

10 August 2021

Committee Secretary
Senate Standing Committees on Environment and Communications
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600
AUSTRALIA
Submitted by email to: seniorclerk.committees.sen@aph.gov.au

Dear Sir/Madam,

Australian Screen Production Incentive Reforms

I refer to the *Treasury Laws Amendment (2021 Measures No. 5) Bill 2021 (Cth)* and, in particular, to the proposal to increase the minimum qualifying Australian production expenditure threshold for claiming the post-production, digital and visual effects (PDV) offset under the *Income Tax Assessment Act 1997 (Cth)* from \$500,000 to \$1 million.

Adverse impact on the profitability of smaller productions and viability of smaller post-production facilities

Screen Queensland does not support the proposed amendment and argues that it does not further the legislative objective of supporting the screen production industry and driving the production and the distribution of quality Australian screen content. A significant proportion of quality Australian screen content is produced with overall budgets containing PDV expenditures between \$500,000 and \$1 million. These tend to be productions from independent production companies that utilise smaller, more economical post-production facilities.

The proposed legislative amendment would have a material adverse effect on both the profitability of these smaller productions and the viability of domestic PDV facilities. Screen Queensland notes that this sector of the production industry has been significantly affected by the economic downturn post COVID-19 and is in need of support.

Screen Queensland notes further that an increase in the PDV Offset threshold would be out-of-step with the Federal Government's new 30 per cent games offset, which has a threshold of \$500,000. The global games industry is much larger and more viable than the Australian PDV industry. It would seem inequitable to disproportionately support the games industry with a lower qualifying threshold of \$500,000, while requiring a higher qualifying threshold for PDV expenditure. Also, it would seem contrary to the stated intention of the proposed reforms to 'effectively target areas [of the Australian screen production industry] that require support'¹.

¹ Exposure Draft Explanatory Materials, *Treasure Laws Amendment (Measures for Consultation) Bill 2021 (Cth)*.

Disproportionately adverse impact on Queensland

Screen Queensland advises that the proposed amendment will have a disproportionately adverse impact on the Queensland PDV industry. The majority of entities operating in the Queensland PDV sector are small-to-medium enterprise businesses. The typical size of productions utilising these services are smaller and the typical PDV expenditure is under the \$1 million threshold. Doubling the threshold for production companies to claim the PDV Offset will mean that many of these smaller PDV entities will lose the opportunity to bid for such work and, in turn, grow their businesses in scale.

An increase in the qualifying threshold will likely have a consequent adverse impact on the growth of the PDV market – particularly, the entry of new entities and start-ups that rely on lower budget projects attracting the PDV Offset to win new business, demonstrate capability to new customers and partners, and sustain their businesses. This, in turn, will likely affect market-depth and the ability of local creatives and production companies to access quality and economical facilities to complete their projects in Queensland.

The Queensland PDV industry reports to Screen Queensland that this proposed federal change will halt the opportunity for them to compete for international work. In Australia, there are five multi-national PDV companies, all outside of Queensland, which will have an unfair disadvantage in bidding for international work, should this change proceed.

In a post-COVID environment, it is essential that our skilled workers in the PDV industry can compete both locally and on the international stage to attract work of scale. Screen Queensland suggests that there are important economic and industry benefits in maintaining the threshold for claiming the PDV Offset at \$500,000.

Yours faithfully,

Kylie Munnich
Chief Executive Officer
Screen Queensland