

Screen Australia



**PRODUCER OFFSET
AND CO-PRODUCTIONS**



Australian Government

SCREEN
AUSTRALIA

www.screenaustralia.gov.au

Doing Business with Australia

Screen Australia

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The Tree

Screen Australia ***Producer Offset and Co-productions***

The **40% producer offset** has cemented Australia's position as an ideal creative and business partner for international filmmaking.

Supporting Australian producers in the international marketplace www.screenaustralia.gov.au



The work of Australian indigenous filmmakers is treasured – the intensely moving *Samson and Delilah* won the Camera d’Or at Cannes in 2009 and the musical comedy *Bran Nue Dae* was one of Australia’s most recent local hits.

Samson and Delilah



Bright Star

SCREEN AUSTRALIA

Delivering Certainty

Screen Australia is Australia’s peak film agency. The establishment of Screen Australia was announced at the same time that the Australian Government announced it would introduce the producer offset.

Screen Australia opened its doors on 1 July, 2008, taking over the responsibilities of Film Finance Corporation Australia, the Australian Film Commission and Film Australia.

Screen Australia’s overall aim is to help create an industry that is culturally important and commercially sustainable. It wants Australia to be a force to be reckoned with internationally, and welcomes enquiries about working with Australians.

Screen Australia administers the producer offset and the international co-production program. A separate division provides investment for the development and production of Australian film and TV, as well as

resources for industry and business development. It facilitates regular events with international partners, to create a range of business opportunities for producers.

Screen Australia also conducts research, assists the development of Australian film culture and markets Australian talent and screen content.

For more information on Screen Australia see www.screenaustralia.gov.au



Bright Star

Australia, Charlotte Gray, Chopper, Daybreakers, Knowing, Lantana, Look Both Ways, Moulin Rouge, The Proposition, Rabbit-Proof Fence, Ten Canoes, Wolf Creek – just some of the 300 Australian films made in the last decade.



Charlotte Gray

AUSTRALIAN FILMS

Global Recognition

Many *terrific movies* have been made in Australia. Edgy, bold films. Funny fish-out-of-water comedies. Moving masterpieces. Micro-budget films and blockbusters. Some of these films are known across the globe, as are a range of Australian-made television programs.

The *favourable environment for production* attracts many filmmakers from elsewhere, including from the US and the UK. The range of locations is

one reason they come. Another is the country's economic and social stability. Another is the skill and experience of Australian cast and crew – and how much they get a buzz out of what they do.

New initiatives, and new approaches and attitudes, are *revitalising Australian filmmaking*.

WORKING WITH AUSTRALIA

The Timing is Perfect

The rise of the Australian film industry is evident. The level of production activity is increasing. Connections are being made with bigger, broader audiences. Australian filmmakers are engaging with the international industry.

Australia's new confidence is *underpinned by the support of the Australian Government.* One of the latest initiatives, *the producer offset*, is having a far-reaching, positive effect.

The producer offset is a *rebate on production expenditure* incurred in making an Australian film. It is created under Australian tax legislation. There are rules

about what expenditure qualifies for the offset; the offset can represent close to 40% of the Australian spend.

Filmmakers worldwide can share in the benefits and successes flowing from the producer offset by partnering with Australian producers on eligible projects. This can be done through the official co-production arrangements in place or through appropriate co-financing deals. The offset is paid to the Australian production company after the film is completed.



Darwin's Brave New World

Gillian Armstrong, Bruce Beresford, Jane Campion, Stephan Elliott, Scott Hicks, PJ Hogan, Gregor Jordan, Robert Luketic, Phillip Noyce, Fred Schepisi, Peter Weir – Australian directors who have made films inside and outside Australia that have been seen across the world.



Death Defying Acts

THE PRODUCER OFFSET

Generous, Uncapped, Certain

WHAT IS THE PRODUCER OFFSET?

The producer offset is a rebate on the qualifying costs of making Australian film and TV. It is not a tax credit. Claims are made by the Australian production company through the tax system, following the end of the financial year in which the project was completed.

For feature films the offset is worth up to **40%** of qualifying Australian production costs. For eligible TV and documentaries, it is worth up to **20%** of qualifying costs.

There is no cap on the amount of the offset payable, although there are some limits on specific types of production costs as a percentage of total production expenditure (see page 6).

For information on what is and what isn't an Australian production see page 12.

WHAT MAKES THE PRODUCER OFFSET ATTRACTIVE?

For feature films the offset is generous compared to other initiatives worldwide. Most territories with a rebate set at a similar level do not also have Australia's filmmaking attributes or experience.

The offset has the certainty offered by legislation. Since it was introduced in 2007, more than 100 successful claims have been made.

The system of issuing provisional offset certificates before the film is produced means the return to the producer is predictable.

WHAT PRODUCTIONS CAN CLAIM THE PRODUCER OFFSET?

Only productions that have passed a "significant Australian content" test or those made under Australia's official international co-production arrangements are eligible to claim the offset. (These are the films referred to in this booklet as "Australian films".)

A certain amount has to be spent on production in Australia to claim the offset. In the case of feature films, telemovies and series, that amount is A\$1 million but it is lower for some other TV formats.



The Proposition



Balibo

However, telemovies, series and documentaries must also meet a 'per hour' expenditure threshold.

Further information is available at www.screenaustralia.gov.au/producer_offset

Features must be produced for release in cinemas to claim the offset at a level of 40% of qualifying expenditure.

Eligible TV formats include telemovies, direct-to-DVD titles, documentary and drama series, and short-form animation. For these the offset is set at 20% of qualifying expenditure. Variety and game shows, reality television, current affairs and sports programs are among those formats that are not eligible.

For information on co-productions turn to page 16.

HOW DO PRODUCERS CALCULATE HOW MUCH THEY WILL GET BACK FROM THE PRODUCER OFFSET?

The offset is claimed on the "qualifying Australian production expenditure" (QAPE) of a film. It cannot be claimed on the entire budget.

What counts as QAPE is very clear. Most of the major production costs expended in Australia count as QAPE, including for goods and services,

location fees (but not gratuities) and the wages of all cast and crew (including those travelling to Australia from offshore). Above the line costs are included in QAPE, subject to a limit of 20% of total film expenditure.

In the case of movies developed and filmed wholly in Australia with Australian cast and crew, the only potentially significant costs

Eric Bana, Cate Blanchett, Toni Collette, Russell Crowe, Mel Gibson, Rachel Griffiths, Hugh Jackman, Nicole Kidman, Heath Ledger, Geoffrey Rush, Naomi Watts – Australian actors who have been in international films that have grossed tens of millions of dollars worldwide.



Bran Nue Dae



Mary & Max

not counted as QAPE are financing and insurance charges, the completion bond and deferrals. For films such as this, the value of the offset would generally be 35–37% of the total budget.

In cases where films are partly made overseas, the QAPE would be a smaller percentage of the budget, because money is being spent outside Australia. This also applies to official co-productions. However, the wages and travel costs of Australian residents working overseas

during principal photography count as QAPE, providing the subject matter requires the use of these locations.

In the case of official co-productions, only money spent by the Australian production partner can be claimed as QAPE.

For more information, guidelines and tools for calculating QAPE see www.screenaustralia.gov.au/producer_offset

WHY ARE ONLY AUSTRALIAN FILMS AND TV PROGRAMS ELIGIBLE?

The producer offset was put in place to deliver ongoing cultural, professional and economic gains to the Australian film industry.

The producer offset is one of a package of film support measures, collectively called the Australian Screen Production Incentive.

This provides other financial incentives for non-Australian productions taking advantage of Australia as a filmmaking centre, including the 15% location offset for overseas productions filmed in Australia, and the 15% PDV (post, digital and visual effects) offset for productions that use Australia's post-production and visual effects talents, irrespective of where filming occurred.



Animal Kingdom

Animal Kingdom (Sony Pictures Classics), *Daybreakers* (Lionsgate) and *Bright Star* (Apparition) were recently released or soon will be in the US.



Disgrace

WHAT IS AND ISN'T AN AUSTRALIAN FILM?

To qualify for the producer offset, a film or TV program must pass a “significant Australian content” (SAC) test. Films made under one of Australia’s international co-production arrangements are the exception to this requirement: they bypass the SAC test.

The SAC test is applied case by case and is a holistic test. The many matters taken into account can be grouped under five key headings.

Here is a selection of questions that may be asked, to help determine if the project has significant Australian content. A project needs to have some (but not all) of the following in place, in order to be eligible.

- **The subject matter of the film.** Is the look and feel of the film sufficiently Australian? Is the film about Australia or Australians? Was the film developed in Australia or by Australians? Is the film based on an Australian story? Are the key creative drivers of the film Australian?

- **The place where the film was made.** To what extent did pre-production, production and post-production occur in Australia?
- **The nationalities and places of residence of the persons who took part in the making of the film.** Are the producer, director and writer Australian? If not, do they live in Australia? Are the lead cast members Australian? Are the Heads of departments Australian? Are Australian post-production houses being used? Is the on-set crew Australian?

- **The details of the production expenditure incurred in respect of the film.** Where was the budget spent and on what? What proportion of total wages went to Australians? Did the expenditure contribute to the maintenance and development of the Australian film industry?
- **Any other matters that Screen Australia considers relevant.** Did expenditure on the film help to create a sustainable Australian film and TV production industry? Who has creative control? Who holds copyright? Who profits from the film?



Daybreakers



The Boys Are Back

To pass the SAC test, a project will need to have some strong Australian elements. This is particularly the case where the project is not set in Australia or about Australians, if early development happened outside Australia, or if a large part of the principal photography occurred entirely offshore.

It is possible but not compulsory to apply for a provisional certificate before a film goes into production. A provisional certificate doesn't guarantee that a final certificate will be issued but it provides guidance on both whether a production is likely to qualify and on the estimated QAPE.

For more information on the SAC test see www.screenaustralia.gov.au/producer_offset

WHO ADMINISTERS THE PRODUCER OFFSET AND ACCEPTS CLAIMS?

The Producer Offset Unit of Screen Australia administers the legislation which contains the producer offset, and provides guidelines, application forms and general advice to producers.

Upon completion of a production, Screen Australia issues final certificates and makes the final determination on QAPE. We also issue provisional certificates.

Producers submit the final certificate to the Australian Tax Office along with their annual tax documentation for the financial year in which the film was completed.

The Producer Offset Unit is available to answer any queries regarding the offset. Contact details are on the inside front cover.

Bright Star (director Jane Campion), *Triangle* (Christopher Smith), *The Boys Are Back* (Scott Hicks) and *Oranges and Sunshine* (Jim Loach) were made in the last three years under the UK/Australian co-production treaty. *The Tree* (Julie Bertuccelli) was made with France, *The Last Dragon* (Mario Andreacchio) with China, *At World's End* (Tomas Villum Jensen) with Germany and *Arctic Blast* (Brian Trenchard-Smith) with Canada.



Oranges and Sunshine

Sixteen features were filmed under Australia's official co-production arrangements in the last five years.



Erky Perky

THE CO-PRODUCTION PROGRAM

A Collaborative Framework

In Australia the word “co-production” usually means official co-production. Official co-productions are made under formal arrangements that Australia has with the governments of various countries.

These arrangements are designed to foster cultural and creative exchange, to allow the risk and cost of filmmaking to be shared, and to drive up quality and output.

Australia has arrangements with the United Kingdom; Canada; Italy; Ireland; Israel; Germany; Singapore; China (treaties); France and New Zealand (memoranda of understanding).

Cast and crew from the member states of the European Union can be involved in co-productions between Australia and its official European partners.

A treaty between Australia and South Africa is being finalised. Negotiations are underway with Denmark, India and Malaysia.

Partners working together on official co-productions can take advantage of each other's support systems. A film is eligible to apply for investment from Screen Australia. More importantly, official co-productions don't

have to pass the SAC test before claiming the producer offset. The producer offset is an uncapped rebate.

There must be a producer from each partner country on every co-production. Each producer's financial contribution must be in proportion to its creative contribution, which in Australia, is determined by a points system.

Much of the expenditure incurred in the partner country does not qualify as QAPE and therefore cannot be included in the rebate claim, but this expenditure can be counted towards meeting the QAPE threshold.

The Australian Government negotiates treaties with the governments of other countries. Screen Australia administers the international co-production program.

For more information on co-productions see www.screenaustralia.gov.au/coproductions

Credits not contractual