



Australian Government



Australian
**Small Business and
Family Enterprise**
Ombudsman

1 June 2021

Georgina Prasad
Individuals and Indirect Tax Division
The Treasury

via email: film@treasury.gov.au

Dear Ms Prasad

Australian Screen Production Incentive Reforms

For small businesses in the screen production industry, some of the proposed amendments to the *Income Tax Assessment Act 1997* will be beneficial. Unfortunately, others have the potential to damage the industry's small businesses. These impacts should be considered alongside the proposed amendments contained in the *Broadcasting Legislation Amendment (2021 Measure No.1) Bill 2021*.

Minimum qualifying threshold for producer and PDV offsets

Access to the producer and post, digital and visual effects offsets would be significantly reduced by raising their minimum threshold. Between 2007/08 and 2018/19, 39% of stand-alone documentaries made by independent production companies were done so for more \$500,000, meaning they qualified for the existing offsets.¹ Under the proposed amendment to the offsets only 9% of those previously eligible would qualify. This may reduce the ability of small studios to produce stand-alone documentaries, leading to a loss of crucial skills and future small businesses.

Copyright expenditure

Capping production expenditure relating to acquiring or licensing Australian copyright work may limit the scope of historical documentaries using copyright material. This could impede small businesses in the sector producing works that meet the object of the *Broadcasting Services Act 1992* to reflect "a sense of Australian identity, character and cultural diversity." Historic works by small producers may then be less competitive than works by large producers who can absorb an expenditure cap.

Expenditure incurred overseas

Ineligibility of expenditure on goods and services provided by Australian residents outside of Australia may result in producers being incentivised to engage cheaper, local staff rather than Australians. This will result in leakage of wages and tax revenue from Australian productions. It may also lead to a decline in the industry's skilled workforce as training and development opportunities are lost, leading to fewer skilled people to start new businesses and carry on the industry.

If you would like to discuss this matter further, please contact Mr Eamon Sloane on 02 6213 7451 or at eamon.sloane@asbfeo.gov.au.

Yours sincerely

The Hon. Bruce Billson
Australian Small Business and Family Enterprise Ombudsman

¹ <https://www.screenaustralia.gov.au/fact-finders/production-trends/documentary-production/budget-ranges>