

Evaluating Film Policy in Southeast Asia: Fiscal Incentives in Indonesia and Malaysia

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Abstract

This study explores the fiscal incentives associated with film policy regulations in Indonesia and Malaysia, two emerging cultural hubs with shared values yet distinct economic objectives. As each country pursues unique pathways for growth, this comparative analysis highlights the impact of government-supported fiscal policies on their film industries. Indonesia's initiatives include the Indonesia Film Match Fund, established by the Ministry of Education, Culture, Research, and Technology, and the Filming in Jakarta program, managed by the Jakarta Film Commission. Meanwhile, Malaysia's film industry thrives under the Film in Malaysia Incentive (FIMI), spearheaded by the National Film Development Corporation Malaysia (FINAS). Employing a qualitative approach informed by cultural industry theory, the research assesses how these policies shape the foundational framework and ongoing development of the film sectors in both nations. Findings reveal that FINAS has effectively positioned Malaysia as an attractive destination for film production and post-production, while Indonesia is in the nascent stages of harnessing its incentives. This study underscores the recognition of film as a vital economic asset in both countries and illustrates how these fiscal initiatives contribute to the flourishing of their respective film industries.

Keywords: Film Policy, Fiscal Incentive, Indonesian Film Industry, Malaysian Film Industry

Introduction and Background

The Southeast Asian region stands as a vibrant tapestry woven from a multitude of cultures, with a rich historical narrative that spans the pre-colonial era of the spice and silk trade to the contemporary landscape dominated by dynamic film industries integral to the creative economy. The progression of national film industries in this region illustrates a complex interplay of fiscal policies, each uniquely influencing the film ecosystem across regulation, production, and exhibition. Among the nations of Southeast Asia, Indonesia and Malaysia stand out as significant case studies, sharing profound historical, linguistic, and cultural ties. Despite these entwined roots, the two countries have embarked on distinctly divergent paths regarding the development and the spirit of their film industries. The evolving perspectives

on the film sector in both nations reveal the political and economic contexts in which they operate. These contexts inform not only how film is perceived, not only as a tool for propaganda for promoting national identity, but also how each country navigates its cinematic journey, reflecting broader societal values and aspirations. Through this lens, the nuanced interplay of culture and commerce that underscores the cinematic evolution of Southeast Asia will be demonstrated by studying the fiscal policies of both countries.

The creative economy in Indonesia significantly outpaces Malaysia's in both exports and investment. In 2025, Indonesia recorded exports totaling Rp 5.563 trillion (USD 31.94 billion), while Malaysia's digital creative industry recorded exports worth RM 12.1 billion (USD 3.07 billion). In terms of investment, Indonesia attracted investments totaling Rp 183.01 trillion (USD 1.05 trillion), far surpassing Malaysia's RM 85.7 billion (USD 21.75 billion) (Ekraf, 2026; The Office of the Ministry of Digital, 2026). These numbers also demonstrate how Indonesia has established itself as the largest theatrical market and one of the emerging film economies in Asia. Its gross box office increased from below USD 75 million to an impressive USD 392 million between 2020 and 2024. This surge surpasses the box office figures for Taiwan (USD 196 million), Hong Kong (USD 175 million), and Thailand (USD 130 million) (Abhinaya Putri & Gundy Cahyani, 2025). In contrast, neighboring Malaysia's box office figures have been relatively modest, ranging from USD 4 million to USD 31 million during the same period (FINAS, 2026a).

To support sustained growth in its film industry, Indonesia has established the Indonesia Film Match Fund, initiated by the Ministry of Education, Culture, Research, and Technology (Kemendikbudristek), alongside the Film in Jakarta initiative launched by the Jakarta Film Commission (JFC). The Indonesia Film Match Fund serves as a financial resource to assist Indonesian filmmakers in broadening their international networks, enhancing their creative skills to align with global standards, facilitating knowledge transfer, and promoting Indonesian narratives on a global stage (Merican, 2024). Meanwhile, the JFC plays a pivotal role as a facilitator, streamlining the film production process through a one-stop service and thereby reducing bureaucratic obstacles to obtaining filming licenses under the Filming in Jakarta scheme (Gembong Hanung, 2026). Despite these laudable initiatives, Malaysia presents an interesting point of comparison, boasting well-defined production incentives for its local film industry and establishing itself as a filming hub through the Film in Malaysia Incentive (FIMI), administered by the National Film Development Corporation Malaysia (FINAS) (Landau, 2019).

Ultimately, Indonesia's prominent position in the region's creative economy necessitates the implementation of fiscal incentives that not only alleviate producers' financial burdens but also stimulate investment in film production. These incentives may take the form of tax credits, tax exemptions, cash rebates, deductions, or other forms of government support. When assessing film policy, it is essential to evaluate the effectiveness of these instruments not only by the quantity of productions that receive incentives but also by their capacity to generate broader economic and industrial benefits. These benefits include job creation, the development of local production capabilities, increased investment, international cooperation, and the expansion of supporting industries. Evaluating fiscal incentives is essential to understanding the impact of these policies on the foundational frameworks of their respective film industries and on the continued growth of these industries in both

countries. Before delving into a detailed comparison of fiscal policies in each nation, it is important to briefly examine their histories to understand better the context of the similarities and differences in funding for the film industry.

Brief History of Fiscal Policy in the Indonesian Film Industry

Films from the Southeast Asian region play a crucial role as educators, entertainers, and vehicles for cultural expression. They encapsulate the visual narratives of history and address social issues. A notable example is Indonesia's first locally produced commercial film, *Loetoeng Kasaroeng*, directed by L. Heuvelcorp under the Java Film Company (De Locomotief, 1926). This film tells a West Java folktale about a woman named Purbasari who engages in a love affair with a leaf monkey, actually a handsome man cursed to take this form, named Guru Minda (Bakti Suryo, 2018). Its screenings, which took place from December 31, 1926, to January 6, 1927, were notably successful, attracting audiences who favored local productions over European silent films (Sadam, 2019).

In terms of national identity expression, Indonesia made significant strides following its independence in 1948. Usmar Ismail established his own production company, Perusahaan Film Nasional Indonesia (PERFINI), and began filming *Darah dan Doa* (The Long March) on March 30, 1950 (Fathiyah Nur Zalfa, 2026). This film chronicles the journey of Kapten Sudarto, a military hero from the Siliwangi division, as he leads a march from Yogyakarta to West Jakarta (Redi Panuju et al., 2018). By exploring realism in a post-war context, the film reflects the emerging anxieties of a newly independent nation striving for prosperity, and it has been designated as Indonesia's National Film Day (Yulaika Ramadhani, 2021).

The 1950s marked a significant era in the development of cinema in Jakarta, highlighted by the opening of the opulent Metropole Cinema in 1951 (Aneka, 1951). By 1953, Jakarta boasted approximately 513 cinemas operated by various companies (Haris Jauhari, 1992). Cinemas gained immense popularity, surpassing traditional folk entertainment, especially among the youth, as they became favored social venues due to their accessibility from homes to city centers (Taslim Batubara, 2020). The film distribution landscape in Jakarta has been predominantly influenced by two main groups: United Cinema's Combination and Independent Cinema. Both groups maintain close ties with the American Motion Picture Association in Indonesia (AMPAI), which has effectively created a market monopoly. Films presented in one group's cinemas are also screened in the other group's cinemas (Kristanto, 2004).

According to Melza Huzelmi et al. (2022), in response to the growing dominance of American films, Indonesia's first president, Soekarno, established the Lembaga Pembangunan Film (Film Development Board) on December 22, 1964, to address this monopoly. This initiative significantly impacted viewership, particularly in the first-class cinema sector, which traditionally showcased imported films, as that sector was eventually closed. Locally produced films were intended to fill this gap. However, they struggled to draw in local audiences. The situation further deteriorated following the *coup d'état* orchestrated by Soeharto on September 30, 1965, which severely disrupted the film industry's production, distribution, and exhibition processes. Under Soeharto's regime, extensive control was exerted through the Lembaga Sensor Film (Film Censorship Board), enforcing state ideology in opposition to communist ideology. Consequently, the state produced the film

Pengkhianatan G30S/PKI (1984) to portray the Indonesian Communist Party (PKI) as a threat to national security (Redi Panuju et al., 2018).

Following the overthrow of Soeharto in 1998, Indonesia's political climate gradually stabilized, paving the way for the establishment of the Badan Perfilman Nasional (Indonesian Film Board) under Law No. 33 of 2009, enacted by the People's Representative Council (DPR). Clause 69 of this law outlines nine roles for the board, which include: a) organizing local film festivals; b) participating in international film festivals; c) administering film showcases globally; d) promoting Indonesia as a filming location for foreign filmmakers; e) advising on advancements in the film industry; f) conducting research and development in filmmaking; g) providing recognition and appreciation; and h) facilitating funding for specific film productions (Kementerian Sekretariat Negara, 2018). To complement these efforts, the Pusat Pengembangan Perfilman (PUSBANG FILM), or Indonesian Film Development Center, was established in 2016 under the Ministry of Education and Culture (Kemendikbud). This center is dedicated to fostering an Indonesian film ecosystem, with particular emphasis on education and culture, including support for film production, distribution, exhibition, appreciation, and the development of human resources in the film sector (Bekraf, 2018).

Brief History of Fiscal Policy in the Malaysian Film Industry

The Malaysian film industry traces its origins back to Singapore, where the first film was created in 1927. Directed by Guo Chaowen, *Xin Ke* (The New Immigrant) was produced by Nanyang Low Poey Kim Motion Picture Co. (Hassan Abdul Muthalib, 2013; Uhde & Uhde, 2013). Guo was motivated to create this melodrama after witnessing the mistreatment of Chinese immigrants in Shanghai (Nangaen, 2014; Uhde & Uhde, 2013). In this regard, the film serves as a poignant reflection of his despair, rather than relying on folklore or local narratives for inspiration. In 1930, the South Seas Film Studio was established by businessmen Runme Shaw and Run Run Shaw, marking the beginning of a thriving film industry in Singapore. This studio eventually evolved into Malay Film Productions Ltd. (MFP) (Hassan Abdul Muthalib, 2013). They produced the notable film *Leila Majnun*, directed by B. S. Rajhans, which premiered in 1934 (The Straits Times, 1934). This film narrates the tale of two lovers, Leila and Majnun, whose relationship is hindered by societal conventions (Tan, 2015). The industry reached new heights with the arrival of P. Ramlee, who directed his celebrated debut film, *Penarek Becha* (The Trishaw Man), in 1955. This story revolves around the love between a trishaw man and a wealthy girl (Hamzah Hussin, 2004; Mahyuddin Ahmad & Lee, 2015).

MFP established a monopoly in the exhibition sector by operating its own cinemas nationwide, successfully reaching a broad audience not only in Malaya but also in Singapore, Brunei, Sabah, and Sarawak (Abi, 1987). By 1941, the company boasted at least one cinema in 37 locations throughout Peninsular Malaya, including approximately 69 theatres in major urban centers such as Singapore, Penang, Kuala Lumpur, Ipoh, Taiping, Seremban, Melaka, and Johor Bahru (Chen, 2003; Yung, 2008). Between 1950 and 1967, they produced around 155 films (Hatta Azad Khan, 1997). However, the closure of MFP in October 1967, along with the political uncertainty in post-independence Malaysia, led Run Run Shaw to relocate their movie production facility to Hong Kong (Shi, 2011). This shift also triggered a significant exodus of former MFP film workers to Kuala Lumpur, where they joined another MFP production house, Merdeka Studio (Sharifah Zinjuaher H. M. Ariffin & Hang Tuah Arshad, 1980).

When Tun Dr. Mahathir Mohamad served as Deputy Prime Minister and Minister of Trade and Industry, he articulated the government's commitment to supporting the film industry (Abi, 1987). On July 26, 1980, the inaugural Malaysian Film Festival was organized by the Oscar Film Festival Committee, chaired by the Honorable Judge Yang Arif Datuk Abdul Hamid bin Omar, and comprised of ten members, including former judges. This event ultimately paved the way for the establishment of the National Film Development Corporation Malaysia Act, which was officially gazetted on February 19, 1981 (Abi, 1987). From 1975 to 1989, the Malaysian film industry developed a unique identity, supported significantly by government financial assistance. Throughout the 1980s, the government allocated funds to the Malaysian Film Journalists Association to facilitate the organization of film festivals. Alongside this support, cash prizes were offered to winners across various categories. The government also provided technical assistance and training to improve both the quality and quantity of local film productions while regulating the influx of foreign films (Fatimah Muhd Shukri & Nur Afifah Vanitha Abdullah, 2020).

In summary, the evolution of the film industry in Indonesia and Malaysia underscores the intricate interplay between private sector dynamics and state regulation. Initially, both nations' film production, distribution, and exhibition were predominantly financed by private entities, reflecting their shared capitalist foundations. However, political transformations from the 1960s to the 1980s prompted a notable transition toward national funding, reorienting films as instruments for propagating state ideologies and advancing national interests. While Malaysia has maintained a more nuanced approach to film, in which cinematic works are not viewed exclusively as government propaganda, Indonesia has implemented fiscal policies that impose stringent creative limitations, delineating acceptable content. This phenomenon highlights the divergent trajectories of film in the two countries, revealing the complexities of cultural representation and the role of government intervention in shaping the film industry's growth.

Literature Review

Research on fiscal incentives in both countries remains limited. In a study on fiscal policy and Indonesia's creative economy, Mutia Yollanda et al. (2026) found that government spending affects various sectors in distinct ways. It has a significant influence on labor-intensive and service-oriented industries, while its overall effect on production and inflation is relatively minimal. These fiscal changes exert a greater influence on the economy and the labor market, particularly regarding open unemployment, than on production levels and price changes. Although their research offers valuable insights into the creative economy as a whole, it specifically highlights the role of government expenditure as an external fiscal instrument. This focus reveals a notable gap that warrants further exploration of current government policies aimed at advancing the film industry. While this study will not assess the effectiveness of fiscal policies in Indonesia or Malaysia, it will underscore the fundamental principle that the strategic allocation of government initiatives is vital not only to the growth of the film industry but also to nurturing an ecosystem that promotes films that reflect the nation's pride.

Another relevant comparison can be drawn from the study by Tasya Yora Yolanda & Umanto (2025), which examined the entertainment tax in Indonesia and Malaysia. Their findings indicate that Indonesia's entertainment tax serves both fiscal and regulatory functions, albeit its implementation is fraught with challenges due to high and inconsistent tax rates within

the nightlife and recreational sectors during the post-pandemic recovery. This suggests a misalignment between the tax structure and long-term economic sustainability as Malaysia's entertainment tax model is more standardized and centralized, resulting in enhanced efficiency, clarity, and compliance. This highlights a research gap, indicating that fiscal policy should be examined from a broader perspective, encompassing the approaches taken by Indonesia through the Ministry of Education, Culture, Research, and Technology, and the Jakarta Film Commission (JFC), as well as Malaysia via FINAS. Since the entertainment tax is typically applied at the exhibition stage, it is essential to examine the broader framework for establishing such fragmented fiscal policies at both organizational and national levels, and to assess their impact on the sustainability of the film industry.

In an initial study on government policy, Mohd Nashriq Nizam & Abdul Hadi Che Hassan (2026) explore the regulatory gap in online television content from the perspectives of industry insiders and regulators. Their analysis reveals that the inconsistent outcomes of the regulatory system stifle local innovation while allowing global platforms like Netflix to operate with minimal oversight, suggesting that liberalization may exacerbate market irregularities. Although their research does not directly address film policy, it also touches on how the Malaysian government employs policies, such as the Film Censorship Act 2002, to suppress creative, independent, or any content considered to challenge cultural or religious sensitivities. This creates a research gap, which the current study investigates by examining how the government exerts control over film pre-production and post-production through tax rebates that further reflect national interests. An in-depth examination of the fiscal incentives provided by FINAS reveals the soft regulation of film. It highlights the perception of the film industry as a mechanism for promoting national interests.

In a study of film policy, Novrel Esa Yubel & Nurul Hikmah (2026) compared policies aimed at promoting the welfare of film workers in Indonesia and the Philippines. Their analysis focuses on the Eddie Garcia Law, which provides better support for the welfare and protection of film workers compared to Indonesia, where no such policies exist. The study introduces an innovative checklist model for the Indonesian government to assess the feasibility of pre-production films, incorporating evaluation criteria adapted from the analysis in the Eddie Garcia Law. While these comparisons directly evaluate the effectiveness of specific policies for film workers' welfare, they leave a notable research gap regarding how the film industry's political economy has influenced the promotion of national interests, revenue generation, and recognition. Additionally, an investigation into fiscal policy will outline the systemic challenges facing the segmented film industry and reveal how the government continues to grapple with how to define the film industry's role as a catalyst for economic development.

Theoretical Framework

Political economy is a collective term for theories and perspectives that analyze the interconnections between economic processes and their political contexts (Schubert & Klein, 2011). Richter and Gräf (2015) argue that we should retain the terminology of political economy when examining national and transnational media systems, as well as trans-regional media practices. This is because political and economic activities within a region have been intricately linked to those in other regions worldwide since the nineteenth century. The significance of research in this area lies in exploring the distinct relationships among rulers

and the ruled, between those who own resources and those who do not, and between individuals with access to media and those without, in any given context (Gran, 1980, 1996).

The concept of political economy can be traced back to Marx's assertion that capitalism, as an economic and social system of organization, can only be fully realized through the establishment of a modern state and its legal framework (Marx, 1859). This idea was later developed by scholars from the Frankfurt School, who contended that cultural production is an integral part of the capitalist economy and shares the same positionality as the economic sphere (Adorno & Horkheimer, 1947). Adorno (2001) further posits that the power of ideology within the culture industry relies more on conformity than on an awareness of what is being consumed. The power dynamics governing the production, distribution, and consumption of resources extend from Hollywood film studios to wholesalers, retailers, and ultimately to consumers, whose purchases, downloads, and attention feed back into the cycle of new production processes (Mosco, 2015). Additionally, Adorno and Horkheimer (1947) noted that the reorganization of film before World War I often made public taste a significant determinant of acceptance, measured primarily by box-office revenue.

This study argues, through the lens of culture industry theory, that the growth of the film industry in both countries is closely monitored through film revenue figures and trends, which in turn influence the development of their respective film sectors. It also offers an analysis of film as a cultural product that has emerged in both nations, focusing on two initiatives: 'Filming in Jakarta' in Indonesia and the 'Film in Malaysia Incentive.' With the commodification of culture supported by these fiscal initiatives, the film industry is viewed as a lucrative opportunity for authorities to generate benefits, thereby enhancing the nation's wealth and maintaining their position as the gatekeepers of the industry's success.

Research Methods

In this study, a qualitative approach is employed to conduct a comparative analysis of fiscal policy in Indonesia and Malaysia. This approach acknowledges the subjective nature of research and does not taint it with researchers' biases. In contrast, the validity, reliability, and generalizability of most classical empirical research projects are often contingent upon their objectivity, among other factors (Miller, 2008). As noted by Adams & van Manen (2008), the phenomenological aspect of research focuses on exploring lived or experiential meanings. It aims to describe and interpret these meanings as they emerge, shaped by consciousness, language, cognitive and non-cognitive sensibilities, and preunderstandings and presuppositions. This inquiry process is grounded in distinct methodological traditions that delve into social or human issues by constructing complex, holistic analyses, providing detailed perspectives from informants, and carrying out the study in natural settings (Creswell, 2013).

Data collection is conducted through a careful examination of official documents, research studies, and reports on fiscal policy in both nations. To enhance the credibility and validation of the data, the paper adopts a strategy focused on identifying, exploring, and understanding the various dimensions of the units of study, thereby reinforcing the findings and enriching the interpretations (Rothbauer, 2008). The paper posits that the differences and similarities between the two countries' policies inform the regulation of the film industry. Using the interpretative paradigm of culture industry theory and a comparative method, this study

outlines the current government incentives available as fiscal aid. Furthermore, it argues that the fiscal policies of both nations act as a form of economic stimulus within a capitalist framework, as understood through the lens of culture industry theory. An overview of film policies in both countries provides a foundation for understanding how political factors influence the growth of the film industry.

Findings and Discussion

Fiscal Policy in Indonesia

The Directorate of Film, Music, and Media, under the Ministry of Education, Culture, Research, and Technology (Kemendikbudristek) in Indonesia, has launched strategic programs to strengthen the Indonesian film industry ecosystem. One such initiative is the Indonesia Film Match Fund, designed to serve as a financial resource for the film sector and foster international collaboration among filmmakers, utilizing funds from the national cultural endowment (Asian Film Commissions Network, 2020). During the 2023 Cannes Film Festival, Nadiem Makarim, the Minister of Kemendikbudristek, announced an annual USD 13 million fund, drawn from the country's National Cultural Endowment Fund. This fund operates on a 1:1 matching-grant basis for international co-production projects, covering story development and research, production, post-production, and internal promotion and distribution incentives (Ramachandran, 2024).

Indonesia has recently joined a rapidly expanding funding network across Southeast Asia, which includes grant initiatives in Singapore, the Philippines, and Taiwan. This collaboration among Indonesian producers and their regional counterparts comes in response to challenges with local government funding (Shackleton, 2023). During the 2024 Cannes Film Festival, four film projects were announced as the inaugural recipients of this funding: *This City is a Battlefield* (directed by Mouly Surya), *Crocodile Tears* (directed by Tumpal Tampubolon), *Samsara* (directed by Garin Nugroho), and *Tale of the Land* (directed by Loeloe Hendra). Collectively, these projects have secured USD 1.5 million in financing, co-funded by the Indonesia Film Match Fund and several international grants, including the Hubert-Bals Fund, CNC Cinema du Monde, World Cinema Fund, and Sørfond (Merican, 2024). Among these films, *Tale of the Land* has received significant international acclaim, highlighted by the prestigious FIPRESCI Award at the 29th Busan International Film Festival (BIFF, 2024).

Recognizing the need for enhanced support for the ecosystem, the government has introduced a new initiative. Jakarta, as a key hub for international commerce and business, is being positioned as the regional center for cinema through two key organizations: the Jakarta Film Commission and the state-owned tourism board, PY Jakarta Tourisindo. These entities aim to simplify the permitting process across various municipal agencies (M Razi Rahman, 2026). The Governor of Jakarta, Pramono Agung, has announced a 50% tax reduction on goods and services in the arts and entertainment sector, including cinema screenings. He emphasizes that this initiative serves as an incentive for production houses to reinvest in their upcoming projects while also benefiting the film ecosystem and public infrastructure services (Daffa Yasril Nurmansyah, 2026). Additionally, the government initiative includes the return of the entertainment tax to production houses, a measure implemented since 2025, which has already resulted in the collection of 84 billion rupiah (USD 5 million) (Angga Laraspati, 2026).

The Vice Governor of Jakarta, Rano Karno, is also championing the initiative to develop talent through the Jakarta Film Lab. This initiative includes training, mentorship, and certification programs for writers, directors, producers, cinematographers, editors, and crew members (Ramachandran, 2026b). In addition to this initiative, the Jakarta Film Commission (JFC) is being established to bolster the film ecosystem by facilitating film production and audiovisual projects through information sharing, coordination, and industry support services (Malik Maulana, 2026). The JFC will oversee the coordination of permits among various district organizations, provide data on access to filming locations, and connect local and international producers, all in accordance with global standards and certifications (Lydia Fransisca, 2026). To enhance efficiency, the JFC has partnered with the state-owned tourism board, PT Jakarta Tourisindo, as part of the Filming in Jakarta program (Radiatul Husna, 2026). As a result, the Jakarta Film Commission (2026) has outlined five key programs as follows:

One-Stop Film Service

- Coordination of production authorization through an integrated service
- Curation of filming locations in both iconic areas and the outskirts of Jakarta
- Standardization of finance, procedures, and transparent service hours
- Positioning Jakarta as a friendly and competitive city for both local and international productions

Widening the Talents & Industry Ecosystem

- Program for Expanding Jakarta's Film Talents
- Enhance the skills of the film workforce through training and professional certifications.
- Foster networking among industry professionals, higher education institutions, schools, and the film community
- Create open career pathways for local talent.

Production Support & Incentive

- Promote the growth of investment and activity in film production
- Facilitate non-fiscal support through access to locations, logistics, and promotional opportunities
- Expand the incentive scheme to boost Jakarta's competitiveness as a premier production location
- Support initiatives that elevate Jakarta within storytelling narratives
- Collaborate with supporting industries to enhance efficiency in production costs.

Public Access & Film Literacy

- Enhance community access and participation within the film ecosystem.
- Foster literacy and appreciation of film among the public
- Activate public spaces for the creation, production, and screening of films
- Broaden opportunities for the community to engage in work and film-related activities
- Encourage public involvement in the city's creative ecosystem

Promotion & Culture Diplomacy

- Leveraging film as a promotional medium for the Global City of Jakarta
- Positioning Jakarta strategically within festival circuits and international film events

- Fostering collaboration with the film commission, relevant institutions, and global industry stakeholders
- Encouraging cultural exchange and cooperative production efforts between nations

The Indonesian government is taking proactive measures to enhance Jakarta's position in the creative and cultural landscape by working on the necessary documentation for the UNESCO Creative Cities Network. This initiative highlights the importance of fostering economic growth, particularly in the film sector. The Jakarta Design Center (JDC) has been designated as the primary facilitator for this endeavor, aiming to streamline various aspects of the film industry, including production, distribution, workforce development, and overall impact on the local economy (Dewan Kesenian Jakarta, n.d.). By promoting a robust filmmaking ecosystem, the government seeks to consolidate Jakarta's reputation as Indonesia's leading filming hub, attracting both local and international filmmakers to embrace the city's rich cultural heritage.

Fiscal Policy in Malaysia

Fiscal policy in Malaysia was established in 2013 with the launch of FINAS's Film in Malaysia incentive. This initiative includes a scheme offering a 30% tax rebate to international productions that film or conduct post-production work in Malaysia (Speirs, 2015). To be eligible, a film production must incur a minimum expenditure of RM 5 million, approximately USD 1.27 million, while post-production activities must total at least RM 1.5 million, or around USD 382,000 (Variety, 2018). The objectives of FIMI are as follows (Filming Incentive Division, 2026):

1. Encourage Malaysian film producers to produce high-quality creative content for both domestic and international markets.
2. Attract foreign film producers to film in Malaysia and to establish Malaysia as a destination for international filming.
3. Develop Malaysia's reputation as an efficient and cost-effective hub for the creative content industry.
4. Increase opportunities for local film production companies, post-production centers, film equipment rental companies, studios, and companies that provide goods and services to the creative content industry.
5. Drive the creative content ecosystem and increase the economic contribution of the creative content industry and related industries.
6. Increase employment opportunities for local artists and crew who provide services across the creative content industry ecosystem.

To regain the tax rebate, this scheme has specified several conditions for domestic purposes, as outlined by the Filming Incentive Division (2026b).

1. Qualifying Malaysia Production Expenditure (QMPE) of RM 1 million for production (inclusive of post-production)
2. RM 250,000 for post-production activity only (for production inside Malaysia)
3. An additional 5% rebate (Cultural Test is made up of Malaysian Cultural Elements)
4. The application must be submitted to FIMO at least 3 months before the production date.

For international applicants, the following requirements must be met (Filming Incentive Division, 2026c):

1. A minimum Qualifying Malaysia Production Expenditure (QMPE) of RM 5 million for production (inclusive of post-production); or
2. RM 1 million for post-production activity only (for production inside Malaysia).
3. An additional 5% rebate (Cultural Test is made up of Malaysian Cultural Elements).
4. The application must be submitted to FIMO at least 3 months before the production date.

The requirements outlined above exemplify a systematic approach to evaluating procedures for both local and international film production. Since the launch of the FIMI 13 years ago, Datuk Azmir Saifuddin Mutalib, CEO of FINAS, has announced that RM 580 million (approximately USD 147.9 million) has been disbursed in rebates across 243 projects. This initiative has attracted nearly RM 2.8 billion (around USD 713.8 million) in total investment to the country, resulting in approximately 30,000 jobs and generating an estimated RM 7 billion (about USD 1.78 billion) in multiplier effects across tourism, hospitality, and related sectors (Ramachandran, 2026a).

As of 2026, FIMI has successfully attracted nearly RM 2.8 billion in investment, resulting in the creation of around 30,000 jobs and an estimated RM 7 billion in economic benefits across tourism, hospitality, and allied services (Daily Express, 2026). This program enhances Malaysia's position as a key destination for both production and post-production activities. Notable projects benefiting from these rebates in recent years include *Crazy Rich Asians*, *The Mandalorian*, *6 Underground*, *Blackhat*, and the BBC's adaptation of *Lord of the Flies* (Brzeski, 2026). During the Hong Kong Filmart pitching event in 2026, FINAS unveiled a cash rebate supported by a renewed allocation of RM 300 million (approximately USD 76 million) under FIMI. In addition to the standard 30% return on qualifying Malaysian production expenditures, an additional 5% is available contingent upon passing a cultural test celebrating a national or patriotic theme (Aref Omar, 2021; Brzeski, 2026).

FIMI's incentives have garnered international recognition for the films *Blood Brothers: Bara Naga* (2025) and *Memori* (2025) (FINAS, 2026a, 2026b). At the Asian Academy Creative Awards (AACA), *Blood Brothers: Bara Naga* (2025) triumphed with its director, Abhilash Chandra, winning Best Direction (Fiction). Additionally, Shamin Yusuf received the award for Executive Producer of Best Feature. Meanwhile, *Memori* (2025) achieved noteworthy accolades, with Datuk Hilal Azman winning Best Actor in a Leading Role, Hisyam Hamid securing Best Actor in a Supporting Role, Hafiz Rashid being awarded Best Cinematography (Fiction), and the collaboration of White Turtle Studios & Creative Stew winning Best Promo or Trailer (Asian Academy Creative Awards, 2025).

Moving forward, Minister of Communications Dato' Seri Fahmi Fadzil has outlined three key priorities for FINAS: streamlining licensing processes, ensuring financial support, and providing timely feedback. These initiatives will be supported by the resources available at Menara FINAS and Kompleks Studio Merdeka to cultivate a sustainable ecosystem (Kasthuri Jeevendran, 2026). Furthermore, the collaboration between FINAS and the Insolvency Department exemplifies a proactive approach to supporting the local film and creative industries. Given the challenges many businesses face amid economic fluctuations, this collaboration aims to provide crucial resources and legal guidance to film workers struggling

with employment contracts and to act as a mediator between the grieving parties (Norhayati Nordin, 2026).

Comparative Fiscal Policies of Indonesia and Malaysia

An analysis of both countries reveals that Malaysia has implemented a more structured fiscal policy through the Film in Malaysia Incentive (FIMI). In contrast, Indonesia's strategy is more organic, shaped by the Indonesia Film Match Fund and the Filming in Jakarta policy. FIMI, centralized by FINAS, simplifies the film authorization process from pre- to post-production, mandating that productions pass a cultural test emphasizing national culture to qualify for an additional 5% rebate. This underscores the state's subtle influence over the narratives produced by production houses, particularly those facing escalating film production costs. This approach aligns with cultural industry theory, which posits that the uniformity of the film sector reflects a conformity imposed by authorities to advance national interests.

The Indonesia Film Match Fund and Filming in Jakarta have distinct yet complementary roles, focusing on international co-financing and local filming permits. The presence of international production companies enhances the global visibility of Indonesian films, particularly those that gain recognition internationally. Notably, Indonesia's tax incentives do not require a cultural test but are instead based on the merits of the production houses. This grants filmmakers creative freedom, empowering them to produce films that align with their vision without government constraints. Both funding and filming authorization are crucial for attracting foreign investment and fostering partnerships that improve the quality and diversity of local films, helping Indonesian films achieve international acclaim, reach broader audiences, and further boost appreciation for the country's storytelling. This environment encourages innovative narratives that reflect Indonesia's rich culture and film ecosystem.

At the same time, fiscal policy in Malaysia is implemented through the minimum requirement for Qualifying Malaysia Production Expenditure (QMPE), which ranges from RM 1 million to RM 5 million for both local and international production companies. This criterion poses challenges for mid-tier and lower-tier production firms, as they may struggle to meet the threshold. Government-established standards set the framework for the cultural industry, shaping the conditions for its success. Although investment levels seem promising compared with Indonesia, where similar benchmarks have not been identified, Malaysia's capitalist economy tends to view the film industry primarily as a tool for economic gain rather than as a platform for contestation and the free exchange of ideas.

Indonesia, particularly Jakarta, imposes no specific thresholds for filmmakers, prioritizing film literacy and fostering a vibrant film community. This open approach not only allows emerging talent and start-ups to access financial support and networking opportunities both locally and internationally, but also enhances grassroots support for their work. With a strong backing from the community, films are viewed as a means of camaraderie that unites not only film professionals but also enthusiasts and activists who share a passion for cinema. Furthermore, these initiatives emphasize the significance of cultivating an informed audience, rather than merely catering to popular tastes. The focus on developing critical thinking among a broader audience will nurture future generations of filmmakers who contribute to the continued growth of the Indonesian film industry.

Nevertheless, Malaysia's fiscal strategy integrates revenue mobilization with targeted incentives and a focus on expenditure prioritization. The country's decision to allocate an additional RM 300 million (USD 76 million) in cashback under the FIMI highlights this approach. In contrast, while Indonesia boasts an interesting film ecosystem, its funding is dispersed across various agencies, which are limited to non-fiscal measures such as licensing and filming authorizations. The fiscal outlook for 2026 indicates that the Malaysian government aims to enhance spending efficiency through reprioritization and targeted allocation of fiscal resources. This policy direction is particularly significant for the film industry, as Malaysia has historically positioned it as integral to its broader investment strategies. Fiscal incentives can therefore serve as both economic support for filmmakers and tools to attract international productions, ultimately generating spillover benefits for tourism, hospitality, employment, and local creative industries.

Conclusion and Recommendations

The arguments presented indicate that the differences in fiscal incentives stemming from organic versus centralized financing lead to distinct outcomes. Indonesia's organic financing framework provides production houses with enhanced artistic freedom. In contrast, Malaysia's centralized financing model, which offers appealing tax incentives, has successfully attracted investors to the country's film industry. The framework established by FIMI is crucial for initiatives such as the Indonesia Film Match Fund and Filming in Jakarta to consider. With 13 years of operation, FIMI stands as evidence that such policies effectively attract millions in investments while enhancing the country's profile through appropriate regulatory measures. As Indonesia grapples with its decentralized policy, fostering collaboration from grassroots to higher administrative levels will be essential in achieving the streamlined processes that production houses desire. Given that Indonesia has a larger economy than Malaysia, it is imperative that the country prioritize transparency to attract international production houses, particularly amid prevailing perceptions of corruption.

Besides, it is essential for the film industry, which draws on a diverse range of expertise, to prioritize responsible fiscal reporting and effective project management. While economic growth is crucial for any nation, it should not be regarded as a mere cultural product to be regulated through tax incentives. It is also yet to be seen whether FIMI requires the production house to provide a financial report, further informing the government to study whether they have engaged in responsible and accountable spending. These could inform the Ministry of Education, Culture, Research, and Technology and the Jakarta Film Commission to look into this requirement to ensure that public money is spent wisely. In addition to the centralized FIMI incentives that promote filmmaking throughout Malaysia, these initiatives particularly benefit cities outside Kuala Lumpur, whereas Jakarta is limited to a single filming location. Indonesia should consider expanding similar programs to other regions such as Bali, Surabaya, Makassar, and Balikpapan. This approach would empower production houses to foster local collaborations and strengthen both national and international partnerships. While the establishment of the Jakarta Film Commission is commendable, it would also be beneficial to create a centralized effort to consolidate administrative resources across provinces, cities, and districts and streamline the film production process. Strengthening film policies would provide a more attractive outlook for international production companies, encouraging greater investment in the future.

For future studies, a comprehensive analysis of the Indonesia Match Film Fund and Filming in Jakarta is crucial for monitoring their progress over time. While this study does not seek to determine which country has a more effective fiscal policy, it offers both nations a valuable opportunity to learn from each other and enhance their fiscal models. The film industry will thrive as long as investment persists. However, a larger pool of funds is not necessarily required. What is genuinely essential is a diverse array of talent to prevent the industry from stagnating by simply reinforcing government narratives about what should or should not be portrayed on screen. It should be a vibrant platform for filmmakers and film enthusiasts to engage in thoughtful discourse, utilizing film as a medium to express and celebrate our local values on a global stage.

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