



Program for the encouragement of foreign films and series in the State of Israel – No. 4.25

1. Objective

- 1.1. Israel has many advantages in the motion picture industry, including geographic proximity between various landscapes, comfortable weather, unique and historical film locations, a good infrastructure of production facilities and services, efficient service systems, skilled professionals and an available pool of film school alumni, and therefore can serve as a hub for the production of foreign films and TV series.
- 1.2. The industry is characterized by a high number of professionals that provide substantial added value and its development can serve as a leverage for the purpose of developing employment, tourism, drawing investments and branding Israel.
- 1.3. In light of the many advantages that an investment in the promotion of foreign productions has, the Investment and Development Authority for Economic and Industrial Development (hereinafter: the “**Investments Authority**”), in collaboration with the Ministry of Culture and Sports, the Ministry of Finance, the Ministry of Foreign Affairs and the Ministry of Tourism, seeks to encourage the production of foreign films and series in the State of Israel, by the provision of Financial Support to an Israeli corporation, as stated in Government Resolution no. 629 dated November 14, 2021.
- 1.4. The Financial Support is provided by way of a competitive allocation.
- 1.5. In this Directive words which are in the masculine gender shall be deemed to include the feminine gender, and vice versa, unless otherwise stated.

2. Purpose

The Directive is intended to regulate and define the rules and criteria for the purpose of receiving Financial Support for the production of foreign films and series in Israel.

3. Definitions

As used in this Director-General Directive, the following terms shall have the respective meanings set forth beside them below, unless otherwise stated expressly in the Directive itself:



3.1. “Economic Examiner”

A person and/or an entity with whom the Ministry of Economy (hereinafter: the “**Ministry of Economy**”) engaged for the purpose of evaluating the application, and who was assigned with the task to review the economic feasibility of the application and the Financial Support applicant and deliver his opinion to the Committee for the purpose of making a decision.

3.2. “Professional Examiner”

A person and/or an entity with whom the Ministry of Culture and Sports (hereinafter: the “**Ministry of Culture**”) engaged for the purpose of reviewing the application, and who was assigned with the task to review professionally the application of the Financial Support applicant and deliver his opinion to the Committee for the purpose of making a decision.

3.3. “Qualified Production Expenses”

Direct expenses that are paid for the activities related to the production of a foreign film or series subject matter of the letter of approval, that were paid in Israel and that were approved by a Professional Examiner. It is clarified that no financing expenses and payments for the purchase of fixed equipment will be recognized. In addition, expenses in respect of food, accommodation and transportation expenses as part of a production (per diem) will not exceed 35% of the total amount of the qualified investment and expenses in respect of insurances of war zones, and administrative and general expenses will not exceed 12% of the total qualified investment.

3.4. “Film or series production”

All actions performed for the purpose of creating a first, full copy of a film or a TV series that is ready for commercial broadcasting however not actions for the purpose of reproducing or marketing them.

3.5. “Approved Database”

A collection of data regarding films and series that satisfies the following conditions cumulatively:

1. The database is updated at least once a month.
2. The database includes at least half a million films and series.
3. Data that were collected to the database undergo frequently an authentication procedure for the information contained in them.
4. The number of users in the website is at least one million users.



3.6. The “Program Director”

Whoever was appointed for the purpose of this matter by the Director of the Investments Authority in the Ministry of Economy.

3.7. “Foreign TV Series”

A number of episodes under one name including a narrative series or a documentary series that was produced for the purpose of its broadcasting on TV or in streaming channels. The main language in the basic copy is not Hebrew and the major management and control rights in the production are held by a foreign production corporation.

3.8. “Foreign Film”

An audiovisual, artistic work, including a narrative or a documentary work, comprising of a series of moving images, whether filmed or recorded, animated, with or without a soundtrack, that can be broadcasted on a screen and reproduced; the main language in the basic copy is not Hebrew and the main management and control rights in the production are held by a foreign production corporation.

3.9. “Related party”

3.9.1. Whoever controls, whether directly or indirectly, the applicant.

3.9.2. A corporation in which control, in whole or in part, is held by the applicant.

3.9.3. A corporation in which control, whether directly or indirectly, is held by whoever satisfies all of the following criteria, whether in whole or in part:

3.9.3.1. Holding solely, by a relative or jointly with a relative, at least 10% of a specific kind of means of control in the applicant; “means of control” for the purpose of this matter: as defined in the Securities Law 5728-1968.

3.9.3.2. “Relative” – a spouse, a parent, the parents of a parent, a sibling, offspring, the offspring of a spouse and the spouses of any thereof, and any other person who is an agent, partner, employee or subordinate.

3.9.4. A subsidiary of the applicant, a company related to the applicant, a company affiliated to the applicant and a company controlling any of the said companies or that is under indirect or direct control of any of these companies, as defined in the Securities Law 5728-1968.



3.10. “Foreign Production Corporation”

A corporation other than an Israeli corporation, i.e., that is not registered in Israel, and whose businesses and management are not held by an Israeli resident or citizen.

3.11. “Israeli Production Corporation”

3.11.1. A body of persons that was lawfully incorporated in Israel and that acts in accordance with the laws of the State of Israel.

3.11.2. It is clarified that a corporation that engages in the provision of manpower services of manpower that works for other entities, according to the definition of a “manpower contractor” in accordance with the provisions of the Employment of Employees by Manpower Contractors Law 5756-1996, will not be recognized for the purpose of this Directive:

3.11.3. No Financial Support will be provided to a statutory corporation, and no Financial Support to a government company will be provided.

3.11.4. Its main line of business is in the creation of audiovisual content, the production of films or the production of series or any field of digital media of any kind in any broadcasting platform.

4. Program principles

4.1. The program is intended for an Israeli production corporation (hereinafter: the “**Financial Support Applicant**”) for the purpose of producing foreign films and series in Israel, in whole or in part, for a foreign production corporation.

4.2. Financial support will be provided for Qualified Production Expenses for the production of a film or a series, in whole or in part.

4.3. Financial support will not be provided for advertising videos, promotional videos, animation videos, sales promotion, amateur films, student films, research films and computer games, reality and live broadcasts, as defined in the appendix to the procedure.

4.4. Each application will be filed for one film or series. The Financial Support Applicant, including a related party thereof, may file up to 2 applications. Each application will be filed separately, subject to the program rules. It is clarified that only up to a maximum of two applications for a specific foreign production corporation will be recognized.



- 4.5. Rate of Financial Support and payments schedule:**
- 4.5.1. The amount of the Financial Support that will be provided in respect of Qualified Production Expenses is at a rate of 30% of the total Qualified Production Expenses that will be paid according to the milestones, as stated in the procedure and subject to a review of the compliance with the Directive terms and conditions (hereinafter: the **“Financial Support”**).
- 4.5.2. 80% of the Financial Support will be paid based on the performance of the Qualified Production Expenses in the program. 20% of the total amount of the Financial Support (the balance of the Financial Support) will be paid after the production of the film or the series, after presentation of a copy to the Professional Examiner and after presentation of an agreement for broadcasting the work in a movie theatre or abroad, and up to two years as of the end of the performance period, and on the condition that the titles of the film or the series will state that the film was produced with the support of the State of Israel.
- 4.6. Minimum Qualified Production Expenses: a minimum of ILS 500,000. Maximum Qualified Production Expenses: ILS 16,600,000.** Amounts that will be paid in foreign currency will be converted to new Israeli shekels and the amount will be calculated according to the conversion rate of the Bank of Israel on the invoice payment date. For the avoidance of doubt, only expenses that were expended in Israel will be recognized.
- 4.7.** To the extent that VAT can be deducted by the Financial Support recipient, the VAT amount will not be recognized as part of the investment entitling to Financial Support.
- 4.8. Determining date for the purpose of recognizing qualified expenses**
- The determining date for the purpose of recognizing Qualified Production Expenses is the publication date of this Directive. It is clarified that qualified expenses that were paid prior to the publication date of this Directive will not be recognized within the framework of this Directive.
- 4.9. Performance period**
- The period for the performance of the Qualified Production Expenses will commence on the 1st of the month after the Committee decides to approve the program and will not exceed 24 months, except for letters of approval that set out a longer period.



4.10. Program period

The program period includes the performance period and 30 additional months as of the expiration of this period, for the purpose of complying with the reporting duties set out under this Directive.

5. Threshold conditions

The following are the cumulative threshold conditions for the purpose of receiving the Financial Support under this Director-General Directive:

- 5.1. The Financial Support Applicant undertook to comply with the principles laid down in the track as stated above and produce a film or a series.
- 5.2. The Financial Support Applicant is an Israeli production corporation that keeps its accounts in accordance with the provisions set forth in any law.
- 5.3. The Financial Support Applicant does not have a limited account and is not under receivership or liquidation proceedings.
- 5.4. The Financial Support Applicant has no outstanding debts to the Ministry of Economy and Industry.
- 5.5. The Financial Support application complies with the provisions of the section regarding prevention of double benefits.
- 5.6. The Financial Support Applicant is not eligible to Financial Support, pursuant to the provisions of the Encouragement of Capital Investments Law 5719-1959.
- 5.7. The Financial Support Applicant does not receive Financial Support by virtue of the provisions of the Film Law 5759-1999 (hereinafter: the "**Film Law**") and the Film Regulations (Recognizing a Film as an Israeli Film) 5765-2005 (hereinafter: the "**Film Regulations**").
- 5.8. The Financial Support Applicant warrants that it complies with the terms set forth in Directive no. 0.4 of the Director-General of the Ministry of Economy and Industry titled: "Stipulation of Support on the Existence of Social Responsibility" and made such a declaration in accordance with this Directive.
- 5.9. The foreign production corporation has proven experience in the production and the distribution of at least 2 full length films or series in the last five years and these are stored in an approved database.
- 5.10. The Financial Support Applicant has a signed contract for the purpose of producing the film or the series with a foreign production corporation. Within the framework of contract, it is clarified that the foreign production corporation is aware that the



Financial Support Applicant applied to the State of Israel for the purpose of receiving Financial Support in order to produce the film.

6. The Committee

6.1. The Financial Support recipients will be elected by a committee whose members will include the following:

6.1.1. Director of the Investments Authority – Committee Chairman;

6.1.2. Program Director – Acting Committee Chairman;

6.1.3. A representative on behalf of the Ministry of Economy who was appointed by the Director-General of the Ministry of Economy – member;

6.1.4. A representative on behalf of the Ministry of Culture and Sports who was appointed by the Director-General of the Ministry of Culture and Sports – member.

6.1.5. A representative on behalf of the Accountant General in the Ministry of Finance appointed by the Accountant General – member;

6.1.6. A representative on behalf of the Budgets Division in the Ministry of Finance, appointed by the Supervisor of Budgets – member;

6.1.7. A representative on behalf of the Ministry of Tourism who was appointed by the Director-General of the Ministry of Tourism – member;

6.1.8. A representative on behalf of the Ministry of Foreign Affairs who was appointed by the Director-General of the Ministry of Foreign Affairs – member;

Invitees:

6.1.9. The legal counsel of the Ministry of Economy or her representative;

6.1.10. Professional advisors, if necessary;

6.2. Committee work procedures

6.2.1. At least 5 Committee members will constitute the requisite quorum for the purpose of convening the meeting, including the chairman of the Committee or his substitute, a representative on behalf of the Ministry of Culture and a representative on behalf of the Accountant General.

6.2.2. The legal counsel will be present in all Committee meetings.



- 6.2.3. The position of the legal counsel on behalf of the Ministry or her representative will decide in legal matters. The position of the representative on behalf of the Accountant General will decide in matters regarding the use of the budget.
- 6.2.4. The resolutions of the Committee will be adopted by a majority of the members participating at the meeting. The chairman will have a casting vote in case votes are tied.
- 6.2.5. The Committee will take minutes of all its meetings. The minutes of the meeting and the resolutions of the Committee will be signed by the chairman or his substitute.

6.3. Roles of the Committee

The Committee will have authority to adopt any resolution for the purpose of implementing this Directive, and in this regard the Committee shall be entitled:

- 6.3.1. To review the different applications;
- 6.3.2. To request from the Financial Support Applicant clarifications for its application, to the extent required;
- 6.3.3. To perform any action for the purpose of examining the representations made by the Financial Support Applicant, including the demand of information, documents and other proof in connection with the implementation of the approved plan;
- 6.3.4. To approve an application, in whole or in part, or reject an application, including for budgetary considerations.
- 6.3.5. To reject applications that are partial, deficient, conditional, qualified or incorrect;
- 6.3.6. To decide on the provision of the Financial Support in accordance with the terms set forth in this Directive, according to the existing budget and the information contained in the application;
- 6.3.7. To set out terms in the approval that is granted to the Financial Support recipient;
- 6.3.8. To select more than one Financial Support Applicant or decide not to select any Financial Support Applicant, at its discretion, for professional reasons that will be noted;
- 6.3.9. To extend the period of performance for professional reasons that will be noted;
- 6.3.10. To make a decision regarding breach of the Financial Support terms and conditions and consider the



cancellation of the Financial Support or a part thereof and forfeit the guarantee or a part thereof, as defined in section 9 hereunder;

- 6.3.11. To lay down the procedures of its work;
 - 6.3.12. To lay down procedures for the purpose of implementing this Directive. The procedures will be published in the Ministry website from time to time; the Committee does not undertake to accept any application, including as a result of failure to comply with the terms of a prior letter of approval, and the Committee may cancel the election procedure or publish a new allocation, at its discretion.
 - 6.3.13. The Committee is not obligated to complete the procedures for the election of the Financial Support recipient and announce a winner within a specific period, however if the winning approval procedures are not completed in 120 days as of the submission deadline, the Financial Support Applicant may cancel his application.
 - 6.3.14. The Committee shall be entitled not to review any application that is unreasonable, or that lacks a detailed response to any of the sections of this Directive including Appendixes thereof and its procedures and that, in the opinion of the Ministry, prevents a proper evaluation of the application.
 - 6.3.15. The Committee may cancel the allocation, if only one application is submitted.
 - 6.3.16. The Committee reserves the right to contact all Applicants during the review and evaluation process of the applications, for the purpose of receiving clarifications regarding their application, or for the purpose of eliminating any ambiguity that might arise in the evaluation of the applications, and approve requests for amendments if the Committee is under the impression that the applications include clerical errors or numerical errors.
- 6.4.** The Program Director is entitled to act for the purpose of implementing this Director-General Directive starting from the concentration of the applications, the preparation of all materials that are required for the Committee for the purpose of making its decisions and up to the supervision of the performance of the conditions for the purpose of receiving Financial Support.
- 6.5.** For the purpose of performing the instructions set forth in section 6.4, the Program Director will appoint a team of workers that will act according to his instructions.



7. Application submission review and approval

7.1. Submitting the application

- 7.1.1. The Financial Support Applicant will file the online application for participation in the program, as stated in the Directive, in the program procedures and in the notice.
- 7.1.2. The documents related to the application will be attached when they are duly prepared and signed in accordance with the law.

7.2. Reviewing the application

All applications will be presented to the Committee:

- 7.2.1. First, the Committee will review their compliance with the threshold conditions. The applications will be presented for discussion based on a score, from the highest to the lowest, that was awarded to the applications according to the criteria that will be as stated hereunder.
- 7.2.2. The Committee may assign to the applications a general threshold score and a threshold score of the economic evaluation criterion, in such manner that applications that are awarded lower score will be rejected.
- 7.2.3. The applications will be ranked according to the following criteria:

7.2.3.1. Economic evaluation score (40 points):

This section will review the activities of the Financial Support Applicant, seniority, experience in the field, the applicant's financial position and financing ability, and all according to the score key set out in the appendix to the procedure.

7.2.3.2. Experience of the foreign production corporation (20 points)

To the extent that the foreign production corporation has proven experience in the production and distribution of films or series beyond the experience required in the threshold conditions, in such manner that the score that it will be awarded will be higher, when zero points will be awarded for experience of 2 films or series as stated in section 5.9, and the maximum score will be awarded in respect of experience of 6 films or series.



7.2.3.3. Scope of the requested plan (40 points)

The score that will be awarded will be higher the bigger the scope of the requested program is. One point will be awarded for a program in a scope of ILS 600,000, and each addition in the amount of ILS 400,000 will award an additional point and the maximum score will be awarded in respect of a program in a scope of ILS 16,600,000.

7.3. Approving the application

- 7.3.1. Financial Support Applicants whose application is approved will have the highest score, subject to the budget that is allocated under this category, according to the applications evaluation procedure as stated in section 7.2.
- 7.3.2. If the application was approved – a notice regarding the winning will be delivered, that will specify that the issuance of letter of approval is conditional on a deposit of a performance guarantee, in the manner set out in section 9.
- 7.3.3. If the application was rejected – a reasoned notice will be delivered to the Financial Support Applicant.

8. Reconsideration

- 8.1. Whoever considers himself aggrieved by the decision of the Committee, in whole or in part, may file an application for a reconsideration of his application, in thirty days as of the date the Committee made its decision.
- 8.2. As part of the reconsideration, the Committee will take into consideration, *inter alia*, whether facts that were presented to the Committee at the time the Committee made its decision were not properly presented to the Committee. It is clarified that the presentation of new information that was not presented to the Committee at the time the Committee made its decision in the Financial Support application is prohibited.
- 8.3. A request for a reconsideration may be submitted only once with respect to each decision.

9. Realizing the winning notice and depositing a performance guarantee

- 9.1. A Financial Support Applicant, whose application was approved by the Committee (hereinafter: the “**Financial Support Recipient**”) will deposit, as a condition for obtaining the letter of



approval, deposit in 30 days as of the date of receiving the notice regarding the Committee's decision regarding the provision of the Financial Support (hereinafter: the "**Winning Notice**"), an autonomous bank guarantee or a guarantee from an Israeli insurance company licensed to provide insurance in accordance with the provisions of the Insurance Contract Law 5741-1981, made to the order of the Ministry, in an amount equal to 5% of the total amount of the Financial Support that was approved by the Committee, according to the version of the guarantee attached to the procedure.

- 9.2. In applications that are processed in the last quarter of the calendric year, the Committee can decide that the guarantee will be deposited in 7 days as of the date of receiving the Winning Notice.
- 9.3. The conditions for depositing the guarantee and its forfeiture will be stated in the procedure.
- 9.4. It is clarified that the Committee may cancel the winning of the Financial Support Applicant without depositing the guarantee within the said period of time.

10. Obligations of the Financial Support Recipient

- 10.1. The Financial Support Recipient will be obligated to comply with the entire terms set forth in the letter of approval, the undertakings stemming from this Directive and the procedure and the undertakings it stated as part of the application.
- 10.2. The Financial Support Recipient will submit the reports and the accounts as stated in the procedure.
- 10.3. The Financial Support Recipient will provide to the Committee or the Program Director approvals and data according to their demand.

11. Assignment of rights and obligations

- 11.1. The policy of the Ministry is to object to the assignment of rights and obligations. Nevertheless, the Financial Support Recipient may, after receiving the letter of approval, file an application for the assignment of rights and obligations in accordance with this Director-General Directive, and the Committee will decide in such an application as said, at its discretion.
- 11.2. If the assignment was approved by the authorized signatories on behalf of the Ministry, the assignee shall be held liable for the entire past debts and undertakings in respect of the letter of approval of the assignor.



12. Prevention of double benefits

- 12.1.** A Financial Support Applicant who received Financial Support in accordance with the provisions set forth in this Directive may not receive Financial Support for the film or the series subject matter of the letter of approval within the framework of other tracks offered by the Ministry of Economy and Industry or the Ministry of Culture and Sports, including Financial Support in the production of a film by virtue of criteria for the distribution of grant funds of the Ministry of Culture and Sports to public film institutions that were laid down pursuant to the provisions of section 12 of the Film Law and the Film Regulations; in addition, no Financial Support will be provided within the framework of this Director-General Directive for Qualified Production Expenses for which any government entity already provided Financial Support.
- 12.2.** The amount of the Qualified Production Expenses will not be recognized for the purpose of complying with obligations in accordance with the provisions of the Communications (Telecommunications and Broadcasts) Law 5742-1982 or the Second Television and Radio Authority Law, 5750-1990 and the regulations enacted thereunder, the rules laid down by the councils, the terms of the license and in accordance with the provisions set forth in any law.

13. Publishing information regarding the Financial Support Recipient in the Ministry website

- 13.1.** A Financial Support Applicant who files the application in accordance with the provisions set forth in this Directive agrees that if it wins the Financial Support, the internet website of the Ministry of Economy and Industry and/or the Ministry of Culture and Sports and/or any other place that will be decided will publish the following information regarding its winning: the name of the Financial Support Recipient, the scope of the program that was approved, the Financial Support amount, program period.
- 13.2.** The Investments Authority and the Ministry of Culture and Sports may use the information of the Financial Support Recipient including by anyone acting on its behalf, for the purpose of conducting studies, surveys, considering the efficiency of the program or any other need at their sole discretion.
- 13.3.** The State of Israel may announce that the film was produced with its support in any manner this it sees fit, whether in or outside Israel.



14. Supervision and audit

The Financial Support Recipient undertakes to allow the Ministry of Economy and Industry and/or to the Investments Authority and/or the Ministry of Culture and Sports or anyone acting on their behalf, including to external entities on their behalf and at any time, to audit its actions, supervise the performance of the letter of approval on the dates and under the terms set forth by them, and act according to the instructions of the Ministry, as delivered from time to time.

15. Changes in the letter of approval

15.1. The Financial Support Recipient undertakes to notify the Investments Authority regarding any change in the letter of approval and any event during the period of the program that constitutes a material change compared to the program that was approved.

15.2. Any change in the letter of approval will require the prior and written approval of the Committee by the authorized signatories on behalf of the Ministry.

16. Cancellation of Financial Support

16.1. Upon the occurrence of the following events, the Committee will consider such events as a fundamental breach of the terms set forth in this Directive and shall be entitled to order the cancellation of the Financial Support, in whole or in part, both with respect to Financial Support that was paid and Financial Support that will be paid, and demand the return of the part that was paid in addition to interest and linkage differentials, within the meaning of these terms in the Adjudication of Interest and Linkage Law, as of their payment date and until the date of their actual return. In addition, the Committee shall be entitled to forfeit the performance guarantee.

16.2. The following are the events for the purpose of section 16.1:

16.2.1. The Financial Support Recipient failed to comply with the undertakings it assumed or failed to act in accordance with the instructions set forth in this Director-General Directive, the Social Responsibility directive, the letter of approval or any of the terms set forth in the Committees decision.

16.2.2. The scope of the Qualified Production Expenses is actually lower by 80% of the scope of the Qualified Production Expenses that were approved by the Committee and the production of the film or the series was not carried out.



- 16.2.3. The Financial Support Applicant provided false information at the time of filing the application or afterwards.
- 16.2.4. The Financial Support Applicant was convicted of a final and peremptory judgment in a court in Israel in an offense concerning infringement of the intellectual property laws of the State of Israel.
- 16.2.5. The Financial Support Recipient did not cooperate with the audit conducted by the Ministry, in accordance with the provisions of section 14 above.
- 16.2.6. The Financial Support Applicant entered a proceeding of receivership or liquidation.

17. Budget

The provision of the Financial Support is subject to the approval of the budget each year, the budget limitations and the approved budget of the Ministry.

18. Collection

Any amount that is due to the State treasury by virtue of this Directive will be collected in the same manner that a tax is collected, and the Tax Ordinance (Collection) will apply thereto, as if these amounts are a tax, within the meaning of this term in the said Ordinance.

19. Date for filing the applications

- 19.1. Applications for the participation in the program will be filed to the Investment and Development Authority for Economic and Industrial Development according to procedure.
- 19.2. The submission deadline for filing the application will be published in the internet website of the Ministry.
- 19.3. Applications that will be submitted after the submission deadline will not be considered.

20. Application

- 20.1. This Directive shall enter into force as of its signing date.
- 20.2. The procedure "Program for the Encouragement of Production of Foreign Films and Series in the State of Israel" is an integral part of this Director-General Directive and the two shall be deemed as one document.
- 20.3. The Investments Authority may publish comments, amendments and updates to this Directive in the internet website of the



Investments Authority, and these shall be deemed as an integral part of this Directive.

Dr. Ron Malka
Director-General

9 Nissan 5782
April 10, 2022

The binding version of the CEO's directive and its appendices is the version which is published on the website of the Ministry of Economy in the Hebrew language.