**Criteria for Reimbursable Qualified Expenses Set out in the Final Report Drawn up by the Beneficiary within the Scope of the Film Industry Promotion Project of the State Program “Produce in Georgia”**

Reimbursement envisaged by the Program – Film in Georgia shall be made by the Agency within 90 (ninety) days after the submission to the Agency of a report of an independent assurance service by respective audit companies provided by N360 Resolution as of September 5, 2012 of the Government of Georgia, in the manner established by the Agency.

**DEFINITION OF TERMS**

**Entrepreneurship Entity –** legal person registered in compliance with the Law of Georgia on Entrepreneurs (other than legal entities established with the equity participation of the state and self-governing body) not having delinquent tax liability to the state and not being registered in the debtors’ registry;

**Program Beneficiary –**entrepreneurship entity that in accordance with the terms and conditions prescribed by the Program, on the basis of the agreement concluded under the procedures as stipulated by the Agency, has been granted the status of the beneficiary of the Program;

**Qualified Expenses –** particular expenditure to be incurred/incurred by the Program Beneficiary in accordance with the Appendix N2;

**Total Qualified Expenses –** the sum of particular qualified expenses (in accordance with the Appendix N2) incurred/to be incurred by the Program Beneficiary, net of the expenses borne from the funding received from the state budget, legal entities founded with the equity participation of the state and/or municipality.

**Reimbursable Qualified Expenses Contained in the Final Report Drawn up by the Program Beneficiary Shall Be Based on the Following Criteria**

* Expenses incurred by the Entrepreneurship Entity may be deemed as qualified only from the moment of being granted the status of the Program Beneficiary till the moment of the submission to the Agency of an independent assurance service report by the Program Beneficiary;
* Expenses incurred by the Entrepreneurship Entity may be deemed as qualified only in the event of the availability of relevant document(s) evidencing the expenditure, which clearly confirms carrying out of transaction, includes detailed information (transaction date and place, parties to the transaction, identification data thereof, content, amount and number of such transaction and other relating information), and is confirmed by authorized representatives of the parties to the transaction. Such document(s) shall precisely reflect the transaction details;
* For the purposes envisaged by the Program, qualified expenses shall be calculated according to the cash method (except for the amounts paid in advance in exchange for assurance services, and the Beneficiary shall be entitled to provide a document evidencing the payment of such amounts within one month from the submission of the final report);
* Expenses incurred by the Entrepreneurship Entity may be deemed as qualified only in case the expenses have been incurred (amount is paid) and the respective service has also been delivered (a respective document - Act of Acceptance and Delivery evidencing the foregoing is available);
* For the purposes envisaged by the Program, the qualified expenses incurred in foreign currency shall be calculated in accordance with the applicable exchange rate fixed by the National Bank of Georgia on the day of payment;
* Expenses incurred by the Entrepreneurship Entity may be deemed as qualified only in case the document certifying payment bears a unique Program code (indicated on the Certificate) and a code corresponding to the qualified expenditure incurred (according to the Appendix);
* For the purposes envisaged by the Program, no barter shall be taken into account in the calculation of qualified expenses;
* Expenditure incurred by the Entrepreneurship Entity may be deemed as qualified only in case the service is rendered by an entity registered in accordance with the applicable laws of Georgia;
* Overnight expenses incurred by the Entrepreneurship Entity may be deemed as qualified only in case they had been incurred in compliance with the applicable laws of Georgia (according to the terms used in N220 Order of the Minister of Finance of Georgia: reimbursement for the rent of residential area);
* Business trip expenses incurred by the Entrepreneurship Entity may be deemed as qualified only in case they had been incurred in compliance with the applicable laws of Georgia (N220 Order of the Minister of Finance of Georgia);

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| **QUALIFIED EXPENSES** |

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| |  |  | | --- | --- | | **Description of Qualified Expenses** | **Co-Financing Limit in relation to the Budget of Total Qualified Expenses %** | | Rent for audio-visual equipment in Georgia | 100% | | Cloakroom/suits rental | 15% | | Hair and make-up studios services | 100% | | Properties (props) rental | 100% | | Rental of generators | 100% | | Rental of make-up equipment (including accessories thereof) | 15% | | Rental of lighting equipment (including accessories thereof) | 15% | | Rental of pavilions, studios, rehearsal rooms, shops (props [scene] shop, joiner's shop), workshops, sports warehouse areas, stage, halls | |  | | --- | |  |   100% | | Rental of office space, rental of office furniture and equipment | 100% | | Rental of air and water transport in Georgia | 15% | | Rental of animals, animal training, feeding, transportation | 100% | | Rental of water tanks and mobile toilets | 100% | | Hiring of state or privately subordinated specialized personnel and rental of state or privately subordinated special equipment | 100% | | Rental of ground vehicles, cars and all special vehicles for film production | 100% | | Security and emergency medical assistance services | 100% | | Food and catering services – within the territory of Georgia if directly relates to the final project | 15% | | Professional service rendered in Georgia – insurance, banking, audit and legal services. Also, if necessary, in case of the service rendered by interdependent entity and other cases envisaged by the applicable laws of Georgia, services rendered by an expert with the view of the establishment of a market price | 100% | | Special effects services – specialists and equipment | 10% | | Special services – diving, parachute jump, hang-glider rental and hiring an instructor, mountain services and all special services related to film production | 100% | | Laundry and dry cleaning services | 100% | | Rental of shooting places and cost of film rights – amounts to be paid to owners of the filming areas directly linked with audio-visual production (resident individuals or legal entities) within the territory of Georgia | 100% | | Construction and / or arrangement of the scenery | 100% | | Official travel expenses to the territory of Georgia of the administration personnel of the beneficiary of the Program – in accordance with the applicable laws of Georgia | 1% | | Living expenses in Georgia – hotel expenses for film crew | 15% | | Personnel expenses, which include the following – salaries for full-time/part-time personnel, remuneration for contract employees, who shall be residents of Georgia, paying taxes to the budget of Georgia, hired in accordance with the applicable laws of Georgia and within the territory of Georgia | 60% | | Labour remuneration to be paid by the beneficiary of the Program to non-resident individuals (film director, leading actor/actress, main director of photography, production designer/art director, costume designer, chief editor) | 15% | | Travel expenses | 5% | | Fuel expenses (in accordance with the regulation prescribed by Order N230 of April 18, 2011 of the Minister of Finance of Georgia) | 5% | | Utilities and communal payments | 1.5% | | Telecommunication expenses – landline phone, mobile phone, internet and fax expenses within the territory of Georgia; rental of radio sets | 2% | | Image editing | 100% | | Animation | 100% | | Visual effects (VFX) services | 100% | | Color adjustment | 100% | | Recording of music | 100% | | Rental of sounds (noise) recording studio | 100% | | Rendering | 100% | | Rental of sound recording studios (for recording sound for a film) | 100% | | Translation | 100% | | Subtitling | 100% | | Laboratory expenses incurred in Georgia | 100% | | Creation of film-related packages to be delivered to film distribution and sales companies (deliverables) | 100% | |

Total Qualified Expenditure before deduction of expenses borne from the funding received from the state budget, legal entities founded with the equity participation of the state and/or municipality.

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Expenditure - funding received from the state budget, legal entities founded with the equity participation of the state and/or municipality.

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Net Amount of Total Qualified Expenditure