# Navigating Abu Dhabi's qualifying production expenditure

## A comprehensive guide

KPMG Lower Gulf
March 2024

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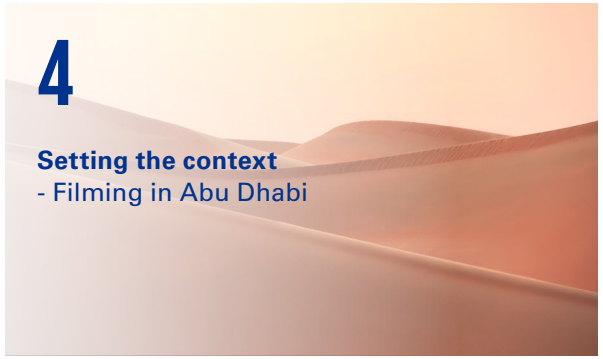


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# Executive summary

## Why film in Abu Dhabi?

- 30% cashback rebate on production spend.
- Explore the treasures of Abu Dhabi's landscape with the scouting expertise for your cinematic vision.
- Award-winning, experienced, professional crew and supplier bases.
- Advice and assistance with government requests, permits, visas, script approval, importing equipment, and filming permits.

## Abu Dhabi Film Commission (ADFC)

ADFC pioneers the Middle East's inaugural production incentive, offering an attractive 30% cashback rebate on a wide array of productions and post-production services, both on location and elsewhere.

## Approvals

Rebate applications must be submitted at least 20 days before starting principal photography in Abu Dhabi, or 40 days in advance if script approvals from the National Media Council (NMC) are needed.

## Final certificate

To obtain a final certificate, applicants must submit a written audited expenditure statement, compiled by an approved auditor, within 180 days of completing principal photography or post-production in Abu Dhabi.

## Eligibility

For regional and international production or production services companies embarking on principal photography after 1 September, 2012.

## Essential considerations for rebate claim applications

- Technicians
- Companies and service providers
- Visa, flights and accommodation
- Transportation
- Others – food and beverage, utilities, rent locations/props, etc.

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# Setting the context

## Filming in Abu Dhabi

ADFC was established in 2009 to support the development of Abu Dhabi's film and TV industry and promote the Emirate of Abu Dhabi as a production location, regionally and internationally. Its responsibility is to assist production companies through every step of the production process, providing:

- Generous 30% cashback rebate on production spend.
- Scouting assistance across a diverse range of unique locations including stunning coastline with year-round blue skies, wild desert, amazing oasis, and iconic architecture.
- Award-winning, experienced, professional crew and supplier bases.
- A full-service offering for government servicing, permits, visas, script approval, and customs clearance and shooting permits.
- First-class studios and post-production facilities at competitive rates.

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# Rebate scheme

As of September 2012, ADFC offers the Middle East's first production incentive, providing access to up to 30% cash-back of Abu Dhabi Qualifying Production Expenditure (ADQPE) to production companies producing part or post-producing all their productions in Abu Dhabi.

The major areas covered by the rebate and their meaning include:

## Eligibility:

regional and international production and/ or production services companies who have commenced principal photography after 1 September 2012 and meet the rebate guidelines' eligibility requirements for the applicant's profile, production format, funding structure, and minimum ADQP.

## Approval process:

applications for the rebate should be received at least 20 days before the commencement of principal photography in Abu Dhabi, and 40 days if there are script approvals required from the NMC. Principal photography must start within 60 days of issuance of the interim rebate certificate by ADFC. The applicants must obtain an interim rebate certificate during pre-production (before commencing principal photography).

## Final certificate:

to obtain a final certificate within 180 days of completion of principal photography (or post-production) work in Abu Dhabi, the applicant must provide ADFC with a written audited expenditure statement summarizing all ADQPE provided by a suitably qualified auditor along with the entire auditor's working spreadsheets and supporting documentation. The auditor must be approved in advance by ADFC and may not be an officer, partner, or employee of the applicant or any affiliated entity, or any other entity involved in the production.

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# What is ADQPE?

ADQPE outlines the various categories of expenses eligible for the 30% rebate.
Below is a summary of the key qualifying expenditures.

## Technicians:

- Compensation for below-the-line crew members is applicable only for the duration of their services in Abu Dhabi (refer to appendix 1 of the rebate guidelines for a non-exhaustive list).
- Per diems, not exceeding US $100 (AED 367.35) per person per day, are eligible for individuals providing services in Abu Dhabi.

## Companies:

- Equipment rental fees are valid for equipment supplied by a registered supplier in Abu Dhabi with a current trade license for the relevant activity.
- Budgeted production costs, encompassing expenses like extras' wages, location rental, set construction, accommodation, transportation, as well as production and post-production services, are qualifying expenditures.

## General expenses:

- General business overhead costs are eligible only payments must be made exclusively to authorized Abu Dhabi-registered suppliers and be wholly incurred for the Abu Dhabi production.
- International travel costs qualify if they are arranged through a travel agency located in the Creative Media Authority, Abu Dhabi.
- Professional advisory fees, covering legal, accountancy, payroll services, and audit fees, are eligible to the extent that they are solely applicable to the Abu Dhabi aspects of the production, including costs related to the preparation of rebate documentation.
- The cost of insurance policies, such as worker's compensation, third-party liability, and production insurance, is considered qualifying if sourced and paid through an Abu Dhabi-based broker for production or post-production activities in Abu Dhabi.

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# Application process

To be eligible for the rebate, any production depicting and representing the Emirate of Abu Dhabi on-screen should ensure that all elements in the production (including, but not limited to, vehicle license plates) identify Abu Dhabi. Please note that the applicant company may contact twofour54 Tawasol (**tawasol@twofour54.com**) for further details on Abu Dhabi vehicle license plate representation services.

## 01

## Application

- Online application and approval process: applicants will require NMC and/or ADFC approval for any production that is the subject of a Rebate application which is expected within 20 days.
- Interim certificate: applicants must obtain an interim certificate during pre-production (before commencing principal photography).
- Commencement of photography: principal photography must commence within sixty (60) days of issue of the interim certificate by ADFC.

## 02

## Execution

The applicant must notify ADFC in writing and confirm with ADFC whether implementing them may affect the eligibility of the production for a rebate:

- Changes in production value by +/- 20%
- Material changes to script
- Cast changes
- Changes to script schedule/filming locations

## 03

## Reporting and final assessment:

- Submission of ADQPE: application for a final certificate within 180 days of completion of photography.
- Audited statement summarizing ADQPE including all the supporting evidence (the entire working spreadsheet, etc.).
- Approval and payment of ADQPE: ADFC will carry out the final assessment of the rebate application within twenty (20) business days of receipt of all required documentation and the Audited Expenditure Statement or Rebate is paid within sixty (60) business days of issue of the final certificate.

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# Major areas of disqualification

The following outlines significant areas of major disqualifications:

## Technicians

- Crew members holding non-Abu Dhabi visas.
- Crew members holding Abu Dhabi visas, but their occupations are housewife or student.
- Crew members who were contracted for an occupation that is listed in the approved 'below the line' designation as part of the ADQPE.
- Cash payments given to crew members as part of their contractual payments.
- Crew members receiving payments for overtime, reimbursements, etc. without maintaining or providing supporting documentation to justify the payments.
- Non-cash expenditures (gratuity) and medical insurance are considered qualified expenses for crew members on the production company payroll.

## Companies and service providers

- Service providers not holding Abu Dhabi Trade License.
- Service providers with an Abu Dhabi Trade License, however, the services were provided through a non-Abu Dhabi branch.
- Service providers who are not licensed to provide the contracted services; providing extras while not having a talent acquisition/management activity in the trade license.
- Non-declaration of related party transactions in the primary audit stage.
- Companies procuring public liability policies for annual coverage, with policies following project timelines but may not be specific to the project and can be utilized for multiple projects.

## Others

- Media production companies engaging with suppliers who exclusively generate manual invoices.
- Expenses that are incurred outside the project's approved timelines.
- Production companies renting locations or props from individuals instead of registered suppliers located in Abu Dhabi.
- Procurement of consumables through manual invoices, where cash purchases exceeded AED 10,000 in the same invoice.

## Visa, flights and accommodation

- Expenses on residency, health insurance, and penalties which are considered as non-qualified expenses.
- Excess baggage claimed without justifying the excess pertaining to the project or a perk provided to the crew/cast member.
- VIP perks such as luxury airport pick-ups, fast lane services in the airport, etc.

## Transportation

- Fuel charges for personal cars which are treated as irrelevant expenses to the project.
- Expenses claimed against car maintenance payments which are considered personal expenses.

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# How KPMG can help

KPMG provides several advisory services for various production houses/companies, and we have the strongest credentials. Depicted below are some of our main services provided related to ADQPE:

## Primary audits

KPMG provides a solution by conducting thorough reviews and analysis of rebate applicant documents to verify compliance with ADFC 30% cash rebate requirements. Subsequently, identified issues and areas for improvement are discussed with the project coordinator and stakeholders. A comprehensive review report is then submitted, outlining gaps and non-conformance areas, along with assistance in the remediation process. Diagnostic reviews are conducted again upon stakeholder confirmation of gap remediation. Lastly, KPMG reviews and verifies the adequacy of updated documents that incorporate the suggested changes in the final report which is submitted to ADFC by the production houses as part of the rebate scheme requirements.

## Ongoing monitoring tool

KPMG has designed a dynamic Expense Monitoring Tool, meticulously crafted to monitor, and analyze continuous or recurring expenses within the project. This tool presents a systematic approach to tracking and reporting expenditures over time, categorized by expense types such as technicians' fees, post-production and production services. It facilitates insight into financial patterns and significantly aids in budget management. Key features encompass expenses tracking, real-time updates, categorization, customization, and a data dashboard presentation for comprehensive and efficient expense management.

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# Appendix 1

## Interim certificate documents and material

To be eligible for the rebate, any production depicting and representing the Emirate of Abu Dhabi on-screen should ensure that all elements in the production (including, but not limited to, vehicle license plates) identify Abu Dhabi.

### 01

**Logline and synopsis**

English and Arabic synopsis and logline for the production.

### 02

**Emirates Media Council (EMC)/Media Regulatory Office (MRO) script approval certificate**

ADFC requires the most recent EMC/MRO Script Approval Certificate issued to the applicant company in respect of the production.

### 03

**Detailed production schedule**

ADFC requires a detailed, current, and accurate production schedule including all information related to filming dates and times, physical addresses and Google Maps links for filming locations, and the number of cast and crew members on set.

### 04

**Detailed post-production schedule**

ADFC requires a detailed, current, and accurate post-production schedule including all information related to post-production, digital, and VFX services including dates and times, the number of crew members working on each service, and the location of the post-production services provider and facility in Abu Dhabi.

### 05

**Full production calendar**

ADFC requires a complete overview of the production's activities in calendar format covering pre-production, production, wrap, post-production, and delivery.

### 06

**Full detailed production and post-production budget**

ADFC requires a full indicative detailed production and post-production budget including a complete breakdown of all expenditures in Abu Dhabi. Please note that the breakdown of spend should itemize all the individual transactions.

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# Appendix 1

## 07

### ADQPE rebate worksheet

ADFC requires each applicant company to complete the ADQPE rebate worksheet template utilizing the full indicative production budget.

## 08

### Financing agreement between producer and financier (as applicable)

ADFC requests copies of all fully executed financing agreements between the producer and any existing external financier(s) in respect of the production or evidence of intention to conclude the same.

## 09

### Applicant Company Creative Media Authority (CMA) trade license

ADFC requires each applicant, which must be a production company or production services provider, to provide a valid creative media authority – Abu Dhabi trade license indicating the relevant production activities and must have a permanent address in Abu Dhabi.

## 10

### Production services agreement between applicant and producer

Where the producer and applicant are different entities, ADFC requires a copy of the fully executed production services agreement between applicants and producers covering the production and the rebate application.

## 11

### Proof of insurance payment

ADFC requires each applicant to confirm payment (system-generated receipt) from the insurance provider.

## 12

### Intern placement list

ADFC requires each applicant company to liaise with the production internship placement department team to provide internships or other opportunities on each production and share the approved intern placement list before the start of production.

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# About KPMG Lower Gulf

For about 50 years, KPMG Lower Gulf Limited has been providing audit, tax and advisory services to a broad range of domestic and international, public and private sector clients across all major aspects of business and the economy in the United Arab Emirates and in the Sultanate of Oman. We work alongside our clients by building trust, mitigating risks and identifying business opportunities.

KPMG Lower Gulf is part of KPMG International Cooperative's global network of professional member firms. The KPMG network includes approximately 273,000 professionals in over 143 countries. KPMG in the UAE and Oman is well connected with its global member network and combines its local knowledge with international expertise, providing the sector and specialist skills required by our clients.

KPMG is widely represented in the Middle East: along with offices in the UAE and Oman, the firm operates in Saudi Arabia, Bahrain, Kuwait, Qatar, Egypt, Jordan, Lebanon, Palestine and Iraq. Established in 1973, the Lower Gulf firm now employs more than 1,700 people, including over 150 partners and directors across the UAE and Oman.

As we continue to grow, we aim to evolve and progress, striving for the highest levels of public trust in our work. **Our values are: Integrity: We do what is right; Excellence: We never stop learning and improving; Courage: We think and act boldly; Together: We respect each other and draw strength from our differences; For Better: We do what matters.**

To meet the changing needs of our clients, we have adopted an approach aligned with our global purpose: Inspiring Confidence, Empowering Change. Our three pillars – exceptional quality of service, an unwavering commitment to the public interest, and building empowered teams – are the foundation of our firm.

Disclaimer: The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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Publication name: Navigating Abu Dhabi's qualifying production expenditure
Publication number: 5027
Publication date: March 2024