

**House of Representatives Standing Committee on Communications and the Arts**

**Answers to Questions on Notice**

**Department of Infrastructure, Transport, Regional Development and Communications**

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

**Question No: 1**

Hansard Ref: Page 2, 5/2/2021

**CHAIR:** "...If you could just dissect that, that means everyone, whether it's a movie or a TV production, whether it is domestic or international, will have the same tax offset?"

**Mr Penprase:** "Yes. There is a set of rules around eligibility for those offsets, but, again, it's not our area, I'm afraid. It's more our colleagues who appeared before you earlier in the year who can talk to you about the precise mechanisms for the tax offset arrangements."

**Answer:**

The Australian Screen Production Incentive, as the Australian Government's primary mechanism for providing support to the screen industry, provides tax incentives for film, television and other screen production in Australia and is available in three streams:

- The Producer Offset, designed to support Australian content, currently entitles a production company to a 40 per cent rebate on qualifying Australian production expenditure on eligible feature films (released at the cinema) and 20 per cent on other formats (TV, online, DVD) for productions with significant Australian content.
- The Post Digital and Visual Effects (PDV) Offset, designed to attract PDV work to Australia, provides a 30 per cent rebate on qualifying expenditure for productions undertaking PDV production in Australia. The expenditure threshold for eligibility is currently \$500,000 expenditure on activities reasonably required to perform the PDV production in Australia.
- The Location Offset, designed to attract large-budget international production to Australia, provides a 16.5 per cent rebate on qualifying Australian production expenditure for eligible productions with a minimum Australian spend of \$15 million. Eligible productions can also apply to the Location Incentive, which provides a grant of up to 13.5 per cent of qualifying Australian production expenditure for successful productions.

The Australian Government is making a number of improvements to its current policy settings to support the creation of film and television content in response to the Supporting Australian stories on our screens Options Paper.

As part of the package of reforms, the Producer Offset rate will be standardised at 30 per cent, an increase for Australian television content from 20 per cent and a decrease for Australian feature film from 40 per cent.

The Government's decision to standardise the Producer Offset will see the rate for feature films set at 30 per cent. This will result in the removal of the theatrical distribution requirement for feature films. Under this change producers of films will have the flexibility to identify and pursue more appropriate commercial release strategies. This may still include a release in the cinema but other platforms such as an on-demand platform, pay TV, free to air broadcaster or catch-up service can also be considered.

Standardising the Producer Offset rate will also mean increased support for Australian television productions from 20 per cent to 30 per cent. In a world where streaming video platforms offer new sales and growth opportunities for Australian television production, increased support for production released via platforms other than cinema will provide new opportunities for our sector. This includes for crew and creatives, who work across both film and television in the domestic industry. This will maintain jobs within the sector and retain skills needed to create quality productions.

Standardising the rate of the Producer Offset at 30 per cent will align it with the PDV Offset rate, which is also 30 per cent. In addition, the Location Incentive, a grant program that aims to attract international footloose production to Australia can be combined with the Location Offset to effectively provide a 30 per cent incentive.

This standardisation of the Producer Offset rate will be accompanied by complementary threshold changes and integrity measures for all three tax offsets (Producer, PDV and Location) that make up the Australian Screen Production Incentive. Details of other changes can be found at: [www.communications.gov.au/what-we-do/television/modernising-australian-screen-content-settings](http://www.communications.gov.au/what-we-do/television/modernising-australian-screen-content-settings)

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**Mr BURNS:** “Thank you, Chair, and thank you, Angie; I do appreciate it. I do apologise for interrupting you, but I just want to get this question in. My question goes to the COVID response aspect—maybe this is a part of your team, and possibly broader. I'm interested in how much of the \$250 million commitment that was made in June last year has been spent.”

**Mr Penprase:** “That is, unfortunately, a question I'll need to defer to our colleagues in the Office for the Arts on. Obviously, that package was announced in the middle of last year. Certain elements of that have been rolled out, but I don't have specifics on precisely the status of each of the elements, of which there were a number.”

...

**Mr BURNS:** “Which bits have already been rolled out?”

**Mr Penprase:** “I know that the Temporary Interruption Fund has at least progressed to a point, but, as I said, I'm not privy to those particular specifics. We can certainly take that on notice and get back to you with the precise status of the particular measures.”

...

**Mr BURNS:** “My apologies, Chair—I had some connection issues at the very first moment. I do appreciate that [inaudible]. But, on that, it is true, though, that some of that funding did come through you in order to kickstart screen production and kickstart the screen industry and local content. That is still part of your remit, though, isn't it?”

**Ms Sullivan:** “I'd have to go into—the department has responsibility, through the Office for the Arts, and also there was funding for [inaudible] organisations, but, through our division, which is the content division, we weren't involved in any of that. I'd be happy to take that on notice.”

**Answer:**

| JobMaker Plan for the Creative Economy – announced 25 June 2020 |  |  |
|---|--|--|
| Amount  | Measure  | Implementation   |
| \$75 million  | Restart Investment to Sustain and Expand (RISE) Fund | <p>Applications have been batched for assessment and recommendations provided to the Minister.</p> <ul style="list-style-type: none"> <li>• <b>Batch 1:</b> Funding of \$60 million for 115 projects was announced on 20 November 2020. As at 12 February 2021, 112 of the 115 funding agreements have been sent to organisations. 105 of the 122 have been returned to the Department. The Office for the Arts is entering into contracts and processing payments as they are required.</li> <li>• <b>Batch 2:</b> Applications received by 14 January 2021 are currently being assessed and outcomes are expected to be announced in late March 2021.</li> </ul> |

|              |   |   |
|--------------|---|---|
| \$35 million | Sustainability Fund for Commonwealth-funded organisations | <p>Applications are assessed on an ongoing basis as they are received, and recommended to the Minister in batches.</p> <ul style="list-style-type: none"> <li>• <b>Batch 1</b> outcomes: \$9m in funding for four organisations was announced on 21 January 2021. The Office for the Arts is entering into contracts and processing payments as they are required.</li> <li>• <b>Batch 2:</b> Outcomes are expected to be announced by early March 2021.</li> </ul> |
| \$50 million | Temporary Interruption Fund                               | <ul style="list-style-type: none"> <li>• The Temporary Interruption Fund is administered by Screen Australia. As at 27 January, 37 Australian film and television productions have been approved for coverage under the Scheme.</li> </ul>  |
| \$90 million | Show Starter Loan Scheme                                  | <ul style="list-style-type: none"> <li>• Opened on 4 December 2020.</li> <li>• Organisations can now apply to check their eligibility under the Scheme.</li> <li>• Loans are available through participating banks.</li> </ul>  |

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**CHAIR (Hon Dr David Gillespie) asked:**

**CHAIR:** Just for my benefit, and also for other people listening—if we can go one step back. On the requirement for 250 points, can you put that in perspective? How many points are there in a whole year of broadcasting, and how do you get points? I'm trying to work out the relativity of it.

**Mr Penprase:** It is 250 points per annum. There is a scale in the new standard that allocates those points, or for which those points can be accrued. In terms of first-release Australian drama programs, the points range from seven points per broadcast hour for really high-budget productions—so, those productions with a budget of more than \$1.4 million per hour—down to 1.5 points for productions with a cost of \$450,000 per hour or more. That reflects the point I was making before around incentivising higher budget productions in terms of Australian drama. In terms of children's content, that is, first-release children's programming that's non-drama—so, children's drama can accrue the same points as adult drama. That's a shift from where the previous standards were, which had separate frameworks for children's drama and adult drama. This new standard simplifies that and provides equivalent points for adults' and kids' drama. In terms of first-release commissioned Australian children's programs other than drama, it's 1.5 points per hour. For commissioned first-release documentaries, it's one point per hour. For acquired first-release films, it's either one or two points per hour, depending on the cost of most films.

The way that actually translates into number of hours broadcast will depend on the broadcaster. Some broadcasters may opt to go for and commission very-high-budget productions accruing the highest number of points, and therefore their overall additional hours they require may be lower. Some broadcasters may choose to opt for lower-budget commissions, meaning they would need to commission and broadcast more content to meet that 250 points. So, as I said, it really provides flexibility for the broadcasters to work with the production industry in commissioning programs that meets their audiences' needs.

**Ms Sullivan:** Chair, if you'd like, we're happy to provide you with a document that sets this out.

**CHAIR:** That would be good.

**Answer:**

The *Broadcasting Services (Australian Content and Children's Television) Standards 2020* (the Standards), which commenced on 1 January 2021, established a new annual quota requirement for the provision of Australian programming by commercial television broadcasting licensees. Section 13 of the Standards requires commercial television broadcasting licensees to broadcast a minimum of 250 points of first release Australian programs, which may be:

- commissioned Australian drama programs, including drama classified as C (children's) or P (preschool);
- commissioned Australian children's programs (non-drama);
- commissioned Australian documentary programs; or
- acquired Australian films.

The Standards do not require commercial television broadcasting licensees to broadcast minimum amounts of any of the specified genres of Australian programming, providing them with the flexibility

to determine how they meet the annual quota requirement. However, the number of points which can be claimed for first release Australian documentary programs is capped at 50 points annually.

Total points are calculated by multiplying the number of hours of programming by the points awarded per hour for each genre, taking into account whether content is commissioned or acquired, and production budget or licence fee, as relevant. This is set out in the following table.

| Type of program   | Specifications   | Points per hour broadcast |
|---|--|---------------------------|
| Commissioned first release Australian drama programs                  | with a production budget of more than \$1,400,000 per hour                   | 7                         |
|   | with a production budget of more than \$1,000,000 up to \$1,400,000 per hour | 6                         |
|   | with a production budget of more than \$700,000 up to \$1,000,000 per hour   | 5                         |
|   | with a production budget of more than \$450,000 up to \$700,000 per hour     | 4                         |
|   | with a production budget of less than or equal to \$450,000 per hour         | 1.5                       |
| Commissioned first release Australian children's programs (non-drama) |  | 1.5                       |
| Commissioned first release Australian documentary programs            |  | 1                         |
| Acquired first release Australian films                               | with a licence fee per film of less than \$50,000                            | 1                         |
|   | with a licence fee per film equal to or more than \$50,000                   | 2                         |