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Tax Playbook.

How Nemea reduces film cost and protects investor capital through strategic incentive stacking across Mexico, Canada, and the United States.

ABSTRACT

This document provides a plain-language overview of the film tax incentive programmes Nemea accesses across three jurisdictions — and how those incentives are structured to reduce net film cost and protect investor capital **regardless of box-office performance**. It is prepared for sophisticated investors and is intended to be read alongside the Nemea Business Plan.

01 Why Tax Incentives Matter.

Film tax incentives are government-backed programmes designed to attract production activity to a jurisdiction. Unlike box-office revenue, they are **contractual obligations of a government or quasi-governmental authority** — not dependent on audience reception, distribution deals, or critical response.

Three structural properties

Government-backed, not market-dependent. Tax credits are issued by revenue authorities; once earned, they do not fluctuate with theatrical or streaming performance.

Cost reduction, not subsidy. Nemea targets **30–50% cost reduction per film** through strategic use of incentives, materially lowering the break-even threshold on every production.

Structural floor on returns. Even on a total distribution flop, incentives recover real cash. This is what keeps the bear case at 0.52× rather than 0×.

Nemea's standing rule

Nemea uses **one Mexican incentive per film** (either EFICINE 189 or EFICA — they are mutually exclusive) **plus BC Production Services Tax Credit** on qualifying Canadian labour. BC PSTC can be layered on top of either Mexican incentive.

KEY INVESTOR MESSAGE

Tax credits are recovered regardless of box office. Even on a total distribution flop, the fund recovers a material portion of the investment through incentives alone. **This is the structural floor that keeps the bear case at 0.52× rather than 0×.**

02 Mexico.

Mexico offers two major film tax incentive programmes administered at the federal level. They are **mutually exclusive** — a production may use one or the other on the same film, not both. Nemea selects the appropriate incentive based on total budget and Mexico spend.

EFICINE 189

Article 189, Income Tax Law — ISR

TYPE	Tax credit applied against ISR (Mexican corporate income tax)
MAXIMUM VALUE	**Up to MXN $25M** per project (~USD $1.4M at current rates)
MINIMUM SPEND	None — available on any size Mexican production
STAGE	**Pre-production** (credit applied before principal photography)
ELIGIBLE APPLICANTS	Mexican production company with a nationally-recognised project
MONETISATION	Sold at approximately **85¢ on the dollar** to corporate ISR tax buyers
MUTUAL EXCLUSIVITY	Cannot be combined with EFICA on the same film

EFICA (2026)

Presidential Decree · February 16, 2026

TYPE	**Transferable income tax credit (ISR)**
CREDIT RATE	**30% of total qualifying Mexico spend**
MAXIMUM VALUE	MXN $40M per production (~USD $2.3M)
MINIMUM MEXICO SPEND	MXN $40M (~USD $2.3M) — only above this threshold
STAGE	**Post-wrap** / post-production
VALIDITY	Until September 30, 2030
TRANSFERABILITY	Can be sold to third-party tax buyers up to 70% of credit value
SOURCE	Presidential Decree Feb 16, 2026; Guidelines published March 30, 2026, Official Gazette

EFICINE vs. EFICA — Quick Comparison

DIMENSION	EFICINE 189	EFICA (2026)
Type	Tax credit (ISR)	Transferable tax credit (ISR)
Max value	~USD $1.4M	~USD $2.3M
Min Mexico spend	None	MXN $40M (~USD $2.3M)
Stage	Pre-production	Post-wrap
Stackable with the other?	No	No
Stackable with BC PSTC?	Yes	Yes

03 Canada.

Canada offers some of the most competitive film tax incentives in the world. Nemea accesses the British Columbia Production Services Tax Credit through its BC-incorporated entity, Nemea BC Ltd. **BC PSTC is independent of the Mexican incentive** and can be layered on any film that also uses EFICINE or EFICA.

BC Production Services Tax Credit

Refundable · Accessed via Nemea BC Ltd.

BASE RATE (2025+)	**36% of qualifying BC labour** (increased from 28%)
REGIONAL BONUS	+6% for qualifying regional locations
DAVE BONUS	+16% on qualifying digital animation, VFX, post
MAJOR PRODUCTION BONUS	+2% for BC spend exceeding $200M
EFFECTIVE COMBINED RATE	**Up to 46.2% of qualifying BC labour**
MINIMUM QUALIFYING SPEND	CAD $1M in qualifying BC labour
REFUNDABLE?	**Yes** — cash refund from BC government
TIMING	Post-production; 6–8 month certification lag typical
MUTUAL EXCLUSIVITY	None — layers with EFICINE or EFICA

Other Canadian Provinces

PROVINCE	PROGRAMME	RATE	NOTES
Ontario	OPSTC	21.5% all-spend	Foreign productions eligible
Ontario	OFTTC	35% labour	Canadian-controlled only
Quebec	QPSTC	25% all-spend	Strong VFX ecosystem
Alberta	ATCF	22–30%	Growing production hub
Manitoba	MFCP	45–65% labour	Highest labour credit in Canada

Federal CPTC. The Canadian Film or Video Production Tax Credit provides 25% of qualified Canadian labour, capped at 15% of the total production budget. Available to Canadian-controlled productions only; stackable with provincial credits.

04 United States.

There is **no federal film tax credit in the United States**. All film incentives are administered at the state level. Each state sets its own rates, caps, eligibility rules, and credit types. Nemea accesses these programmes through Nemea Studios Inc. (Delaware) for films with qualifying US production activity.

STATE	RATE	TYPE	MIN SPEND	NOTES
New Mexico	25–40%	Refundable	USD $500K	No project cap; rural location bonuses
Georgia	20–30%	Transferable	USD $500K	Uncapped programme; highly reliable
California	20–35%	Refundable	USD $1M	$750M/yr cap; competitive application
New York	30–40%	Refundable	USD $1M	$800M cap; indie set-aside
Illinois	30–35%	Transferable	USD $100K	Low entry threshold; stackable bonuses
Louisiana	25–40%	Refundable	USD $300K	Long-established programme

Transferable credits (Georgia, Illinois) can be sold to in-state tax buyers at a discount — typically 88–93¢ on the dollar — providing near-immediate liquidity. **Refundable credits** are paid directly as cash, typically 6–12 months post-wrap.

05 Nemea's Strategy Per Film.

Nemea selects its incentive stack based on total film budget and the level of qualifying Mexico spend. **The strategy is determined at greenlight, prior to budget lock**, to ensure maximum incentive capture. Three scenarios cover the slate.

SCENARIO A

Small budget film (< MXN $40M)

→ **Mexico:** EFICINE 189 — up to USD $1.4M in pre-production credit, sold at ~85¢/$ to ISR tax buyers.

→ **Canada:** BC PSTC — 36–46.2% on qualifying BC labour, refundable cash from BC government.

These two incentives operate independently and can be fully layered.

SCENARIO B

Mid-to-large budget film (≥ MXN $40M Mexico spend)

→ **Mexico:** EFICA 2026 — 30% of total qualifying Mexico spend, up to USD $2.3M, transferable.

→ **Canada:** BC PSTC — 36–46.2% on qualifying BC labour.

EFICA's larger cap and transferability make it the preferred choice once the threshold is crossed.

SCENARIO C

US co-production

→ **US:** State incentive — Georgia or New Mexico preferred for reliability and depth.

→ **Canada:** BC PSTC where Canadian labour is involved — independently stackable.

→ **Mexico:** eligible if qualifying Mexico spend exists; otherwise US + BC PSTC alone.

INCENTIVE STACK SUMMARY

Small budget: **20–35% of total budget** recovered through incentives.
Mid-large: **25–45% of total budget** recovered.
US co-production: **20–40% of total budget** recovered.

06 Glossary.

Tax Credit

A direct reduction of tax owed, as opposed to a deduction (which reduces taxable income). Film tax credits are applied against a company's or individual's tax liability. More valuable than an equivalent deduction.

Transferable Credit

A tax credit that can be legally sold or assigned to a third-party taxpayer. Transferable credits are typically sold at a discount (85–93¢ per dollar of face value) in exchange for near-immediate liquidity for the production.

Refundable Credit

A tax credit where the issuing government pays out any excess credit value in cash, even if the recipient has no tax liability against which to apply it. BC PSTC is a refundable credit.

Labour-Based Credit

An incentive calculated as a percentage of qualifying labour expenditures (wages, salaries, and eligible fees paid to workers in the jurisdiction). BC PSTC is labour-based.

All-Spend Credit

An incentive calculated as a percentage of all qualifying production expenditures in the jurisdiction — not just labour. Typically has a lower rate than labour-only credits but applies to a broader cost base.

ISR

Impuesto Sobre la Renta — Mexico's federal income tax. EFICINE 189 and EFICA are both credits applied against ISR.

IMCINE

Instituto Mexicano de Cinematografía — Mexico's national film institute, which administers EFICINE 189. EFICA is administered separately under the Presidential Decree framework.

SPV

Special Purpose Vehicle — a legally separate entity created specifically for a single film production. Nemea uses SPV structures to isolate each film's financial and legal exposure, ensuring incentive claims and liabilities do not cross-contaminate between productions.