



Film industry experts say lower GST will help generate jobs, increase screen count

Some of the benefits of reduced taxes include higher employment generation, incremental investment in film production, improved film exhibition infrastructure and increased technical competence

The film industry got the much-needed relief when the government slashed GST (goods and services tax) for movie tickets priced above Rs 100 down to 18 percent from 28 percent and from 18 percent to 12 percent for tickets priced Rs 100 and below.

The industry is calling this a welcome move which will not only help the audience or exhibitors but also distributors and the sector as a whole.

"We are happy to see that GST council finally addressed the issue of ticket pricing which should be brought under the 18 percent tax regime for the betterment of the multiplex industry. This move will help to increase the cinema footprints in tier 3 and 4 locations to increase the overall screen count in the country," said Amit Sharma, Managing Director, Miraj Cinemas.

Adding to this, Pankaj Jaysinh, Chief Operating Officer (COO), Indian operations, UFO Moviez, said, "At higher percentage, some interior theatres in tier II-III cities would under-declare their sales and save themselves from taxes but at 12 percent or 18 percent they wouldn't want to take that risk. Profit margins are also higher. Also, the absolute amount of tax that the government would collect would be more and that would induce the government to further reduce the taxation."

The Indian film exhibition segment in terms of the number of screens is less than 1/5th in size as compared to developed markets like China and USA.

The ratio is expected to worsen further as India faces a constant decline in its screen count, largely due to the shutdown of single screens, said an Ernst & Young's Re-imagining India's Media & Entertainment Sector 2018 report.

Meanwhile, Sharma believes that a cut in taxes will prove beneficial for single screens. He said, "It will help single screens because we were at 18 percent and 28 percent and now a drastic change of 12-18 percent which will definitely get into bottom line and it will ease the overall burden of the consumer as well as help in rationalising ticket prices," said Sharma. Some of the benefits of reduced taxes have been pointed out by the EY report that includes - Higher employment generation

As per estimates, a single cinema location (with multiple screens) has the potential to generate - 100 direct and indirect employment opportunities.

Estimated growth of 4,000-5,000 locations can potentially add about 400,000 - 500,000 employees and may have a ripple effect on employment in the overall film industry.

Incremental investment in film production and film exhibition infrastructure

A tax cut will prod more people to consider watching more movies leaving more cash in the makers' pockets leading to higher investment in making movies.

This will lead to higher investment in technical competence, broken down in segments like VFX, animation, and post-production in line with global trends.

Sharma concurred and said that a cut in taxes “will benefit the entire industry and that is because 50 percent of the benefits will be enjoyed by the distributors. And this will help them to make better content with VFX coming and with more bigger budget movies coming in.”

The lower GST rates for movie tickets have come at a time when recently members of the film industry met Prime Minister Narendra Modi. They had pitched for lower and uniform GST rates for the entertainment industry.

In a tweet after the meeting, Modi had said, “Had an extensive and fruitful interaction with a delegation from the film and entertainment industry. The delegation spoke about the strides being made by the film and entertainment industry, and gave valuable inputs relating to GST for their sector.”

“The film industry was meeting from I&B ministry to Finance in the last couple of years that we have been put in the sin category and finally the breakthrough has come after meeting the prime minister who had assured that this is one of the valid points,” said Sharma.

Industry insiders revealed that the delegation of actors and producers had urged Modi to look towards treating cinema as an industry by acknowledging its contribution to India’s exchequer and fiscal growth.

“We want more government support. Because we are sitting at less than 10,000 screens out of which only 3,000 screens are multiplexes. Look at China which had once less number of screens compared to India and now they have 50,000 screens. So, the industry should be looked at as an economic growth driver that generates a good amount of employment so government should look after this point and extend help to the industry,” said Sharma.

While the cut in taxes is being appreciated, India still has one of the highest taxes for cinema exhibition. Major countries like Switzerland, China, Dubai, France, Malaysia, and Japan have taxes on movie tickets from 0.0 percent, 5.0 percent, 5.0 percent, 5.5 percent, 6.0 percent, 8.0 percent, respectively.

“This (reduced in taxes) is still not as per international standards. So, the earlier taxes 28 percent and 18 percent the taxes would come about 26 percent tax if you work out from all cinema chains or all multiplex chains and now this will come down to 16 percent which is still double compared to world standards.”

What is the industry expecting in 2019 in terms of taxes from the government?

“Once GST collections become good for the country to run then we can demand to reduce the taxes further,” said Sharma.

“We have come a long way from 28-18 percent to 18-12 percent and this will definitely help us to go to tier III-IV markets now. It was very unfair to pay taxes on the similar terms in metros and tier III-IV cities so right now rationalisation of taxes will definitely help the tier III-IV expansion especially at a time when there are more screens coming up in those part of the country,” he added.