



Parliament of Australia
Parliamentary Budget Office

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Parliamentary Budget Officer

Senator Richard Di Natale
Leader of the Australian Greens
Parliament House
CANBERRA ACT 2600

Dear Senator Di Natale

Please find attached a response to your costing request, *Supporting our Australian Videogames Industry* (letter of 29 June 2016).

The response to this request will be released on the PBO website (www.pbo.gov.au).

If you have any queries about this costing, please contact Colin Brown on (02) 6277 9530.

Yours sincerely

Phil Bowen

30 June 2016



Policy costing—during the caretaker period for the 2016 general election

Name of proposal:	Supporting our Australian Videogames Industry
Summary of proposal:	<p>The proposal has three components that would provide support for Australia’s videogames industry by:</p> <p><u>Component 1: Reinstating the Australian Interactive Games Fund (AIGF)</u></p> <ul style="list-style-type: none">reinstating the AIGF with \$20 million of funding, and include within this a special stream to foster female involvement in the industry <p><u>Component 2: Extending access to the Producer Tax Offset</u></p> <ul style="list-style-type: none">extending access to the Producer Tax Offset to game producers at 40 per cent of eligible expenditure <p><u>Component 3: Establishing shared working spaces</u></p> <ul style="list-style-type: none">providing \$5 million to establish shared working spaces for developers and publishers. <p>Components 1 and 3 would have effect from 1 July 2017, component 2 would have effect from 1 September 2016.</p>
Person/party requesting costing:	Senator Di Natale, Australian Greens
Date of public release of policy:	28 June 2016 http://greensmps.org.au/content/media-releases/1up-greens-announce-initiative-invest-videogames-industry
Date costing request received:	30 June 2016
Date costing completed:	30 June 2016
Expiry date for the costing:	Release of the next economic and fiscal outlook report

Costing overview

This proposal would be expected to decrease the fiscal balance by \$194 million and decrease the underlying cash balance by \$149 million over the 2016-17 Budget forward estimates period. This impact wholly reflects an increase in expenses. A detailed breakdown of the impact of this proposal is presented at [Attachment A](#).

The underlying cash balance impact of these proposals differs from the fiscal balance impact because of a timing difference between when videogame productions become eligible to receive the Offset and when the Offset is paid through lodgement of an income tax return to the Australian Taxation Office.

This proposal would have an ongoing impact that extends beyond the 2016-17 Budget forward estimates period for impacts on the Producer Tax Offset only.

Departmental expenses arising from reinstating the AIGF and establishing shared work spaces are not expected to be significant and have not been included in this costing. Departmental expenses arising from extending the Producer Tax Offset to videogame producers have been estimated at \$1 million per annum.

The Producer Tax Offset component of this costing is considered to be of low reliability due to a lack of historical data and uncertainty surrounding behavioural assumptions.

The AIGF and support for shared workspaces components of this costing are considered to be of high reliability as the amounts of funding are fixed. However, no analysis has been undertaken to determine the adequacy of the prescribed funding amounts to achieve the objective of the proposal.

Table 1: Financial implications (outturn prices)^{(a)(b)}

Impact on (\$m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-36.0	-53.0	-53.0	-52.0	-194.0
Underlying cash balance	-1.0	-48.0	-48.0	-52.0	-149.0

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.

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

Key assumptions

The Parliamentary Budget Office has made the following assumptions regarding this proposal:

Extend the Producer Tax Offset to videogames

- All expenditure made in Australia by videogame producers will be eligible for the Offset.
- The value of qualifying expenditure on videogame production is assumed to grow at the same rate as the consumer price index.
- Offset amounts are assumed to be claimed by companies in the year following the completion of production.
- A behavioural response to the proposal is assumed to increase the amount of qualifying expenditure on videogame production. This response is based on the effective fall in production costs as a result of this proposal.
- It has been assumed that the Producer Tax Offset for videogames will be administered in a similar way to the current Producer Tax Offset for feature films.

Methodology

Increased expenditure on the Producer Tax Offset was calculated by applying the proposed rate to estimated expenditure on videogame production in Australia, adjusted to take into account the behavioural response.

AIGF funding is equal to the amount specified in the request, divided equally from the start date of the policy to the end of the forward estimates period. The funding for shared workspaces is a one-off impact in the first year of the proposal.

Producer Tax Offset estimates are rounded to the nearest \$5 million; AIGF funding and funding for shared work spaces are rounded to the nearest \$1 million.

Data sources

Australian Bureau of Statistics, 8679 – Film, Television and Digital Games 2011-12.

Attachment A: Supporting our Australian Videogames Industry—financial implications

The following tables provide a breakdown of the estimated financial impacts of the proposal over the forward estimates period on an underlying cash and fiscal balance basis.

Table A1: Supporting our Australian Videogames Industry—Fiscal balance^{(a)(b)}

Impact arising from (\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
<i>Expenses</i>					
Administered	-35.0	-52.0	-52.0	-51.0	-190.0
<i>Reinstating the AIGF</i>	-	-7.0	-7.0	-6.0	-20.0
<i>Extending the Producer Tax Offset</i>	-35.0	-40.0	-45.0	-45.0	-165.0
<i>Establishing shared working spaces</i>	-	-5.0	-	-	-5.0
Departmental	-1.0	-1.0	-1.0	-1.0	-4.0
<i>Extending the Producer Tax Offset</i>	-1.0	-1.0	-1.0	-1.0	-4.0
Total	-36.0	-53.0	-53.0	-52.0	-194.0

(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.

Table A2: Supporting our Australian Videogames Industry—Underlying cash balance^{(a)(b)}

Impact arising from (\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
<i>Outlays</i>					
Administered	-	-47.0	-47.0	-51.0	-145.0
<i>Reinstating the AIGF</i>	-	-7.0	-7.0	-6.0	-20.0
<i>Extending the Producer Tax Offset</i>	-	-35.0	-40.0	-45.0	-120.0
<i>Establishing shared working spaces</i>	-	-5.0	-	-	-5.0
Departmental	-1.0	-1.0	-1.0	-1.0	-4.0
<i>Extending the Producer Tax Offset</i>	-1.0	-1.0	-1.0	-1.0	-4.0
Total	-1.0	-48.0	-48.0	-52.0	-149.0

(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.