

Policies seek to attract film-makers to Latin America

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Various Latin American countries are offering generous incentive policies to attract film and television production

The decades-old practice of luring 'runaway productions' from industrialised countries is increasingly global, prompting companies from all over the world to consider constructing film studios in countries which offer incentives to do so. For film crews trained in Latin America and seeking to create their own domestic projects, this model also affords the possibility of attempting to persuade international film companies to shoot their films abroad.



A set from the film Titanic at the Fox Studios Baja theme park in Mexico (Kip Rano/Shutterstock)

What next

Like every creative industry, film tax policies are always in peril. Despite this general precarity, tax incentives will continue to draw interest from streaming platform producers, such as Netflix, which has established its headquarters in Mexico City and plans to invest more than USD300mn in 2021 to make approximately 50 original productions in the country.

Subsidiary Impacts

- Puerto Rico will leverage its dollar economy and comparative stability to attract productions set in other regional locations.
- Fiscal issues, such as COVID-19-related spending constraints, could limit tax incentives at least during the pandemic recovery period.
- The presence of international production companies and investments may benefit local film industries as well as tourism promotion.

Analysis

In this model, capital investment is put forward by a studio, typically a large Hollywood studio, which looks for the least expensive form of studio labour and infrastructure, either out-of-state or abroad, with which to make films and television series for streaming platforms. Some Latin American governments have been keen to attract such projects (see *LATIN AMERICA: Creative sector yet to reach potential* - December 24, 2013).

In 1997, the film Titanic -- then the most expensive ever -- was filmed at a huge custom-built studio in Rosarito, Baja California Norte. According to the Mexican government, the film injected USD85mn into the local economy. Built in 1996 by Fox Studios Baja, this same facility has since produced a number of other major Hollywood films.

The Mexican government additionally benefits from a potential influx of money, including tourism dollars generated by having images of the Mexican landscape projected globally. Tourism has been further promoted, as the presence of Fox Studios Baja developed a theme-park element to the studio following the production of Titanic. When Fox sold this studio to private investors Baja Acquisitions in 2007, it was renamed Baja Studios, and also functioned as a film studio and tourist destination. The facility has been recently used to film US television programmes, such as AMC's *Fear the Walking Dead* (2017) and *Selena* (2020) for Netflix.

Appeal to international producers

Nevertheless, in the quest for ever-cheaper labour and exotic locales, Latin America has remained on US film producers' radar, with the region receiving continued attention by marketing its low-cost and touristic locations. The visibility of Latin American locations has increased thanks to initiatives involving:

- tax incentives and legislation;
- the creation of national and regional film commissions championed by Mexican, Argentine, Brazilian regional and municipal governments as well as smaller countries such as Chile, Uruguay and the Dominican Republic;
- a presence in location conferences (such as the annual Locations Trade Show in Santa Monica, California); and
- advertising in trade publications.

Tax incentives

Countries offering tax incentives to film producers include Mexico and Colombia.

Mexico

In March 2010 President Felipe Calderon's administration announced a new cash rebate policy to lure Hollywood producers back to the country, following a rash of drug gang-related violence in 2008-09. The initial funding pool of USD20mn offered 17.5% rebates on Mexican shoots, combining cash rebates and sales tax refunds administered through the ProAudiovisual Fund, a part of ProMexico, a government body encouraging the export of Mexican products.

It is unclear whether this fund convinced the producers of the James Bond film Spectre to film in Mexico, but documents leaked online via the December 2015 Sony hack prompted speculation that Mexican authorities had given the MGM and Sony producers upwards of USD20mn to guarantee specific changes in the script -- for example, that a Mexican mayor would not be assassinated in the plot, that no villains would be Mexican, and that the next 'Bond girl' would be Mexican. James Wilson, the film's producer, refuted these allegations.

Colombia

Colombia has been a pioneer in tax incentive plans

Colombia is known as a model throughout the region for successful tax incentive programmes (see COLOMBIA: Stimulus package to have mixed impact - April 23, 2013), which has most recently expanded to include television series on streaming platforms.

Law 1556, passed in 2012, was specifically designed to entice foreign producers. It provided tax incentive policies for foreign shoots where more than USD600,000 was invested. The scheme is a transferable tax credit that can be purchased by international producers shooting in Colombia. They can then sell the credits on to tax-paying individuals or companies in Colombia that are eligible to deduct 35% of income tax due via investment in their productions.

Foreign production services

Mexico's tax rebate was designed to make the country as competitive as other Latin American countries such as Colombia, Costa Rica and Puerto Rico. These countries attract foreign producers by offering deep cash rebates and with their highly competitive pay scales. According to the Wharton School of Business's web magazine, the top filming locale in Latin America and the Caribbean has been Puerto Rico, a US territory that offers a 40% tax credit on payments to local film crews. Since its currency is the dollar, the island has an innate advantage of simplifying transactions for production companies. The industry has become a major contributor to the island's economy, and Puerto Rico has become a stand-in for Mexico in some films set in Mexico but filmed on the island.

Fierce competition

The ability to offer this level of specialisation in production services might tip the scale in favour of a specific country looking to attract a production. Indeed, it might prove to be a competitive advantage,

paving the way for more specialised local technicians to work on future projects. Studios and locations are now competing against each other based on their ability to provide a range of generic skills, services and expertise to individual films, augmented by what are claimed to be unique or compelling local advantages, including the availability of state-of-the-art studio infrastructure, particular creative individuals or firms, and the proximity to specific locations.

The Dominican Republic is a newer player that is attempting to compete with Puerto Rico by offering its own tax-incentive package and hosting the construction of a UK-based studio run by Pinewood Studios, which produced the Harry Potter and James Bond series. This USD70mn investment includes a water tank for filming scenes set 'at sea' or underwater.

Panama also offers a 15% cash rebate on all local expenditures, and Puerto Rico offers a 40% tax credit on payments to Puerto Rico residents, and a 20% tax credit on non-resident talent.

Brazil previously offered competitive tax incentives, but with the economic downturn during COVID-19 coupled with President Jair Bolsonaro's policies which have threatened to cut state film support, federal tax incentives for filming have been frozen (see BRAZIL: Policy inconsistency will damage economy - February 25, 2021).

Sao Paulo is increasingly a hub for local and international film-makers

Instead, the city of Sao Paulo film-TV agency SPCINE has been a key player in attracting Netflix series producers to film there. Sao Paulo has already become a production hub for international and Brazilian companies alike; Netflix has filmed ten out of 15 Brazilian original productions totally or partially in the city.