

# Russian Ministers Call for Tax on Hollywood Films

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U.S. blockbusters still blow local competitors out of the water in Russia, earning 80 percent of total box office revenue in the country.

Culture Minister Vladimir Medinsky has called for the introduction of a sales tax on foreign films released in Russia and said the money could be used to fund domestic productions.

"I cannot understand why our tax system is subsidizing Hollywood," the Interfax news agency quoted Medinsky as saying last week.

The move comes as the Culture Ministry seeks to promote movies that offer a government-approved version of patriotism. It also taps into an atmosphere of trade sanctions and confrontation between Russia and the West over the crisis in Ukraine.

Medinsky's comments follow a proposal by Prime Minister Dmitry Medvedev last week to levy a sales tax on movie tickets, with possible exemptions for domestic productions.

The suggestion prompted worries about a likely rise in box office prices. Russia's sales tax is set at 18 percent, which would add nearly 100 rubles (\$2) to the typical price of a movie in Moscow theaters.

Medinsky on Thursday praised the proposal as an "exceptionally right decision, which would allow the raising of additional funds to support the domestic cinema industry and the movie theaters that show domestic films," according to Interfax.

The state had ramped up subsidies for Russian films in recent years, with priority given to patriotic and feel-good movies that offer a positive spin on Russia. Movies that do not fit this mould, such as "Leviathan," a grim film about Russian small-town corruption that was nominated for an Oscar this year, have been subject to official criticism. The taxpayer should not fund films like "Leviathan" that are set against the current authorities and "filled with a spirit of despair and the pointlessness of our existence," Medinsky told Russian newspaper Izvestia in an interview in January.

The Culture Ministry website lists nine priority themes for films that should receive state subsidies in 2015. The first three are: inspirational success stories; Crimea, Ukraine and the 1,000-year history of Russian statehood; and the military glory of Russia, which is being trumpeted this year on the 70th anniversary of the Soviet victory over Nazi Germany.

U.S. blockbusters still blow local competitors out of the water in Russia, earning 80 percent of total box office revenue in the country, according to Alexander Luzhin, head of market analysis firm Movie Research. Russian films earn 18 percent of revenues, and other foreign films 2 percent, he said.

But analysts doubted that a sales tax on foreign film tickets would reverse the situation.

The bigger a film's budget the more it tends to earn at the box office, said Luzhin. And Hollywood is simply richer. The total sum of state support for Russian films is around 7 billion rubles (\$130 million) per year, according to Oleg Berezin, CEO of St. Petersburg film studio Nevafilm. "Stalingrad," a 2013 Russian blockbuster set in the famous World War II battleground and one of the most expensive Russian films in recent years, had a budget of around \$30 million. Hollywood films routinely have budgets of more than \$100 million.

The Cinema Fund, which allocates government subsidies, was not available for comment before publication of this article. According to the TASS news agency, around 6 billion rubles will be allocated to support film this year.

"Introducing a tax on foreign films released in the country is not just harmful, it is illiterate," said Berezin. The audience will suffer from the resulting increase in ticket prices and cinema chains will then suffer due to falling demand, he said.

Russians would be more likely to save money on Russian movies than stop watching foreign films if prices rose, said Luzhin.

Berezin also pointed out that sales tax revenue will go to the federal budget, and with Russia's current economic slump forcing the government to make painful spending cuts, there is no guarantee that the money earned would find its way to the film industry.

"The idea that it helps bring additional funds to support national cinema is nonsense," he said.

Protectionist measures for Russian films are not a new idea. In 2011 President Vladimir Putin, who was then prime minister, floated a tax on foreign films to help local productions. A year later a State Duma deputy from the ruling United Russia party, Sergei Zheleznyak, introduced a bill to parliament to levy a sales tax on tickets to see foreign movies, but the legislation was shelved.

Last fall, as violence in eastern Ukraine led to tit-for-tat sanctions between Russia and the West, a prominent Russian movie director and senior member of the ruling United Russia party, Stanislav Govorukhin, proposed restrictions on the number of American movies on Russian screens. Another well-known movie director and a vocal supporter of Putin, Yury Kara, called for an outright ban on U.S. films.

Officials had until early 2015 been mulling a quota for foreign films, following the examples of China, which allows only 34 foreign films onto its market each year, and the Soviet Union, which had a quota of only six foreign films a year, according to the Culture Ministry.

The Culture Ministry rejected the idea in February, saying it would damage movie theaters.

*The Moscow Times' Anna Dolgov contributed to this report.*

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