002	Rental of wardrobe/costumes	15%
3	003	Hair and makeup services	100%
4	004	Rental of props and set dressing	100%
5	005	Rental of generators	100%
6	006	Rental of Grip equipment and accessories	15%
7	007	Rental of lighting equipment and accessories	15%
8	008	Rental of sound stages, studios, rehearsal rooms,, manufactories (property room, joinery), workshops, sports warehouses, theater stages, and event halls	100%
9	009	Rental of office space, office furniture and office equipment	100%
10	010	Rental of air and water transport in Georgia	15%
11	011	Rental, training, feeding and transportation of animals	100%
12	012	Rental of water tanks and mobile toilets	100%
13	013	Hire/rental of public and private personnel and special equipment (military, emergency services, fire department, security and etc.)	100%
14	014	Rental of land transport, vehicles and all special transport for film production	100%
15	015	Security and emergency medical assistance services	100%
16	016	Food and catering services if it is related directly to the final project	15%

17	017	Professional services provided in Georgia, such as insurance, banking, auditing, expert and legal services, also, if necessary, expert consulting services in order to calculate market value in the case of service provided by interdependent persons, or cases prescribed by Georgian legislation.	100%
18	018	Special effects (SFX) services—specialists and equipment	10%
19	019	Special services, such as scuba diving, sky diving, hand-gliding, parachuting, renting/hiring equipment and instructors, mountain guide services, and all special services related to filmmaking	100%
20	020	Laundry and dry cleaning services	100%
21	021	Rental of filming locations and the cost of filming permissions	100%
22	022	Cost of set design, construction and decoration	100%
23	023	Work-related travel expenses of the crew members of “Program Beneficiaries” in the territory of Georgia, in accordance with Georgian legislation	1%
24	024	Accommodation for crew members	15%
25	025	Personnel expenses, including, according to Georgian legislation, incomes paid in the form of salaries to personnel (hired workforce) hired in the territory of Georgia, with their income taxes paid to Georgia’s state budget	60%
26	026	Salaries paid by “Program Beneficiaries”, in accordance with article 101 of the Tax Code of Georgia, to nonresident individuals employed by “Program Beneficiaries” on leading positions (main actor(s), producer, director, heads of the departments), with income taxes levied on their salaries and paid to Georgia’s state budget	15%
27	027	Travel expenses (only in Georgia)	5%
28	028	Fuel expenses (in accordance with the rules defined in the April 18, 2011 Decree #230 of the Finance Minister of Georgia)	5%

29	029	Utility bills	1.5%
30	030	Telecommunications expenses: landline phone, cell phone, internet, and fax fees in Georgia; radio rental (walkie-talkies)	2%
31	031	Image editing	100%
32	032	Animation	100%
33	033	Visual effects (VFX) services	100%
34	034	Color correction	100%
35	035	Score recording	100%
36	036	Sound recording studio rent (Foley Room)	100%
37	037	Image rendering	100%
38	038	Rental of Audio recording studios rental	100%
39	039	Translation	100%
40	040	Subtitles	100%
41	041	Film Processing and printing costs (lab costs)	100%
42	042	Development of deliverables related to the film to be submitted to a distribution and sales company	100%.