Act II of 2004

on Motion Picture

In order 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, the Parliament of the Republic of Hungary drafts the following act:

Chapter I

GENERAL PROVISIONS

Title 1

Scope of the Act

Article 1

(1) This Act shall cover the production, distribution and archiving of Hungarian films and films produced with Hungarian participation as well as the distribution of films in Hungary.

(2) The scope of this Act shall not cover audiovisual works produced by business associations and other organisations or government bodies for the purpose of performing their tasks, intended exclusively for their internal use, or for the purposes of television broadcasting defined in a separate law, and will not extend to multimedia works marketed for the purpose of being played as games.

(3) Chapter I and Titles 1 and 4 of Chapter II of this Act shall be applied to subsidies that serve the purpose of implementing objectives of the film industry on condition the source of these subsidies is an appropriation determined in the central budget or the budget of a local authority or a minority self-government or if the subsidy is granted by the Government, a central budget agency, a non-profit company or public foundation in the majority ownership of a local authority or minority self-government, and to subsidies granted by the National Cultural Fund for the motion picture industry.

Title 2

Definition of Terms

Article 2

For the purposes of this Act:

1. *motion picture industry:* the entirety of activities that exist within the scope of motion picture culture and the motion picture industry as well as all persons pursuing such activities;

2. *film:* work that, in accordance with Act LXXVI of 1999 on Copyright (hereinafter referred to as: Szjt.), qualifies as a film, excluding news programmes, topical and service magazine

programmes, sports broadcasts, talk-shows, game and quiz shows, as well as commercials that fall under the scope of the act on the basic conditions and certain limits of business advertising activities;

3. *film authors:* authors of literary and musical works produced for the purpose of film, the director of films and all persons who have contributed creatively to developing an entire film, as well as the authors of other works used in the film;

4. *film producer:* a legal person or business association without legal personality who or which initiates and organises the realisation of a film in his/her/its own name, ensuring financial and other conditions for this purpose;

5. *Hungarian film producer:* a film producer who is a legal entity or a business association without legal personality, with its registered seat in Hungary, the majority of leading officials of which are citizens of an EEA State or country that is a signatory to the European Convention on Transfrontier Television and in which citizens or legal persons of such countries have an influence that ensures majority control;

6. *co-production film:* a film produced by film producers who are subject to the jurisdiction of different states, which film qualifies to be a co-production film in line with a bilateral or multilateral international agreement or the laws of the countries concerned;

7. *a) Hungarian film:* a film in which Hungarian participation scores at least 75 points based on the table set out in Article 3;

b) co-production film with Hungarian participation: a co-production film in which Hungarian participation scores at least 30 points based on the table set out in Article 3 and the share of the film's budget to be borne by the Hungarian film producer reaches twenty percent in the case of bilateral co-production or ten percent respectively in the case of multilateral co-productions, unless otherwise specified by a bilateral or multilateral international agreement;

c) other film with Hungarian participation: a film in which Hungarian participation scores at least 15 points based on the table set out in Article 3 and a film that is not deemed to be a co-production film with Hungarian participation;

d) other film: a film in which Hungarian participation scores less than 15 points based on the table set out in Article 3;

8. *film originally produced in the Hungarian language:* a film that belongs to any of the following categories:

a) its original version has been presented in the Hungarian language,

b) it has originally been presented in two or more languages, but in terms of its duration, the part in which the original language is Hungarian is longer than any part in any other language,

c) it has originally been produced in the language of a minority living in Hungary, on condition the subject is related to the life or culture of that given minority of Hungary;

9. *direct subsidy:* financial allowance granted by the bodies defined in Article 1 (3) of this Act for motion picture industry purposes;

10. *indirect subsidy:* subsidy which serves the purposes of the realisation of the objectives of the motion picture industry, for which the entity providing such subsidy may be granted tax and investment benefits specified in a separate law, as well as loans supported by the state through interest subsidies which serve the objectives of the motion picture industry;

11. *normative subsidy:* subsidy that is due to a film producer or film distributor if such producers or distributors meet the conditions specified in this Act or announced by the supporting body, and which subsidy may be used by film distributors for distributing films and by film producers to produce films;

12. *selective subsidy:* subsidy that is due to the film producer, film distributor or any other applicant under this Act based on the decision of the supporting body made by way of tender applications, by evaluation or individual request subject to the characteristics of the film (in particular script, budget, artistic value, the identity of the authors, producers, and actors of the film) or the nature of another objective to be supported;

13. *structural subsidy:* subsidy granted to applicants by the supporting body on a continuous basis, by assuming an obligation persisting for several budget years to promote motion picture industry objectives implemented throughout several years or in the same manner every year in accordance with this Act, provided that the applicant complies with the conditions specified by the Act and/or the supporting body throughout the entire duration of support provision;

14. *supporting body:* the organisation or institution that provides support to motion picture industry objectives as defined in Article 1 (3);

15. *film distribution:* makes the original or reproduced copies of a film accessible to the public

a) by distribution, or by offering films for distribution,

b) by operating movie theatres,

c) by publishing, selling, renting or renting in usufruct films on any media, particularly on video and DVD,

d) by importing films to EEA States for commercial purposes,

e) through possession for commercial purposes;

16. *movie theatre:* premises installed and used for the public presentation of films in return for an entrance fee, equipped with any visual display equipment;

17. *movie theatre operation:* business activity aimed at presenting films to the public in movie theatres;

18. *film distributor:* business association or any other organisation engaged in the distribution of films in a business-like manner;

19. *film plan development:* the total of research, production, planning and organisational work aimed at the creation, merchantability and sale, feasibility and consequent realisation of film plans and scripts;

20. *film production:* the total of author-related, organisational, financial and technical activities leading from the start of the shooting of the film up to the production of the first original copy of the film;

21. *preparation of film production:* author-related and organisational activities aimed at ensuring the necessary financial, technical and organisational conditions for film production, preceding the actual start of film production;

22. *workshop:* an authoring community established for the development of film plans and scripts, the members of which shall closely co-operate, explicitly for the purpose of developing film plans and film plan packages and for the production of films, within the framework of the business form selected by the community in question;

23. *commissioned film:* any other film with Hungarian participation or any other film that may not be granted direct subsidies under this Act, in the case of which a Hungarian undertaking participating in production is a legal person or a business association without legal personality having its registered seat in Hungary, registered in accordance with Article 27 and engaged in film production activities that do not qualify him/her/it as a film producer in respect of the given film;

24. *non-commissioned film:* all films in the production of which an undertaking that qualifies as a Hungarian film producer, with a view to the given film, participates and/or films for the production of which a Hungarian undertaking or natural person gives support;

25. *direct film production cost:* payment included in the budget of the given film financially settled by the producer of the film, or in the case of a commissioned film, by the Hungarian enterprise participating in production, such payment is confirmed by a receipt, and the payment conforms to the conditions set out in a separate law;

26. *national film assets:* copyrights due to the State pursuant to Article 3 of repealed Act XVI of 1884, economic copyrights due pursuant to Articles 3 and 74 of repealed Act LIV of 1921 on Copyright, economic copyrights due pursuant to Article 41 (3) of repealed Act III of 1969 on Copyright, rights of use due pursuant to Article 64 of Act LXXVI of 1999 on Copyright; furthermore the entirety of rights due to the owners of subsidiary rights as per the provisions of Article 82 of Act LXXVI of 1999 on Copyright, and the copies of the original negatives of films that are part of national film assets;

27. *EEA State:* a Member State of the European Union or another state that is party to the Agreement on the European Economic Area; as well as a state the citizen of which has equal legal status to citizens of states party to the Agreement on the European Economic Area in accordance with the international agreement between the European Community and its Member States and states not party to the Agreement on the European Economic Area;

28. *a film creating cultural value based on its genre:* feature film, short feature film, experimental film, documentary, scientific, non-fiction film, animation film, short film, television movie, television series;

29. *direct Hungarian film production cost:* the group of indirect film production costs which create tax obligations in Hungary and which conform to the requirements set out in a separate law.

Title 3

Classification of Films

Article 3

(1) Feature films shall be classified into one of the categories of ‘Hungarian film’, ‘co-production film with Hungarian participation’, ‘other film with other Hungarian participation’ and ‘other film’ according to the score achieved based on the following table:

Hungarian elements	Maximum score
1. Authors:	
Director	12
Script writer	8
Composer	4
Total	24
2. Film producer	
Film production company	10
Producer	5
Total	15
3. Film originally produced in the Hungarian language	15
4. Actors (appearing in picture or sound):	
Leading actors	10
Supporting actors	5

Total	15
5. *a)* Artistic staff:	
Director of photography	3
Editor	2
Production designer	2
Costume designer	2
Make-up artist	1
b) Technical staff:	
Sound engineer	2
Specialist staff	2
Workers	1
Total	15
6. Shooting and post-production:	
a) Location where the film is made	
Shooting locations	3
Shooting laboratory (negative development and mastering)	2
b) Technology used for the shooting	
Picture	2
Lighting	1
Technical structures	1
c) Sound post-production (mixing)	3
d) Laboratory work and electronic imaging post-production	4
Total	16

(2) Animated films shall be classified into one of the categories of ‘Hungarian film’, ‘Hungarian film’, ‘co-production film with Hungarian participation’, ‘other film with other Hungarian participation’ and ‘other film’ according to the score achieved based on the following table:

Hungarian elements	Maximum score
1. Authors:	
Author of literary book	6
Character designer	4
Storyboard writer	7
Director	10
Composer	3
Total	30
2. Film producer	
Film production company	10
Producer	5
Total	15
3. Film originally produced in the Hungarian language	10
4. Characters (voice of characters)	3
5. Artistic and technical staff:	
Picture designer and senior picture designer	10
Background designer	4

Animators	10
Painters	7
Composite designer	3
Total	34
6. Post-production	
Editor	4
Sound engineer	4
Total	8

(3) Documentaries and scientific, non-fiction films shall be classified into one of the categories of 'Hungarian film', 'co-production film with Hungarian participation', 'other film with other Hungarian participation' and 'other film' according to the score achieved based on the following table:

Hungarian elements	Maximum score
1. Authors:	
Director	12
Scriptwriter, editor or dramaturge	8
Composer	4
Total	24
2. Film producer	
Film production company	10
Producer	5
Total	15
3. Film originally produced in the Hungarian language	13
4. Actors (appearing in picture or sound):	15
5. Artistic and technical staff:	
Director of photography	10
Sound engineer	4
Editor	3
Total	17
6. Shooting and post-production:	
a) Shooting locations	6
b) Technology used for the shooting	2
c) Sound post-production (mixing)	4
d) Laboratory work (special effects, lighting) and electronic imaging post-production	4
Total	16

(4) The table set out in Paragraph (3) shall apply to experimental films and other genres not controlled by this Act with the following derogations: if the highest score achievable by the film to be classified — based on actual participation by authors and conditions that can be evaluated using the table — is less than 100 points, the criterion for classification into one of the categories set out in Point 7 of Article 2, taking the achievable score as 100 %, shall be for the given film to achieve the percentage corresponding to the points determined in Article 2 (7).

(5) When calculating the points specified in this Article, the points that can be awarded for the Hungarian elements of a film shall be adjusted to the ratio of Hungarian participation within the specific elements; and, in the case of a film production company, to the contribution of the Hungarian film producer within the total film budget or to the ratio of direct film production costs arising in Hungary within the total film budget—should this latter amount be higher. If, besides the film producer, the film scores points in at least three Hungarian elements, the film producer shall be awarded the highest score achievable.

Purpose and Principles of the Act

Article 4

The purpose of this Act is:

a) to ensure wide access to the values of Hungarian motion picture culture and to increase the number of viewers;

b) to preserve and enhance the values of Hungarian motion picture culture by supporting the creation of films and artistic, scientific and education activities related to motion pictures;

c) to provide appropriate legal background and financial resources for Hungarian film production so that it is successful in the international and, in particular, in the European audio-visual market;

d) to create a professional structure that is able to ensure the production and distribution of high-standard domestic audio-visual works and the development of the Hungarian motion picture industry infrastructure by efficiently using budgetary and other resources available;

e) to determine the statutory and other state tasks required for the functioning of the domestic motion picture industry;

f) to determine the institutional framework for preserving and utilising national film assets, and in connection with this, to set a uniform framework for settling economic rights that belong to the State;

g) to assist and promote the establishment of international and, in particular, European relations in the motion picture industry.

Article 5

(1) In order to achieve the objectives determined in this Act, the Act defines the method for providing budgetary resources and resources outside the budget required for the Hungarian motion picture culture and motion picture industry to play a domestic and international role.

(2) This Act shall be applied in a way that the professional and artistic independence of the resource distribution and institutional system of the Hungarian motion picture industry defined in the Act shall not be infringed.

(3) In the course of operating the state support system defined in this Act, efforts shall be made to use public funds efficiently and effectively, and proceedings shall be such that they ensure that the use of state subsidies is transparent and controllable.

(4) For the purposes of applying this Act and operating the state support system defined by the Act, proceedings shall be such that they promote the creation of equal opportunities for those who belong to different minorities of the society and to disabled people within the society.

Chapter II

SUPPORT FOR MOTION PICTURE CULTURE AND THE MOTION PICTURE INDUSTRY

Title 1

Principles of the Support system

Article 6

The purpose of this chapter is to determine the framework for a comprehensive support system that promotes the stability of the Hungarian motion picture industry, makes the utilisation of public funds more efficient and controllable by ensuring predictability, as well as specifies consolidated basic criteria for films and organisations of motion picture industry that receive state support. Accordingly, in the course of operating the support system, the following objectives and principles in particular shall be applied:

a) increasing the number of Hungarian films and films produced with Hungarian participation,

b) making the production and financing of films easier to plan,

c) ensuring that films are completed and reach the audience,

d) creating appropriate proportions between normative and selective subsidy components,

e) mobilisation of the industry's own resources and promoting investments into the motion picture industry,

f) preserving the existing values of the Hungarian film culture in neighbouring countries and supporting the creation of new values.

Article 7

The sources of the support system shall consist of direct and indirect state subsidies set out in this Act.

Title 2

The Motion Picture Public Foundation of Hungary

Article 8

(1) The Motion Picture Public Foundation of Hungary (hereinafter referred to as: Public Foundation) as an organisation established by the Government and organisations of the motion picture industry shall allocate the resources defined in the state budget according to the principles defined in this Act.

(2) The provisions of this Act shall also apply to the allocation of other revenues generated in the course of the operation of the Public Foundation.

(3) In the course of performing its tasks, the Public Foundation shall pay attention to serving different needs of the society and to ensuring the diversity of the Hungarian motion picture industry. Thus, it shall, in particular, provide opportunities, on the basis of equal opportunities, for presenting different generations of film producers, workshops, and trends to the broadest public possible and for promoting the realisation of the creative objectives of the above.

Therefore, in the course of developing a related distribution system, it shall determine the proportions of each sub-area; create a balance between the perspectives of authors, film producers, distributors, and viewers as well as artistic and economic interests.

(4) The tasks of the Public Foundation shall be in particular:

a) to operate the system for distributing state budget resources provided to the Public Foundation and the revenue from other sources,

b) to elaborate principles for tender applications, with particular regard to equal opportunities for applicants, the clarity, transparency and comparability of tender applications and to the items listed below:

- ensuring the continuous presence of Hungarian films and the Hungarian film industry on domestic and the European film market as well as on markets outside of Europe,
- promoting the distribution of Hungarian and universal film culture in Hungary,
- supporting the preservation and protection of films,
- supporting training and scientific activities within the motion picture industry,

c) to continuously monitor and control the completion of films and the achievement of other supported objectives starting from the award of subsidies,

d) international representation of the film industry and maintaining international relations,

e) supporting Hungarian motion picture art in neighbouring countries and promoting its continuous presence on domestic and European film markets as well as on markets outside of Europe.

(5) The Public Foundation shall determine the rules that ensure the application of the principles and conditions for tender applications and support defined by this Act in its deed of foundation and/or its support regulation. The general conditions for tender applications and support set by the Public Foundation and the support regulation, which shall determine the mechanism for distributing subsidies, shall be approved by the minister in charge of culture (hereinafter referred to as: Minister) and shall be published in "Kulturális Közlöny" (Official Cultural Gazette).

(6) By 28 February each year, the Public Foundation shall publish the following in "Kulturális Közlöny" and via any other necessary channels:

a) its plan for tender applications for the given year, determining the objectives of the motion picture industry it wishes to support during the given year along with the limit amounts for each objective,

b) the system of criteria for normative subsidies set out in Articles 16-17, in accordance with Article 16 (5).

In the course of announcing tender application proceedings, the Public Foundation shall proceed in accordance with the contents of the announcements and/or shall inform the public about any changes that may become necessary, together with the reasons for such changes, in due time.

(7) The Public Foundation shall prepare an evaluation for the Minister about the utilisation of subsidies granted during the previous year by 31 March each year.

(8) The issues to be regulated by the rules of organisation and operation, the support regulation, and the asset management regulation shall be determined in the Public Foundation's deed of foundation. The deed of foundation, the rules of organisation and operation, the support regulation, and the asset management regulation of the Public Foundation as well as other documents regulating its operation shall comply with the provisions of this Act.

Article 9

(1) The executive body of the Public Foundation shall be the Board of Trustees, which shall manage the Public Foundation's assets with exclusive powers, and shall decide on the use of assets in accordance with and in the interest of the Public Foundation's purposes.

(2) The chairman and members of the Board of Trustees shall be appointed and nominated by the Founders and appointed by the Minister with the Government's approval. The Board of Trustees shall be appointed for a term of 3 years. The chairman and members of the Board of Trustees may be re-nominated.

Title 3

The Motion Picture Coordination Council

Article 10

(1) In order to coordinate the utilisation of resources of the State for supporting the motion picture industry and other resources potentially usable from the audio-visual industry, the Minister shall establish the Motion Picture Coordination Council (hereinafter referred to as: Council).

(2) The Council shall be a consultation body convened by the Minister, to which the following entities will be entitled to delegate a representative:

a) Minister,
b) minister in charge of child and youth protection,
c) minister in charge of education,
d) minister in charge of information technology,
e) minister in charge of the environment,
f) Motion Picture Public Foundation of Hungary,
g)
h) National Radio and Television Commission,
i) National Cultural Fund,
j) Motion Picture Authority,
k) Media Desk,
l) public television broadcasters,
m) national terrestrial commercial television broadcasters,
n) professional organisations of the motion picture industry.

(3) The service providers specified in Points *l)-m)* of Paragraph 2 shall delegate one member each to the Council and the professional organisations specified in Point *n)* shall delegate three members altogether in such a way that the creators, film producers and film distributors are represented by one member each.

Article 11

(1) The following shall belong to the Council's scope of authority:

a) coordination of tender applications that provide subsidies for the motion picture industry,
b) preparation of the calendar for tender applications in the motion picture industry,
c) organising joint tender applications for organisations participating in the Council,

d) facilitating involvement in the tender application system of the international motion picture industry,

e) preparation of concepts concerning the further development of the system of state subsidies for the motion picture industry.

(2) The Council shall make decisions in the form of agreements between members and recommendations.

(3) The administrative tasks related to the operation of the Council shall be performed by the Motion Picture Authority; otherwise the Council shall determine its own rules of proceedings and publish these in "Kulturális Közlöny". The funding required for the Council's operation shall be provided in the budget of the Motion Picture Authority.

Title 4

The Rules of Allocating Subsidies

Article 12

(1) Types of direct subsidies to the motion picture industry:

a) selective subsidy,

b) normative subsidy,

c) structural subsidy.

(2) Within the subsidy types defined in Paragraph 1, bodies that provide subsidies may grant refundable or non-refundable subsidies. For refundable subsidies, the supporting bodies shall determine the method and amounts of such refunds.

(3) Based on this Act, subsidies may be granted for the purposes of the following film industry activities:

a) film plan development,

b) preparation of film production,

c) film production,

d) film distribution,

e) film copy renovation and archiving,

f) research and training in the motion picture industry,

g) organising and attending events in the motion picture industry,

h) preparing and releasing publications in the motion picture industry,

i) infrastructure development.

(4) With regard to reaching the maximum limit (maximum extent) of the state subsidies granted for the activities determined in Paragraph (3), all motion picture state subsidies shall be taken into account regardless of the number of the actual supporting bodies. The state subsidy of films that receive subsidies for the preparation of film production shall be taken into account when calculating the subsidy limits determined in Article 13.

(5) The Motion Picture Public Foundation of Hungary shall grant subsidies for all of the activities defined in Paragraph (3). Other supporting bodies may support activities of the motion picture industry at their discretion.

(6) The Public Foundation shall spend the majority of direct subsidies provided by it on supporting the production of full-length feature, documentary, popular scientific and animated films.

(7) In order to ensure widespread access to the values of the Hungarian motion picture culture and to ensure an increase in the number of viewers, the Public Foundation shall pay special attention to supporting film distribution.

(8) No subsidy under this Act shall be granted to activities that are aimed at the production, distribution, and archiving of films that are to be classified in Category V in accordance with Article 21. Furthermore, no indirect subsidy shall be granted to television movies or television series primarily based on entertainment-oriented presentation of real-life persons and events, which represent no artistic value (reality shows) or to fictional film series that are broadcast several times per week consisting of more than twenty episodes, which, due to their unfinished dramaturgy, can be continued without end and which do not establish cultural value (soap operas).

(9) Indirect state subsidy under this Act shall be adjusted to the direct costs of film production and to direct Hungarian film production costs.

(10) The basis for the indirect state subsidy of a film is 100% of direct film production costs, if at least 80% of direct production costs of the film qualify as direct Hungarian film production costs. In the case of films that do not reach this ratio, the basis for the indirect state subsidy is the amount of direct Hungarian film production costs multiplied by 1.25.

Article 12/A

(1) Direct and indirect subsidies under this Act for purposes of film production shall be granted only to films that meet the cultural requirements set out in Article 12/B.

(2) Direct subsidies for purposes of film distribution under this Act shall be granted only in relation to films that meet the cultural requirements set out in Article 12/B.

Article 12/B

A film shall meet cultural requirements if it scores at least 16 points based on the criteria established in the table below, in such a way that it scores points in at least four out of categories *a)-n)*, and

a) shall be considered a European co-production film, as determined in a separate law, if the co-production is made with Hungarian participation,

or

b) fulfils at least 2 of the criteria listed in Points *a)-h)*:

Cultural content		Awardable points
a)	the topic of the film or the work that serves as the basis for the film is based on a story (event) that is part of Hungarian or European culture, or is related to the presentation or reworking of a story (event) that is significant from a historical, mythological or religious aspect;	1
b)	the topic of the film or the work that serves as basis for the film features persons or characters who are related to Hungarian or European culture, or are significant due to their relation to history, society or religion;	1
c)	the film presents Hungarian or European traditions and lifestyles or promotes certain elements of these traditions and lifestyles;	1

d)	the film is set at a Hungarian location or (an)other European location(s) or a related cultural setting, or its imagery presents a Hungarian location or (an)other European location(s) (city, region) or presents typical Hungarian or European cultural motifs;	1
e)	the script of the film or the work that serves as basis for the film is based on the adaptation of a literary or other work of cultural value (works of applied and fine art, musical composition, etc.);	1
f)	the topic of the film or the material that serves as basis for the film is focused on an issue that is relevant to Hungarian society or other European societies from a cultural, sociological or political aspect;	1
g)	the film reflects or presents certain significant Hungarian or European values—in particular: cultural diversity, respect for cultural traditions, respect for the institution of the family, solidarity, equality, protection of minorities, tolerance, environmental protection;	1
h)	the film serves the better understanding of and familiarity with Hungarian and European culture and identity.	1
Production criteria		
i)	a film creating cultural value based on its genre;	4
j)	contributors to the film include Hungarian citizens or citizens of other EEA States, or citizens of non-EEA States who won awards at international film festivals in their capacity as a: *ja)* director, *jb)* producer, *jc)* director of photography, *jd)* script writer, *je)* leading and supporting actors, *jf)* composer, *jg)* production designer, *jh)* costume designer, *ji)* editor, *jj)* make-up artist, *jk)* senior production manager/production manager or *jl)* post-production manager (audio/visual/digital);	1 point for each 2 categories fulfilled, maximum 6 points
k)	the final version of the film is produced in the language of an EEA State;	4
l)	At least 51% of the participants of the film — with the exception of contributors who scored points in accordance with Point j) — are citizens of an EEA State or the film in question is a co-production that does not qualify as a European co-production film;	4
m)	The shooting location is in Hungary;	3
n)	The preparation of film production or the post-production takes place in Hungary.	3

Article 13

(1) Unless this Act states otherwise, in the case of any film the extent of direct and indirect subsidies shall not exceed 50% of the production budget of the film, or in the case of a co-production film 50% of the Hungarian contribution.

(2) In the case of Hungarian films produced for movie theatre screening — in the genres of feature film, feature-length documentary, popular scientific and animation film — the extent of direct and indirect subsidies shall not exceed 90% of the production budget of the film, or, in the case of co-production films produced with Hungarian participation, 90% of the Hungarian contribution, on condition the production budget of the film in the case of Hungarian films does not exceed HUF 237 million or, in the case of co-production films produced with Hungarian participation, HUF 467 million.

(3) In the case of Hungarian films, the extent of direct and indirect subsidies shall not exceed 90% of the production budget of the film, or, in the case of co-production films produced with Hungarian participation, 90% of the Hungarian contribution, on condition the film has originally been produced in the Hungarian language, furthermore, if it is likely that the production budget of the film shall not be recovered even through total revenues from all channels of distribution have come in. If the production budget of the film is recovered during distribution, then the amount over the production budget shall be repaid to the organisation providing the direct subsidy or, in the case of multiple organisations, the proportionate amount, respectively, to the extent of the subsidy provided.

(4) In the case of documentaries, animation films, scientific, non-fiction films, experimental films or short films, the extent of direct and indirect subsidies may reach 100% of the production budget of the film, or, in the case of co-production films produced with Hungarian participation, 100% of the Hungarian contribution, if the resources necessary for producing such a film, which contributes to cultural diversity, cannot be ensured through other means. This rule shall not be applied to feature films produced for movie theatre screening.

(5) The value limit set out in Paragraph (2) increases per annum

a) in the case of Hungarian films, with the rate of the industrial production index published by the Hungarian Central Statistical Office with reference to the previous calendar year,

b) in the case of co-production films produced with Hungarian participation — taking into account the ratio of Hungarian and non-Hungarian cooperation —, with the rate of the price index specified in Point *a)* and the inflation of the Euro Zone.

The reviewed value limits are set out by the Budget Act.

(6) When determining the value limits specified in Paragraph (2), the submission of the first tender application for state subsidy in relation to film production shall prevail, which

a) in the case of direct state subsidy, is the date of the announcement of the call for tender application or, in the case of subsidies not granted through tendering, the date of the submission of the individual subsidy application,

b) in the case of indirect state subsidy, is the date of the submission of the request related to determining entitlement to the subsidy.

(7) The supported entity shall spend at least 60% of the direct subsidy in Hungary. The supporting body is entitled to stipulate a higher referent percentage; however, this shall not exceed 80% of the subsidy provided. If the script of the film calls for shooting on the original locations, then the supporting body may allow for maximum 60% of the subsidy provided to be spent outside of Hungary.

(8) Unless the statutes state otherwise, the Hungarian producer of the co-production film with Hungarian participation is entitled to equal rights and must meet the same obligations as the producer of any Hungarian film.

Article 14

(1) Persons and organisations defined in Article 27 and registered by the Motion Picture Authority may receive direct and indirect subsidies defined by this Act if they comply with the provisions of the Act and the conditions determined by the supporting body.

(2) For activities set out in Points *b)-c)* of Article 12 (3), direct subsidies may be granted only to film producers, while for activities described in Point *d)*, only to film distributors.

(3) No direct or indirect subsidy shall be granted to:

a) any party who has not been registered by the Motion Picture Authority in the register specified in Article 27 or has been deleted from the said register,

b) those that have outstanding debts towards the State in the form of taxes, contributions or other payables,

c) those that have not fulfilled their obligation to provide a mandatory copy for archiving, in accordance with the relevant piece of legislation,

d) those who have not accounted for the use of a subsidy granted by the supporting body, those whose settlement of accounts has not been accepted by the supporting body, or those who have overdue unpaid liabilities to the supporting body,

e) organisations the leading officials or owners of which include a person who, during a period of three years preceding the date of the submission of the application for subsidy, has been the leading official of an organisation which has not accounted, to the supporting body, for the use of direct subsidies during the term of his/her service as leading official or its settlement of accounts has not been accepted by the supporting body,

f) an organisation the owners of which include an organisation that has not accounted, to the supporting body, for direct subsidy used during a period of three years preceding the date of the submission of the subsidy application or such settlement of accounts has not been accepted by the supporting body,

g) against whom bankruptcy, liquidation or winding-up proceedings are in progress,

h) one who does not meet the requirements of orderly labour relations as set out in a separate law,

i) any legal person or any business association without legal personality with a registered seat in the Republic of Hungary or in any of the EEA States which legal person or business association has no registered place of business in Hungary at the time of the disbursement of the state subsidy at the latest.

(4) The supporting body may grant an exemption from the condition for exclusion specified in Point d) of Paragraph (3) after three years following the expiry of the reporting deadline the earliest. In the case of overdue payment obligations that have not been settled, no such exemption may be granted until such obligations are settled.

(5)

(6) Direct subsidy shall only be granted following a concluded agreement between the supported organisation and the supporting body. If the supported objective should fail to be achieved due to a breach of contract on the part of the supported organisation, the supported organisation shall be obligated to repay the amount of the subsidy to the supporting body.

Article 14/A

(1) No direct subsidy shall be granted to officers of a supporting body who decide on subsidies and to relatives of such persons as listed in Point b) of Article 685 of the Hungarian Civil Code. Furthermore, no direct subsidy shall be granted to a tendering organisation in which the persons mentioned above are officials with authorisation to represent the said organisation or in which organisation such persons have significant influencing interest as set out by Act CXLIV of 1997 on Business Associations.

(2) No direct subsidy shall be granted to any film the author of which, in accordance with the Szjt., is a senior official of a supporting body that makes decisions regarding subsidies or the close relative of such a person, as listed in Point b) of Article 685 of the Hungarian Civil Code.

(3) Unless this Act states otherwise, officials of the supporting body who make decisions regarding subsidies or make recommendations on subsidies shall not participate in the consideration of the subsidy application if they or their close relatives, as listed in Point b) of Article 685 of the Hungarian Civil Code, are in an employment relationship with the tendering party or, alternatively, if they, personally or through a business association for which they are authorised to sign, are in any other legal relationship, with the tendering party, aimed at employment.

(4) The officials of the supporting body who make recommendations on subsidies shall report, to the decision makers of the supporting body, all and any circumstances that relate to personal relationships with the tendering party along with their recommendation concerning the decision.

(5) The officials concerned shall submit written statements regarding the conflict of interest prior to the consideration of the related application. If the executive concerned or the provider of the recommendation makes false statements with regard to the issue of conflict of interest or provides false data, then his/her appointment shall be terminated by force of law.

(6) If the law sets out a different regulation re conflict of interest concerning the given supporting body, then the stricter of the two regulations shall be applied.

Article 15

(1) Selective subsidies may be granted by way of applications in the case of activities defined in Points a)-e) of Article 12 (3). Unless otherwise stated by law, a supporting body may grant individual subsidies to the extent of, and subject to, the conditions specified in its support regulation if the realisation of objectives selected earlier by way of application cannot be otherwise ensured.

(2) Selective subsidies for the purpose of producing films may be disbursed only if the supporting body has established that the film producer who requests a subsidy has

a) a production plan and budget at an appropriate level of completion required for starting production,

b) collateral for the budget for producing the film (calculated without the amount of subsidy requested),

c) consent from holders of author's and neighbouring rights for film dramatisation and the distribution of the film, and/or contracts pertaining to this.

(3) In addition to the conditions defined in Points a) and b) of Paragraph (2), selective subsidies may be disbursed for the production of co-production films with Hungarian participation only if the Hungarian film producer has title of ownership to the first original negative or an original copy suitable for the reproduction of the film and/or is entitled to make a copy thereof suitable for

screening. In the case of co-production films with Hungarian participation, the condition defined in Point c) of Paragraph (2) shall be met in respect of one of the producers of the film.

(4) The supporting body shall make its decisions in possession of accurate information on the works supported and/or the tender applications through carefully considering all circumstances. The supporting body shall continuously monitor and control the realisation of the objective supported and will, in accordance with this Act, take all measures that ensure completion of the production of the films supported.

Article 16

(1) A producer shall be entitled to normative subsidy if the film produced by the producer or directed by the director employed by the film producer reaches the number of movie theatre viewers defined by the supporting body or is invited to or nominated at or receives an award at film festivals specified by the supporting body.

(2) Film producers will become entitled to normative subsidy at the time of producing their new films. If the producer of the film that serves as the basis of normative subsidy (reference film) employs the director of the reference film for producing his/her next film as well, the producer shall be entitled to the total of the normative subsidy, which shall be spent on producing the new film. If the producer of the reference film does not employ the director of the reference film for producing his/her new film, the producer of the reference film and the producer of the new film directed by that director shall be entitled to normative subsidy at a proportion of 50% each, which they shall both spend on producing their new films.

(3) Film producers may use normative subsidies only once for film production with reference to each reference film with the following exception: if the total amount of the subsidy has not been used for producing the new film, the given producers will become entitled to the remaining balance at the time of producing the next film or films, provided that the conditions for eligibility set out in Paragraph (2) prevail. The supporting body shall be entitled to make the rate of normative subsidy conditional on the proportion of Hungarian participation realised in the film forming the subject matter of support, which shall be calculated based on the tables set out in Article 3.

(4) Film producers shall be entitled to normative subsidy on the basis of meeting certain production criteria if the film producer fulfils the conditions determined by the supporting body defined in relation to the production budget of the film.

(5) The supporting body shall publish the rate and limit amount of normative subsidies that may be requested by film producers in the given year as well as the proportion of these amounts, the system of production conditions, movie theatre viewer numbers and film festivals that serve as the basis of subsidies, thereby determining the conditions of eligibility for each festival.

Article 17

(1) Film distributors shall be entitled to normative subsidies for the distribution of Hungarian films and co-production films with Hungarian participation, as well as for the distribution of films classified as “art movies” and for the operation of movie theatres classified as “art movie theatres”.

(2) The supporting body shall publish the rate of normative subsidies that may be requested by film distributors during the given year on an annual basis, thereby determining the conditions of eligibility.

(3) In addition to those activities set out in Articles 16-17, the supporting body may grant normative subsidies to other activities defined in Article 12 (3) according to the conditions published by the said body earlier, with regard to all types of films. Motion Picture Public Foundation of Hungary shall grant subsidies in all forms of normative subsidies defined in Articles 16-17, while other supporting bodies may offer these forms of subsidies at their own discretion.

Chapter III

THE MOTION PICTURE AUTHORITY

Title 1

The tasks of the Motion Picture Authority

Article 18

(1) The Motion Picture Authority shall perform public administration tasks related to the operation of the motion picture industry, in the course of which it shall perform statutory, control, and service provision activities as defined in this Act.
(2)-(3)

Article 19

(1) The Motion Picture Authority shall perform the following tasks: it shall…
a) rate films in accordance with this Act in order to protect minors and apply the sanctions set out in the Act if rating regulations are breached,
b) classify films of artistic value or films worthy of support due to their cultural significance as well as movie theatres distributing such films in accordance with this Act,
c) keep public records about organisations of the motion picture industry and films that require support under this Act, as well as of films to be distributed,
d) classify films for the production of which subsidy, in accordance with this Act, is requested into categories of ‘Hungarian film’, ‘co-production film with Hungarian participation’, ‘other film with Hungarian participation’ or ‘other film’,
e) verify entitlement to use subsidies, and, in accordance with Point 36 of Article 4 of Act LXXXI of 1996 on Corporate Tax and Dividend Tax, issue the subsidy certificate that entitles to tax benefits,
f) perform statistical and data provision activities concerning the motion picture industry,
g) perform administrative tasks related to the operation of the Motion Picture Coordination Council,
h) issue co-production certificates specified in international agreements in accordance with the proceedings set out in such agreements,
i) perform other tasks concerning the motion picture industry, as defined by this Act or in other pieces of legislation, based on the authorisation granted in this Act.
(2) With regard to the proceedings specified in Points *a)-e)* of Paragraph (1), the provisions of Act CXL of 2004 on the General Rules of Administrative Proceedings and Services (hereinafter referred to as: Ket.) shall be applied.

(3) Administrative service fees defined by a separate law shall be paid for registration and classification activities performed by the Motion Picture Authority under this Act.

Title 2

Rating of Films for the Protection of Minors

Article 20

(1) In order to ensure healthy intellectual and spiritual development of minors, films to be marketed in Hungary shall be classified into the categories defined in Article 21 and this classification shall be published in accordance with the provisions of this Act.

(2) The provisions of Paragraph (1) shall not apply to films shown for no more than ten times over a year that do not enter the film distribution network, presented at nationwide film days (film weeks) or film festivals organised in line with inter-state agreements or by professional organisations.

Article 21

Rating categories for films shall be as follows:

a) Films that may be viewed without regard to age restrictions shall be classified into Category

b) Films that may awoke fear in viewers of less than twelve years of age or films that cannot be understood or may be misunderstood by viewers of less than twelve years of age, due to their age, shall be classified into Category II. The rating of such films shall be: 'parental guidance recommended for viewers of less than twelve years of age'.

c) Films that are capable of unfavourably influencing the physical, intellectual or moral development of children below the age of sixteen, particularly by indirectly alluding to violence or sexuality, or the dominant component of the topic of which films is a conflict that is resolved violently shall be classified into Category III. The rating of such films shall be: 'not suitable for viewers below the age of sixteen'.

d) Films that are capable of unfavourably influencing the physical, intellectual or moral development of minors, particularly by offering a direct and natural depiction of violence or sexuality as a dominant component, shall be classified into Category IV. The rating of such films shall be: 'not suitable for viewers below the age of eighteen'.

e) Films that are capable of exerting a seriously unfavourable influence on the physical, intellectual or moral development of minors particularly by containing pornography, extreme or unjustified violence shall be classified into Category V. The rating of such films shall be: 'recommended only for adults'.

The Age Restriction Committee

Article 22

The Motion Picture Authority shall establish and operate the Age Restriction Committee, which will make recommendations to the Motion Picture Authority with regard to ratings and the classification of films into categories.

Article 23

(1) The composition of the Age Restriction Committee, which shall consist of seven members, shall be as follows:

a) two persons with degrees in psychology, who have professional experience regarding the impact of media on the development of children,

b) two persons with degrees in education, who have professional experience in the area of film distribution or motion picture education,

c) two persons with university or college degrees, who have professional experience regarding the impact of media on the development of children,

d) one representative of the film distributors.

(2) The minister in charge of education, the minister in charge of child and youth protection, the Minister and the National Radio and Television Commission can each delegate one representative with experience in the field of child and youth protection to participate at the meetings of the Age Restriction Committee as experts.

(3) The Motion Picture Authority shall appoint the members specified in Points *a)-c)* of Paragraph (1) through an open tendering procedure; the member specified in Point *d)* shall be delegated to the Age Restriction Committee by the film distributors. Members shall be appointed for a maximum term of three years.

Publication of Films

Article 24

(1) Film distributors shall, in a conspicuous manner, display the symbol corresponding to the category determined by the Motion Picture Authority at all public screenings of the film, on all data media and/or the packaging and cover of any data media marketed as well as in all communications and advertisements related to the film in accordance with the provisions of a separate law.

(2) If the distributor of the film distributes the film without rating provided by the Motion Picture Authority or if — despite the Motion Picture Authority's decision — the age restriction symbol is not displayed or falsely displayed, the Motion Picture Authority shall obligate the film distributor and/or the person or organisation responsible for the unlawful situation to pay the respective fine as set out in Article 33/A.

Title 3

Classification of Films in the Interest of Supporting Film Distribution

Article 25

(1) In order to promote the distribution of films of artistic value or worthy of support due to their cultural significance, the Motion Picture Authority, at the request of the film producer or distributor, may grant "art" classification to films.

(2) The Motion Picture Authority shall, at the operator's request, grant "art" classification to any movie theatre the operator of which agrees to comply with the conditions defined in a separate law. For movie theatres with more than one auditorium, "art" classification may be

awarded to a specific auditorium of the movie theatre if the operator agrees to comply with the conditions applicable to “art” movie theatres in respect of that given auditorium.

Article 26

(1) A five-member Film Committee, set up by the Motion Picture Authority, shall make recommendations as to classifying films as “art” films. The Motion Picture Authority’s director, following an open tendering procedure, shall appoint members of the Film Committee. Committee members shall have qualification or professional experience in the field of film art, motion picture science or motion picture education. Members shall be appointed for a terms of three years.

(2) The Motion Picture Authority shall classify as “art” films all films to be distributed which:

a) contribute to the development of the Hungarian, European or universal audiovisual culture through their artistic value, or

b) have received an internationally recognised film award that is contained in the annually updated list published by the Motion Picture Authority, or

c) which the Film Committee considers to be of high artistic standard and significant from an artistic or educational aspect.

(3) The Motion Picture Authority shall continuously monitor movie theatres classified as “art” movie theatres and evaluate compliance with the conditions of “art” classification set out in the relevant piece of legislation. The Motion Picture Authority shall revoke the classification if conditions are not met.

Title 4

Registration and Classification of Motion Picture Industry Organisations and Works

Article 27

(1) In order to ensure that eligibility to direct or indirect state subsidy can be determined, the Motion Picture Authority shall keep records of

a) film producers, film distributors, workshops, and other organisations of the motion picture industry that request subsidies, as well as natural persons who request a subsidy,

b) films in the process of preparation or productions that have been granted subsidies, as well as films to be distributed.

(2) Registration shall not be a condition for granting subsidies in the case of organisations and institutions that perform film distribution activities only for educational purposes, for executing library or public collection related tasks, except for public collections specifically related to the motion picture industry. When requesting subsidies, such organisations shall declare that the conditions for exclusion set out in Article 28 (7) do not exist in their respect.

Article 28

(1) Any Hungarian citizen, any persons with the right to move and reside freely as set out in a separate law, any legal person or any business association without a legal personality having a registered seat within the Republic of Hungary or in any of the EEA States may request to be registered if they wish to receive direct or indirect state subsidies.

(2) If the subsidy is requested by an organisation, the register shall contain the name, registered seat, company registration number or court registration number, and the tax number of the entity requesting a subsidy together with the name and address of its representative.

(3) If a subsidy is requested by a natural person, the register shall contain the name, address, place and date of birth, tax number or tax identification number of the person requesting the subsidy.

(4) The data listed in Paragraphs (2) and (3) shall be reported to the Motion Picture Authority by the party requesting the subsidy together with the application for registration. The Motion Picture Authority shall, in turn, register applicants if the data specified by the law are reported. Changes in the registered data shall be reported to the Motion Picture Authority by the applicant of the subsidy in the manner determined in the relevant separate law.

(5) The register shall include the following data with reference to all parties requesting subsidies:

a) the activity for which the applicant requests the subsidy,

b) the amount of direct state subsidy used by the applicant, indicating the activity and/or the film supported,

c) whether the applicant has accounted for and settled the direct state subsidy used by him/her/it by the deadline and according to the conditions defined by the supporting body, or in the absence of this, the amount of the applicant's liability outstanding to the supporting body.

(6) The data listed in Paragraph (5) and changes in such data shall be reported to the Motion Picture Authority by the organisation that provides state subsidies.

(7) Applicants who have not accounted for the use of the direct state subsidy allocated to them by the deadline and according to the conditions defined by the supporting body, whose settlement account has not been accepted by the supporting body or who have outstanding overdue liabilities towards the supporting body may not be registered or shall be deleted from the register until they settle their payment obligations to the supporting body. In such cases, registration may be repeated after three years have elapsed following the expiry of the deadline for settlement or payment the earliest, unless the applicant has already paid its liability to the supporting body in the meantime.

(8) For the purposes of this Article, registration of other data necessary for the realisation of the objectives defined by the law may be required by a separate piece of legislation.

Article 29

(1) The Motion Picture Authority shall register all films for the preparation or production of which state subsidies have been used. At registration, the Motion Picture Authority shall examine adherence to the subsidy ratios specified in Article 13 and shall notify the film producer and the supporting organisations concerned if such ratios are exceeded.

(2) The register referred to in Paragraph (1) shall include the planned title of the film being prepared or produced, the name of the party producing the film, the result of the qualification specified in the proceedings set out in Article 31 as well as other data required for realising the objectives specified by law as set out in separate laws. Changes in the registered data shall be reported by the applicant of the subsidy to the Motion Picture Authority in the manner determined in the separate law.

(3) In addition to stipulations set out in Paragraph (1), the Motion Picture Authority shall register all films to be distributed, except for films referred to in Article 20 (2).

(4) The register referred to in Paragraph (3) shall include the title of the film to be distributed, the names of the producer and the distributor of the film, the classifications determined based on the classification proceedings defined in Articles 20 and 25 as well as other data required for realising the objectives defined by this Act as specified in a separate law. These data shall be reported to the Motion Picture Authority by the distributor of the film in the manner set out in a separate law.

Article 30

Data in the Motion Picture Authority's register — particularly the total budget of state subsidised film productions, data regarding state subsidies, and data regarding film distribution as specified in separate laws — shall be considered data of public interest and shall be public, except for personal data.

Article 31

(1) At the film producer's request, in accordance with the Act, the Motion Picture Authority shall classify all films for the production of which direct state subsidies are requested into one of the following categories:

a) Hungarian film,

b) co-production film with Hungarian participation,

c) other film with Hungarian participation,

d) other film.

(2) The classification specified in Paragraph (1) shall be performed by the Motion Picture Authority based on the documents listed in a separate law and submitted by the film producer to the Film Office. The co-production certificate prescribed by the pertaining international agreement shall be issued by the Motion Picture Authority in accordance with the proceedings set out by the agreement.

(3) At the request of the film producer, the Motion Picture Authority shall certify the amount of direct film production costs and direct Hungarian film production costs within the film production budget. When issuing the subsidy certificate, the Motion Picture Authority shall verify adherence to the subsidy ratios set out in Article 13, and, in case such ratios have been exceeded, the Authority shall deduct the unlawfully paid subsidy surplus from the sum determined in the subsidy certificate.

(4) At the request of the party concerned or based on an inquiry of another public administration body, the Motion Picture Authority shall issue a certificate regarding the data included in its register in respect of film producers, film distributors, and organisations of the motion picture industry included in its register.

Article 32

(1) The Motion Picture Authority shall perform data collection and data management tasks necessary for operating the motion picture information system of the National Statistical Data Collection Programme.

(2) The Motion Picture Authority shall combine its registers specified in this Act into a database that can be managed electronically, and shall prepare the regulation for handling the database and shall publish this regulation in "Kulturális Közlöny".

(3) At the request of organisations providing subsidies for the motion picture industry, the Motion Picture Authority shall certify settlement of accounts with reference to direct state subsidies based on the data provided by supporting bodies according to Article 28 (5)-(6) with respect to film producers, film distributors and organisations of the motion picture industry included in its registers.

Article 33

(1) The Motion Picture Authority shall provide legal assistance and counsel to natural persons and organisations contacting the Office with reference to issues related to film production, and shall provide opinions on filming contracts and other film production-related agreements submitted to it.

(2) The Motion Picture Authority shall assist film producers, film distributors and organisations of the motion picture industry in establishing international co-production relations, and shall make recommendations to the Minister with respect to the conclusion of international co-production agreements as well as their content.

(3) The Motion Picture Authority shall give professional recommendations to the Minister in terms of developing a government policy related to domestic and international strategic issues of the motion picture industry and Hungarian participation in the European Union's audiovisual programmes.

Article 33/A

(1) The amount of the fine referred to in Article 24 (2) can range from HUF 10,000 to HUF 3 million. When determining the amount of the fine, the Motion Picture Authority shall take into account whether the film has been advertised and screened with no age limit restrictions or with false age limit restrictions; what type of publicity the unlawful screening has received; and which category the film is to be classified into in order to protect minors.

(2) In case reporting obligations specified in Article 28 (4) and Article 29 (2) are not fulfilled, the Motion Picture Authority may impose fines on the applicant of the subsidy of an amount ranging from HUF 3,000 to HUF 30,000.

(3) In case reporting obligations specified in Article 29 (4) are not fulfilled, the Motion Picture Authority may impose fines on the distributor of the film of an amount ranging from HUF 10,000 to HUF 100,000.

(4) Unpaid fines shall be considered public debts, which can be collected in a similar manner to the collection of taxes. Collected fines shall be used for the realisation of the objectives of the motion picture industry.

Chapter IV

PROTECTION OF NATIONAL FILM ASSETS

Hungarian National Film Archive

Article 34

(1) The Hungarian National Film Archive (hereinafter referred to as: Film Archive) shall be an independent budgetary agency under the supervision by the Minister, which entity shall function as a public collection.

(2) The basic task of the Film Archive is to perform tasks related to the collection, processing and preservation of tangible, written and other documents of the Hungarian as well as universal film culture, to contribute to the development of Hungarian culture through professional services and research activities, and to assist education related to motion picture culture.

(3) The Film Archive shall manage films and video documentaries provided to it in accordance with Government Decree No. 60/1998. (III. 27.) Korm. on the provision and utilisation of archiving-purpose mandatory copies of press products.

(4) The director of the Film Archive shall be appointed and dismissed by the Minister, its rules of organisation and operation shall be approved by the Minister.

Article 35

(1) The asset trustee's right concerning national film assets shall be vested in the Film Archive.

(2) The Film Archive shall not sell, transfer or encumber any or all of the national film assets.

(3)

(4) The detailed rules for the efficient and multi-channel distribution of films that form a part of the national film assets, as well as the method for distributing the revenue collected from distribution shall be determined by the Minister and issued in a decree. This shall not affect the enforcement of rights held by right-holders under the Copyright Act.

(5) Within the framework of service provision with reference to mandatory copies, the Film Archive shall use films received for custody or integrated into its collection for archiving or for other purposes only in accordance with the provisions of the Copyright Act.

Chapter V

CLOSING PROVISIONS

Article 36

(1) This Act shall enter into force on 1st April 2004. Point 15 e) of Article 2 shall enter into force on the date when the international treaty on the accession to the European Union is promulgated.

(2)

(3) Films that are already under distribution at the time of this Act entering into force need not be reclassified according to the provisions of this act in respect of age restrictions or "art" classification, and the previous age restrictions and "art" classifications recognised by the Motion Picture Public Foundation of Hungary shall continue to be applied in their case.

Article 37

(1) The Minister is authorised to determine the following in a decree:

a) the detailed rules of proceedings of the Motion Picture Authority,

b) in agreement with the Minister in charge of tax policy, the detailed criteria regarding direct film production and indirect Hungarian film production costs as well as the amount of the administrative service fee set out in Article 19 (3), and

c) certain regulations concerning state subsidies for motion picture industry activities not related to film production.

(2) The Minister is authorised to determine the following in a decree:

a) the conditions and criteria for the classification of movie theatres as "art" movie theatres in accordance with Article 25 (2) and the classification of films into age limit categories, as well as the conditions and criteria of disabled people's access to movie theatres,

b)

(3)

(4) In a decree, the Government is authorised to appoint the Motion Picture Authority or Authorities, to determine the rules of the efficient and multi-channel distribution of films that are part of national film assets, and to determine the manner in which funds gained from film distribution shall be allocated.

Article 38

Conformity with European Union Law

Article 38/A

This Act serves conformity with Article 24 of Directive 2004/38/EC of the European Parliament and of the Council of 29 April 2004 on the right of the free movement and residence of the European Union's citizens and their family members within the territory of the Member States amending Regulation No 1612/68 (EEC) and repealing Directives 64/221/EEC, 68/360/EEC, 72/194/EEC, 73/148/EEC, 75/34/EEC, 75/35/EEC, 90/364/EEC, 90/365/EEC and 93/96/EEC.