

**REGULATION CONCERNING SUBMISSION OF A REQUEST FOR
REIMBURSEMENT OF FILMMAKING EXPENSES; PROJECT MONITORING,
REGISTRATION AND CONTRACTING; EVALUATION, REPORTING, AND
REIMBURSEMENT OF A CERTAIN PERCENTAGE OF EXPENSES**

One. General provisions

1.1. This Regulation governs the reimbursement of a certain percentage of filmmaking expenses (hereinafter referred to as “reimbursement”) incurred by a foreign legal entity (both singly or jointly with a Mongolian legal entity) through the production of an independent film, on the territory of Mongolia, for the purpose of international distribution.

1.2. The purpose of reimbursement is to support the production capacity of Mongolian films, develop artistic talent, economically benefit Mongolia’s cultural and affiliated sectors, and promote cooperation between Mongolian and foreign filmmakers.

1.3. The legal basis for the reimbursement process shall be the Budget Law, the Law on Promotion of Film, other relevant legislation, and this Regulation.

1.4 The principles of a simplified Regulation that respects the rule of law, is free of political influence, is open and transparent and fosters fair competition, as well as feasibility and clarity, shall be followed.

1.5. In accordance with Articles 15.2 and 15.3 of the Law on Promotion of Film, annual expenditure shall not be reduced from the level reflected in the previous year's budget. Any remaining unspent budget balance from one fiscal year shall be carried forward to the subsequent fiscal year.

1.6. The Film Council (hereinafter referred to as the “Council”) shall manage the reimbursement of a certain percentage of the costs associated with filmmaking.

1.7. In order to be eligible for reimbursement of a certain share of the costs associated with filmmaking, an applicant requesting to make a film in the territory of Mongolia shall be a foreign legal entity registered under the State Registry of Legal Entities, or a Mongolian legal entity that has established a cooperation agreement with a foreign legal entity to jointly make a film or co-produce a film as specified in Article 4.1.3 of the Law on Promotion of Film.

1.8. An applicant applying for a reimbursement of a certain percentage of the cost of filming in the territory of Mongolia (hereinafter referred to as “applicant”) must be a foreign legal entity registered in the state registry of Mongolia or a Mongolian legal entity entered into an agreement with foreign entity to carry the filming in Mongolia or in the case of co-production a Mongolian legal entity that has entered into an agreement to co-produce a film in accordance with Article 4.1.3 of the Law on Promotion of Film.

1.9. The Council shall undertake measures to prepare the budget, criteria, and relevant information concerning the reimbursement of a certain percentage of film-making costs, in both Mongolian and a common international language, and promote it internationally.

1.10. The Council shall organize the reimbursement process utilizing electronic software and shall determine terms for introducing digital technology and tools along with relevant instructions and methodologies.

1.11. The Council shall receive and register applications for reimbursement; issue a certificate; approve application forms and a list of required documents; and publish them on its website.

1.12. In the event of the involvement of military personnel in a crowd scene during filming an entity holding a reimbursement certificate shall take appropriate measures to obtain permission and support from competent authorities.

Two. Terms of reimbursement

2.1 In order to receive reimbursement for a certain percentage of costs associated with filming in Mongolia the following terms shall be fulfilled simultaneously:

- 2.1.1. US\$500,000 or more has been spent on filming in the territory of Mongolia;
- 2.1.2. Expenses incurred have met the requirements set forth in Articles 15.4 and 16.1 of the Law on Promotion of Film, and in this Regulation;
- 2.1.3. Expenses specified in Article 2.1.2 of this Regulation have been spent upon concluding a reimbursement agreement and obtaining a certificate;
- 2.1.4. Applicants have not received funding from the Mongolian Film Promotion Fund.

2.2. An entity that has fulfilled the requirements set forth in Article 17.2 of the Law on Promotion of Film and completed montage, sound and video editing in the territory of Mongolia shall be eligible for the reimbursement of 30% of the costs incurred upon fulfilling the requirements set forth in Article 2.1 of this Regulation.

2.3. An entity that meets the cultural criteria specified in Article 17.3 of the Law on Promotion of Film shall be eligible to receive an additional 10% of the costs associated with filming upon fulfilling the requirements specified in Article 2.1 of this Regulation.

2.4. When reimbursing the costs incurred in relation to filming in the territory of Mongolia the percentage of the daily remuneration of foreign artists and film crew members who worked in Mongolia shall be calculated first. Five percent of the daily salary of foreign artists and film crew members working in Mongolia shall be reimbursed.

2.5. The salary of the film and film crew shall not exceed 40 percent of the total expenses that meet the requirements set forth in Article 15.4 of the Law on Promotion of Film.

2.6. Remuneration of the film and film crew shall not exceed 40% of the total expenses which fulfill the requirements indicated in Article 15.4 of the Law on Promotion of Film.

2.7. Daily remuneration of foreign artists and film crew that have worked in Mongolia shall not exceed 50% of the total salary of the artists and film crew specified in Article 2.4 of this Regulation.

2.8. Costs of leasing professional equipment from abroad, if it has been proved that this equipment is unavailable in Mongolia, shall not exceed 10% of the total costs specified in Article 15.4 of the Law on Promotion of Film.

Three. Submission of a request

3.1. An entity specified in Article 1.7 of this Regulation shall submit a request in accordance with the form approved by the Council. The request shall contain the following information:

- 3.1.1. Consolidated and detailed budget for filming in Mongolia;
- 3.1.2. Financial plan and investors' investment shares;
- 3.1.3. Information on distribution;
- 3.1.4. Filming schedule in Mongolia;
- 3.1.5 Certificate of a legal entity;
- 3.1.6. Schedule for completing montage, sound and video editing; and, if these are to be completed in Mongolia, details concerning the costs of montage, sound and video editing as well as of Mongolian artists and staff;
- 3.1.7. A detailed list of foreign artists and film crew involved in filming, and information on the calculation of remuneration for the days they have worked in Mongolia;
- 3.1.8. Other necessary information.

3.2 At the time of submitting a request 60% of the total filmmaking costs shall have been covered. A certain proportion of these costs shall not have been covered by the Mongolian Film Promotion Fund, or such a request is not expected.

3.3. If the request or anticipated project violates Mongolian law, clearly distorts Mongolian history, or promotes war, aggression, pornography or violence, or the request does not meet the requirements indicated in this Regulation, the request shall be rejected without consideration and review.

3.4. The Secretariat of the Council shall review and evaluate the request and documents, and if relevant requirements are met the Secretariat shall have the Council's meeting review them. If an application has failed to fulfill the requirements, the relevant documents shall be returned or a deadline will be set for submission of additional documents. If the relevant documents are not submitted within the set time the request will not be presented at the Council's meeting.

3.5. The Council shall review requests for reimbursement on a quarterly basis.

Four. Registration of the project and issuance of a certificate

4.1. The Council shall decide whether to accept and register eligible requests and projects.

4.2 Depending on the duration of the project received and registered by the Council a certificate shall be issued for a period of two to four years. The template of the certificate shall be approved by the Cabinet member in charge of cultural affairs.

4.3 The Council shall conclude a contract to issue a certain percentage of the costs associated with filming within three months of the issuance of the certificate.

4.4. If the entity which obtained the certificate has not concluded the contract within the period specified in Article 4.3 of this Regulation the decision of the Council shall be considered invalid.

4.5 Based on the request of the project implementer the Council shall revoke the certificate and terminate the contract.

4.6 On the condition that the applicant was unable to undertake the project due to emergency or force majeure factors the Council shall be immediately notified. The Council shall take measures indicated in Article 4.5 of this Regulation.

4.7. The Council may extend the expiration date of the certificate within the maximum time limit specified in Article 18.5 of the Law on Promotion of Film. The contract shall be amended based on the decision to extend the expiration date of the certificate.

Five. Montage, sound and video editing, and expenditure

5.1. An entity that has signed a contract specified in Article 4.3 of this Regulation shall complete shooting within the period specified in the contract and disburse US\$ 500,000 or more through the account specified in the certificate and contract. This account shall be used to finance, allocate and transfer reimbursement for filming in the territory of Mongolia.

5.2 Expenses incurred in the territory of Mongolia from the date of concluding a contract for reimbursing a certain percentage of the expenses shall be considered a reimbursement.

5.3. Filming expenses that meet the requirements specified in Articles 15.4 and 16.1 of the Law on Promotion of Film shall be included in the "Detailed list of eligible expenses" included in Annex 1 of this Regulation.

5.4. The following expenses specified in Article 16.2 of the Law on Promotion of Film shall not be considered eligible expenses.

5.4.1. Expenses for purchasing household appliances;

5.4.2. Expenses for purchasing office furniture and equipment, except for the purchase of computers used during filming;

5.4.3 Depreciation expenses;

5.4.4. Purchase and development expenses related to office software for organizational operations.

Six. Submission of an application and performing an evaluation

6.1 An application for reimbursement of a certain percentage concerning montage, sound and video editing shall be submitted to the Council 60 days prior to the expiration date of the period specified in the certificate.

6.2. Provided the contractor has filmed and disbursed US\$ 500,000 or more an application for reimbursement shall be submitted within the period specified in Article 6.1 of this Regulation, regardless of montage, sound or video editing. Upon the completion of montage, sound and video editing in Mongolia an application for reimbursement specified in Article 17.2 of the Law on Promotion of Film shall be submitted.

6.3. If the film made by the applicant specified in 6.1 of this regulation is considered to meet the cultural test specified in Annex 2 of this regulation, the application for reimbursement specified in Article 17.2 of the Law on Promotion of Film shall be submitted after completion of the film.

6.4. A Mongolian film rights holder who has disbursed US\$500,000 or more for filmmaking, promoted Mongolia internationally, debuted a film in the past two years, successfully participated in International Film Festivals approved by the International Federation of Film Producers' Association and has fulfilled the requirements stipulated in the "Cultural Criteria" of Annex 2 of this Regulation shall be eligible to apply for reimbursement. In this case the provisions of Articles 6.5-6.15 of this Regulation shall be followed.

6.5. Prior to submitting an application to the Council, original accounting documents shall be prepared and an audited report shall be reviewed.

6.6. A report on expenses incurred during filming in Mongolia shall be submitted together with the following documents:

- 6.6.1. Audited summary and detailed expenses report along with an audit opinion;
- 6.6.2. Bank account statement and other documents reflecting expenses;
- 6.6.3. Digital accounting report;
- 6.6.4. A complete list of actors and film project team members, contracts and distribution contracts;
- 6.6.5. A copy (Blu-ray) of the film with the Council's logo and seal of the filmmaker certifying it has been prepared in conformity with standards suitable for entertainment/theatrical screenings;
- 6.6.6. Original copy of a valid reimbursement certificate issued by the Council.

6.7. If the montage, sound and video editing have been completed in the territory of Mongolia, employment contracts, a copy of payment receipts and relevant tax payment receipts demonstrating that at least 50% of team members were Mongolian artists and employees shall be submitted as supplementary documents.

6.8. The applicant shall agree in the application to grant the right to review original documents associated with expenses for filming, montage, sound and video editing and to examine the expenses.

6.9 The Council shall take measures to obtain information on expenditure incurred in Mongolia from tax and other relevant authorities.

6.10. The Council shall review documents related to expenses, issue a conclusion on whether to approve the estimates and reports on the expenses incurred during filming in the territory of Mongolia, and submit them to the member of the Cabinet in charge of cultural affairs.

6.11. The Council shall not approve the estimates and reports of expenses incurred during filming in the territory of Mongolia in the following circumstances:

6.11.1. The application fails to meet requirements;

6.11.2. Conditions forbidden by Article 19.7 of the Law on Promotion of Film have arisen;

6.11.3. It has been demonstrated that forged documents have been submitted as part of the reimbursement process.

6.12. The member of the Cabinet in charge of cultural affairs shall make a decision to reimburse a certain percentage of expenses based on the conclusion of the expenses approved by the Council.

6.13. On the basis of the decision indicated in Article 6.7 of this Regulation the Council shall make a transfer to the account specified in the reimbursement contract.

6.14. When specified in the contract up to 70% of the cost of filming in Mongolia may be reimbursed during the first editing phase, and up to 30% reimbursed after the film has been distributed.

6.15. A change in the composition of the Council shall not serve as grounds for amending or introducing additional terms into the certificate, contract, or relevant documents issued in regards of the reimbursement.

6.16. An entity that has received reimbursement shall place the words "Mongolian Film Council", the Council's logo, and other necessary details in the closing credits where the information of actors and crew members are shown at the end of the film.

Seven. Miscellaneous

7.1. Although foreign filmmakers have not fulfilled the reimbursement requirements or have not applied for reimbursement, or have not made a film in Mongolia, they shall be rewarded if they have positively portrayed and internationally promoted Mongolia and Mongolians.

7.2 The Government shall determine and enforce special rates for the reward.

Eight. Liability

8.1. A culpable party who has illicitly received reimbursement by violating this Regulation and who has disbursed this reimbursement improperly shall be held liable in accordance with the law.

8.2. Sums obtained in violation of Article 8.1 of this Regulation shall be compensated for by the culpable party.

A detailed list of eligible costs

1. Salaries of directors, cinematographers, art directors, film producers (executive producers, producers, line producers) and artistic and film crews, and taxes paid in Mongolia in connection therewith;
2. Expenses of local musicians, music, song and dance ensembles and composers, and related taxes paid to Mongolia in connection therewith;
3. Salaries of the camera crew (cameraman, assistant cameraman, focus puller, etc.), lighting team, sound crew, and taxes paid in Mongolia in connection therewith;
4. Art director's team: art director, stage and screen artist, stage designer, stage decorator, carpenter, electrician, welder, etc. All equipment essential for stage decoration (construction material, costs for setting up the location, renting of screen art items, stage set-up costs, carpentry tools, paints, fabric, etc.);
5. Outfit and character expenses (cost of buying, sewing, renting clothes, costume designer, costume designer and editor, makeup and hairdressing team, other related expenses);
6. Renting and expenses associated with special effect equipment which are not available in the territory of Mongolia;
7. Costs of the technical team, maintenance and repair; digital imaging technician team, salaries of computer graphic specialist, information data manager; and costs of related equipment and communication, mobile phones and internet;
8. The second team of artists: cost of hiring local substitutes, and hiring of people from performing arts organizations such as stage art institutions as well as additional military personnel for crowd scenes;
9. Additional staff: choreographer, weapons master, military consultant, language trainer, animal trainer, driver, cleaner, security officer, medical and ambulance worker, office manager, workplace security guard, porter, technical specialist and part-time employees;
10. Accommodation, food, and transportation during filming in Mongolia;
11. Location survey team members and transit drivers for filming in the territory of Mongolia;
12. Transportation related to filming in the territory of Mongolia: costs of location surveys for the film, obtaining permission and character selection;
13. Furniture and machinery rental directly connected with filming: tents, sunshades, portable tables, fences, generators, etc.;
14. Lease of objects and locations for filming;

15. Expenses incurred in relation to renting animals, weapons, ambulances, and fire trucks for filming;
16. Set-up of a film set or filming facility in relation to filming;
17. Rental costs of technical equipment-cameras, lights, sound, electricity, and special effects services in the territory of Mongolia; office rent;
18. Accommodation, meals, and transportation costs for all actors and film crews stationed inside the territory of Mongolia;
19. Insurance for film crews in Mongolia;
20. For filming in Mongolia, rental protection services of service organizations such as working with fire engines and firefighters, renting portable bio-toilets and cleaners;
21. Other filming services and rentals.

Annex 2 to the Regulation

CULTURAL TEST

№	Indicators of cultural test	Points (0-30)
1.	The event is based on Mongolian history and legends	0-3
2.	Mongolians are positively portrayed	0-2
3.	Territories, cities, streets, buildings and other locations representing Mongolia	0-2
4.	Based on Mongolian literature and art	0-2
5.	Addresses current social and political issues in Mongolia, or highlights specific periods of its history	0-2
6.	Aspects of Mongolian values, cultural values, and cultural diversity are positively expressed and portrayed	0-2
7.	Highlights features, customs, and traditions of Mongolia	0-2
8.	The filmmaking process has made a significant contribution to the development of Mongolian cinema	0-2
9.	<p>One of the below-mentioned main filmmakers is a Mongolian citizen:</p> <ol style="list-style-type: none"> 1. Director 2. Producer 3. Cinematographer (DOP) 4. Screen writer 5. Main character 6. Up to three supporting actors 7. Composer (Main) 8. Film production designer 9. Fashion designer 10. Editor 11. Makeup artist 12. Sound director, sound designer 13. Production manager or unit production manager 14. Postproduction or graphic, special effects manager 	0-7 (0.5 points for each artist)
10.	The final version of the film is in Mongolian or dubbed in Mongolian.	0-2
11.	50 percent or more of the members of the artistic team are Mongolian citizens, except for the artists listed in Table 9.	0-4