

**GENERAL REGULATIONS TO THE ORGANIC LAW FOR DIGITAL AND AUDIO-VISUAL
TRANSFORMATION**

**Title VII
ON THE AUDIO-VISUAL SECTOR**

**Chapter I
ON INSTITUTIONALITY**

Art. 49.- From the Sectoral Committee of the Cinematographic and Audio-visual Industry (COSICA). - The Sectoral Committee of the Cinematographic and Audio-visual Industry (COSICA) is hereby created, which shall be composed of:

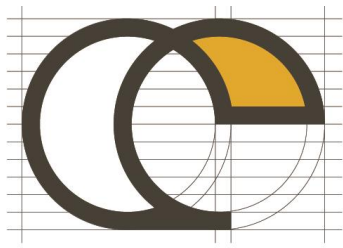
1. The highest authority of the Ministry of Production, Foreign Trade, Investment and Fisheries, or its delegate, who will preside over it.
2. The highest authority of the Ministry of Culture and Heritage, or its delegate.
3. A delegate of the President of the Republic.
4. The Representative of Film and Audio-visual Producers, in accordance with Article 106 of the General Regulations to the Organic Law on Culture; and
5. The Representative of the directors of cinema and audio-visual creation, in accordance with article 106 of the General Regulations of the Organic Law of Culture.

The COSICA will have a delegate from the Internal Revenue Service (SRI) who will participate with voice, but without vote.

The COSICA may request the participation, when it deems it necessary, of other public and/or private institutions. These entities shall participate in the Committee with voice but without vote. Similarly, the COSICA will receive non-binding recommendations or proposals from the Sectoral and Territorial Consultative Board of the Audio-visual Sector, referred to in Article 58 of these Regulations.

Art. 50.- Powers of the Sectoral Committee of the Cinematographic and Audio-visual Industry (COSICA). - The following shall be the powers of the Sectoral Committee of the Cinematographic and Audio-visual Industry:

1. Issue the Technical Standard for the evaluation, approval and assignment of Audio-visual Investment Certificates that establishes the investment requirements, recipients, annual allocation percentages for Audio-visual Productions based on their origin, genre, type, and other aspects for the issuance and assignment of Audio-visual Investment Certificates (CIA), including the calendar and form of presentation, reception, approval and follow-up of applications for audio-visual productions seeking access to Audio-visual Investment Certificates (CIA);



2. Approve or reject, after a report from the Technical Secretariat, the audio-visual production projects that may be beneficiaries of the Audio-visual Investment Certificates (CIA) and other incentives that require management and approval by the COSICA.
3. Issue the technical endorsement for audio-visual productions to be recipients of Audio-visual Investment Certificates (CIA).
4. Issue the certificate certifying the completion of a project, the date of completion and the amount of expenses for audio-visual and logistical services assigned to it.
5. Evaluate and approve the econometric financial report, prepared by the Technical Secretariat, resulting from the application of the Audio-visual Investment Certificates (CIA) to determine the impacts generated by investments in the audio-visual field, on the national economy, employment, and the development of the audio-visual and logistics productive sectors.
6. Submit the econometric financial report to the Internal Revenue Service (SRI) and the Ministry of Economy and Finance to serve as input when requesting and assigning the maximum recommended amount for the issuance of Audio-visual Investment Certificates (CIA) for the following calendar year; and
7. Other powers that correspond to it in accordance with the law and regulations.

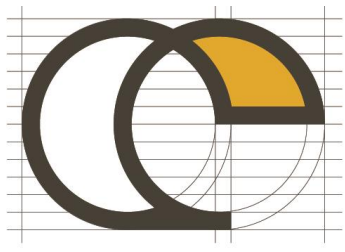
Art. 51.- Sessions. - The Committee shall meet ordinarily at least quarterly, and may also meet extraordinarily whenever necessary, in accordance with the operating regulations issued for this purpose.

Art. 52.- From the Technical Secretariat of COSICA. - The Director of the Institute of Cinema and Audio-visual Creation or whoever takes his place will act as Technical Secretary of the COSICA; and, it will have a specialized Technical Management Unit whose composition will be defined by the COSICA.

The Secretariat may, if necessary, request specialized technical support from whomever it deems appropriate.

Article 53.- Powers of the Technical Secretariat. - The following are the powers of the Technical Secretariat:

1. Prepare the inputs and technical guidelines for the issuance of the Technical Standard for the evaluation, approval, and assignment of Audio-visual Investment Certificates (CIA).
2. Evaluate the projects that apply for the Audio-visual Investment Certificates (CIA), based on the guidelines established in the Technical Standard, and prepare the qualification reports that will be approved or rejected by the COSICA.
3. Implement technically and operationally the provisions dictated by the COSICA.
4. Prepare the econometric financial report regarding the application of the Audio-visual Investment Certificates (CIA) that will be sent to the Internal Revenue Service (SRI) and the Ministry of Economy and Finance once it is approved by the COSICA.



5. Propose improvements, changes, and optimizations for the COSICA's knowledge and approval of the Technical Standard; and
6. Any other provisions provided by the COSICA, as well as those contained in the Law and in these Regulations.

Art. 54.- Sectoral and Territorial Consultative Table of the Audio-visual Sector. - In order to guarantee the participation of the productive sectors in the adoption of public policies for the development of the audio-visual sector, a Territorial and Sectoral Consultative Table of the Audio-visual Sector will be formed, as an instance of citizen participation that will serve as a link between the COSICA and the country's audio-visual sector.

The Sectorial and Territorial Consultative Table will be coordinated by the president of the COSICA and will be made up of representatives of the Ecuadorian audio-visual sector guilds duly accredited by the Institute of Cinema and Audio-visual Creation or whoever takes its place.

Chapter II

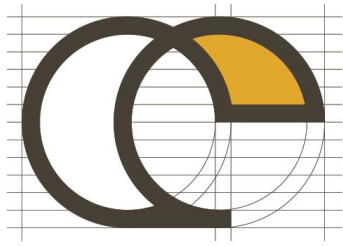
OF THE AUDIOVISUAL FIELDS AND SECTORS OF APPLICATION

Art. 55.- Audio-visual production. - The production of an audio-visual work shall be understood as any artistic or non-artistic creation, expressed through a series of associated moving images, with or without incorporated sound, developed through the phases of audio-visual production with the main objective of being distributed and/or marketed through physical or digital spaces, as well as in physical or digital support and other technological means that may exist. Works of audio-visual production include, among others, cinematographic fiction works, documentaries, television series, fiction series, video games, video clips, feature films, short films, web series, animations and/or projects that contemplate new forms of multimedia and audio-visual expression and others that are contemplated in the respective technical regulations.

For the purposes provided for in the Organic Law for Digital and Audio-visual Transformation, the production of foreign advertising audio-visual content will be included, which contemplates foreign investment to produce advertising content made in Ecuador.

For the purposes provided for in the Organic Law for Digital and Audio-visual Transformation, journalistic articles, reports, newscasts, or transmissions of sports, artistic or other events, videos of political advertising or institutional promotion, or the activity of promotion, distribution, and exhibition of audio-visual or cinematographic works will not be considered audio-visual production.

Within the development phase, in addition to the activities related to the management of the financing of audio-visual production, an integral part of the production of an audio-visual work is understood to be the writing of the materials necessary for the creation of the corresponding work, such as the synopsis, the script, the outline, the bible, etc. character profiles and other documents of a similar nature.



Art. 56.- National audio-visual production, co-production, and foreign audio-visual production. - National audio-visual production shall be understood as any audio-visual or multimedia production whose percentages of financing and contributions from national and international technical teams and artistic casts are within the parameters established by the international agreements to which the Ecuadorian State is a signatory and in accordance with what is established by the Institute of Cinema and Audio-visual Creation or whoever takes its place.

For a national production to access and be a beneficiary of the Audio-visual Investment Certificate (CIA), there must be a co-production agreement entered into between a national production company and a foreign natural person or an international legal entity, where the minimum percentage of financial participation of the foreign investor is 20% of the total investment.

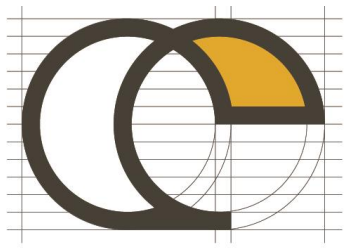
For international co-production companies to be able to access and be beneficiaries of the Audio-visual Investment Certificate (CIA), in the part of the investment that they have executed in Ecuadorian territory, the application must be made through the national co-production company that participates in the project.

International cinematographic or audio-visual production shall be understood as that production which is totally or partially produced in Ecuadorian territory, and that is financed in its entirety by international resources.

For international co-production companies to be able to access and be beneficiaries of the Audio-visual Investment Certificate (CIA), in the part of the investment that they have executed in Ecuadorian territory, the application must be made through the national co-production company that participates in the project.

Art. 57.- Phases of audiovisual production. - For the purposes of this Regulation, the following phases are considered: pre-production, production, and post-production, which are carried out by means of audiovisual services and specialized audio-visual logistics services.

Art. 58.- National audiovisual producers. – Audio-visual producers shall be understood as national natural or legal persons whose main economic activity is linked to cinematographic, audio-visual, or multimedia production with a minimum of one year of verifiable activity, and who in their economic activity are engaged in the audio-visual services of audio-visual production cinematographic or multimedia, or whose secondary economic activities include the provision of audio-visual, cinematographic, or multimedia services in any of the phases referred to in this Regulation.



In order to apply for the Audio-visual Investment Certificates (CIA), national audio-visual producers must have a co-production or financing contract with a foreign natural or legal person for the production of an audio-visual work to be developed totally or partially in Ecuadorian territory or with a contract for the provision of services for a foreign company for the realization of an audio-visual work to be developed totally or partially in Ecuadorian territory.

Art. 59.- Audio-visual and Logistic Services. – Audio-visual services are those related to the development, pre-production, production, and post-production phases of an audio-visual work, including animation and video games.

They include, but are not limited to screenwriting, scouting, casting, filming, props, set creation, makeup and hairstyling, lighting, sound and amplification, photography, actors, digital animation, sets, dubbing, costumes, administrative, legal, and other services of any nature that are necessary for audio-visual production. The technical standard shall specify and expand the scope of audio-visual services included under this definition.

Audio-visual logistics services will be understood as those services ancillary to the audio-visual production phases. They include, but are not limited to lodging, food, transportation, paramedical services on set and others of any nature that are necessary for the audio-visual production.

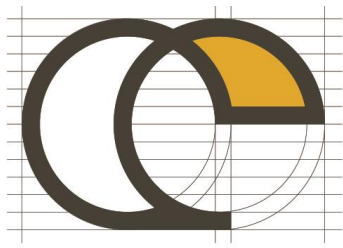
In both cases, the technical standard will specify and expand the scope of audio-visual logistics services included under this definition.

Title VIII APPLICABLE INCENTIVES

Chapter I OF THE SPECIAL EXEMPTION REGIME FOR ASSETS

Art. 60.- On the process of exemption from tariffs for the import of goods for audio-visual production. - The Institute of Cinema and Audio-visual Creation or whoever takes its place will recommend the list of goods required for audio-visual production, which must be approved by the Foreign Trade Committee (COMEX) through the corresponding resolution.

The goods on this list shall be exempt from any customs duties, taxes, levies, fees or contributions under the consumption or temporary internment regime. To facilitate importation, the procedure will be applied in this case for those taxable persons who, according to their economic activity, are engaged in audio-visual production.



Assets that enjoy the tax exemption may only be transferred to third parties, in compliance with the provisions of Article 127 of the Organic Code of Production, Trade and Investment. In the event of non-compliance with the provisions of the aforementioned article, it shall be presumed as evidence of the commission of the customs offence of misuse of tax exemptions.

Art. 61.- Exemption from taxes on foreign trade. - The exemption from all customs duties, taxes, levies, fees or contributions under the consumption regime or temporary internment to the importation of goods required for audio-visual production, shall be granted by means of an administrative act issued by COMEX which must include the list of goods with their respective tariff subheadings, as well as the name of the importer, VAT number and corresponding quantity.

Art. 62.- Applicable customs regimes. - Goods that are necessary for audio-visual production may be imported under any customs regime, complying with current regulations.

The exemption from foreign trade taxes contemplated in the Organic Law for Digital and Audiovisual Transformation will apply when the equipment is interned under a consumer regime or under a temporary internment regime.

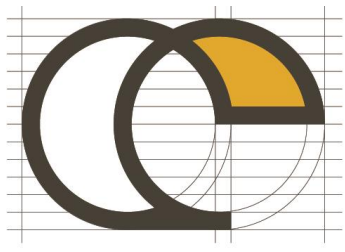
The introduction into the country of goods under the regime of temporary admission for re-export in the same state will be accepted in order to carry out any of the phases of audio-visual production, with total suspension of the payment of foreign trade taxes, including the normal depreciation caused by the use that has been made of them. Goods entered under the aforementioned regime may remain in the country for up to one year, counted from the date of release of the goods, and the forms of completion of the regime must be considered.

Chapter II

AUDIO-VISUAL INVESTMENT CERTIFICATES

Art. 63.- Audio-visual Investment Certificate (CIA). - The Audio-visual Investment Certificate (CIA) is a security issued by the Internal Revenue Service (SRI) in favour of national and foreign production companies for 37% of the costs and expenses they incur and that are financed with investment resources that come from foreign direct investment, in accordance with the methodologies of the Central Bank of Ecuador and in line with international standards, in audio-visual and logistical services necessary for the realization of the phases of an audio-visual production, if they are supported by valid sales receipts in accordance with current regulations.

The CIA will constitute a credit note issued and administered by the Internal Revenue Service (SRI) in accordance with the provisions of the Organic Law for Digital and Audiovisual Transformation and the resolutions issued for this purpose by the tax administration that regulate the procedure for the issuance, endorsement, use and cancellation of these documents.



Art. 64.- Beneficiaries of the Audio-visual Investment Certificates. - National or foreign audio-visual producers who have complied with the requirements set forth in the Organic Law for Digital and Audiovisual Transformation, these Regulations and the Technical Standard for the evaluation, approval, and assignment of Audio-visual Investment Certificates (CIA) may be beneficiaries of the CIA.

The beneficiaries of the CIA may negotiate and transfer such certificates through the Ecuadorian stock market or directly to any natural person or company, national or foreign.

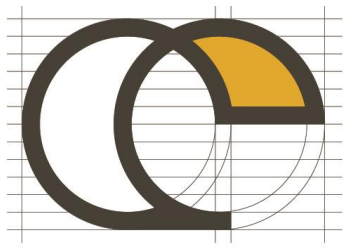
Art. 65.- On the procedure for applying an audio-visual production to the CIA.- National and foreign audio-visual producers who produce audio-visual works, on the basis of Article 62 of these Regulations, interested in being beneficiaries of the CIA must submit their audio-visual production project to the Sectoral Committee of the Cinematographic and Audio-visual Industry (COSICA), complying with the requirements and formats contemplated in the Technical Standard, which must include at least a detailed description of the audio-visual project, a detail of the reference budget to be invested in Ecuador, a detail of the proposal for commercialization and/or circulation of said work and any other requirement established in the Technical Standard.

In the case of foreign audio-visual producers, all the procedures, from the applications to the issuance of the CIA, must be carried out through a national audio-visual production company.

Modifications or reforms in the budget of the audio-visual production that, for reasons of force majeure, fortuitous event, or operational reasons, are duly justified before the Technical Secretariat of the COSICA during the process of execution of the technically endorsed audio-visual project, may be contemplated, as long as they do not entail a reduction of more than 10% of the total amount of the budget postulated.

Art. 66.- Application of requirements through the technical standard to access the CIA.- To access the CIA, it must be demonstrated that the investment was made through the contracting of audio-visual services and audio-visual logistics services for the production of an audio-visual work in Ecuador.

The Technical Standard will determine the minimum investment amounts of audio-visual production projects, the genres, types of audio-visual works and percentages that may be beneficiaries of the CIA, such as the catalogue of Audio-visual Services or Audio-visual Logistics Services contemplated for the issuance of the CIA, as well as the technical criteria for the application.



Art. 67.- Requirements for the application for the audio-visual production certificate. -

To submit the application for the Audio-visual Investment Certificate (CIA), national or foreign production companies that wish to apply for this benefit must first comply with the following requirements:

1. The recipient of the Audio-visual Investment Certificates (CIA) will be the applicant taxpayer, who must have registered the audio-visual production as an economic activity prior to the qualification of the audio-visual project and is in the cadastre of audio-visual producers drawn up for the purposes of this article.
2. Attach the corresponding support of the costs and expenses incurred through valid sales receipts; and
3. The audio-visual producer must support having made a minimum investment, in accordance with the genre and type of audio-visual production, in the amount established in the Technical Standard.

Art. 68.- Approval of the certification of the audio-visual production. - At the request of the producer of the audio-visual work, the Technical Secretariat of the COSICA will review and verify compliance with and execution of the budget of the audio-visual production assigned with the CIA or its modifications, after which the COSICA will issue the certificate that accredits the completion of a project, the completion date and the amount of expenses for audio-visual and logistical services allocated to it. With this certificate, the producer will apply to the Internal Revenue Service (SRI) for the issuance of the CIA.

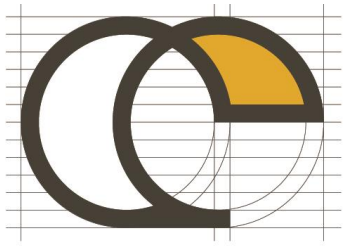
Art. 69.- Application and issuance of the Audio-visual Investment Certificate. - Applications for an Audio-visual Investment Certificate must be formulated in the terms established by the Internal Revenue Service (SRI) in the general resolution issued for this purpose.

REFORM PROVISIONS

AMENDMENTS TO THE REGULATIONS FOR THE APPLICATION OF THE TAX ON THE EXIT OF FOREIGN CURRENCY

First.- In the Regulations for the Application of the Tax on the Outflow of Foreign Currency, after Article 18 after the second unnumbered article, the following unnumbered article shall be added:

"Art. (...). - For the purposes of the exemption from the Foreign Exchange Exit Tax provided for in Article 26 of the Organic Law for Digital and Audiovisual Transformation (LOTDA), the beneficiaries of this exemption must previously have a certification issued by the competent governing body in audio-visuals, art, and culture:



When referring to paragraph a) of article 26 of the LOTDA, it must include at least:

1. Detail whether all or some of the economic activities registered in the beneficiary's Unified Register of Taxpayers (RUC) are related to audio-visual production, promotion and/or distribution; and
2. That the goods are imported in connection with local and foreign audio-visual production, promotion and/or distribution in Ecuador.

When referring to paragraph b) of article 26 of the LOTDA, it must be stated that the payments for salaries, fees, remuneration or per diem are made on local and foreign audiovisual production, promotion and/or broadcasting in Ecuador.

The withholding agent of the Foreign Exchange Exit Tax must verify the certification issued by the competent governing body in audio-visuals, art and culture, in order not to withhold the tax. "

AMENDMENTS TO THE REGULATIONS FOR THE APPLICATION OF THE INTERNAL TAX REGIME LAW, LRTI

Second.- In the Regulations for the Application of the Law on the Internal Tax Regime, the following reforms shall be made:

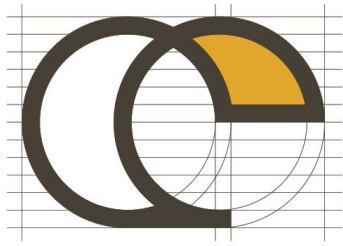
1. After paragraph 8 of paragraph (IV) of article 30, the following paragraph shall be added:

9. Payments made by taxpayers who carry out audio-visual production activities in Ecuador, to natural persons or companies resident for tax purposes in other jurisdictions for the provision of services for national or foreign audio-visual production in Ecuador, will be exempt from income tax. The withholding agent will refrain from withholding income tax, provided that it has the tax residence certificate of the recipient of the income in the other jurisdiction, corresponding to the tax period in which the payment is made. "

1. After Article 146.1, add the following Article:

"Art.- 146.2.- Exemption from VAT on digital services used for the creation of national audio-visual content. - Digital services necessary for the development, pre-production, production, post-production, and distribution of national audio-visual content contracted by taxpayers whose economic activity is national audio-visual production are exempt from VAT, in accordance with the provisions of the Internal Tax Regime Law.

To apply this exemption, in payments made through intermediaries (payment platforms, credit and/or debit cards or other electronic means of payment), the importer of the digital service, prior to payment, must submit the respective form of VAT-exempt transactions to the intermediary so that it refrains from settling and withholding VAT.



When the payment is made directly, without the use of intermediaries, the importer of the digital service must issue the settlement for the purchase of goods and directly apply the VAT exemption.

To determine which digital services will benefit from this exemption, the governing body of the matter together with the Internal Revenue Service (SRI) will prepare and publish a cadastre.

1) After the unnumbered article after article 28, add the following article:

Art. Audiovisual Investment Certificate. - For the purposes of the application of Article 29 of the Organic Law for Digital and Audio-visual Transformation, national and foreign production companies, with prior authorization from the Sectoral Committee of the Cinematographic and Audiovisual Industry (COSICA), may submit to the Internal Revenue Service (SRI) the application for the issuance of the Audio-visual Investment Certificate (CIA) once the audio-visual project has been fully executed and up to three years from that date.

This application must be accompanied by the certificate issued by the Sectoral Committee of the Cinematographic and Audiovisual Industry (COSICA) accrediting the completion of the project, the date of completion and the amount of expenses for audio-visual and logistical services assigned to it and other information that may be required by the Internal Revenue Service (SRI) via a general resolution.

The Audio-visual Investment Certificate (CIA) issued by resolution by the Internal Revenue Service (SRI), in which the corresponding tax credit is recognized, may be used for the payment of taxes administered by the Internal Revenue Service (SRI).

The issuance of this certificate does not prejudice the determining power of the Internal Revenue Service (SRI), in particular, with respect to the qualification of the deductibility of expenses. "