

# 16 FILM FINANCING AND AUDIOVISUAL POLICY IN HUNGARY AFTER THE ACCESSION TO THE EUROPEAN UNION

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## 16.1 INTRODUCTION

### 16.1.1 *Audio-Visual Policy in the European Union*

Europe's ancient art heritage and rich history are an exceptional source of knowledge and a significant resource for economic growth, employment and cultural cohesion on the continent. It improves the lives of millions of individuals, serves as a source of inspiration for artists, and is a driver for creative industries.<sup>1</sup> Cultural and artistic heritage are a major factor in defining Europe's place in the world and its attractiveness as a place to live, work, and visit.<sup>2</sup>

Therefore, the audio-visual sector in Europe from the early 1900s has meant more than just entertainment, since it conveys a sense of national uniqueness and contributes to transnational understanding on the continent. The creation of the moving picture prefigured a brand new age, offering an alternative way to express the European perspective.

At the time of the inception of filmmaking, artists, mostly theatre directors, regarded the new technology to be equivalent to or better than other existing art forms.<sup>3</sup> Through-

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1 "The sectors represent around 4.5 % of European gross domestic product and account for some 3.8 % of the EU workforce (8.5 million people). In addition, Europe's cultural and creative sectors have proven to be more resilient than other sectors in times of economic downturn and contribute to innovation, skills development and urban regeneration, while positively impacting other sectors such as tourism and information and communication technology." (Source: The EU explained: Culture and audiovisual, p. 3).

2 European Commission: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Brussels, 22.7.2014, p. 1.

3 Mikael Colville-Andersen: *European cinema & American movies*, p. 1, <[www.emse.fr/~bsimon/documents %20p%E9dagogiques/p%E9dagogie/remakes%20of%20french%20films/European%20Cinema%20and%20American%20movies%20-%20article.doc](http://www.emse.fr/~bsimon/documents%20p%E9dagogiques/p%E9dagogie/remakes%20of%20french%20films/European%20Cinema%20and%20American%20movies%20-%20article.doc)>.

out the century, Europe has come to regard cinema as an art form, in opposition to the US film industry, where movies mostly remained entertainment products.<sup>4</sup>

Therefore, European film production is considered to be a common European responsibility. Since the adoption of the European Agenda for Culture<sup>5</sup> in 2007, audio-visual media has been a priority in the Council of the European Union's action plans for culture, while cooperation at European level has advanced through the Open Method of Coordination.<sup>6</sup> While film policy is primarily a matter for national, regional and local authorities, nowadays the European Union has a role to play in line with the EU Treaties and in with due regard to the principle of subsidiarity.<sup>7</sup>

The audio-visual sector, as key content industry<sup>8</sup> is subject to several EU-wide rules which guarantee that films **circulate freely and fairly** in the single European market, and that these promote and strengthen intercultural competences and intercultural dialogue.<sup>9</sup> This is the overriding goal of the Union's audio-visual & media policy,<sup>10</sup> and more particularly the audio-visual media services directive (AVMSD).<sup>11</sup>

The European Union is also **investing €1.4bn** in the audio-visual and other cultural sectors through its Creative Europe programme.<sup>12</sup> The Council of Europe's cultural support fund Eurimages, established in 1989 also promotes the European film industry by providing financial support to feature-length films, animation and documentary films. In doing so, it encourages co-operation between professionals established in different coun-

4 Takó Sándor: A filmkészítés folyamatát övező polgári jogi kérdések Magyarországon és az Egyesült Államokban, különös tekintettel a szerzoi jogra. Iparjogvédelmi és Szerzoi Jogi Szemle, 2014/1. p. 7.

5 COM(2007)242 final and Resolution of the Council of 16 November 2007 on a European Agenda for Culture.

6 <[ec.europa.eu/culture/policy/strategic-framework/european-coop\\_en.htm](http://ec.europa.eu/culture/policy/strategic-framework/european-coop_en.htm)>.

7 Mikael Colville-Andersen: *EUROPEAN CINEMA & AMERICAN MOVIES*, p. 1.

8 The European film industry has a paramount importance for the economy of the European Union. The audio-visual sector alone directly employs over one million people in the EU. With its highly skilled workforce, the European audio-visual industry generates a turnover of around 100 bn € per year. Since 1995 the European film production volume has more than doubled to reach 1169 feature films produced in 2009. Meanwhile, Europe also constitutes an important alternative location for US film production, since production costs are lower. In 2004, 25% of all Directors' Guild of America projects were shot outside the USA. (Source: <<https://ec.europa.eu/digital-single-market/audiovisual-and-other-media-content>>, Mikael Colville-Andersen: *EUROPEAN CINEMA & AMERICAN MOVIES*).

9 'Cultural awareness and expression', 'social and civic competences' and 'communication in foreign languages', are part of the key competences for lifelong learning identified by the European Parliament and Council in *Recommendation 2006/962/EC of the European Parliament and of the Council of 18 December 2006 on key competences for lifelong learning*. (Source: <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0242:FIN:EN:PDF>>).

10 <[https://europa.eu/european-union/topics/audiovisual-media\\_en](https://europa.eu/european-union/topics/audiovisual-media_en)>.

11 Directive 2010/13/EU of the European Parliament and of the Council of 10 March 2010 on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the provision of audiovisual media services.

12 The 7-year Creative Europe programme aims to strengthen Europe's cultural and audio-visual sectors by providing funding for at least: 250, 000 artists and cultural professionals, 2, 000 cinemas, 800 films, 4, 500 book translations. For more information about Creative Europe Program visit: <<https://ec.europa.eu/programmes/creative-europe/>> (Source: <[https://europa.eu/european-union/topics/audiovisual-media\\_en](https://europa.eu/european-union/topics/audiovisual-media_en)>).

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tries. Eurimages currently numbers 37 of the 47 member states of the Strasbourg-based organisation, plus Canada as Associate Member. Eurimages funding is available for co-productions where there are at least three coproduction partners from the Member States.<sup>13</sup>

As article 1.4. of the ‘Communication from the Commission on State aid for films and other audio-visual works’<sup>14</sup> declares:

“It is generally accepted that aid is important to sustain European audio-visual production. It is difficult for film producers to obtain a sufficient level of up-front commercial backing to put together a financial package so that production projects can proceed. The high risk associated with their businesses and projects, together with the perceived lack of profitability of the sector, make it dependent on State aid. Left purely to the market, many of these films would not have been made because of a combination of the high investment required and the limited audience for European audio-visual works. In these circumstances, the fostering of audio-visual production by the Commission and the Member States have a role to ensure that their culture and creative capacity can be expressed and the diversity and richness of European culture reflected.”

The AVMSD requires EU countries to coordinate national legislation creating comparable conditions in all countries for emerging audio-visual media. Meanwhile, Members of the European Union all have their policy for issues relating to film financing and audio-visual policy.

This paper seeks to briefly examine the legislative and institutional background of Hungarian audio-visual policy, describing how the Hungarian Parliament reorganized its film support system following the country’s accession to the European Union. The present study also aims to clarify which legislative decisions led to the result that that Hungarian films won two Oscars, a Golden Globe, a Golden Bear, a BAFTA prize, a Crystal Globe, a Cannes Grand Jury prize and more than 300 other festival awards in the last 5 years, and how the Hungarian capital Budapest became one of the most attractive filming locations in the European Union in less than 10 years.<sup>15</sup>

13 Hungary became a member of Eurimages on January 1, 1990. Detailed rules of Eurimages support policy can be found at <[www.coe.int/t/dg4/eurimages/About/default\\_en.asp](http://www.coe.int/t/dg4/eurimages/About/default_en.asp)>.

14 2013/C 332/01.

15 Variety: Andy Vajna Explains How He’s Bringing Hollywood to Hungary. <<http://variety.com/2017/film/production/andy-vajna-hollywood-hungary-1202448722/>>.

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### 16.1.2 Hungarian Film Industry Following Accession to the European Union

Not widely-known, but Hungary can pride itself on some glorious pages in the history of film production. Adolph Czukor, the founder of Paramount Pictures; Vilmos Fried, having anglicised his name as William Fox, founded 20th Century Fox. Both came from two small Hungarian villages<sup>16</sup> located very close to each other. The famous Korda Brothers revolutionising the British film industry also have roots in Hungary, Túrkeve.<sup>17</sup> The world famous Dracula from Universal's Béla Lugosi, triple Oscar winning film composer Miklós Rózsa, all-time favourite Casablanca director Michael Curtiz or the Oscar winning director of My Fair Lady George Cukor also came from Hungary.

Not to mention recent icons Miklós Jancsó, Béla Tarr or István Szabó, who won the best foreign motion picture Academy Award for *Mephisto* and received a nomination for *Sunshine*; and outstanding cinematographers like Lajos Koltai or Vilmos Zsigmond, Oscar winner with the motion picture *Close Encounters of the Third Kind*.<sup>18</sup> Even if it was not publicised, the majority of the scenes in *Evita* were shot in Hungary produced by Hungarian producer Andrew G. Vajna, the streets of Buenos Aires were recreated in the streets of Budapest. Similarly, movies such as *Red Heat*, *Music Box*, *I Spy* and *American Rhapsody* were largely filmed in Hungary prior to the country's accession to the European Union.<sup>19</sup>

Unlike many sectors of the Hungarian economy, the country's film industry has not benefited from the political and economic transformations of the 1990s prior 2004. However, the country's accession to the European Union in 2004 brought about a brand new age of national film legislation. In the course of the EU accession process, Hungary accepted and continuously implemented the regulatory and 'strategical' background of the European Union's audio-visual aid system.<sup>20</sup>

As a result, a new tax incentive and subsidy system was developed, aimed at complying with Union requirements. In 2004 the Hungarian Government introduced a new financial support system for the film industry based on two pillars: an indirect state support embodying one of the most attractive tax rebate systems in Europe for national and

16 Czukor born in Ricse, William Fox' birthplace was Tolcsva.

17 Sir Alexander Korda born as Sandor Korda was a leading figure in the British film industry as well as the first person to be knighted for services to the film industry in Great-Britain. His brothers, Vincent and Zoltan were successful Directors, Producers, Set Designers and Writers. Their work took them many times overseas where they had equal success with films such as *The Jungle Book*, *The Four Feathers*, *The Thief of Bagdad*.

18 Aurel Pinter, Winston J. Maxwell and Julie Massaloux: *New Motion Picture Tax Incentives in France and Hungary*. [2005] ENT.L.R., ISSUE 3@c Sweet & Maxwell Limited [and Contributors] p. 43.

19 Ibid. 1.

20 Tamás Kollarik, Zsuzsanna Vincze: *Az állami felelősségvállalás, avagy a magyar állam lehetőségei és szerepe az audiovizuális művészet támogatásában*. In: *Az alkotás szabadsága és a szerzői jog metszéspontjai konferenciakötet*. MMA MKI. Budapest, 2016. p. 62.

international productions filmed in Hungary,<sup>21</sup> and a direct state support aiming to solve the underfunding of national filmmaking.<sup>22</sup>

The most significant legislative acts in this field were the changes made to Corporate Income Tax<sup>23</sup> regulations with effect of 1 April 2004 and the release of Act II of 2004 on Motion Pictures<sup>24</sup> by the Ministry of Culture, amended in 2008 to be compliant with EU legislation through implementing cultural test rules.<sup>25</sup>

The stated purposes of the Motion Picture Act are to ensure wide-ranging access to the values of the Hungarian motion picture culture,

“[to] enhance and preserve the values of Hungarian motion picture culture, to develop the Hungarian film industry and to make this industry internationally competitive, to create a support system that promotes the efficient use of resources with a view to the development of the culture of films and to establish a legal background that serves this purpose and is in line with the regulations of the European Union.”<sup>26</sup>

The Motion Picture Act’s scope covers the production, distribution and archiving of Hungarian films and films co-produced with Hungarian participation, and the distribution of films in Hungary.

To fulfil its purposes, the Act sets out the method for providing budgetary resources to support the Hungarian motion picture culture and industry.<sup>27</sup> Direct support combines normative, selective and structural subsidies. Normative subsidies aim to encourage producers of so-called ‘success films’ to make motion pictures that are popular with the public.<sup>28</sup> Selective subsidies are granted for films that are viewed less by the public, but contain major artistic value. It is also possible to obtain individual structural subsidies to finance outstanding productions.<sup>29</sup> Owing to the favourable legislative changes, the Hungarian film sector has experienced a vibrant expansion, including some major investments in infrastructure.<sup>30</sup>

Hungary also offers a sophisticated and English-speaking film production workforce, including talented and well-known production staff. Not surprisingly, the country has rapidly become the focal point for international productions, such as *Hellboy II* directed

21 The cap approved by the European Commission for Hungary’s film financing support is EUR 379 million for 2014-2019.

22 KPMG: *Film Financing and Television Programming. A Taxation Guide. Sixth Edition.* 2012. p. 254.

23 Act LXXXI of 1996 on Corporate Tax and Dividend Tax (hereinafter: CIT).

24 Hereinafter: Motion Picture Act.

25 KPMG: i.m. p. 254.

26 Preamble of Act II of 2004 on Motion Pictures.

27 Szabolcs Gall, Stefan Moldovan: *Motion Picture Reform in Hungary* (Mondaq – May, 2005) p. 1. <[www.szecskey.hu/dynamic/gasy505.pdf](http://www.szecskey.hu/dynamic/gasy505.pdf)>.

28 KPMG: *Film Financing and Television Programming. A Taxation Guide. Sixth Edition.* 2012. p. 255.

29 Ibid.

30 For example, the studio facility of Origo Studio at Rákospalota, Budapest or the Korda Studio at Etyek.

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by Guillermo del Toro, Showtime original *The Borgias*, *The Rite* starring Anthony Hopkins, *Die Hard 5* with Bruce Willis or *The Martian* directed by Ridley Scott.<sup>31</sup>

### 16.1.3 *Reform of the Film Funding System in 2011*

Despite initial success in film service, Hungarian films could not achieve a real breakthrough. Due to internal operational anomalies, the former central supporting body Hungarian Motion Picture Public Foundation could no longer fulfil its task.<sup>32</sup> By the end of the 2000s it became clear that a new institutional structure is needed, complying with EU audio-visual aid policy. In 2011, the Hungarian Government issued a decree<sup>33</sup> on the restructuring of the Hungarian film industry as well as establishing a new aid system for films, carrying out also major institutional changes.<sup>34</sup>

In 2011, former Hollywood producer, Andrew G. Vajna<sup>35</sup> was nominated by government decree to reorganise public support for cinema as a Government Commissioner in charge of the Hungarian film industry. According to the government decree, the Commissioner's task was to:

- a. “professionally supervise the operation of state-owned film studios and film service infrastructure, to make proposal for its further development.
- b. make proposals regarding film education to ensure the long-term development of the domestic motion picture industry,
- c. make proposals regarding legislative and governmental measures affecting copyright infringement in the film industry and the operation of collective rights management,
- d. elaborate a strategy for the development of the film and entertainment industry in the field of tourism,
- e. make proposals [to legislative bodies], if necessary, to amend the relevant legal environment.”

31 KPMG: i.m. p. 254-255.

32 The state owned Foundation was responsible for financing and subsidizing the Hungarian film industry over the last two decades, and has undergone an audit focusing on its organizational, economical and legal operations in 2010, which showed a fraudulent misuse of funds that caused the loss of a total of 6.2 billion Hungarian forints (ca. 22 million Euros) to the state budget. The Hungarian Motion Picture Public Foundation was closed by a government decree in March 2012. (Source: <[http://magyar.film.hu/images/filmhu/2010\\_07/hir/mmkosszegzo\\_megallapitasok\\_20100707.pdf](http://magyar.film.hu/images/filmhu/2010_07/hir/mmkosszegzo_megallapitasok_20100707.pdf)>).

33 1167/2011 [V.26]

34 OECD: *State-Owned Enterprise Governance: A Stocktaking of Government Rationales for Enterprise Ownership*, Published on September 15, 2015 p. 33.

35 Vajna credits as a Hollywood producer movies from the ‘*Rambo*’ and ‘*Terminator*’ franchises, as well as ‘*Total Recall*’ or the famous musical entitled ‘*Evita*’.

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Vajna's responsibilities also extend to the following:

- a. "In order to carry out his duty, he monitors and assists the activities of governmental bodies responsible for audio-visual policy and the motion picture industry.
- b. offering opinion on the government proposals related to his duties,
- c. participating in government consultations related to his duties,
- d. contributing to the preparation of government proposals concerning the motion picture industry."

The monumental governmental reform led by Vajna based on the amendment of the Motion Picture Act, established (or rather, reorganized) three major institutional pillars of the Hungarian film industry:

1. The funding system of the Hungarian National Film Fund (Direct state subsidy for motion pictures);
2. The Hungarian Media Patronage Program of the Media Council of the National Media and Infocommunications Authority (Direct state subsidy for TV programmes);
3. Motion Picture Authority: the system of indirect state subsidies.

The following chapter aims to demonstrate that the recipe for the success of Hungarian film legislation between 2011-2017 lies with the three above mentioned cornerstones of the film funding system.<sup>36</sup>

## 16.2 THREE PILLARS OF THE HUNGARIAN FILM INDUSTRY

### 16.2.1 *First Pillar: The Hungarian National Film Fund*

The 2011 amendment of the Motion Picture Act not only created a new legal basis in the context of which producers, distributors and other participants of the Hungarian film industry could operate, but it also provided a brand new institutional background of direct state support for planning, preparing, producing and distributing films.<sup>37</sup> The Hungarian National Film Fund<sup>38</sup> is placed at the apex of the domestic film funding system. It was founded in 2011 as the successor organization of the heavily indebted Hungarian Motion Picture Public Foundation<sup>39</sup> which had managed state film aids between 1990-2010.

36 Tamás Kollarik: The set up of the Hungarian system of film funding and the greatest successes. Presentation at the Mecal Pro International Short Film Festival of Barcelona(08/03/17) slide 1.

37 Szabolcs Gall, Stefan Moldovan: *ibid.* p. 1. <[www.szecskay.hu/dynamic/gasy505.pdf](http://www.szecskay.hu/dynamic/gasy505.pdf)>.

38 Hereinafter: HNFF.

39 Hereinafter: HMPPF.

The HNFF's role is on one hand is to support independent films and on the other to coordinate the effects of audio-visual state funding on the Hungarian national economy and the state budget.<sup>40</sup> The mission of HNFF "is to contribute to the production of Hungarian films or co-productions that provide art and entertainment for moviegoers and bring significant success both domestically and on an international level."<sup>41</sup> The HNFF thus provides financial and professional support for script development, project development and production of full-length (at least 70 minutes) feature films, documentaries and animated movies for theatrical release. Student films and diploma films may also be funded, by providing financial and in-kind support to universities specialized in film studies.<sup>42</sup>

The chief executive of the organization, in operation since September 2011, is Ágnes Havas, appointed by the Hungarian government. The financing for HNFF is automatically derived from the 80% revenue of the gambling tax of the no.6 National Lottery.<sup>43</sup> This is one of the most important innovations of the reform. Previously the annual budget of the HNFF's legal predecessor, the HMPPF was uncertain, based on the Parliament's decision taken year by year. Accordingly, the organization's budget was highly dependent on prevailing political will, resulting in permanent uncertainty for the domestic film sector.<sup>44</sup> Thanks to the new regulation, the lottery's revenue guarantees a constant and calculable income to the HNFF.

The HNFF's budget for 2016 was 5.1 billion HUF (16,2 million EUR). As of December 2016, the Fund has granted production funding for more than 80 projects, including 18 international co-productions, several debut features and documentaries, and more than 100 projects received development support.<sup>45</sup> The HNFF operates with an ongoing application system. The Board, consisting of five Hungarian film professionals makes the decisions on granting support. Besides providing financial support, the HNFF also offers creative cooperation, professional expertise and international industry contacts for new Hungarian film productions. The international department called HNFF World Sales<sup>46</sup> manages festival and sales activity for HNFF-supported Hungarian films.<sup>47</sup>

There are several possible types of HNFF support. The typical and generally requested support is monetary aid, which can be non-refundable direct and indirect grants and may reach the amount of 100% of the work's overall budget. The support percentages are to be

40 Tamás Kollarik, *ibid.*, slide 23.

41 Preamble of Founding Document of Hungarian National Film Fund (08/03/17).

42 <<http://mnf.hu/en/about-us>>.

43 European Film Agency Directors: Hungarian National Film Fund – Magyar Nemzeti Filmalap – Hungary <[www.efads.eu/members/hungarian-national-film-fund-magyar-nemzeti-filmalap-hungary.html](http://www.efads.eu/members/hungarian-national-film-fund-magyar-nemzeti-filmalap-hungary.html)>.

44 Tamás Kollarik, Zsuzsanna Vincze: A magyar filmes szabályozás és intézményi rendszer rövid bemutatása. *Mozgóképek és paragrafusok* kötet. *Fundamenta Profunda* 4. Magyar Művészeti Akadémia Művészetelméleti és Módszertani Kutatóintézet, 2017.

45 <<http://mnf.hu/en/about-us>>.

46 Homepage of HNFF World Sales: <<http://hnffworldsales.hu>>.

47 <<http://mnf.hu/en/about-us>>.

based on the production budget of Hungarian films or on the Hungarian share of the production budget of a co-production film.<sup>48</sup>

However, in cases where a Hungarian film producer may only participate in a production by way of a financial contribution, thereby disqualifying it as a co-production, direct support may still be granted for such films if they can be qualified as co-productions in the meaning of the relevant international treaties.<sup>49</sup>

Another possible type of HNFF grant is the free usage of the MAFILM production studio's backlots and services, as well as the post-production services of the Hungarian FilmLab (Magyar Filmlabor) for supported films. These units operate as a part of the HNFF. As of 2016 producers may also apply for distribution support in Hungary for completed Hungarian films and co-productions with Hungarian participation. The support is to be refunded from the distribution revenue. The HNFF furthermore provides individual grants for certain motion picture industry-related activities such as research, education, the organization of professional events and festivals.<sup>50</sup>

HNFF financial and professional support means generally the following rate of funding:

- script/treatment development: 3-5 million HUF/ project (9,500 – 16,000 EUR average)
- project development: 10 million HUF / project (32,000 EUR average)
- production 300-600 million HUF (1-2 million EUR average)

There is also some monetary support available for special, high-level projects:

- Kincsem more than 2 billion HUF (6,4 million EUR)
- Budapest Noir – 1 billion HUF (3,2 million EUR)
- A viszkis rabló – 1.225 billion HUF (3,9 million EUR)
- Pappa Pia more than 1 billion HUF (3,2 million EUR)
- Sunset – 1.5 billion HUF (4,6 million EUR)

There is no separate call for minority co-productions, but all projects are encouraged to apply with a Hungarian co-producer onboard. Foreign projects are only eligible to apply for support through Hungarian production companies registered with the National Film Office (NFO) discussed below. Foreign companies should conclude coproduction or service agreements with a Hungarian registered company.

48 Motion Picture Act 13. §.

49 The European Convention on Cinematographic Co-Production allows such films to be recognized as financial co-productions. (Source: KPMG: Film Financing and Television Programming. A Taxation Guide. Sixth Edition. 2012. p. 256).

50 Tamás Kollarik, *ibid.*, slide 23.

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### 16.2.1.1 Organizational Structure of the HNFF<sup>51</sup>

#### *Script Development Department*

The Script Development Department consists of experienced Hungarian scriptwriters and dramaturgs. The primary goal of the division is to provide professional support to writers who received funding for script development. The department is also involved in proposing the decisions to the Board, as well as the development and execution of professional programs.

#### *Financial Department*

The financial department is responsible for handling all acquisitions, public procurements, end-to-end accounting, financial tasks and payroll calculations. This directorate is responsible for managing administrative and financial tasks concerning the deposit account; it concludes the disbursement contracts with those depositing and those applying for disbursement. It is also responsible for disbursement. In addition to the aforementioned roles, it is the duty of the financial department to handle incoming applications, including checking for adherence to formal requirements, handling the process for incomplete applications and transferring complete applications to the Decision Making Board, in cooperation with the fellow departments who are in charge of professional evaluation.

#### *Production Department*

The production department handles incoming applications for project development, production and support for special projects and proposes them to the Decision Making Board with a professional recommendation. In case of a favourable decision, the department evaluates the application documents from a production perspective, while continuously monitoring also the realization of the project, controlling it from a professional and financial aspect.

#### *Legal Department*

The legal department is responsible for the Film Fund's legal and regulatory tasks: it is involved in preparing and executing the decisions from a legal aspect and reviews contracts. This directorate tracks applicable regulatory acts and participates in their amendment, while it is also in contact with the governmental organization of the film funding system. The Location Office also falls under the legal department; its primary role is to manage the use of public places and real estates for film production purposes (including administrative tasks, correspondence with the authorities etc.).

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<sup>51</sup> This chapter briefly highlights the organizational structure of the HNFF using English descriptions available at the homepage of the HNFF. <<http://mnf.hu/en/about-us/departments>>.

*International and Sales Department*

The international department is responsible for the global representation, festival presence and sales of Hungarian films as well as their attendance at non-commercial events. With its extensive network, this department supports international co-productions, film shootings, participates in concluding international contracts and endorses Hungarian film industry representatives. It represents Hungary in international organizations, such as Eurimages or European Film Promotion. The International Department of the Hungarian National Film Fund represents Hungarian films abroad and manages their festival and sales activity as well as their participation in non-commercial events.

The Department fosters international co-productions and film productions using its extensive worldwide network, and takes part in the conclusion of international contracts. With its continuous networking and information service, it supports the players of the Hungarian film industry.

*a Festival Representation:*

The aim of the festival representation of the Hungarian National Film Fund is to enhance the success of Hungarian films and their creators at the most prestigious international film events. One of the most important tasks of the International Department of the Hungarian National Film Fund is to promote Hungarian feature films as well as shorts, documentaries and animations in its portfolio abroad, including their film festival representation. Its main goal is to make sure that Hungarian films and their creators are visible at the most significant festivals worldwide (e.g. Berlin, Cannes, Locarno, Karlovy Vary, Venice, Toronto, Sundance), and offer comprehensive information about them to the international professional community and audiences. The Hungarian National Film Fund has its own stand and pavilion at the Berlinale and at the Cannes Film Festival, where all information can be found on new Hungarian productions and projects, and through which cooperation with players of the national and international professional community may be fostered. The Department established a good working relationship with several hundred film festivals and numerous professional organisations. Besides the festival submission and festival representation of films, it takes part creatively in the organisation of film weeks, retrospective screenings, thematic cultural programmes, professional projects, conferences and meetings.

*b HNNF World Sales:*

One of the key missions of the Hungarian National Film Fund is to foster and support the international marketing of Hungarian films. Since 2011, the World Sales department of the Hungarian National Film Fund has been handling the international sales of feature films, short films and documentaries owned or represented by the Hungarian National Film Fund.

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*c Eurimages:*

Eurimages is the fund of Council of Europe for the production and distribution of cinematographic works made in European co-production. Hungary takes an active part in this organisation. Hungary joined Eurimages in 1990, and has since supported the production of more than 100 co-productions with Hungarian participation, as well as the Hungarian distribution of numerous European films. Every member state can delegate a member to the governing body of Eurimages. The governing body determines the directives of the organisation, the conditions for awarding grants, and decide – based on recommendations made by independent experts and professional committees – on the applications to be supported. The funds of Eurimages originate from the membership dues (approx. 90%) contributed by each country, including also Hungary, and the repayment of loans granted (approx. 10%). The working languages of Eurimages are English and French. Applications are accepted in these languages. All important information on the guidelines and aid system of the fund may be found on its central website: <[www.coe.int/eurimages](http://www.coe.int/eurimages)>.

*d European Film Promotion:*

Based in Hamburg, European Film Promotion promotes European films worldwide. The organisation has 37 member states from Portugal to Georgia, and Hungary takes an active part in its initiatives. EFP offers assistance to European film professionals through numerous programmes. The most important ones of these are the following: *The Shooting Stars*, the event introducing the most talented European actors is organised at the Berlinale. It is represented in Cannes and in Toronto with the programme *Producers on the Move*, which offers a great opportunity for producers to develop their international networks. The *Future Frames* section promotes emerging European film directors by presenting the best graduation films of the continent. Hungarian talents are often represented at these programmes with huge success.

*e Creative Europe Desk:*

Creative Europe is the European Commission's framework programme for supporting culture, creative industries and the audio-visual sector. Its MEDIA sub-programme is aimed at supporting the film industry. The Hungarian National Film Fund owns a Creative Europe Desk. The Desk's task is to convey information regarding tenders available in the framework of the programme to Hungarian film professionals. Creative Europe programme tenders offer players of the Hungarian film profession a great chance to secure additional grants for realising their projects, to render their international networking successful.

*MAFILM Department*<sup>52</sup>

MAFILM department provides services including studio-, set-, wardrobe-, props- and weapon rentals. It also operates the studio sites in Fót and Budapest and manages their lease.

*Hungarian Filmlab Department*<sup>53</sup>

The Hungarian Filmlab is Hungary's most prestigious post-production studio. It has provided complete post production services for more than 60 years for both Hungarian and international clients combining traditional laboratory services with digital procedures. Thanks to its ongoing development, it is equipped with cutting edge technology. It provides on set post production services such as data backup, digital dailies, colour grading, VFX supervising, DCP creation. Besides the postproduction of feature films, TV films and commercials, one of the main missions of the Filmlab is the restoration of archive films.

16.2.2 *Second Pillar: The Hungarian Media Patronage Programme*

One of the most important characteristic of the Hungarian film financing system, which has been fundamentally transformed since 2010, is that film supporting bodies are clearly separated from each other by genre. While the support profile of HNFF includes (70 minutes+) feature films, documentary films and animated films made for cinematic release, the Hungarian Media Patronage Programme<sup>54</sup> established by the Media Council of the National Media and Communications Authority<sup>55</sup> was organized for the support of non-cinematic works primarily made for television release.

The principal aim of the Hungarian Media Council set up by Act CLXXXV of 2010 on Media Services and the Mass Media<sup>56</sup> was to ensure that Hungarian media consumers have equal opportunities in accessing information and cultural assets.<sup>57</sup>

Since 2011, the Media Council has been running the Patronage Programme, coordinated by the member of the Media Council Tamás Kollarik. The Patronage Programme provides funding for independent, Hungarian non-feature films, as well as for the operating costs of local and regional television and radio stations.<sup>58</sup>

The Hungarian Media Patronage Programme consists of two separate, but – from a regulatory and professional point of view – coherent parts. On the one hand radio and

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52 Head of MAFILM Department: Zákonyi S. Tamás (zakonyi@mafilm.hu).

53 Head of the Filmlab Department: László Aradi (aradi@filmlab.hu).

54 Hereinafter: Patronage Programme.

55 Hereinafter: Media Council.

56 Hereinafter: the Media Act.

57 National Media and Infocommunications Authority: Sensible regulation, sound prospects. 2017. p. 49.

58 Ibid.

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television media service providers may apply for a grant for technical development, operating costs and production costs. The grants for media service providers support the operation of Hungarian televisions and radios, the production of programmes and the functioning of a diverse national media. On the other hand independent non-feature filmmakers can apply for a grant to cover production costs. As in the case of the HNFF, direct and indirect grants can reach the amount of 100% of the overall budget. Without the Media Council's patronage system the majority of national media service providers would be facing serious operational difficulties, and many of the industry players would become completely unviable.

The archive of the public service media has been opened to the creators participating in the Patronage Programme – this was a decade old aspiration of the Hungarian filmmakers – so that valuable audio-visual works that were stored for more than 50 years can finally be presented to the audience as part of the range of new Hungarian cultural products.

As far as the grant programs' criteria are concerned, an important criterion is that funded works should not be made for drawers or left in the box. Therefore, only those films are eligible for a grant, which have received a “declaration of intent to broadcast” from domestic television channels with a wide coverage area, so that each of the supported films can reach the audience.

A cornerstone of the Patronage Programme is the respect for artistic freedom, which is in line with the principle of state neutrality, as well as the task of ensuring cultural diversity. This principle also guarantees that the Media Council does not intervene in the process of filmmaking following the granting of the support determined by the support contract, and that creators can follow their own artistic concept and taste. Regarding copyright, it is important to note that although the financers are the Media Council and the Hungarian State, all copyright remains with the subsidized applicants who are free to decide on the licensing of their audio-visual work. Calls for proposals also encourage the provision of second-third introductory platforms and as well as participation at domestic and international festivals.<sup>59</sup>

Based on its annual support plan, the Media Council announces applications for eleven categories of independent Hungarian audio-visual creators. Applications were named after outstanding Hungarian filmmakers of the given genre.

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59 Tamás Kollarik, Zsuzsanna Vincze: *A Médiatanács működése. Mozcókép és paragrafusok kötet. Fundamenta Profunda 4. Magyar Muvészeti Akadémia Muvészetelméleti és Módszertani Kutatóintézet, 2017.*

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**Figure 16.1. The following table summarizes the main elements of each tender procedure**

<b>Name of tender</b>	<b>Genre</b>	<b>Length, episodes</b>	<b>Amount of grant</b>
Ágoston Kollányi	Popular Science film	a) A minimum of 24 and a maximum of 26 or a minimum of 48 and a maximum of 52 minutes length <b>independent popular science films</b> , nature films, as well as cultural, historical, art-his- toric or science themed audio-visual works, or	a) For <b>independent popular science films</b> , the subsidized invest- ment rate may not ex- ceed 75%, the amount of support eligible may be up to <b>HUF 10,000,000</b> .
		b) A minimum of 6 and a maximum of 16 episodes, 3-5 minutes length <b>short popular science series</b> , or	b) For <b>short popular science series</b> , the subsi- dized investment rate may not exceed 75%, the amount of support eligible may be up to <b>HUF 10,000,000</b> .
		c) A minimum 4 and maximum 8 episodes, <b>24-26 minutes length popular science series</b> , or	c) A 4-8 episodes <b>24-26 minutes length popular science series</b> , the subsi- dized investment rate may not exceed 50%, the amount of support eligi- ble may be up to <b>HUF 3,000,000</b> per episode.
		d) A minimum 4 and maximum 8 episodes, <b>48-52 minutes length popular science series</b>	d) A 4-8 episodes <b>48-52 minutes length popular science series</b> , the subsi- dized investment rate may not exceed 50%, the amount of support eligi- ble may be up to <b>HUF 5,000,000</b> per episode.
Judit Ember	Documentary	25 or 50 minutes length <b>independent documentaries</b> , or maximum two epi- sodes <b>documentary series</b>	For <b>independent docu- mentaries</b> , the amount of support eligible may be up to <b>HUF 10,000,000</b> . For <b>two episode docu- mentaries</b> , the amount of support eligible may be up to <b>HUF 5,000,000</b> per episode.

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Name of tender	Genre	Length, episodes	Amount of grant
Gyula Macskássy	Animation film	Maximum <b>25 minutes length independent animation films</b> or a maximum <b>15 minutes per episode length animation series</b>	The amount of support eligible may be up to <b>HUF 15,000,000</b> .
Attila Dargay	Production of further episodes of animated film series themed for children, youth, and family, already supported by Media Council	a) <b>Animated film series</b> for children, youth and family, which have been supported at least once by the Media Council since 2011. The applicant must complete the series up to 13 episodes. Episodes length must be equal to the length of the last supported episodes. No subsidy can be granted for completed works;	a) The amount of subsidy per episode may not be higher than the lowest subsidy granted for the previous episodes.
		b) <b>Independent, individual, animated films</b> with a high professional and artistic quality, which may have an outcome at an international or domestic film festival and whose degree of readiness does not exceed 10%.	b) In case of <b>independent animation films</b> , the amount of the grant is up to <b>HUF 30,000,000</b> .
Zoltán Huszárik	Experimental films and featurettes	<b>Independent audio-visual works</b> , whose degree of readiness does not exceed 10%.	The amount of the grant is up to <b>HUF 8,000,000</b> .
Fehér György	Television film	<b>Television films up to 70 minutes</b> length and <b>25 or 50 minutes length television series up to 2 episodes</b> can be subsidized.	The amount of the grant is up to <b>HUF 120,000,000</b> .
János Neumann	Films distributed online	Any genre in the topic of public service content, defined tender by tender.	The amount of the grant is up to <b>HUF 1,000,000</b> .

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Name of tender	Genre	Length, episodes	Amount of grant
István Nemeskürty	Historical documentary	A minimum 50 and a maximum 52 minutes length independent documentaries, and a minimum 2 and maximum 6 episodes, <b>24-26 minutes length documentary series.</b>	For <b>independent documentaries</b> , the amount of support eligible may be up to HUF <b>25,000,000</b> , For 2-6 episodes <b>24-26 minutes length documentary series</b> , the amount of support eligible may be up to <b>HUF 50,000,000.</b>
Károly Escher	Ad hoc events	Immediate support for on-site works filming Hungarian film events	The support will be determined by the Media Council on the basis of the <b>shooting costs</b> set in the application so that it does not exceed HUF <b>2,000,000.</b>
Lajos Egri	Television film treatments	a) For the script writing of <b>non-feature-length television films</b> up to a maximum of 70 minutes as well as 25 or 50 minutes length <b>television series up to 2 episodes;</b>  b) For the script writing of <b>non-feature-length animation films</b> up to a maximum of 25 minutes as well as for <b>15 minutes length television series up to 13 episodes;</b>  c) Development of <b>television films and film series</b> treatments to scripts.	a) The amount of the grant is up to HUF <b>1,000,000.</b>  b) The amount of the grant is up to HUF <b>2,500,000.</b>

(Source: Tamás Kollarik, Zsuzsanna Vincze: *A Médiatanács működése. Mozgóképek és paragrafusok kötet. Fundamenta Profunda 4. Magyar Művészeti Akadémia Művészetelméleti és Módszertani Kutatóintézet, 2017.*)

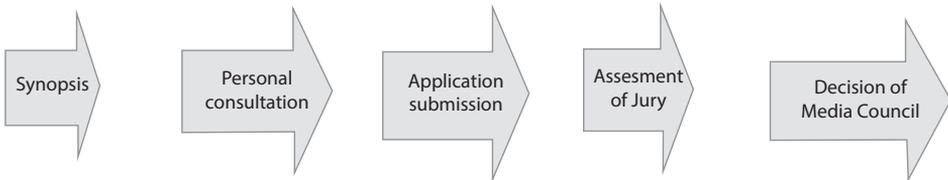
The different film tenders detailed are structured in a three stage process. In the first phase applicants must submit a single synopsis with a one-page “dramaturgical description”. To motivate applicants the Media Council does not impose a registration fee for the first phase. However, applications have been maximized to three synopses per tenderer.

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In the second phase, the tender jury evaluates the synopses received and invites creators to a personal consultation where the director and the producer can pitch their concept.

In the third, section phase selected applicants must submit the complete tender documentation for a specific registration fee. This procedure is an adequate pre-filtering process, giving shape to eligible works at the level of the idea.

**Figure 16.2 The tendering procedure of Media Patronage Programme**



(Source: Tamás Kollarik, Zsuzsanna Vincze: *A Médiatanács működése. Mozgókép és paragrafusok kötet. Fundamenta Profunda 4. Magyar Művészeti Akadémia Művészetelméleti és Módszertani Kutatóintézet, 2017.*)

The grants for independent Hungarian filmmakers ensured the creation of several Hungarian audio-visual works with remarkable value in the past few years, which have won over both the audience and cinematic professionals. This success is also underpinned by an increasing audience, festival successes and positive feedback from the press.

The films financed by the Patronage Programme between 2011-2017 have won 265 awards and prizes at 862 Hungarian and international film festivals.

2016 and 2017 have earned the Media Patronage Programme its first film competing at the Berlinale, Cannes<sup>60</sup> and Sundance – as well as its first nomination for the European Film Awards. Not to mention that a year after László Nemes received an Oscar for ‘Son of Saul’, Kristóf Deák’s short film ‘Sing’ supported by the Patronage Programme not only won awards at both the Shorts Tokyo and the Chicago International Children’s Film Festival, but it also won the 2017 Academy Award for Best Live-Action Short. This was the first time a Hungarian live-action short film won the Academy Award. Previously, Ferenc Rófusz’ 3 minute short “The Fly” won the category of Best Animated Short in 1981.

Another hugely successful Patronage Programme project, Réka Bucsi’s animation ‘LOVE’ has been selected for more than 110 festivals since its debut at the Berlinale Shorts in 2016. Winning the RiverRun Festival in 2017 means that there will be a Hungarian film supported by Patronage Program shortlisted for the Academy Award 2018: the third in a row.

The Media Council maintains an ongoing relationship with the players of the Hungarian film industry, and in order to be able to tailor the tenders to the actual needs, it tries to reduce administrative burdens and increase the amount of the grants, while con-

<sup>60</sup> Luca Tóth’s ‘Superbia’ had its world premiere at the Cannes Semaine de la Critique and in 2017 has an extensive list of festivals, with 40 more selections (including Encounters and Chicago IFF) and an Audience Award from Love and Anarchy Helsinki, as well as a Special Jury Mention from AFI Fest.

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stantly following up on international trends, implementing best practices and innovative solutions in the Patronage Programme funding scheme.

Supporting film marketing as well as international sales activities, the Media Council publishes its bilingual (English-Hungarian) Patronage Guide which it updates each year since 2015. The Patronage guide contains all the works funded by the Hungarian Media Patronage Program with more than 700 brief reviews, contact information and descriptions of the films.

16.2.3 *Third Pillar: The Motion Picture Authority (Also Called the National Film Office)*<sup>61</sup>

Indirect state subsidies have been a well-known form of film funding in the last decade in Europe as well as in the other countries, because it aims to lure assets that come with big-budget overseas production into the national economy of the funding country. Hungary was one of the first countries in the region to establish in 2004 an attractive 20% tax rebate system available for foreign films choosing Hungary as a film location, resulting in an enormous economic success in the provision of film services in less than 10 years.

While in 2004 film-related spending in the country hardly reached 20 million EUR, in 2016 such spending in Hungary amounted to a total of 402 million EUR.<sup>62</sup> This is a 75% increase compared to the previous year of 2015. Since 2010 GDP proportional film industry expenditure in Hungary is higher than anywhere else in Europe.

Nowadays Hungary is the second-biggest production hub in the European Union after the United Kingdom, with international producers attracted by the 25% tax rebate,<sup>63</sup> the skilled crews and the modern production facilities. Six to eight major international movies shoot in Hungary every year, as well as 10 or so films with an above-average budget. Recent productions have included *Blade Runner 2049* starring Harrison Ford and Ryan Gosling; 20th Century Fox spy thriller “Red Sparrow,” starring Jennifer Lawrence, and Lionsgate’s retelling of the English folklore tale “Robin Hood: Origins,” starring Taron Egerton and Jamie Foxx. At the time of writing this paper the film “Colette” starring Keira Knightley is being shot in the streets of Budapest by the same production team that produced the multi-Oscar-nominated film “Carol.”<sup>64</sup>

Among the major TV series shooting in Hungary in 2017 are “The Alienist,” produced by Paramount Television for TNT, season six of HBO-Sky’s “Strike Back,” and season two of “Mars,” produced by Imagine Entertainment for National Geographic.<sup>65</sup>

61 Hereinafter: Film Office.

62 The scheme is part of the film support programme approved by the European Commission until 31st of December 2019 with a budget of EUR 402 million.

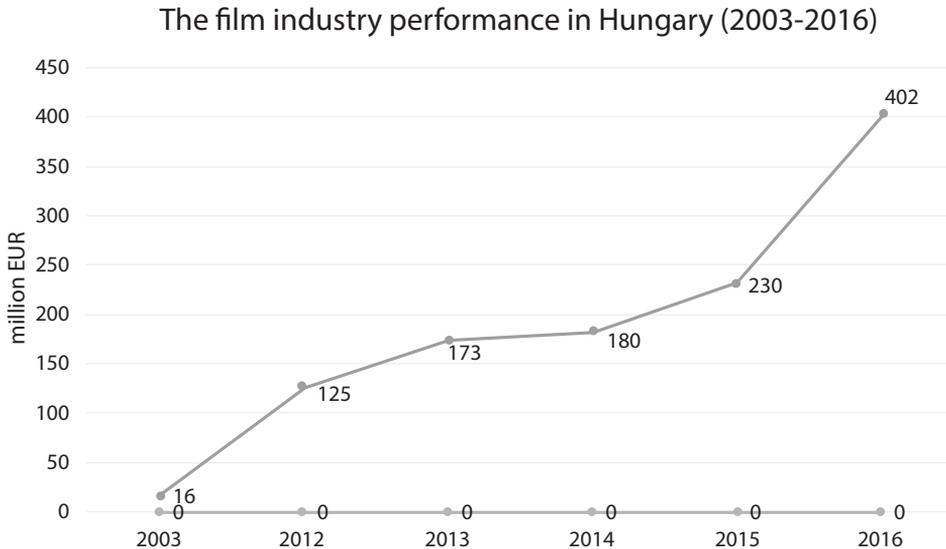
63 The tax rebate was raised from 20 to 25% in 2014.

64 Variety: Andy Vajna Explains How He’s Bringing Hollywood to Hungary. <<http://variety.com/2017/film/production/andy-vajna-hollywood-hungary-1202448722/>>.

65 Ibid.

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**Figure 16.3 Film industry expenditure in Hungary 2003-2016; Overall Net Expenditure in EUR**



As it was mentioned above, films for cinema and television produced in Hungary are eligible for a 25% tax rebate based on their expenditure<sup>66</sup> incurred in the country.

The incentive is available through local business companies who receive tax relief after their support of films or through the Collection Account operated by the Hungarian National Film Fund. Financial support is provided in the form of a cash refund.

From the sponsors' point of view the current regulation offers various ways to benefit from the favourable corporate tax regime allowing the sponsor to deduce the amount of subsidy from both the tax and the tax base:

- a sponsorship agreement can be concluded with the producer, in order to fund the production directly;
- the amount of aid can be transferred to a deposit account managed by the Hungarian National Film Fund; moreover
- the sponsor can offer aid within its submission for a corporate tax return.

The state and industry players involved in the chain of indirect state subsidies are organized into one single system by the regulatory activities of the Film Office.<sup>67</sup>

The Film Office set up by the Motion Picture Act is the main organization for motion picture administration. It conducts several activities within a mainframe of administrative and non-administrative procedures in order to ensure the comprehensive supervi-

<sup>66</sup> All direct film production costs.

<sup>67</sup> Tamás Kollarik, *ibid.*, slide 15.

sion of motion picture state funding as well as operation of the system of indirect state subsidies for film production. The operation of the system of indirect support for film production is linked closely with the powers of general supervision because the main element of the tax relief system is the budget and the aid that amounts to 25% of the direct film production budget.<sup>68</sup>

The procedures – to determine the eligibility of the subject (registration of the organization), to determine the cultural content of the production (cultural test) and to assess the financial-professional background (assessing the eligibility for subsidy) – are the same for productions that use direct state subsidies and those that use indirect state subsidies.

The Motion Picture Act sets forth the rules for accessing indirect state subsidies as a source of funding available for the production of Hungarian, foreign and co-produced films shot in the territory Hungary.<sup>69</sup>

The main element of the system is the distinction between categories films that are eligible for state aid and films that are not. Article 2 paragraph 28 defines the concept of a film which has a cultural value based on its genre, drawing a line between television content and genres that are eligible for state aid.<sup>70</sup>

According to the inherent logic of the Act, the Office examines the production after the completion of the film, following the scheduling chosen by the sponsor (monthly, quarterly or one-off) and certifies the amount of available indirect subsidies, which shall be proportionate to the actual spending. Of the several rules on state subsidies the Film Office decides whether to use substantive or sampling financial control based on the size of the production budget set for the first control period. Regarding the requested items, all available financial documents that are related to the film must be provided. The Office can conduct on-site checks and has the right to examine the bookkeeping records of all subcontractors involved the production. Only those invoices may be considered that are due during the evaluation period and that were paid prior to the date of application.<sup>71</sup> The amount of royalty for the copyright and subsidiary rights pertaining to work underlying the film cannot exceed 4% of the overall budget.

The act provides for an opportunity to apply the tax relief in relation to those costs that have been accounted for abroad, with an invoice from abroad, but only up to 20% of the direct Hungarian film production costs and only if the costs are related to the shooting in Hungary, and they are in the Hungarian budget.<sup>72</sup>

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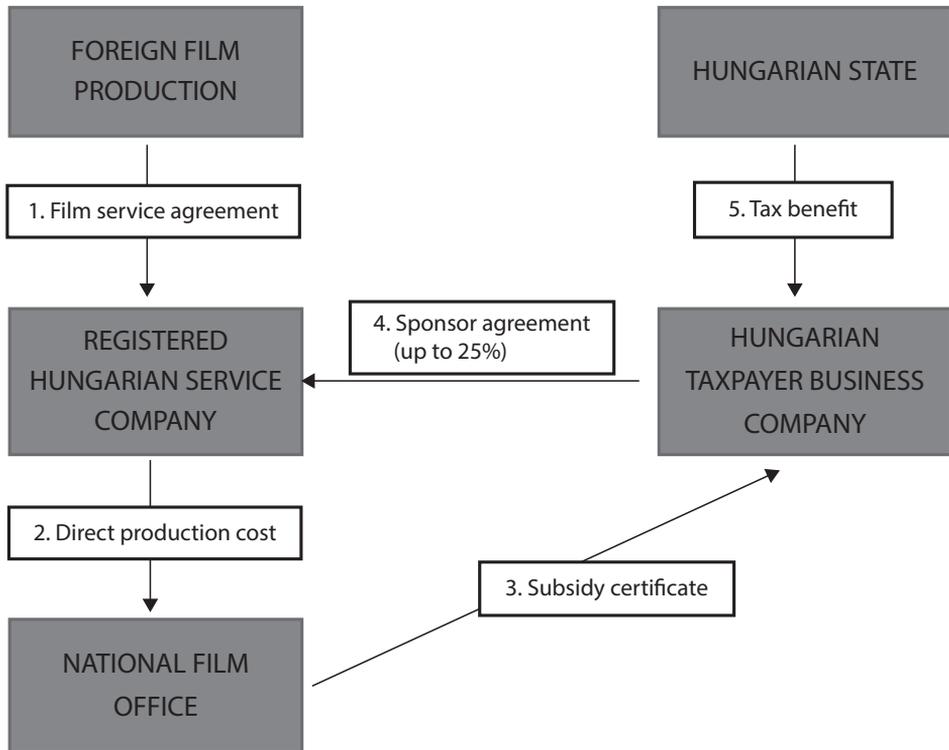
68 Tamás Kollarik, *ibid.*, slide 16.

69 Tamás Kollarik, *ibid.*, slide 17.

70 Tamás Kollarik, *ibid.*, slide 18.

71 Tamás Kollarik, *ibid.*, slide 19.

72 Tamás Kollarik, *ibid.*, slide 20.

**Figure 16.4 Summary infographics of the indirect film support procedure of Film Office**

(Source: Takó Sándor: Takó Sándor: A filmkészítés folyamatát övező polgári jogi kérdések Magyarországon és az Egyesült Államokban, különös tekintettel a szerzői jogra. Iparjogvédelmi és Szerzői Jogi Szemle, 2014/1. p. 25.)

### 16.3 CONCLUSION

The renewal of the Hungarian film industry following EU accession may be considered as one of the country's biggest success stories. The Motion Picture Act established in 2004 and the tax rebate system introduced as one of the first in the EU have successfully created the infrastructural and legal background of the film industry. The institutional reform in 2010 led by film commissioner Andrew G. Vajna solved the decade-long problem of underfunding rampant in Hungarian filmmaking as well as created a democratized film aid system suited to EU requirements.

The HNFF, focusing on motion pictures, and the Patronage Program specializing in TV productions, support nearly 100 productions annually, covering a wide variety of genres and artistic perspective. Hungarian films have become regular participants of international festivals, winning more than 400 awards and festivals in the last seven years.

The HNFF supported the film entitled ‘Son of Saul’ directed by László Nemes, which won everything a European film can, including an Academy Award, Golden Globe and BAFTA for Best Foreign Language Film. Szabolcs Hajdú’s Crystal Globe awarded film ‘It’s not the time of my life’ also won the heart of the jury in Karlovy Vary, and Ildikó Enyedi’s drama ‘On Body and Soul’ won the Golden Bear for best film at the Berlin Film Festival.

Hungarian films are slowly beginning to regain the favour of Hungarian moviegoers as well. The Nordic styled crime thriller “Strangled” by Árpád Sopsits quickly became the biggest hit and the most viewed Hungarian movie in 2016 despite having an 18 age rating. The most expensive Hungarian film ever, “Kincsem” directed by Gábor Herendi released in 2017 March sold almost 400 thousand tickets, became the most watched film of the year in Hungary until the middle of the year. By comparison, more cinema-goers have seen Gábor Herendi’s film than the Oscar-winning Son of Saul, and Kincsem sold more tickets than all Hungarian films released in 2016 combined.<sup>73</sup>

Film services guaranteeing a 25% tax rebate are also living their golden age in Hungary, while domestic film industry revenues are hundred times bigger than ten years ago. As Howie Young (co-producer of the MARS project for NatGeo filmed in Hungary) pointed out:

“The modern structures, together with Hungary’s generous tax incentives, Budapest’s Beaux arts-style architecture, and a low-cost, highly trained, English-speaking workforce, make for a wonderful city to work in. [...] There are probably eight to 10 movies shooting in the city at any given time, and another 10 interested. [...] The productions are competing with each other for space and locations.”<sup>74</sup>

The productions coming to Hungary now are “bigger” than in previous years, major studios are realizing they can get maximum value for their dollars in Hungary. The streamlining of bureaucracy has helped maximise the country’s success in attracting more producers to the country. As Vajna underlines: “The system is very simple, simple to administer. They have now developed the confidence that it really works, so everybody is coming back.”<sup>75</sup>

Hungarian audio-visual productions have had a busy year of 2016. The total number of productions registered by the Film Office grew significantly, from 239 in 2015 to 299 in 2016. While the number of service projects remained the same, Hungarian productions showed a noteworthy increase from 180 to 243.<sup>76</sup>

73 <<https://dailynewshungary.com/popular-hungarian-film-2017/>>.

74 Variety: Andy Vajna Explains How He’s Bringing Hollywood to Hungary. <<http://variety.com/2017/film/production/andy-vajna-hollywood-hungary-1202448722/>>.

75 Ibid.

76 Gabor Osvath: The Biggest Year for the Hungarian film industry – 2016 by numbers. Hungarian Film Magazine – Cannes 2017.

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A number of educational projects have been set up to improve both the crew base and creative resources of the industry, creating new jobs in the country in the future. At the end of 2016 Csaba Dömötör, Parliamentary State Secretary at the Cabinet Office of the Prime Minister, called the film industry a strategic sector of the Hungarian economy in the Parliament. As Dömötör emphasized:

“Nowadays, the contribution of the film industry to the GDP is the highest in Hungary and in the European Union, two and a half times larger than the European average. It is also telling, that Budapest, after London is the most significant European production location. [...] The government wants to make Budapest one of the strongholds of European film production.”<sup>77</sup>

However successes cannot mean that the journey is over. Competition for foreign productions is constantly on the rise in Europe: Finland has recently introduced a 25% tax rebate system similar to the Hungarian scheme.<sup>78</sup> The government should consider to use the tax advantage system more to build the Hungarian national image, and amend the Motion Picture Act if necessary.<sup>79</sup>

Meanwhile, Hungarian film must go further down the road to conquer the heart of the domestic audience, with well-chosen film projects and current themes. This may include the recently announced film concerning the life of football icon Ferenc Puskás<sup>80</sup> or a great historical epic on the Hunyadi dynasty.

The HNFF should encourage the making of more Hungarian co-productions, which would help Hungarian films reach more markets around the world. To achieve this goal it must develop a professional, English-speaking producer generation with sound networking skills.

All in all, the Hungarian film industry has undergone unprecedented development in recent years, and the country is on the road to regaining the cinematographic influence it had at the beginning of the 20th century, giving meaning to the words of the world-famous Hungarian photographer Robert Capa: “It is not enough to have talent, you also have to be Hungarian.”

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77 <[www.kormany.hu/hu/miniszterelnoki-kabinetiroda/parlamenti-allamtitkar/hirek/strategiai-agazat-a-filmipar](http://www.kormany.hu/hu/miniszterelnoki-kabinetiroda/parlamenti-allamtitkar/hirek/strategiai-agazat-a-filmipar)>.

78 <[www.nordiskfilmogtvfond.com/news/stories/finland-lines-up-25-production-incentive-for-2017](http://www.nordiskfilmogtvfond.com/news/stories/finland-lines-up-25-production-incentive-for-2017)>.

79 Building a culturally biased tax rebate system like the Maltese one could bring enormous benefits in movie tourism. In Malta there is an additional 2% available for foreign productions if the film features Malta culturally.

80 <[http://index.hu/kultur/cinematrix/2017/04/07/puskas\\_film\\_andy\\_vajna\\_joe\\_eszterhas/](http://index.hu/kultur/cinematrix/2017/04/07/puskas_film_andy_vajna_joe_eszterhas/)>.