

FILM IN ICELAND

12% of production cost is refundable



filminiceland.com





ICELAND MADE FOR A TERRIFIC FILMING LOCATION

Flying in over the black sand beaches and lava fields, I could see that Iceland had the rugged and unusual look we needed for our film, "Flags of Our Fathers". I soon learned that Iceland also has friendly, hard-working people with a refreshing can-do spirit.

The open roads and undisturbed countryside remind me of the way America was fifty years ago. With such gorgeous scenery, delicious fish and even golf, Iceland made for a terrific filming location.

- Clint Eastwood





UNIQUE LANDSCAPE

Located in the middle of the Atlantic, Iceland has active volcanoes and geothermal hot springs in numerous places around the country. The land is geologically young, largely in its natural state and actually still taking shape on the mid-Atlantic Ridge. In Iceland you can in fact see the effect of the splitting of the continental shelves between America and Europe. Iceland's "out-of-this-world" landscapes where the US astronauts trained before walking on the moon. Culturally, Iceland is rich in heritage with a long tradition of storytelling, and gave the word "Saga" to the world. Iceland offers filmmakers an astonishing spectrum of scenery: black deserts with yellow and red sulphur mountains emitting steam in the background, moors patched with blue ponds, majestic waterfalls, lagoons filled with icebergs, huge glaciers, active and dormant volcanoes and also places of serene beauty. Europe's largest glacier is in Iceland. All these landscapes are easily accessible and good hotels and catering facilities are in most cases within a short distance.

Incredible daylight From mid-May to mid-August the sun only sets for around 3 hours a day, and it is effectively light for

the whole 24-hour period. In mid winter, there are around 5 hours of effective daylight. These long and short periods of daylight add drama to the atmosphere with lingering twilight. A jewel of primeval beauty in the North Atlantic. Iceland's vast, and "extra-terrestrial" interior has provided intensely surreal backdrops for many films. It's stark and imposing landscape displays an amazing range of geologic and natural phenomena. Active volcanoes standing amidst massive glacial ice caps, black lava deserts, tundra, midnight sun, volcanic calderas and arctic mirages all contribute to its unearthly spiritual appeal. The Northern Lights are often to be seen, especially in autumn and early winter. For two to three months in summer there is continuous daylight in Iceland, and early spring and late autumn enjoy long periods of twilight. During summer the nights are bright throughout Iceland and in June the sun in the north never fully goes down.

Iceland is on Greenwich Mean Time all year round, and does not introduce summer time.

Shooting with Pegasus Pictures in Iceland

was a great experience.

Organization and planning was perfect.

*The operation was smooth with very
efficient, professional and hard working crew.*

Selwyn Roberts, Bafta award winning producer






12% INCENTIVE OFFERED

Special legislation has been passed in Iceland which aims “to enhance domestic culture and promote the history and nature of Iceland” by temporarily supporting motion pictures and television programmes produced in Iceland. Reimbursements are offered for film and TV production costs incurred in Iceland over the period 2001-2006. Producers can apply for reimbursements from the State Treasury of 12% of the costs incurred in the production of films and television programmes in Iceland. When more than 80% of the total production cost of a motion picture or television programme is incurred in Iceland, the reimbursement is calculated on the basis of the total production cost incurred within the European Economic Area. The reimbursement scheme does not cover production of commercials or music videos.

Applications for reimbursement of production costs are sent to the Ministry of Industry and must be submitted before production commences. (see more detailed information at www.filminiceland.com)

Since Iceland is a member of the EEA, films and television programmes made in Iceland receive European content status. This entitles Icelandic productions to be classified as European material when released in Europe, without affecting any quotas on the release of non-European content material there.

Through Iceland’s membership of the EEA, films and television programmes made in Iceland can receive grants for film production offered by the EU and its member countries. (see www.icelandicfilmcenter.is)



"Whenever I come to Iceland I am always made to feel so very welcome and at Sagafilm it is like coming home to a family. The Saga crew are all very hard working, conscientious, professional, of good nature and always a joy to work with.

It is quite an achievement to have set up this production in, only, two weeks. From the very beginning the weather was our dictator and forced us to look for alternative locations outside of Iceland. This however not deter the Sagafilm team from convincing us to return. We did return and the weather changed, in our favour, so much so that the locals believed we had control of it, or was it you at Saga?

Miracles do happen and I am glad to have shared this with all of you at Sagafilm.

Thank you for all your hard work and assistance.

Yours sincerely,

Chris Brock, Production Manager on "Bond-Dje Another Day"



EXAMPLES OF FILM PRODUCTION IN ICELAND

FLAGS OF OUR FATHERS (2006)

Directed by Clint Eastwood

BATMAN BEGINS (2005)

Directed by Christopher Nolan

LARA CROFT - TOMB RAIDER (2001)

Directed by Simon West

JAMES BOND - DIE ANOTHER DAY (2002)

Directed by Lee Tamahori

THE GIRL IN THE CAFÉ (2005)

Directed by David Yates

SHACKLETON (2002)

Directed by Charles Sturridge

VIRUS AU PARADIS (2003)

Directed by Olivier Langlois

GUY X (2005)

Directed by Saul Metzstein

THE VIKING SAGAS (1995)

Directed by Michael Chapman

JAMES BOND - A VIEW TO A KILL (1985)

Directed by John Glen

TEMPORARY REIMBURSEMENTS IN RESPECT OF FILM MAKING IN ICELAND

ACT NO 43/1999 ON TEMPORARY REIMBURSEMENTS IN RESPECT OF FILM MAKING IN ICELAND.

ART. 1 - OBJECTIVES. SCOPE.

The objective of this Act is to enhance domestic culture and promote the history and nature of Iceland by temporarily supporting motion pictures and television programmes produced in Iceland.

ART. 2 - Authorisation is granted for the reimbursement from the State Treasury of a proportion of the production costs incurred in the production of films and television programmes in Iceland.

When more than 80% of the total production cost of a motion picture or television programme incurs in Iceland, the reimbursement shall be calculated from the total production cost incurring within the European Economic Area.

Production costs refers to all costs incurred in Iceland deductible from the revenues of enterprises pursuant to the provisions of the Act on Income and Net Wealth Tax. Payments pertaining to employees and contractors are only to be included in production costs if they are verifiably taxable in Iceland

ART. 3 - Application for reimbursement of production costs shall be submitted to the Ministry of Industry. The application, with enclosures, shall be submitted before production commences in Iceland. A special committee of four members shall examine applications and submit recommendations to the Minister for response. The Minister of Industry shall appoint the Committee and the Minister of Education and Culture, the Minister of Finance and the Icelandic Film Fund shall each nominate one member, the fourth to be appointed without nomination and serve as Chairman. Alternates shall be appointed in the same manner. In case of even votes, the Chairman has the deciding vote.

The Committee shall take into consideration that the motion picture or television programme promotes Icelandic culture, and, as applicable, contains references to Icelandic history and nature.

ART. 4 - In assessing whether a proportion of the production costs of a motion picture or television programme shall be reimbursed, the following conditions shall be fulfilled:

- a. the production shall be suited for promoting Icelandic culture and the history and nature of Iceland;
- b. the production shall be suited for enhancing the experience, knowledge, and artistic ambition of those involved;
- c. a specific company shall be established in Iceland for the production; an Icelandic branch or agency of a company registered in another Member State of the European Economic Area shall be considered a specific company;
- d. a detailed cost estimate and a statement from the applicant stating that the production complies with the objectives of the Act shall be available;

e. information about the content of the proposed production of a motion picture or a television programme shall be available, such as a script and information about filming locations;

f. the production plan shall stipulate that the production be completed within three years from the reception of the request for reimbursement;

g. confirmation by the applicant that the produced material is meant for general distribution to movie theatres or broadcasting companies.

In the event of a change in the estimated production costs, pursuant to item d of paragraph 1 after production has commenced, a new cost estimate shall be submitted to the Ministry of Industry.

When assessing an application for reimbursement, the Committee pursuant to Art. 3 shall have the authority to acquire an expert opinion regarding the assumed artistic value of the relevant production.

ART. 5 - The proportion of reimbursed production costs shall be 12% of the production cost pursuant to Art. 2.

The Minister of Industry shall determine the reimbursement based on recommendation of the Committee pursuant to Art. 3. It is a condition for reimbursement that the applicant keep records of the costs he wishes to be reimbursed for in accordance with the Act on Accounting and the Act on Annual Accounts. Furthermore, the cost settlement shall be confirmed and endorsed by a certified public accountant.

It is also a condition for the reimbursement that the production of the motion picture or television programme shall be completed, and no taxes or charges to the State and municipalities incurring from the production may be unpaid in Iceland.

ART. 6 - In the event that an applicant has received a grant from the Icelandic Film Fund for the production of the same motion picture or television programme, the grant shall be deducted from the amount that is considered domestic production cost.

The total of a grant from the Icelandic Film Fund and a reimbursement pursuant to Art. 5 shall not exceed 50% of the total production costs of the same motion picture or television programme.

ART. 7 - The Minister of Industry shall issue a regulation on the implementation of this Act. It shall, i.a., contain provisions on procedures for reimbursements as stipulated in this Act, the right of the Minister to defer reimbursements in excess of the amount allocated in the Government budget, conditions for reimbursements, applications, responses to applications and decisions on reimbursements.

ART. 8 - This act shall enter into force immediately.

Act No. 43/1999 on Temporary Reimbursements in Respect of Film-Making in Iceland shall cease to be in effect on December 31, 2006. Reimbursement requests that have been approved before that time shall remain valid.



ICELANDIC PRODUCTION COMPANIES

Icelandic production companies have in recent years produced 5-6 motion pictures per year of a high technical standard. This means that Iceland has a good pool of highly professional film crews to work on films and television programmes. Furthermore, international movies have been made in Iceland in cooperation with local production companies, and scenes in many movies also originate in Iceland. In recent years innovative agencies have shot a number of internationally acclaimed commercials in eye-catching Icelandic surroundings,

and the same trend has taken place in music videos.

A range of production companies with years of experience can assist with all film production requirements in Iceland. They can assist with crew, equipment, casting, studios, locations, permits (where needed), etc. No tariff or duties are levied on equipment used for temporary film production. Various associations for personnel working in the film industry are active in Iceland. (see www.filminiceland.com)



The 12% program is just as competitive as any incentive offered in the United States. We were even able to capture some of the above the line talent in the rebate.

The staff at Truenorth is courteous, knowledgeable and were able to facilitate all of our production and financial needs. We thoroughly enjoyed the working with Icelanders and definitely benefited from their close-knit production community. Their professional connections aided us in our extremely tight prep schedule.

It's usually an afterthought, but banking was extremely easy in Iceland. The staff and management at Landsbanki treated us like old friends and we felt at ease regarding cash flow, executing large transactions and international wire transfers. Upon returning to Burbank I called our software company to see if they could implement the wire transfer function that is commonplace in Iceland.

Jason Gondek, Production Accountant at Warner Bros



MODERN INFRASTRUCTURE

Iceland maintains highly efficient and regular air and sea links with both Europe and North America. Some 20 international gateways are served from Iceland's Keflavik International Airport, most on a daily basis and some with up to 3-4 flights a day. Iceland is a member of the Schengen treaty, which allows passengers to travel from EU countries to Iceland without passport control (although valid ID is needed upon entering the country). Flight duration is 3-4 hours to Europe from Iceland and 5-6 hours to North America. A number of carriers offer air cargo services to and from Iceland. Shipping of cargo is easy with regular liner sailings to and from major ports in Europe and the USA. Shipping takes 3-4 days to Europe and 7-8 days to North America.

Domestic transportation is efficient and reliable with numerous

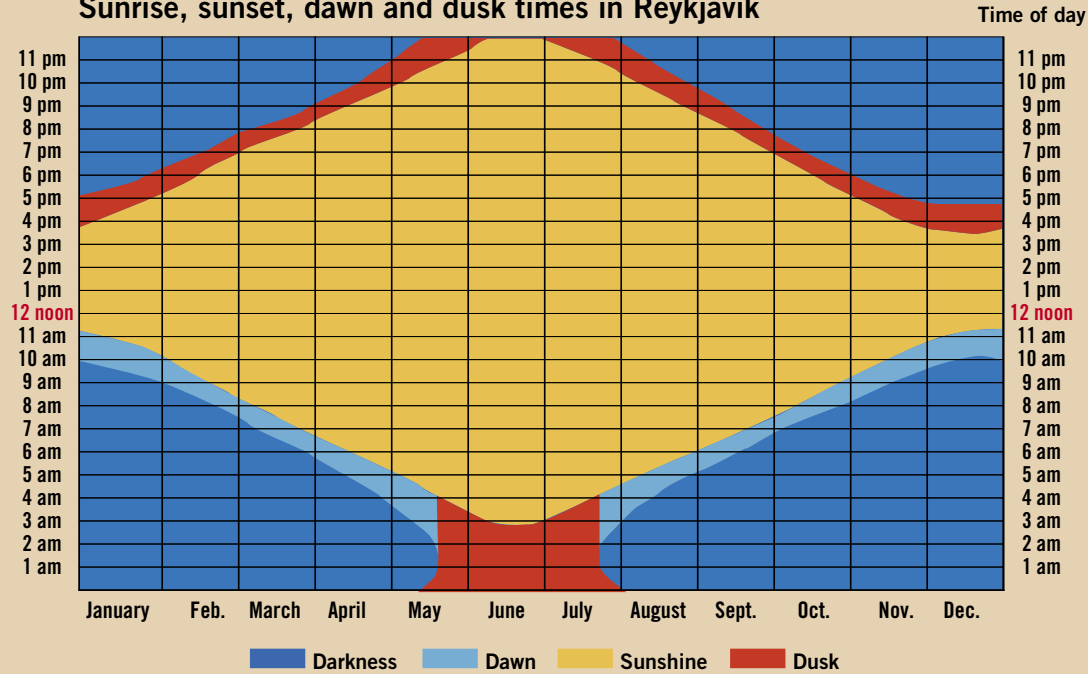
local airports, some of which are served on daily basis and in many cases several times a day. An extensive road system connects various communities and parts of Iceland and is kept open all year round, making all logistics easy.

Health care in Iceland is state-of-the-art and is internationally recognized as a quality service.

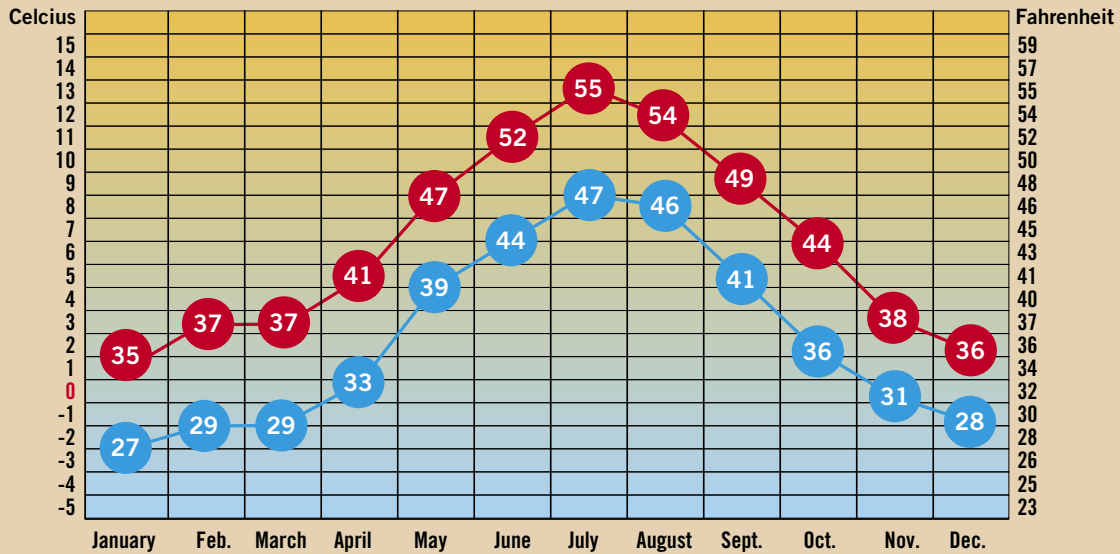
Hospitals with surgery facilities are located in all parts of the country and doctors are easily accessible in all communities.

Iceland has one of the highest number of physicians per capita in the world. Foreigners temporarily staying in Iceland are able to receive medical services at their own cost or through personal or governmental insurance programmes. Airborne transportation of patients is available throughout the country with a service unit on duty 24 hours a day.

Sunrise, sunset, dawn and dusk times in Reykjavik



Average high and low temperature in Reykjavik





VISAS AND TAXES

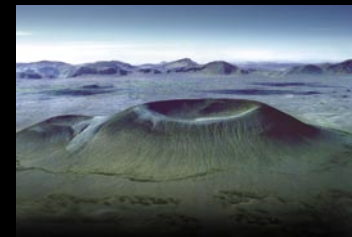
Nationals of the other European Economic Area states (European Union and EFTA) do not require entry visas to visit Iceland. Furthermore, special agreements with about 100 countries including all OECD countries - permit their residents to enter without visas, provided they have a valid passport. Entry visas are typically granted for a three-month stay in Iceland. Citizens from outside the EEA require a work permit to work or operate a business in Iceland.

Iceland has one of the lowest levels of corporate income tax in Europe. Companies resident in Iceland, and Icelandic branches of foreign resident companies, are liable for corporate income tax (national income tax) of 18% on their net earnings. The general

rate of VAT (value-added tax) is 24.5% but there is a lower rate of 14% on food and some other categories. In practice, value-added tax is retrievable by taxable corporations and should not adversely affect their operations to any appreciable extent. Exported goods and services are exempted from VAT.

Double taxation relief may be granted, either unilaterally or in accordance with tax treaties concluded with foreign states, on certain types of income from foreign sources. Iceland has concluded double taxation treaties with a number of countries. (see www.filminiceland.com)

Film in Iceland is a project run by Invest in Iceland Agency, an agency of the Ministry of Industry and Commerce, and the Trade Council of Iceland.



Film in Iceland Agency
filminiceland.com

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