

A landmark agreement: the contributions to the Czech Audiovisual (Film) Fund will be increased, and newly, international platforms will also pay.

According to the new Audiovisual Act, drafted by the Ministry of Culture in cooperation with the Czech Film Fund, the fees paid to the Fund will be raised to 2 percent for all participants in the audiovisual market, i.e. cinemas, TV, broadcast acquisitions, and VOD. International platforms such as Netflix will also contribute to the system. The amendment aims to strengthen the Fund's financing and expand its scope from big screen to the "small screen" projects, i.e. TV and online series.

Recording of the briefing

On Sunday, July 2, at the Karlovy Vary IFF, Prime Minister Petr Fiala and Minister of Culture Martin Baxa met with representatives of the Czech and international audiovisual industry, including representatives of the Audiovisual Producers' Association, Netflix, the MPAA and Czech TV stations and platforms. They discussed the amendment to the Audiovisual Act, the transformation of the Czech Film Fund into the Czech Audiovisual Fund, the current situation of the suspended film incentive system, and the inclusion of audiovisual industries in the National Recovery Plan. One of the most important changes in the planned amendment – in addition to the reform of the incentive system – is the extension of support to so-called "small screen" projects, i.e. television and online projects, while maintaining the existing support for film projects, distribution and education. By adapting to the changing viewer habits, the Czech Audiovisual Fund will contribute to the improvement of quality also in emerging areas of audiovisual production.

Half of the Fund's resources have traditionally come from the so-called parafiscal levies, i.e. a percentage of the revenues of cinemas (1 percent), TV (2 percent), VOD (0.5 percent), and broadcast acquisitions (1 percent). The State then contributed a 'mirror' amount – equal to the total amount collected from these parafiscal fees. The system of financing the Fund has thus been set up on a long-term basis, with the co-responsibility of all those who can benefit from it. So far, however, only VOD platforms based in the Czech Republic have contributed a percentage of their revenues to the fund, while international platforms such as Netflix have not participated in the system. Moreover, the level of parafiscal levies was set unevenly, with cinemas and TV contributing a higher percentage than the currently dynamically growing VOD. In line with the European Audiovisual Directive, which the Czech Republic transposed last year, the draft amendment also includes a so-called direct investment, which obliges VOD platforms to invest a small percentage of their revenues in Czech content, while granting them a full freedom in the selection of these projects.

Sunday's meeting was the culmination of six months of work by the working group of the Minister of Culture, which commented on the amendment and reached a basic agreement on the settlement of the situation, the increase in parafiscal fees and the application of the direct investment obligation.

In view of the new, fair market regime, the amount of parafiscal charges will be balanced – everyone will now have to pay 2 percent of their turnover in the Czech Republic. In addition, VOD platforms must invest another 1.5 percent of their Czech revenues in local content – in the form of direct investment, which includes own production, co-production, acquisition, and foreign localization of Czech content (e.g., dubbing of Czech series on the platform for foreign markets).

Since VOD platforms are the only ones with a direct investment obligation in addition to the para-fiscal fees, a different regime will apply for the calculation of their payments. VOD platforms whose business model does not work with local content will have the option to pay a para-fiscal fee of 3.5 percent (2 percent base + 1.5 percent compensation for unrealized direct investment) instead of direct investment to the Fund. Conversely, platforms that spend more than 1.5 percent (or a minimum of 2.5 percent) in the form of direct investment will be able to offset the direct investment against the para-fiscal fee up to 1 percent.

The meeting also agreed to unblock the film incentive system, which is currently closed. According to the APA, a key change in perspective is the calculation of the Fund's financial obligations. Currently, expected expenditures of a project are based on figures provided in initial registration rather than on actual filming, which is reported in a second phase of the process called project listing. The system then shows an overload, while, as the APA believes, the actual market capacity, i.e. actual filming potential, corresponds to an amount of approximately CZK 1.6 billion per year. The government has committed to address this situation before the law is amended – by amending the Fund's statute, which is approved by the government. This should happen within weeks, in September 2023.

The Minister of Culture also confirmed that after long discussions it was decided to allocate 200 million CZK from the National Renewal Plan to the audiovisual industry, while the exact form in which the money will be spent is still under negotiation.