



South Australian Film Corporation

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Australian Screen Production Incentive Reforms

Consultation on the Exposure Draft Bill and Explanatory Memorandum relating to the Federal Government's Media Reforms Package- Screen Sector Support.

Submission from the South Australian Film Corporation

Background:

In September 2020, the Federal Government announced a series of reforms to the way it provides support for the Australian screen sector. The Government has released the Exposure Draft Bill and Explanatory Memorandum and is seeking public consultation. The proposed changes to legislation are intended to apply from 1 July 2021.

Introduction:

The South Australian Film Corporation (SAFC) is the South Australian Government's Screen Investment Agency.

As a state statutory authority with a mandate to champion the South Australian screen sector, SAFC is especially focused on ensuring that regulation and intervention positively benefits the South Australian independent screen industry.

The Creative Industries is a priority sector within the South Australian Government's Growth State strategy and South Australia is the only screen industry in Australia to achieve year-on-year growth for the past five years.

In July 2020, the South Australian Film Corporation provided a detailed submission to the *Supporting Australian Stories on our Screens Options Paper* for which the agency consulted extensively with industry.

Following the Federal Government's announced reforms in September 2020, SAFC conducted further consultation with representatives of the South Australian screen industry. SAFC comments to this submission reflect this consultation.

Exposure Draft Explanatory Materials:

1. SAFC Response to changes to the Producer Offset rate

SAFC has been supporting Australian feature films for almost fifty years and feature film production represents a significant share of production activity in South Australia. SAFC is pleased to note that, under the proposed legislation, feature films released for exhibition can continue to claim 40 per cent of the total qualifying Australian production expenditure as an income tax offset.

SAFC also welcomes a 30 per cent Producer Offset rate across television and other types of eligible production including single episode television shows, television series, documentary or other film production not released in cinemas but distributed to the Australian public.

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SAFC suggests Government provide further clarification in its explanatory clause to qualify the meaning of ‘wide, commercial, public release’ to provide greater certainty for South Australian producers about the level of Producer Offset to which they can claim.

2. SAFC Response to Minimum qualifying threshold for producer and PDV offsets

The South Australian Film Corporation was the first screen agency in Australia to offer a State incentive for PDV, the 10% SA PDV Rebate. The SA PDV Rebate can be stacked with the Federal PDV Offset to attract a 40% Rebate for eligible PDV work undertaken in South Australia.

The minimum spend for the SA PDV Rebate is \$250,000 eligible expenditure.

South Australian PDV Expenditure in 2019/20 totalled \$56m or 18% of total Australian PDV spend. The PDV sector employs an estimated 300-500 highly skilled technicians, many of whom who choose to live in South Australia because of its status as a world-class PDV hub. As well as the major South Australian VFX studios (who are among the very best in the world), small to medium-sized South Australian PDV companies, with businesses delivering PDV services beyond VFX, are well-placed for growth.

PDV sector expansion is a pivotal component of the South Australian Government’s plan for 5% growth per annum.

Impact to South Australian businesses

Consultation with South Australian post-production, digital and visual effects (PDV) companies has indicated that increasing the minimum spend threshold at the Federal level from \$500,000 to \$1 million would detrimentally impact South Australia’s world-class post-production sector.

One company expressed deep concern that this change will jeopardise their US export strategy. Other companies believe this change will block new entrants from accessing the international PDV market.

An unintended consequence of raising the minimum PDV spend is that the incentive will only benefit a handful of the very largest companies, most of which are based in Sydney and Melbourne. This will mean a contraction of what has been a dynamic and growing base of PDV businesses in South Australia and the likely loss of skilled workers to the eastern states.

SAFC recommends that a “Regional” exception is made at the Federal level to allow applicant companies based in regional areas such as South Australia to maintain a \$500K minimum spend threshold rather than the \$1M threshold when accessing the 30% Federal PDV Offset. This amendment would enable regionally based PDV companies to grow their businesses, encourage the expansion of the PDV sector and increase PDV jobs and skilled migration to “regional areas”.

Conclusion:

Reform of the Australia’s screen production incentives presents a pivotal opportunity to create the conditions for a vibrant, mature, and sustainable Australian screen industry. SAFC is pleased to contribute to the consultation process.

Dated: 31 May 2021