

On Animation Industry Supporting Policies in China

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Abstract. Though the supporting system from central and local government for animation industry has basically been formed, research show that the supporting policy have more shortcomings, such as the less supported objects, the weakness of support effect and the complicated supporting procedures,. In the execution of the supporting policy, the majority of animation enterprises actually enjoy little benefit whether tax or special fund. To be become the pillar industries, the animation industry, an important part of cultural industry, should get more perfect supporting policy. The China government should further expand the supporting fields of the industry, enhance the supporting strength and construct the rational supporting program.

Keywords: Animation Industry; Animation enterprise; Support Policy.

1. Introduction

China Twelfth “5 fives plan” proposed the strategic goal to build the cultural industry into the pillar industry. As one of the key cultural industries, the development of animation industry will directly influence the realization of this target. In the past 5 years, the growth rate of animation industry in Beijing, Shanghai, and Guangzhou has kept above 50% and it is not doubtful that supporting policy has played a vital role, however, animation industry is in its infant in China. Financial aid is always the most important measure in the development of childish industry. Central and local governments have carried out many regulations to support animation industry from 2005. The investigation whether the current animation industrial supporting policy is useful will be of great practical significance.

2. Supporting Measures of Animation Industry

2.1 Supporting Measures from central government

The national measures to support animation come from some documents issued by the State council and some state ministries. By reviewing some related documents, the major measures at national level can be presented as tax cut and granting special funds. Tax preference refers to reduce or remit tax for animation industry and relevant business entities and tax preferences include added value tax, income tax, business tax, import and export tariff. For example, the NO.31 documents issued by state ministry reduce and remit tax for animation industry and relevant business entities. These beneficiary entities include the enterprises which were state-owned public institution and have experienced transformation of ownership, the approved animation enterprises and macro profitable animation enterprises.

Since 2006, the state treasury has been granting 200 million every year for animation industry to support and popularize original animation works, to help Chinese animation go global ,to strengthen the construction of animation theory, animation talents and public technology platform.

2.2 Supporting Measures from local government

Local governments, on the one hand, ensure the implementation of the policies issued by central government. On the other hand, some Local governments have given supporting measures by themselves, which are different in different regions. For example, in 2009, after the four cities have been crowned as "Model Government in Supporting Chinese Animation Industry", their mayors have all rushed to Beijing, introducing local advantages to attract more animation enterprises to invest.

Local Supporting measures are usually more innovative. For example, in Beijing, cultural innovative talents have priority to settle. In Hangzhou city, those animation talents can buy economically affordable house and their children can have priority in education. Besides, Hangzhou government gives a discount of 50% of the loan interest if the lender can produce original animation products. For animation game enterprises which need land to build workshop on in 3 years, the land price will be 20% lower than the price at present. Supporting measures at local level can attract more social funds and attract excellent animation enterprises and talents of animation technology to develop in their city.

3. The supporting policy and Wuhan CBI Animation Base

Wuhan CBI Animation Base is a R&D center, established by the Wuhan Animation Industry League and Hubei Electronic Technology Development Co. Ltd. Now the base already attracts about 20 first-class animation companies to set up there. To get more, we investigate and research the implement of supporting policy in Wuhan CBI Animation Base.

3.1 Tax preference and Wuhan CBI Animation base

Firstly, it is hard to apply for national tax preference. The national tax preferential policy is specialized to some designated bodies and some designated industry categories. For example, the preferential tax in the NO.65 document issued by state council in 2009 is only given to state-owned companies and only aims at their innovative animation products and software, which almost deprives the access of the medium-sized and small animation enterprises in the base.

Besides, tax policy from local government is limited. There are some fiscal and tax supporting given by Hubei government, which includes levy tax on the offshore incoming earned abroad can be exempted and the tax paid abroad can be offset. In fact, most enterprises in base are growing enterprises, which are on their early stages, so they almost don't have overseas business.

3.2 The special fund and Wuhan CBI Animation base

Firstly, it is difficult for the enterprises in the base to apply for national special fund. The Central government decided to allocate 200 million every year to promote the development of animation industry since 2006 and some other related national departments also allocate a sum of money to reward the animation enterprises. For instance, the SARFT allocate special fund for the development of domestic children animation. But the sum of the national special fund is so little that it cannot benefit most of the enterprises. For example, in 2009, the government allocates 200 million to realize "The Plan of Supporting Original Animation", only 10 caricatures, 10 animation group and 10 animation products benefit from it in the whole country.

Besides, the opportunity for the enterprises in the base to use the local special fund is limited too. According to the 86th files issued by the Finance Bureau of Hubei in 2009, the Provincial Department of Finance will allocate 20 million special fund to subsidize the creation, the research and development, the make, the broadcast, and the publish of the excellent original animation products in Hubei each year from 2010 to 2012. In terms of technique support, during the 3 years, the government will allocate 10 million to facilitate the development of the public technological service and improve the construction of the information service platform each year. In terms of technique support, during the 3 years, the government will allocate 10 million to facilitate the development of the public technological service and improve the construction of the information service platform each year. The public animation technological service and the construction of the information service platform in Wuhan are founded under the support of Hubei special funds, however, Survey shows that all the enterprises in the base never use the platform for the bad service quality and its high charge.

3.3 The other supporting policy implented in the base

The support of the animation industry not only includes special funding and tax support but also includes credit support and talents support. But the present situation that the foundational enterprise try to get some other supports is also not optimistic. The reasons are as follows:

Firstly, from the national level, it is hard to implement the other supports. As far as I know, the credit supports are mainly in about the guidance on financial support of the industrial development and prosperity released by nine ministries; the supports of base construction are mainly in about promoting the development of our country's cartoon industry issued by General Office of the State Council and talents supports are mentioned both in the State Council Document NO.32 (2006) and teach high hall letter NO.8 (2009). But these documents are not practical. Therefore, without some specific implementation rules, they are hard to be actually implemented.

Next, other supports in the local level of Hubei Province are lower than those of its counterparts. The supports in other areas of the cartoon industry mainly rely on the local level. For example, Beijing has several policies, according to which excellent and creative people are preferred to Beijing, the government has priority in purchasing creative products and the government pays the bill if the enterprises apply for a patent. The No. 86 document issued by Hubei government office in 2009 also sets regulations for the areas like credit support, base construction and talents support. For example, the government offers subsidies if the cartoon enterprises apply for a patent, encourages the banks to provide credits, takes 30% out of the special funds of culture promotion special funds to support the construction of cartoon district and encourages the colleges and universities to strengthen the cultivation of cartoon talents. Compared to the support in cartoon industry in the local level, Hubei province obviously has no advantage over other provinces and cities. Moreover, the support measures in the document are too abstract to be put into practice and some even don't function at all. Take the credit funds for example, the capital source is vital to comics that needs a mass of time and energy in creation and cartoon which is a high-tech and highly expensive art form. However, it's difficult for the base cartoon enterprises to get credit funds. The three largest cartoon enterprises in the base, namely Tianying Cartoon, Shi ji chang qing and Yimeihui, can only get financing by self-raised funds and private sector borrowing since their foundation. Under the current bank lending mechanism, it's impossible for the small and medium-sized cartoon enterprises to get credit funds from the bank as they own little property and run high risks.

Consequently, although having some advantages like large market potential, huge requirement and strong demand for broadcasting, yet Chinese animation enterprises still can be called "back against the wall", for tax, special funds and other supports can not provide effective support. It is imperative to formulate new documents and regulations to support the development of Chinese animation industry

4. The Existing Problems in the Supporting Policies of Animation Industry

4.1 The supporting basis is lack of continuity

At present, supporting regulations from central and local government appear in the form of notifications or provisional documents. The basis of supportive policies is not legal document in its true sense so they are temporality and will give a shadow over the sustainable development of animation industry. The temporality of the basis will results in the time limit of supportive policies. Take the NO. 86 documents in 2009 issued by Hubei government office, which regulates that from 2010 a special fund of 10 million will be used to support the public technology and information service platform of animation industry annually, but the documents can only last 3-years

4.2 The benefit objects is limited

The supported objects are not dominant animation industries. Universality should be the basic principle of policies, however, the present supporting policies of animation cannot benefit the most subjects of animation industries. Both supportive policies at national level and regional level have taken the strategy to give support to those excellent and powerful enterprises. This principle gets rid of the majority of the subjects in animation industry, which is to the disadvantage of the overall development of this industry.

4.3 The supporting is weak

It is obvious that the supporting dynamics of animation industry is still very low. Seeing from the tax supporting velocity, not only the proportion of tax reduction is relatively low, but the favorable fields are strictly restricted. Take the Valued Added Tax as an example, for those animation enterprises of general tax payers, China collect taxes in proportion of 17%, the highest ratio of VAT. The NO.65 document issued by state council in 2009 give reduction of the added taxes, income tax, import duty, however, the legal document only apply to those animation products or software manufactured autonomously by identified animation enterprises, which eliminates unproductive animation enterprises that are of crucial importance to the animation industry development. In addition, seeing from the special fund velocity, it's also like a drop in the ocean. The special supporting fund on national level is 200 million each year. Nevertheless, merely 200 million are applied to five domains, which are helping and spreading excellent original animation works, supporting Chinese animation "Going out", enhancing theories of animation arts, constructing talented-person troop and public technology platform. In face, no more than 1 percent factory gets the special fund.

4.4 The supportive procedure is rather complex.

Complex supportive procedure impedes the supportive schedule and ultimately influences supporting effects. When applying for affirmation of an animation enterprise, the enterprise not only need to present dozens of application materials, but also need to endure several-months time-consuming to let provincial and ministerial institutions examine and verify. Animation enterprises which put efficiency and interest at first place will give up become of the complex procedures. Similar problems also exist in the ascertainment of special funds. The government has formulated special fund to promote animation industry development in institutional arrangement clearly. But the system designing policy framework by the government is too simple, which doesn't distinct the workflow and the implementing rules of each department. No interacting and mutual promoting Wheel-chain type power operating mechanism has been established, which makes the existence of asymmetric information between the government and enterprises. If animation enterprises want to acquire reward, discount and subsidy from the special funds directly, they also need to present a good deal of supporting materials which are difficult to get. Besides, they will experience layers of audit. Under the circumstances of little capital supporting vigor and complex application procedures, most of the animation enterprises will give up by their own volition.

5. Suggestions for Perfecting the Supporting Policies of Animation Industry

5.1. Enact animation industry laws to motivate the sustainable development

It is a long and sustainable process to promote the development of animation industry. The effects and influences of supportive policies unveiled in the form of ministries notice cannot compare with formal legal document obviously, and their guidance to the animation industry also needs to be improved. The short-term support measures of the cartoon industry of temporary file will also undoubtedly influence the stability of the investment and may cause irreparable damage to the sustainable development of industry. The support of the animation industry is a long process; any myopic behavior will miss opportunity of industry development, and will eventually concede the whole market. Industrial support file in legislation form, without any doubt, will now better solve the problems of current supportive policies: temporality and short-term, which provides more powerful legal protection for the sustainable development of the industry. At present the most effective way is to integrate current related ministerial files by the state council, to enact systematized administrative rules and regulations formulated under the state council, making it the basic law of supporting cartoon industry.

5.2. Expand supporting fields to promote the overall development

China's animation industry is weaker than international counterparts. What we need is the comprehensive support rather than individual support. And only by strengthening the entire industry can we really get a place in the international competition. In the future, both tax support and the tilt of

special funds shall be made to let benefited range more extensive. First of all, in the tax support, we not only should expand domestic animation enterprise from the number of enterprise and its fields, but also should use the tax revenue lever to stop foreign animation products. To expand the number of the main domestic tax beneficiaries, the government should further broaden the current standards to recognized animation enterprises. In increasing the categories of minus tax of animation enterprise, we should expand from the current support on their independent development move overflow product to give tax discount for all the animation derivatives. Secondly, in the use of special funds, we should further expand the rewarding areas. National and local special funds should be applied broadly, covering all the fields of animation. Of course, limited to the size of the current special funds, it is impossible to support more than half of the enterprises or projects. Another premise to expand the funds is expanding the scale of special funds urgently.

5.3. Enhancing the Support Strength, and Promote the Effective Development

China's animation industry needs further tax cuts by state and local governments and more budget funds devotion. In increasing tax support strength, we should strengthen the proportion and scope of reduction or exemption. Many European countries, have implemented the tax rate below the standard rate, and even increase value shall be exempted preferential system, in the cultural industry cartoon industry included. According to the statistics of the European institute of culture, 14 countries obtain value-added tax according to the standard publicans, 11 countries exempt VAT and 16 countries pay added-value taxes under the standard rate. China collects VAT according to the highest share 17% in the whole domestic, which is clearly not to the international trend. In the endowment of special fund, not only should the cartoon industry tax be used to support the industry, but another certain financial incentives should be offered. This is real support to the sun-rising industry and new industry. In 2009, for example, our budget expenditure was 4.3865 trillion Yuan and the cultural industry about took up about 2.5% in GDP. As the backbone cultivating industry, the financial support it should accept at least should not under the same proportion of financial budget of GDP, i.e. 109.7 billion. But this year, China's specific use of special funds in cultural industry is far lower than the same number. Cartoon industry, as the most active categories in the development of the cultural industry, deserves to have an annual special fund of more than man times of 200 million Yuan.

5.4. Perfect the supporting program

At present, special funds of cultural industry "emphasize application and neglect supervision". No reasonable evaluation mechanism has been established. We should set up an industrial support notification procedure system which combines declaration beforehand and declaration afterwards and moderately expand the proportion of application beforehand. Besides, we still should further simplify the requirements of application documents and shorten the time required to declaration approval, and increase the number of declaration.

What's more, establish supporting regulatory programs. The life of a system lies in the implementation and effective implementation must be in the supervision of science. We should set up a supervision mechanism from inward and outward to

Better supervise the tax preferential and the use of funds. Internally, that is to bring the whole funding into a public, open and transparent environment, so as to form an internal constraint both to the support party and grantees; externally, we should consider introducing neutral social group to examine the sponsor regularly; a special subject functioning as supervision should be systematically guaranteed; thus, the supervision effect will undoubtedly increase.

6. Conclusion

A combination of national and local level supporting system of cartoon industry has been established basically, but implementation has not yet reached targeted effect. In the implementation process of these supporting policies, the majority of the enterprises in the industry base which have greater influence all can't benefit practically. Thus, it is urgently necessary to improve supporting polices. To promote the continuous development of the industry, animation industry laws which have

higher validity should be enacted as soon as possible. In addition, we still need to expand the supporting scope and subjects, enhance the strength of the support, and simplify supporting process. Of course, in the face of the diversity of regional support policies, the central government shall issue guidance documents, avoiding unfettered competition to ensure the healthy development of the industry.

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