

**Additional Material for the House of  
Representatives Standing Committee on  
Communications and the Arts**

*Inquiry into Australia's creative and cultural industries  
and institutions*

IGEA's responses to Questions taken on Notice during  
the 5 February 2021 Public Hearing

## **Question on Notice 1 (page 14 of Proof Committee Hansard):**

**CHAIR:** Yes. Would anyone, Ben or otherwise, be able to tell us what the tax offsets are in the UK and Canada? I think you also mentioned Finland, France, Germany and Singapore. Do you have any figures on what other nations are doing in that space?

We have addressed key countries and regions in alphabetical order below. In this section, we have used the terminology of 'tax offsets', 'tax relief', 'tax incentives' and 'tax credits' interchangeable. In the regions where they have been implemented for video game development, these policies operate in a comparable way to the Australian Government's refundable Producer, PDV, and Location Tax Offsets (which form the Australian Screen Production Incentive) that support the film and TV industries.

### Canada

Owing to differences in the structure of the taxation system to Australia, screen tax incentives are primarily implemented at the provincial rather than the federal level. Tax incentives for game development have been introduced in most provinces, including:

- British Columbia: The **Interactive Digital Media Tax Credit** provides a tax offset of 17.5% of eligible salary costs for video game developers. More information is available here: <https://www2.gov.bc.ca/gov/content/taxes/income-taxes/corporate/credits/interactive-digital-media>.
- Manitoba: The **Manitoba Interactive Digital Media Tax Credit** provides a tax offset of 40% of labour costs for video game developers. More information is available here: <https://www.gov.mb.ca/jec/busdev/financial/midmtc/index.html>.
- Newfoundland and Labrador: The **Newfoundland and Labrador Interactive Digital Media Tax Credit** provides a tax offset of 40% of labour costs. More information is available here: <https://www.gov.nl.ca/fin/tax-programs-incentives/business/idmtc>.
- Nova Scotia: Under the **Digital Media Tax Credit**, a video game developer may choose between either a tax offset of 50% of 'qualifying expenditure' or a tax offset of 25% of 'total expenditure'. More information is available here: <https://www.novascotiabusiness.com/business/digitalmedia>.
- Ontario: The **Ontario Interactive Digital Media Tax Credit** provides a tax offset of 40% of production costs for video game developers (except for 'fee-for-service' game developers, where a 35% rate applies). More information is available here: <https://ontariocreates.ca/tax-incentives/oidmtc>.
- Prince Edward Island: The **Video Game Labour Rebate** provides a tax offset (rate not specified) for video game developers. More information is available here: <http://gameplan.ca>.
- Quebec: The **Multimedia Tax Credit** provides a tax credit of 37.5% of labour costs for video game developers. More information is available here: <https://www.investquebec.com/international/en/industries/multimedia/a-favourable-tax-climate.html>.

Chiefly through the **Canada Media Fund**, the federal Canadian Government provides direct funding for video game development. Many provincial governments also provide direct funding for video game development (on top of their tax offsets).

## Europe

The European Commission provides direct funding of up to 50% of eligible video game development costs throughout Europe via the **Video Game Development Scheme** administered by its Education, Audio-visual and Culture Executive Agency. More information is available here: [https://eacea.ec.europa.eu/creative-europe/actions/media/creative-europe-media-development-video-games\\_en](https://eacea.ec.europa.eu/creative-europe/actions/media/creative-europe-media-development-video-games_en).

Many individual European states (and some sub-regions within those states) also provide direct funding and incentive programs for video game development. France and Germany are specifically highlighted in their respective sections in this paper below. The following is a non-exhaustive list of other European states that support video game development:

- Denmark: Through the Danish Film Institute, the Danish Government provides funding to game developers through the **Games Scheme**. More information is available at: <https://www.dfi.dk/en/english/funding/games-and-cross-media>.
- Finland: The Finnish Government provides funding to video game developers through the **Business Finland Game Business Funding** program. More information is available here: <https://www.businessfinland.fi/en/games>.
- Italy: The Italian Government has launched the **First Playable Fund** to develop a new game development industry as a response to the economic impact of COVID-19. For more information, see the media release from the Italian games industry association here: <http://en.iideassociation.com/news/news/italian-government-introduce-the-first-playable-fund.kl>.
- Slovakia: Through its **Arts Support Fund**, the Slovakian Government provides funding for interdisciplinary works including video games. More information is available here: <https://www.fpu.sk/sk/podpora/1-6-1-tvorba-vydavanie-uvvedenie-medziodboroveho-diela> (in Slovakian).
- Spain: Through its CREA SGR creative sector financing body, the Spanish Government provides **special loans to creative businesses** including video game developers. More information is available here: <https://creasgr.com/sector-audiovisual-y-cultural> (in Spanish).
- Switzerland: Pro Helvetia, the Swiss Government's arts and cultural body, provides an **Interactive Media Fund** for game developers.

## France

The French Government has established the **Video Game Tax Credit (CIJV: Crédit d'Impôt Jeux Vidéo)** which provides a tax offset of 30% of the production costs for video game developers.

The French Government also provides various direct funding programs for video game developers under the **Video Games Support Fund (FAJV: Fonds d'Aide au Jeu Vidéo)**, including the 'Funds for Original Creations', which provides funding of up to 50% of a project's budget, and the 'Funds for Prototype Production' which provides

funding of 25% (35% for small-to-medium-sized businesses) of the R&D costs incurred during video game pre-production. Other support provided by the French Government includes equity loans specifically for video game developers and dedicated R&D funding for multi-media producers.

More information on all of these policies is available on the French Government's video game incentive international marketing portal here: <https://jointhegame.fr>.

### Germany

The German Government has established the **German Games Fund (DGF: Deutscher Games-Fonds)** comprising an initial €50 million in total funding. Like a tax offset, the Fund is an expenditure-based incentive and provides funding of 25% to 50% of total game development expenses, with 50% provided for prototypes and smaller productions, and 25% provided to projects valued at over €8 million. The German games industry association has provided further information on the Fund here: <https://www.game.de/en/german-games-funding>.

### New Zealand

The New Zealand Government has invested NZD \$10 million via its Provincial Growth Fund to develop the **New Zealand Centre of Digital Excellence (CODE)**, a Dunedin-based hub designed to grow the country's video game development sector into a NZD \$1 billion industry. Funding for video game development provided under the CODE includes (all NZD):

- The 'KickStart fund' (funding of \$10,000 - \$40,000 per project)
- The 'Start Up fund' (\$50,000 - \$150,000 per project)
- The 'Scale Up fund' (\$75,000 - \$250,000 per project)

More information on the CODE and its funding programs is available here: <https://www.dunedinnz.com/CODE/code-funding>.

The New Zealand Government also funds video game development through grants of NZD \$25,000 - \$50,000 through the **Whakawhanake Te Ao Niko-Interactive Development Fund** administered by the New Zealand Film Commission. For more information, see: <https://www.nzfilm.co.nz/funds/whakawhanake-te-ao-niko-interactive-development-fund>.

### Singapore

The Singaporean Government provides financial and other support to video game developers. Policies and programs in recent years have included:

- A **Production Assistance (Games) Fund**, which covers 40% of project expenses, and a **Development Assistance (Games) Fund**, which covers 70% of expenses, both administered by the Infocomm Media Development Authority.
- A tax incentive for video game development to attract new studio growth (although we understand that it is not currently active).

### United Kingdom

The UK Government has established the **Video Games Tax Relief (VGTR)** which provides a tax offset of 20% of production costs for video game developers. More

information on the VGTR is available here: <https://www.gov.uk/guidance/claiming-video-games-tax-relief-for-corporation-tax>.

The UK Government also provides direct funding to video game developers, most notably through the **UK Games Fund** which provides up to £25,000 for video game development projects. More information on the UK Games Fund, which is administered by the Government-established UK Games Talent and Finance Community Interest Company (UKGTF CIC), is available here: <https://ukgamesfund.com>.

Other Government-funded initiatives for the sector include **Tranzfuser**, which provides support for UK game development graduates. More information is available here: <https://tranzfuser.com>.

### United States

While the US does not need a federal tax offset for video game development given that it is already the home of much of the global video games industry, tax offsets for game development have nevertheless been introduced in around 20 US states, primarily to lure game studios away from the sector's traditional base of California, including:

- Colorado: A **Film Incentive Rebate** of 20% of production budgets is also available to video game developers. Please see: <https://www.filmincolorado.com/resources/incentives-and-permits>.
- Georgia: Video game developers are eligible for a 20% **Digital Entertainment Tax Credit**. Please see: <https://www.georgia.org/industries/film-entertainment/digital-entertainment>.
- Louisiana: The **Digital Interactive Media and Software Program** provides a 25% tax credit for video game development. Please see: <https://www.opportunitylouisiana.com/business-incentives/digital-interactive-media-and-software-program>.
- Nevada: Video game developers are eligible for the **Nevada Film Tax Incentive**, which is worth up to 25% of production costs. Please see: <https://nevadafilm.com/tax-incentives>.
- New Jersey: A **Digital Media Tax Credit Program** worth up to 25% of production costs is available to video game developers. Please see: <https://www.choosenj.com/business-assistance/film-digital-media-tax-credit>.
- New Mexico: A **Refundable Tax Credit** worth up to 35% of production costs is available to game developers. Please see: <https://nmfilm.com/for-filmmakers/incentives>.
- Texas: Video game developers can access the **Texas Moving Image Industry Incentive Program** which provides a cash grant of 22.5% of production costs. Please see: [https://gov.texas.gov/film/page/miiip\\_game](https://gov.texas.gov/film/page/miiip_game).

Interactive media like video games, particularly those with an educational or social focus, are also supported by various funding programs provided by the federal US **National Endowment for the Arts**.

## **Question on Notice 2 (page 14 of Proof Committee Hansard):**

**Dr ALLEN:** ... I suppose my question goes to the comment that Australia is one of the most expensive places in the world to make games. Is that simply because of the tax offset and perhaps the lack of government investment, or is there something more than that? To someone who's an outsider to the industry, it strikes me that we're not going to fix the problem if it's more expensive for other reasons. We have reasonable salaries in this country, perhaps, compared to other countries where some of the services might be being provided. I wondered whether someone would be happy to speak to whether the cost of doing business in Australia is related to salaries or is it related to the fact that it's not a level playing field from the point of view of the tax offset?

Australia is one of the most expensive places in the world to make video games in relative terms because many, if not most, other advanced economies have delivered specific policy incentives aimed at building their local video game development industries. These incentives are typically in the form of large scale funding programs or tax offsets that seek to nurture their domestic studios as well as increase their territory's global competitiveness for attracting investment in game development. These countries have chosen to focus strongly on supporting video game development (often over other high-potential sectors) because of the scale of long-term economic activity, growth and investment in the sector, the high-value digital nature of games making them arguably the ideal 21<sup>st</sup> century kind of manufacturing export product, and the versatile and highly-skilled nature of the workers that the sector produces.

While some countries like Poland and the Czech Republic with strong video game development sectors may be less expensive territories due to a lower salary base (not just in our sector but across the overall labour force), it is not with these countries that Australia is most directly competing against. The regions of the world with video games sectors that have grown the strongest over the past two decades, and which today remain the most sought-after locations for establishing new studios, are advanced economies with a significant, diverse, well-trained and English-speaking talent pool, particularly the UK, Canada and the US. Australia is missing only because tax incentives and other support are available there, and not here. This is why Australia's game development industry is several times smaller than those other countries in terms of both economic and workforce size, even after adjusting for population differences. The Committee Member is therefore correct in stating that "it's not a level playing field".

The key reason that IGEA has advocated for a 30% tax offset for video game development, mirroring the 30% PDV offset that the Government already provides to our adjacent animation and digital effects sectors, is to level this playing field. Fixing Australia's lack of international competitiveness in screen production is already a policy priority for the Australian Government, is the reason why the PDV and Location Offsets exist, and is the reason why the Government has boosted the latter through the \$400 million Location Incentive. As we outlined in our submission, the benefits to Australian economic growth and jobs will be even greater with a video game development tax offset given the significant year-on-year growth of the global video games market, the fact that video game development involves the establishment of bricks-and-mortar studios that provide permanent full-time jobs, and the fact that those jobs will create futureproofed, technology-focused and versatile workers with skills that will be in demand across multiple related and unrelated sectors for decades to come.