

Proposed Kenya Film Incentive Package

The proposed film incentive proposal has five pillars namely: Local Industry & Content Development; Large Film & Television Film Incentive; Film Infrastructure Development; film Development Fund; and increased funding for the Kenya Film Commission. The package seeks for an all inclusive intervention that will propel the film industry to be one of Kenya's key economic sectors generating jobs, government, revenue and content for Kenya in both the short and long run.

Local Film Content Incentive

TYPE	DESCRIPTION	INTERVENTION	BENEFITS	ANTICIPATED OUTCOME
Local film content incentive	Provision of a business incentive to local broadcasting stations and film screening companies for broadcasting a specific minimum local film content	Corporate tax incentive of 5 – 10% to encourage distribution through digital broadcasting of Kenyan film content	At least 50% local content regime to encourage employment creation and local production of film content Reduction of adverse foreign content in Kenya's broadcast and screening industry Greater number of commissioned film productions by broadcasters	Higher employment of skilled and semi skilled Kenyans Increased revenue generation for Govt. Contribution towards growth of a national screen culture and distribution of content in Kenya and abroad

Large Film & Television Film Incentive

This proposal seeks for an introduction of a competitive Incentive scheme for Film and TV production. In essence, this scheme is a **PRODUCTION REBATE**, whereby an eligible applicant will qualify for a 25% rebate and a further 10% for production that incorporates local trainee programmes for both Above & Below-the-Line personnel. This incentive applies for the qualifying local spend. The applicant will also be able to include as part of the qualifying spend, the cost of crew members brought in from abroad if a local person is trained in that position. Eligible projects must have a budget of at least US\$500,000 and have at least 50% of principle shooting undertaken in Kenya. The maximum rebate for any project is US\$2 million. The initial funding provision for this facility will be US\$10 million. The rebate is tax exempt for the purposes of income tax.

To further assist a range of policy initiatives in the present and near future, it is recommended that consideration be given to the establishment of **Producers Equity Investment Fund** to allow for further equity participation by qualified production entities. This component will be managed through the Industrial & Commercial Development Corporation (ICDC).

ICDC is a self-financing national development finance institution that provides financing to entrepreneurs engaged in competitive industries. ICDC follows normal company policy and procedures in its operations, pays income tax at corporate rates and reports on a fully consolidated basis, with its Annual Report freely available to the public.

In general, ICDC finance will be available for projects within Kenya. The ICDC does not seek shareholding control or management participation but sees its role as a provider of financial assistance.

Financial participation is usually by way of loan finance. The financing instruments are:

- Equity
- Quasi-equity
- Commercial Loans
- Wholesale finance
- Share Warehousing
- Export/Import finance
- Short-term trade finance
- Guarantees

Film Development Fund

The Fund will provide competitive film development financing for individual local film producers. It will support projects in the form of a recoupable contribution towards the production of innovative film, TV, new media, or cross-platform content projects. Applications for the fund will be evaluated 2 times a year until target funding is expended. Disbursement of the funds will match broadcast or distribution commitments agreed in advance. The Film Development programme will support 100 short and long feature films, TV series and animation projects in the initial 5 years to spur local content development

The Fund will include:

- Kshs 100 million p.a. for initial 5 years
- 25% Sinking fund component
- 75% revolving fund component)

The Fund will:

- Grow quantity and quality of local film productions
- Increase global distribution of Kenya's film productions
- Growth of the number of local film production companies

Local Authority Film Levy Rational

TYPE	DESCRIPTION	INTERVENTION	BENEFITS	ANTICIPATED OUTCOME
Local Authority Film Levy Rationalization	<p>Current practice among local councils is to levy a range of film location fees from a low of Kshs 7,500 per day in Nairobi to a high of Kshs.100, 000 per day in Malindi Municipality for example. These fees in some local authorities are not fixed and are adjusted irrationally.</p> <p>This practice has led to gross exploitation of both local and foreign film production companies as local authorities have the freedom to charge any amount of money. This has discouraged film development in Kenya</p>	Rationalization and harmonization of local authority location fees by classifying and zoning municipalities and local council and stipulating a maximum threshold to reduce exploitation and increase levy fee predictability	With predictable levies, film production companies can be plan and budget appropriately. They will also be facilitated to access locations readily and encourage greater use of Kenya's diverse locations	Higher local authorities revenue from filming activities Reduction in cases of exploitation of film production crews on location

Large Film & Television Film Incentive

TYPE	DESCRIPTION	INTERVENTION	BENEFITS	ANTICIPATED OUTCOME
Film Production Equipment and Infrastructure development	<p>Kenya lacks critical film infrastructure to support a robust film industry requirements. This has mainly been due to the high cost of investment required for developing fully fledged production capacities in Production and Post production facilities.</p> <p>A trade incentive is required to allow for an accelerated investment in the industry for cameras, Lighting, Sound, Film Stock and post production facilities</p>	<p>Zero rating of tax on Cameras: Digital (Super 8 – 35 mm), lenses, zoom, heads, tripods, HD / HDCAM, HDV, DVCAM and Beta Cam and Broadcast quality cameras</p> <p>Lighting: Gels, Stands, Bounce Boards, practical Lights, Sun Guns, Pepper Light, Red Heads, Blonde, Fresnel Light, HMI Lights etc</p> <p>Sound: Booms, Microphones, Mixers, DAT Machines (48 KHz and 44.1 KHz), Digital Audio studio equipment</p> <p>Editing suites; Digital mastering and editing, reproducers, VCD and DVD production equipment</p> <p>Film Stock: Super 8mm, Standard 16mm, Super 16mm and 35 mm</p>	<p>Rapid investment for quality film production infrastructure for use by local and foreign film production companies</p> <p>State of the art training opportunities for film technical professionals</p> <p>Higher quality film content production</p>	Kenya Film Industry infrastructure comprising of technical facilities, human capacity and investment in the sector

Increased Funding for the Kenya Film Commission

TYPE	DESCRIPTION	INTERVENTION	BENEFITS	ANTICIPATED OUTCOME
Increased funding for Kenya Film Commission	KFC has in the past three years continued to receive inadequate funding to allow it to build a sustainable film industry	KFC requires a budget allocation of Kshs 130 million over the next 5 years to successfully grow the film industry to a Kshs40 billion industry	KFC will develop and market Kenya's locations and incentive programme to deliver a major increase of films shot in Kenya as well as develop a robust well trained and responsive film industry complete with the requisite infrastructure and personnel to make it one of the World's leading film destinations	Kshs40 billion industry, 50,000 jobs created annually, increase in tourism revenue, tax revenue and global influence and image