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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

SENATE

TAX LAWS AMENDMENT (2007 MEASURES No. 5) BILL 2007

SUPPLEMENTARY EXPLANATORY MEMORANDUM

Amendment and request for amendments to be moved on behalf of the Government

(Circulated by authority of the
Treasurer, the Hon Peter Costello, MP)

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General outline and financial impact

Film production offsets

Schedule 10 to the Bill reforms the taxation arrangements for the Australian screen media industry by introducing a refundable film tax offset for producers of Australian films (the producer offset).

Where a film is a series or season of a series that is predominantly a cell, stop motion, digital or other animation, the series or season of a series will be eligible if each episode of the series or season of a series is at least 15 commercial minutes in duration.

Within 12 months after Royal Assent, the Minister with responsibility for the Act will initiate a review to examine the effect of the film production offsets to compare levels of production by the Australian independent production sector to production levels of Australian television broadcasters, including commercial free-to-air, subscription and national television broadcasters.

Date of effect: The producer offset applies to qualifying Australian production expenditure incurred:

- on or after 1 July 2007; and
- before 1 July 2007, to the extent that such expenditure is attributable to goods or services provided on or after 1 July 2007.

Proposal announced: The amendment and request for amendments have not previously been announced.

Financial impact: The request for amendments in relation to animated series will have these financial implications:

<i>2007-08</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>
-\$0.1m	-\$0.1m	-\$0.1m	-\$0.1m

The amendment relating to a review in relation to certain production levels will have no financial impact.

Compliance cost impact: Nil.

Chapter 1

Film production offsets

Animated series: Request for amendments 1 and 2

1.1 Animated series, or animated seasons of a series, with episodes of at least 15 commercial minutes in duration are eligible to access the producer offset. Such series must be predominantly a cell, stop motion, digital or other animation. Episodes of 15 commercial minutes would be expected to have an actual duration of at least 10 minutes. Animated series, or animated seasons of series, must meet all other requirements that apply to series or seasons of series which are not animations. *[QG449, request for amendments 1 and 2]*

Review in relation to certain production levels: Amendment 1

1.2 Within 12 months after Royal Assent, the Minister with responsibility for the Act will initiate a review. The review will examine the effect of the film production offsets to compare levels of production by the Australian independent production sector to production levels of Australian television broadcasters, including commercial free-to-air, subscription and national television broadcasters. The intent of the review is to examine changes in levels of ‘in-house’ production by broadcasters, compared to television productions made by other (‘independent’) producers. The effect of the producer offset on this balance will be the key focus of the review. *[QG450, amendment 1]*