



Appendix E – Parliamentary Budget Office  
costings for variations in the screen  
production tax offsets (Part 2)



Parliament of Australia  
Parliamentary Budget Office

## Policy costing—outside the caretaker period

Name of proposal:	Further request for modelling in relation to tax offsets for film and television production
Summary of proposal:	<p>This proposal has three options to change the <i>Australian screen production incentive</i> tax offsets for film and television production.</p> <p>Option 1: Set the producer offset at 30 per cent for all film and television production.</p> <p>Option 2: Set the producer offset at 30 per cent for all film and television production and reduce the producer offset minimum Qualifying Australian Production Expenditure (QAPE) eligibility threshold from \$0.5 million to \$0.25 million for feature films and single episode dramas.</p> <p>Option 3: Increase the producer offset from 20 per cent to 30 per cent for all television and non-theatrical feature productions and remove the producer offset eligibility cap that requires series dramas to have less than 65 hours of commercial screen time.</p> <p>All options would have effect from 1 July 2018.</p>
Person/party requesting the costing:	Mr Luke Howarth MP, Liberal Party of Australia
Did the applicant request the costing be confidential:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Date costing request received:	15 September 2017
Date costing completed:	21 September 2017
Expiry date of the costing:	Release of the next economic and fiscal outlook report.

## Costing overview

This proposal has three options that are all expected to have ongoing impacts that extend beyond the 2017-18 Budget forward estimates period. Detailed financial implications for each option over the period to 2027-28 are provided at [Attachment A](#).

The costing does not include any departmental expense implications as the options would not be expected to significantly change the administrative complexity of the tax system.

The fiscal balance impacts differ from the underlying cash balance impacts because of a timing difference between when productions become eligible to receive the offset and when the offset is paid following lodgement of an income tax return to the Australian Taxation Office.

This costing is very sensitive to the projected amount of expenditure on film and television production in Australia. The base level and timing of production expenditure (and related offset claims) tend to be highly volatile over time, which means that there is a high level of uncertainty in the costing estimates for this proposal. The largest component of each option is that which alters the producer tax offset rate, which largely affects productions that are already included in the projected base level of activity for the costing. Options 1 and 2 have components with offsetting financial implications because the non-feature film rate would be reduced from 40 per cent and the feature film rate would be increased from 20 per cent, if the producer offset rate were set at 30 per cent.

The costing is also sensitive to assumed behavioural responses by film and television producers as there is limited information available that indicates the degree to which companies may increase production in response to the proposals. The costing assumes the overall behavioural responses would be small due to the operation of demand and supply constraints.

## Key assumptions

### General assumptions

- The Parliamentary Budget Office (PBO) has estimated the baseline for this costing from 2017-18 based on the average historical offset claim amount over the previous five years.
  - It is assumed that there would be no growth in the QAPE of film and television productions from 2017-18 to 2027-28.
- Offset amounts are assumed to be claimed by companies in the year following certification of an offset.
- There is assumed to be an industry supply constraint on the total amount of production that can occur at any one time in Australia in the short and medium term across all production categories, partly due to the relatively small size of the Australian industry. This constraint limits the extent to which behavioural responses are expected to occur in response to this proposal.

### Behavioural response assumptions

- It is assumed that there would not be a change in spending on eligible television production as a result of changing the producer offset rates. This is because television producers tend to only provide sufficient content to meet the local content rules for particular production categories. Changing the rate of the producer offset is assumed to result in a negligible change in these productions.

- Reducing the minimum QAPE eligibility threshold for the producer offset is assumed to result in additional production activity for productions that would become eligible for the offset due to the reduced threshold.
- Removing the 65-hour cap for series dramas for the producer offset is assumed to result in a small number of additional series dramas.

## Methodology

### Producer offset rate changes

QAPE amounts claimed under the producer offset were estimated for each option based on historical amounts. The impact of a rate change was then calculated by taking the difference between the amount of the offset at the current rate and the proposed rate.

### Producer offset and 65-hour cap changes

The amount of additional production activity that would be eligible for the offsets due to the lower eligibility threshold or cap changes was estimated based on historical amounts. This was increased to allow for any assumed behavioural responses and multiplied by the relevant rate.

## Data sources

Screen Australia, 2016. *Production Trends*. [Online] Available at <https://www.screenaustralia.gov.au/fact-finders/production-trends> [Accessed 31 August 2017].

Screen Australia, 2017. *Producer Offset Guidelines*. Sydney: Screen Australia.

Standing Committee on Communications and the Arts, 2017. Australian film and television industry. *Official Committee Hansard*. Sydney: Standing Committee on Communications and the Arts.

Standing Committee on Communications and the Arts, 2017. *Inquiry into the Australian Film and Television Industry: Submissions*. [Online] Available at [http://www.aph.gov.au/Parliamentary\\_Business/Committees/House/Communications/AustralianfilmandTV/Submissions](http://www.aph.gov.au/Parliamentary_Business/Committees/House/Communications/AustralianfilmandTV/Submissions) [Accessed 30 August 2017].

The Department of Communications and the Arts provided the 2017-18 Budget forward estimates of the offsets and other related information.

Attachment A – Further request for modelling in relation to tax offsets for film and television production – financial implications

Table A1: Further request for modelling in relation to tax offsets for film and television production – Option 1: Producer offset set at 30 per cent – Fiscal balance<sup>(a)(b)</sup>

(\$m)	2017–18	2018–19	2019–20	2020–21	Total to 2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	Total to 2027–28
Producer offset – Non-feature rate set at 30 per cent from 20 per cent	-	-35.0	-35.0	-35.0	-105.0	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	-350.0
Producer offset – Feature rate set at 30 per cent from 40 per cent	-	35.0	35.0	35.0	105.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	350.0
<b>Total</b>	-	..	..	..	..	..	..	..	..	..	..	..	..

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

- Indicates nil.

Table A2: Further request for modelling in relation to tax offsets for film and television production – Option 1: Producer offset set at 30 per cent – Underlying cash balance<sup>(a)(b)</sup>

(\$m)	2017–18	2018–19	2019–20	2020–21	Total to 2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	Total to 2027–28
Producer offset – Non-feature rate set at 30 per cent from 20 per cent	-	-	-35.0	-35.0	-70.0	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	-315.0
Producer offset – Feature rate set at 30 per cent from 40 per cent	-	-	35.0	35.0	70.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	315.0
<b>Total</b>	-	-	..	..	..	..	..	..	..	..	..	..	..

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in outlays or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in outlays or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

- Indicates nil.

Table A3: Further request for modelling in relation to tax offsets for film and television production – Option 2: Producer offset set at 30 per cent and QAPE threshold reduced to \$250,000—Fiscal balance<sup>(a)(b)</sup>

(\$m)	2017–18	2018–19	2019–20	2020–21	Total to 2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	Total to 2027–28
Producer offset – Non-feature rate set at 30 per cent from 20 per cent	-	-35.0	-35.0	-35.0	-105.0	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	-350.0
Producer offset – Feature rate set at 30 per cent from 40 per cent	-	35.0	35.0	35.0	105.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	350.0
Producer offset – QAPE reduced to \$0.25 million from \$0.5 million	-	..	..	..	..	..	..	..	..	..	..	..	..
<b>Total</b>	-	..	..	..	..	..	..	..	..	..	..	..	..

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

- Indicates nil.

Table A4: Further request for modelling in relation to tax offsets for film and television production – Option 2: Producer offset set at 30 per cent and QAPE threshold reduced to \$250,000—Underlying cash balance<sup>(a)(b)</sup>

(\$m)	2017–18	2018–19	2019–20	2020–21	Total to 2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	Total to 2027–28
Producer offset – Non-feature rate set at 30 per cent from 20 per cent	-	-	-35.0	-35.0	-70.0	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	-315.0
Producer offset – Feature rate set at 30 per cent from 40 per cent	-	-	35.0	35.0	70.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	315.0
Producer offset – QAPE reduced to \$0.25 million from \$0.5 million	-	..	..	..	..	..	..	..	..	..	..	..	..
<b>Total</b>	-	-	..	..	..	..	..	..	..	..	..	..	..

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in outlays or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in outlays or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

- Indicates nil.



Table A5: Further request for modelling in relation to tax offsets for film and television production – Option 3: Producer offset set at 30 per cent and 65 hour cap removed for series dramas—Fiscal balance<sup>(a)(b)</sup>

(\$m)	2017–18	2018–19	2019–20	2020–21	Total to 2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	Total to 2027–28
Producer offset – Non-feature rate set at 30 per cent from 20 per cent	-	-35.0	-35.0	-35.0	-105.0	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	-350.0
Producer offset – 65 hour cap removed	-	-5.0	-5.0	-5.0	-15.0	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0	-50.0
<b>Total</b>	-	-40.0	-40.0	-40.0	-120.0	-40.0	-40.0	-40.0	-40.0	-40.0	-40.0	-40.0	-400.0

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

- Indicates nil.

Table A6: Further request for modelling in relation to tax offsets for film and television production – Option 3: Producer offset set at 30 per cent and 65 hour cap removed—Underlying cash balance<sup>(a)(b)</sup>

(\$m)	2017–18	2018–19	2019–20	2020–21	Total to 2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	Total to 2027–28
Producer offset – Non-feature rate set at 30 per cent from 20 per cent	-	-	-35.0	-35.0	-70.0	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	-315.0
Producer offset – 65 hour cap removed	-	-	-5.0	-5.0	-10.0	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0	-45.0
<b>Total</b>	-	-	-40.0	-40.0	-80.0	-40.0	-40.0	-40.0	-40.0	-40.0	-40.0	-40.0	-360.0

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in outlays or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in outlays or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

- Indicates nil.