

Agreement on Film Co-productions between the Government of the Italian Republic and the Government of the Republic of Hungary

Preamble

THE GOVERNMENT OF THE ITALIAN REPUBLIC AND THE GOVERNMENT OF THE REPUBLIC OF HUNGARY, hereinafter jointly referred to as the "Parties";

ACKNOWLEDGING the ongoing development in their bilateral cultural relations and also cognizant of the existing Agreements between the Parties;

CONSIDERING that the film, television, video and new media industries of their respective countries could benefit from co-productions that, by their technical quality and artistic and entertainment value, would enhance the reputation and contribute to the economic expansion of the film, television, video and new media production and distribution industries of Italy and Hungary;

HEREBY AGREE AS FOLLOWS:

Article 1 Definitions

For the purpose of this Agreement, a "cinematographic co-production" is a project irrespective of length, including animation and documentary productions, produced in any format, primarily for exploitation in theatres and then on television, videocassette, videodisc, CD-ROM or any other form of distribution. New forms of audiovisual production and distribution will be automatically included in this Agreement.

Article 2 National Films

(1) Every co-production produced under this Agreement shall be considered to be a national film by both Parties. Such films shall by right be entitled to the benefits resulting from the provisions in force or from those which may be decreed by each Party. These benefits shall accrue solely to the producer of the Party that grants them.

(2) Films to be co-produced under this Agreement must be approved, after consultation, by the competent authorities of both Parties.

Article 3 Competent Authorities

The competent authorities responsible for the implementation of this Agreement shall be:
in the case of the Italian Republic: the Ministry of the Properties and the Cultural Activities,
Cinema Directorate-General
and
in the case of the Republic of Hungary: National Office of Cultural Heritage.

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Article 4
Co-production

(1) In order to qualify for the benefits of this Agreement, the co-producers shall provide evidence that they have good technical organization, recognized professional standing and qualifications and the necessary financial resources to bring the production to a successful conclusion.

(2) Approval shall not be given to a project where the co-producers are linked by common management or control, unless such links are inherent in the making of the co-production film itself.

Article 5
Filming

Co-production films shall be made, processed and dubbed, up to creation of the first release print, in the countries of the participating co-producers, in accordance with the Article 9. If the scenario or the subject of the film so requires, location shooting, exterior or real life interior, in a country not participating in the co-production may be authorized.

Article 6
Participation

(1) The producers, scriptwriters, directors, actors and professionals of co-productions, as well as technicians participating in the production, must be nationals of the Italian Republic, or of the Republic of Hungary, or nationals of other Member States of the European Economic Area or long term residents of the Italian Republic or of the Republic of Hungary according to the EU and national laws in force in the two countries.

(2) Should the film so require, the participation of professionals who are not in the conditions provided by paragraph 1 may be permitted, but only in exceptional circumstances, and subject to agreement between the competent authorities of both Parties.

(3) Foreign professionals who are resident or normally employed in the Italian Republic or in the Republic of Hungary may, in exceptional circumstances, take part in co-production as long term residents of one or the other of the said countries.

Article 7
Contributions of the Producers

(1) The respective contributions of the producers of the two countries may vary from twenty (20) to eighty (80) per cent for each film. In principle, the minority co-producer shall be required to make an effective technical and creative contribution.

(2) Notwithstanding the provisions of paragraph (1), derogations are allowed on a case-by-case basis – with the approval by the competent authorities of both countries – as far as the

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minority quota, exclusively financial or with technical-artistic contribution, is not less than ten (10) per cent of the budget of the film.

(3) In case the Italian co-producer or the Hungarian co-producer is composed of more than one production company, the financial contribution of each company shall not be less than five (5) per cent of the total budget of the film.

Article 8
Multilateral Productions

(1) The Parties shall look favourably upon co-productions meeting international standards by Italy, Hungary and one or more countries to which Italy or Hungary are respectively bound by an official co-production agreement.

(2) The conditions of acceptance for such films shall be determined in each case by both Parties. No minority contribution to such films shall be less than ten (10) per cent of the budget.

(3) In case the Italian co-producer or the Hungarian co-producer or the co-producer of a third country or countries is composed of more than one production company, the financial contribution of each company shall not be less than five (5) per cent of the total budget of the film.

Article 9
Film Negatives and Languages

(1) For each co-produced film, it shall be an original negative and an internegative print.

(2) Each co-producer is owner on a pro-quota basis of the original negative; this negative will be deposited, under a joint name, in a laboratory of one of the two countries, chosen by mutual consent by the co-producers. The development of the negative will be made in the laboratories of one of the two countries.

(3) Two versions shall be made of any co-produced film and such versions shall be respectively in Italian and in Hungarian. The Italian version shall be made in Italy while the Hungarian version shall be made in Hungary.

Article 10
Temporary Entry

The Parties shall facilitate the temporary entry into and the re-export of any film equipment necessary for the production and the promotion of films under this Agreement, subject to the domestic law in force in their countries.

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Article 11
Payment of Contribution

- (1) The minority co-producer shall pay any balance outstanding on his contribution to the majority co-producer within one hundred and twenty (120) days following delivery of all the materials required for the production of the version of the film in the language of the minority country.
- (2) Failure to meet this requirement shall result in the loss of the benefits of the co-production.

Article 12
Sharing of Markets

- (1) Contract clauses providing for the sharing of markets and receipts between co-producers shall be approved by the competent authorities of the Parties. Such distribution shall in principle be based on the percentage of the respective contribution of the co-producers to the production of each film.
- (2) Whenever a co-production contract provides for the "pooling" of markets, the receipts from each national market shall be paid into the "pool" only after the national investments have been received.
- (3) Premiums and financial benefits provided for in Article 2 of the Agreement shall not be pooled.
- (4) The transfers of funds resulting from the application of this Agreement shall be made in accordance with the domestic law in force in this field in both countries.

Article 13
Contracts between Co-producers

Contracts between co-producers shall clearly stipulate the financial liabilities in respect of the apportionment of:

- a) preliminary expenditures on the preparation of a project;
- b) expenditures on a project that has been approved by the competent authorities of the Parties but which, in its final form, does not meet the conditions governing such approval;
- c) expenditures on a film co-produced under this Agreement but the showing of which is not permitted in either of the two countries concerned.

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Article 14
Approval of a Co-production Proposal

Where the competent Authorities of both Parties have approved a proposal for the co-production of a film by the co-producers, approval does not imply the permit for the exhibition of such film. Approval for the exhibition of such films shall be subject to the domestic laws of each country.

Article 15
Exporting of film

- (1) If a co-produced film is exported to a country that has quota regulations, it shall normally be included in the quota of the Party of the majority co-producer;
- (2) If the respective contributions of the co-producers are equal the co-produced film shall be included in the quota of the Party that has the best opportunity of arranging for its exhibition;
- (3) If the respective contributions of the co-producers are equal but it can not established which Party has the best opportunity of arranging for the exhibition, the co-produced film shall be included in the quota of the Party of which the director of the film is a national.

Article 16
Identification of Co-production Films

- (1) All co-produced films shall be identified as "Italian-Hungarian co-productions" or "Hungarian-Italian co-productions".
- (2) Such identification shall appear in a separate credit title of the title sequences, in all commercial advertising, whenever co-produced films are shown at artistic or cultural events and at international festivals.

Article 17
Entry in International Festivals

- (1) Co-produced films shall normally be entered in international festivals by the Party of the majority co-producer.
- (2) Films produced on the basis of equal contributions shall be entered by the Party of which the director is a national.

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Article 18
Rules of Procedure and Application for Qualification

(1) Applications for qualification of a film for co-production benefits shall be filed, with the required supporting documents, at least thirty (30) days before the commencement of shooting or key animation, in accordance with the Rules of Procedure which are attached to this Agreement.

(2) In principle, the competent authorities of the Parties shall notify each other of their decisions regarding any such applications for co-production as soon as possible, but not necessarily within the aforementioned limit of thirty (30) days.

Article 19
Mixed Commission

(1) During the term of this Agreement a Mixed Commission, consisting of officials of both Parties and experts, shall, in principle, alternately meet every two years in the two countries. However, an extraordinary session may be convened at the request of one or both competent authorities, particularly in the case of major amendments to the domestic law governing the film, television and video industries in both countries, or where the application of this Agreement presents serious difficulties in its implementation.

(2) The Mixed Commission shall determine the existence of a numerical and percentage balance of the co-productions and, if not, shall determine the measures deemed necessary to establish such a balance.

(3) The Mixed Commission shall submit to the competent authorities of the two Parties, for approval, the necessary amendments in order to resolve any difficulties arising from the application of this Agreement as well as to improve it, in the best interest of the Parties.

Article 20
Obligations of the Contracting Parties

The provisions of this Agreement do not prejudice the obligations of the contracting Parties derived from International and EU laws.

Article 21
Entry into Force

(1) This Agreement shall enter into force on the date of receipt of the last of the two notifications by which each of the contracting Parties shall notify the completion of their internal ratification procedure.

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(2) The Agreement shall remain effective for a period of five years and shall remain in force for a further period of five years by tacit agreement, unless either Contracting Party decides to denounce it no later than six months before its expiry date.

(3) Co-productions which have been approved by the competent authorities and which are in progress at the time of notice of termination of this Agreement by either Party shall continue to benefit fully from the provisions of this Agreement until their completion. After expiry or termination of this Agreement, its terms shall continue to apply to the division of revenues from completed co-productions.

(4) This Agreement replaces the previous Agreement on Film Coproduction between the Government of the Italian Republic and the Government of the People's Republic of Hungary signed on January 21, 1982 and entered into force on November 2, 1984.

Article 22
Amendments

This Agreement may be amended under the provisions of article 19, comma 3. The amendments agreed upon by the Parties shall enter into force with the procedures agreed upon by the parties.

Article 23
Dispute Resolution

Any dispute between the Parties regarding the interpretation or implementation of this Agreement shall be settled amicably between the Parties.

IN WITNESS WHEREOF, the undersigned, being duly authorized thereto by their respective Governments, have signed this Agreement.

DONE at ROME on 08/06/2007 in two originals each in Italian, Hungarian, English languages, all the texts being equally authentic. In case of divergence on interpretation, the English text shall prevail.


FOR THE GOVERNMENT OF
THE ITALIAN REPUBLIC


FOR THE GOVERNMENT OF
THE REPUBLIC OF HUNGARY

ANNEX
Rules of Procedure

Applications for qualification of a film for co-production benefits must be filed, in principle simultaneously, to the competent administrations no less than thirty (30) days prior to the commencement of shooting of the film.

Applications must be accompanied by the following documents in the Italian language for the Italian Republic and in the Hungarian language for the Republic of Hungary.

- I. the script;
- II. a document providing proof that the copyright of the film adaptation has been legally acquired or failing this a valid option;
- III. the co-production contract, subject to the approval of the competent administrations of the two countries.

This document must include:

1. the title of the film;
2. the name of the writer or of the person responsible for adapting the subject if it is drawn from a literary source;
3. the name of the director (a safety clause is permitted for his replacement, if necessary);
4. the amount of the budget;
5. the amount of the financial contributions of the co-producers;
6. the sharing of the receipts and markets;
7. the undertaking between the co-producers concerning their participation in any costs which exceed the budget or in the benefits from any savings in the production cost, proportionate to their respective participation. The participation in over-expenditure may be limited to 30% of the budget of the film;
8. a clause in the contract must provide that the admission of the film to the benefits of the agreement does not bind the competent authorities to permit the public exhibition of the film. Under the circumstances, therefore, there must be a clause setting out the conditions of a financial settlement between the co-producers:
 - a) if the competent authorities of either country refuse the application following examination of the complete file;
 - b) if the competent authorities do not permit exhibition of the film in either country or in third countries;
 - c) if the financial contributions have not been made according to the terms of Article 11 of the Agreement.
9. a clause aiming at establishing measures to be implemented if one of the co-producers does not entirely fulfil his commitments;
10. a clause which requires the majority of co-producer to take out an insurance policy covering all production risks;
11. the approximate starting date of shooting;
- IV. the plan for financing the film;
- V. the list of the technical and artistic equipment and personnel, and, for the personnel, stating their nationalities, including the roles to be played by the performers;
- VI. the production schedule.

The competent authorities of the two countries shall be entitled to demand any further documents and all other additional information deemed necessary.

Handwritten signatures: *Hy* (left) and *Hy* (right)

In principle, the final shooting script (including the dialogue) should be submitted to the competent authorities prior to the commencement of shooting.

Amendments, including the replacement of a co-producer, may be made in the original contract but they must be submitted for approval by the competent authorities of both countries before the film is finished.

The replacement of a co-producer may be allowed only in exceptional cases and for reasons declared valid by the competent authorities.

The competent authorities will keep each other informed of their decisions, enclosing one copy of the file.

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