



ALT.VFX PTY LTD
118 BROOKES STREET
FORTITUDE VALLEY
QUEENSLAND 4006
AUSTRALIA
TEL 61 7 3137 9670

ALT.VFX SYD
120 DARLINGHURST
ROAD
DARLINGHURST
NEW SOUTH WALES
2010
AUSTRALIA

ALT.VFX MEL
1 TATES PLACE
SOUTH MELBOURNE
VICTORIA 3205
AUSTRALIA

ALT INC. LA
UNIT 103
3617 HAYDEN AVENUE
CULVER CITY
CALIFORNIA 90232
USA

ALT TOKYO
B-2F SHIBUYA BRIDGE
1-29-3 HIGASHI
SHIBUYA-KU
TOKYO 150-111
JAPAN

ABN 45 636 332 744
ACN 636 332 744
WWW.ALTVFX.COM

Inquiry: The Treasury Laws Amendment (2021 Measures No. 5) Bill 2021

9 August 2021

Dear Members,

I am the Head of Business Development at Alt.vfx, and Australian visual effects company with studios in Brisbane, Sydney, and Melbourne. After building the company's foundations in the world of commercial advertising, we turned our attention to film 2 years ago, seeing a new market ripe with opportunity for a company that employs over 65 staff across its Australian locations.

We do not underestimate the value our Arts & Screen sector bring to our nation through being able to tell our stories and hear our voices. It also allows us to remain strong and globally relevant as a smart, technology & creative focussed export industry.

As part of the draft of changes, the proposed increase in the threshold for the Post, Digital and Visual Effects (PDV) Offset from \$500,000 to \$1 million will limit opportunities for Australian owned SME PDV companies to attract international work and to grow their businesses.

Alt.vfx and its peers are incredibly appreciative of the support provided to the sector through the Australian Screen Production Scheme and recognise the significant investment the Government makes in the industry.

However, Alt.vfx believe that rather than assisting the growth of the PDV sector, this change will help only those companies that have already grown and make it near impossible for smaller PDV companies to expand, attract inward investment and capitalise on the opportunities we outline below.

As a key representative for Alt.vfx we object to the following proposed change on the strongest terms. There is an impending change of Federal Legislature that will change the Australian Post Production sector forever, even while it may seem insignificant.

The proposed amendment is:

Paragraph 376-45(5)(a)

Omit "\$500,000", substitute "\$1 million".

This one Clause is what we need to have it not written into the act.

Australian picture, sound and music companies are losing out on potential new foreign inward investment. It will directly impact their export growth strategies and their ability to create new Australian jobs, improve skill levels and offer further training opportunities.





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The current large budget international productions that are shooting in Australia do not access the PDV Offset. They are attracted to Australia by the Location Offset and the Location Incentive.

The PDV Offset was designed to attract post-production, and visual effects work on projects that do not shoot in Australia. Currently, the PDV Offset only works for remote Visual Effects work with the Offset being instrumental in growing this sector of the Australian screen industry.

The PDV Offset has not impacted attracting international picture, sound, and music post-production work. However, COVID-19 has created an environment where this could change.

We fear these impending changes stand to lose all of the inroads and advancements for the post-production sector forever. If the proposed changes to the federal Post, Digital & Visual Effects (PDV) rebate of increasing the threshold from \$500,000 to \$1 million is enacted.

Australia's ability to engage and be a world-class destination through these incentives grow the domestic industry on the back of global projects making their way into Australia.

The recent announcement of the threshold for the PDV federally to be increased will be a game-changer for the post-production and visual effects industry in Australia.

We began to make investment into overseas markets with the joining of Ausfilm 3 years ago. We participated in Ausfilm week in LA, engaging with the industry across the board in our attempt to enhance Australia's reputation for creativity and craft on the world stage.

Traditionally, international studios have always retained post-production work in Hollywood because of the ability to touch and feel it while stepping into the facility to oversee the work. No matter how hard we engaged and what incentives we enticed them with, the hometown advantage always won.

COVID has changed all that.

The international market has adopted the new world order of doing remote reviews, which effectively puts us front and centre to be as relevant as international players as ever before. Coupled with technology that allows us to present globally, the Australian post-production community can finally stand shoulder to shoulder with any global vendor.

Just as the dawn of a new generation arrived, unfortunately, so did the federal review and decision to increase the threshold. For perspective, many of the conversations we have regarding films have post production budgets that never exceed \$1 million.





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Even so, as a relatively new player in the market, we are offered smaller sections of larger films, which would have been a key stepping stone to larger and more lucrative productions in the past for many of our peers. This stepping stone has now been removed with the increase in the threshold. In essence, this could forever shut the door on a whole raft of our industry being a relevant global player, as well as make it far more difficult for new, boutique companies to enter the market.

To give further perspective, Alt.vfx sees the potential opportunities for our business growth in the upcoming years if the playing field is left level and no changes to the federal offset are enacted. This has us able to train the future generation of the industry and create more jobs. We are precisely what Australia is focused on: intelligent, creative and technology companies attracting an export market and bringing new opportunities to the country.

If ever there was a business and sector to be championing this, it is ours.

But if the changes to the federal offset were to be enacted on July 1st, this would seriously affect small to medium businesses in the ability to ever grow. Furthermore, we have always prided ourselves on the fantastic work we provide domestically to showcase our talents to the world.

To continue to deliver for our domestic projects and continue to grow the capacity of our business and industry, we need the balance of the international work to align with the domestic slate.

The real shame about these changes is they will disadvantage the post and Australian and domestic companies and give a free pass to the few large, multi-national VFX studios in Australia. The dozens of Australian-owned studios and facilities that employ hundreds of skilled people need to invest in and support right now to grow into world-class studios to take advantage of the once in a generation opportunity post-pandemic.

With the content landscape scoping out global opportunities like never before, let's not have Australia lose its ability to remain globally relevant both fiscally and creatively on the world stage.

On behalf of my entire team at Alt.vfx, I thank you for your assistance.

Sincere regards,

Mark Millar
Head of Business Development / Executive Producer

