The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Extra Foreign Movie Levy to Give Little Help to Home Cinema

By Delphine d'Amora

April 08, 2014



The government is planning to support domestic film makers by granting them tax breaks.

Government plans to popularize Russian films on the home market by introducing extra charges for Western movies and granting tax breaks to domestic ones may do no more than mildly handicap foreign competitors while failing to meet the industry's underlying needs.

The suggestions, published Monday on the government website, are directed at increasing the presence of Russian films in theaters, Prime Minister Dmitry Medvedev said at a meeting of the council on the development of national cinema in late March during which the measures were discussed.

"We understand perfectly that the appearance of a good film is not the end of the work. It is very important that the viewer watch this film, and for this movie theaters must be induced to show Russian films," Medvedev said, according to a transcript on the government website.

To this end, Medvedev has called for a charge for showing foreign films in theaters, an idea the Culture, Economic Development and Finance Ministries are to turn into a practicable proposal by June 20.

The trouble with the idea is that it does not specify whether distributors or movie theaters are to pay these charges, nor it is clear how the funds will ultimately be distributed, said Yevgeny Pivovarov, vice president for business development at Russian distributor All Media.

But no matter the details, such measures are unlikely to increase the quantity of Russian films in theaters, he said.

"Movie theaters will simply be forced to raise ticket prices for showings of foreign films. And since generally the quality of American and European films is higher, the demand for foreign films will remain at the same high level as before," Pivovarov said.

Medvedev also called for a customs duty on the import of foreign films "with low commercial potential" to be proposed by July 1.

At the March meeting, Culture Minister Vladimir Medinsky explained the reasoning: foreign films are often distributed in large packages containing low-budget films that "litter" Russian theaters, he said.

The proposal does not specify who will define a film's "low commercial potential" and in general what the criteria might be for such a determination.

In fact, there are no foolproof gauges for identifying a film's commercial prospects, Pivovarov said. In the case of foreign films, distributors usually make calculations based on the ratio between the cost of purchasing the rights to a film and its projected box office returns, but commercial success is always uncertain in film as in any other creative enterprise.

"Introducing such customs duties can only complicate the matter and, most likely, make it impossible to show many worthy, highly artistic films that are invaluable to Russia's cultural environment," Pivovarov said.

A third point would have the ministries develop a measure by May 15 freeing Russian film companies, which already pay no taxes on film production, from value added tax on advertising and promotion as well.

About 570 million rubles ($16 million) was spent on the advertising of Russian films in 2013, tax not included, compared to about 2.8 billion rubles spent on advertising foreign films, communications group ADV calculated based on data from TNS Media Intelligence.

Given the standard VAT tax rate of 18 percent, Russia companies could have saved more than 100 million rubles ($2.8 million) in 2013 if exempt from the tax.

"Overall, this change will provide a small competitive financial advantage to domestic filmmakers, but the quality of the films and level of the film companies' marketing has a significantly larger effect on their box office and profit," said Andrei Korniyenko, director of outdoor advertising purchasing at ADV Media.

Other plans include providing grants or tax benefits to animation studios and speeding up the digitalization of Russia's sizable film archives.

Last year was a notable success for domestic cinema, which rose from less than 14 percent in 2012 to more than 18 percent of last year's box office on the wings of such hits as 3D historical epic "Stalingrad" and hockey film "Legend No. 17," both of which received government support.

For Culture Minister Medinsky, last year's results were merely "an interim success." The true triumph will come when half of all films in Russian theaters are produced domestically, he said.

But the Russian film industry, which was nearly destroyed during the economic collapse of the 1990s, is still very much in its youth, with systemic ills that demand systemic solutions.

Effective subsidies that ease the costs of production, distribution and marketing can certainly help, but there is also an urgent need for qualified specialists, Pivovarov said.

"In the first place, that means supporting existing film schools, creating and developing new centers to prepare specialists in the field," he said.

Medvedev also noted the need for film professionals. While most major Russian film schools train specialists in 10 areas, and some other institutions in 15, the field actually demands up to 100 separate specialties, he said in March.

Contact the author at d.damora@imedia.ru

Original url:
https://www.themoscowtimes.com/2014/04/08/extra-foreign-movie-levy-to-give-little-help-to-home-cinema-a33764