

SENATE STANDING COMMITTEE ON LEGAL AND CONSTITUTIONAL AFFAIRS
ATTORNEY-GENERAL'S PORTFOLIO

Group: 2

Program: 2.1

Question No. SBE14/002

Senator Ian McDonald asked the following question at the hearing on 20 November 2014:

CHAIR: Who administers that? The tax department or you?

Senator Brandis: Both, really. Ultimately, the tax department, but I have to certify that a particular expenditure on a film, for example, satisfies the statutory tests. My certification is the administrative act on which the tax department then acts in allowing the offset. So the decision maker is me.

CHAIR: Is the statutory tax you talk about that you have to certify under a tax statute or a special art statute?

Senator Brandis: No, it is not a special art statute. It is a program. What I have to be satisfied with in the main program is that something called QAPE—qualifying Australian production expenditure—is satisfied. There has to be a sufficient Australian interest in the making of the film, basically, for it to be—

CHAIR: Sure, but which act would that authority—

Senator Brandis: The Income Tax Assessment Act.

CHAIR: Okay, so it is tax.

Senator Brandis: Can I give you an example of how this works. We have recently been able to attract to Queensland the fifth film in the Pirates of the Caribbean franchise. That will be the largest budget film that has ever been shot in Australia. The Australian government contributed \$21.6 million towards attracting that film. It is called Pirates of the Caribbean: dead men tell no tales. The Queensland state government also provided substantial funding in support of the Commonwealth funding. It will have a budget of over \$160 million. It will be shot at the Village Roadshow Studios on the Gold Coast, primarily, and at other locations in Queensland. Both the Queensland arts minister, Mr Ian Walker, and I negotiated directly with Walt Disney Studios in California to attract this film to Australia. It will create over 1,000 jobs in the state of Queensland. It will be eligible for the location offset, which is one of the tax concessions. That is an example of how we leverage investment in this industry through both direct funding and tax concessions.

CHAIR: Just to clarify that, you said there is \$25 million of Commonwealth funding. Is that a direct cash grant—

Senator Brandis: Yes, of \$21.6 million.

CHAIR: or is it a tax offset?

Senator Brandis: No, it is the former. It is \$21.6 million.

CHAIR: In addition to that, they will get some sort of tax offset?

Senator Brandis: Yes.

Senator JACINTA COLLINS: Do you know the value of that tax offset?

Senator Brandis: No. It has not been calculated at this stage because they have to lodge more detailed program budgets.

CHAIR: Where would we get the detail of what would qualify—from your department or from the tax office?

Senator Brandis: From the ministry of the arts.

CHAIR: Can we perhaps get that on notice so that we have some idea. Thanks for alerting us Queensland senators—Senator O'Sullivan and me—to that. I am delighted at the prospect

The answer to the honourable senator's question is as follows:

The Australian Screen Production Incentive is the Australian Government's primary mechanism of supporting film and television production. It provides tax incentives for film, television and other screen production in Australia and is available in three streams. Applicants to the film tax offsets must be an Australian company, or a foreign company with an Australian permanent residency and an Australian Business Number (ABN).

Producer Offset

The Producer Offset entitles a production company to a 40 per cent rebate on eligible feature films and 20 per cent on other formats (TV, online, DVD) for productions with significant Australian content. Reality television series are not eligible. Spend thresholds are complex but a key threshold is minimum expenditure for a feature film of \$500,000. The Producer Offset is administered by Screen Australia, further information can be found at screenaustralia.gov.au/producer_offset.

Location Offset

The Location Offset provides a 16.5 per cent rebate on qualifying Australian production expenditure for productions commencing production on or after 1 July 2011 (or a 15 per cent rebate for prior productions). Feature films, television series and other formats (DVD) are eligible. The minimum expenditure threshold is \$15 million. The Location Offset is administered by the Ministry for the Arts, further information can be found at arts.gov.au/film-tv/australian-screen-production-incentive.

PDV Offset – for post, digital and visual effects production in Australia

The PDV Offset provides a 30 per cent rebate on qualifying expenditure for productions commencing PDV production on or after 1 July 2011 (or 15 per cent for prior productions). Eligible formats are the same as for the Location Offset. The expenditure threshold for eligibility is \$500,000 expenditure on activities reasonably required to perform the PDV production in Australia. The PDV Offset is administered by the Ministry for the Arts, further information can be found at arts.gov.au/film-tv/australian-screen-production-incentive.