

18 January 2023

Senate Economics Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Email: economics.sen@aph.gov.au

Dear Committee

Treasury Laws Amendment (2022 Measures No. 4) Bill 2022

Introduction and Overview

On behalf of the Australian video games industry that we represent, the Interactive Games & Entertainment Association (IGEA) thanks the Senate Economics Legislation Committee (the Committee) for the opportunity to contribute to its inquiry into the Treasury Laws Amendment (2022 Measures No. 4) Bill 2022 (the Bill), which has already passed the House of Representatives and is now before the Senate.

Our submission relates to Schedule 1 of the Bill which, if passed, will amend the *Income Tax Assessment Act 1997* and other relevant treasury laws to implement the Digital Games Tax Offset (DGTO), a new federal tax incentive for video game development. All references to the Bill in this submission therefore relate only to Schedule 1 and not necessarily to any other Schedule.

We are grateful for the Committee's consideration and we ask that it recommend that the Bill be passed by the Senate so that the DGTO, which represents bipartisan policy, can commence as soon as possible. The DGTO, which IGEA has led advocacy for over the past decade, is the most visionary and significant policy that the Australian video games industry has ever seen and will supercharge Australia's creative and artistic output as well as investment in building a new digital tech industry that will bring untold economic benefits to Australia into the long-term future.

The Digital Games Tax Offset

The new 30% DGTO that the Bill creates will achieve many things. It will support Australian game development studios to expand and create bigger and better projects, bringing a new wave of Australian stories, voices, creativity and digital exports to the world. In addition to accelerating the natural growth of Australia's existing nascent video games ecosystem, the DGTO will also lead to even further industry expansion through the attraction of vast foreign investment and capital injections, as well as the propagation of brand new Australian games studios. Significantly, the DGTO will further attract the planting of brand new studios from the global video games industry, including the most economically-valuable form of studios - 'AAA' studios - around Australia.

Video games are arguably Australia's most valuable and far-reaching creative export, reaching homes in every country of the world, effortlessly crossing cultural barriers and bringing in



significant export revenue. The DGTO will help to ensure that there will be more, and more ambitious, Australian games that can achieve these ambitious outcomes in the future.

While the cultural benefits to Australia of a thriving video games industry filled with Australian voices and stories cannot be underestimated, its economic benefits are the most compelling.

Video game development is a highly skilled, technology-driven digital goods and services export industry of the future. Among the most valuable economic benefits of the DGTO will be what it will do to help transform Australia's future workforce. At the end of last year, we released the results of our ['industry snapshot' survey](#) of the Australian game development industry for 2021-22. It painted a picture of an industry that generates 84% of its revenue from overseas and has a unique workforce comprised not only of programmers and engineers, which form one in three jobs in our sector and are one of the cornerstones of a 21st century information-based Australian economy, but also diverse skilled creative workers, including artists, designers and producers, who are so vital for driving creativity, innovation and our socio-economic identity. And over the long term, a thriving video games sector and the prospect of working in games will lead to many more Australian kids choosing to study STEM, a pull that arguably only video games can provide.

No other industry looks like ours. It is exactly the kind of sector of the future that Australia needs and the DGTO will turbocharge both its growth and its broader economic impacts.

Our advocacy and engagement

IGEA has led the call for the DGTO over the past decade, which slowly but surely has drawn a groundswell of support. The Australian Parliament has long recognised the need and benefit of a tax incentive for game development. Such a policy was recommended by the Senate Environment and Communications References Committee in 2016 in its inquiry into the future of Australia's video game development industry, as well as by the Joint Standing Committee on Trade and Investment Growth in two separate inquiries in 2020 and 2021, one on supporting Australia's export and investment opportunities and the other on diversifying Australia's trade and investment profile.

We were therefore thrilled when the former Morrison Coalition Government first announced the DGTO in 2021 and again when the current Albanese Labor Government affirmed its commitment to its implementation and the passage of legislation late last year. The DGTO is a reform of unquestionable and non-partisan policy merit and our sector is primed for its implementation.

We thank the Prime Minister Anthony Albanese, the Arts Minister Tony Burke and the Treasurer Jim Chalmers for driving this important policy reform, as well as other supporters within the Government for championing it, including the Communications Minister Michelle Rowland, the Trade Minister Don Farrell, the Special Envoy for the Arts Susan Templeman and the Assistant Minister for Foreign Affairs Tim Watts. We also thank the Member for Cook Scott Morrison, the Shadow Arts Minister Paul Fletcher, the Shadow Finance Minister Jane Hume and the former Treasurer Josh Frydenberg for formulating the original policy proposal when they were in Government, and especially to the Shadow Arts Minister for reaffirming the Opposition's commitment - thereby ensuring that the Bill has bipartisan support.

Finally, we thank both the current and former federal administrations for carrying out extensive consultations in designing the DGTO, with the formal consultation process spanning both sides of the 2022 election. In particular, we extend our praise to all of the staff in the Office for the Arts within the Department of Infrastructure, Transport, Regional Development, Communications and the Arts and the Australian Treasury who have worked on the DGTO provisions of the Bill. They have at all times demonstrated care, insight, thoughtfulness, diligence, attention to detail, strategic thinking and a commitment to excellence throughout their stakeholder engagements.

We also thank all the agencies that have backed the DGTO, include Austrade, one of our sector's earliest institutional advocates, the ATO, which was involved in early consultations on draft legislation, and the Office of the Australian Small Business & Family Enterprise Ombudsman (ASBFEO) which has actively advocated on behalf of smaller studios on the DGTO's policy design.

Recommendation

We ask that the Committee support the Bill in its current form and that it makes a recommendation for the Senate to pass it swiftly.

In making this recommendation, we acknowledge that not all of our suggestions for the design of the DGTO have been reflected in the Bill. For example, in [our submission](#) responding to the DGTO exposure draft legislation that was released in March last year, we among other things called for a removal of the requirement for a game to be released in order to be eligible for the DGTO (the 'completion rule'). This is because many if not most of the economic stimulation benefits of the DGTO will be realised regardless of whether the game is released. With this in mind, the completion rule may create an (unintentional) incentive in some cases for a studio to complete a game when discontinuing it (following a mid-project review) might be in the best interests of both the studio and Treasury by ensuring that DGTO support is efficiently allocated.

We note that the ASBFEO in its submission to the present inquiry as well as in its submission on the exposure draft legislation last year has also called for the completion rule to be reversed.

However, we acknowledge that reform requires an assessment of all relevant policy considerations and we accept that the Government has heard us and has chosen to draft the Bill in a way that is fully informed of these considerations. We also acknowledge that the Government has listened to us across a range of matters and the overall high quality of the Bill reflects this.

We again thank the Committee for conducting this inquiry. Should it be required, we would be pleased to appear before the Committee to provide further evidence and to answer questions on how the DGTO will support the Australian game development industry into the future.

For any further questions or support, the Committee Secretary can contact IGEA's Director of Policy & Government Affairs Ben Au [REDACTED].

Regards,

Ron Curry
CEO