AUSFILM

SUBMISSION

NSW Government: The Art of Tax Reform

15 August 2025

1. About Ausfilm

Ausfilm is a unique government and industry partnership that promotes Australia as a leading film and television production destination and drives inward investment across the nation. We do this by marketing federal and state government screen sector incentives, promoting Australia's screen sector businesses, and connecting international filmmakers with Australia's screen industry. Ausfilm has operated for more than 30 years, and in 2023/24, we fielded enquiries worth around $3.9 billion. Ausfilm receives an annual grant from the Australian Government and reports to Government on the operation of Australian production incentives and the state of international production. Ausfilm is also significantly funded by its members.

Ausfilm's members include nine federal, state, territory and local government screen agencies, including Screen NSW, and 50 corporate businesses that work with global filmmakers across all aspects of content creation. Thirty-five of Ausfilm's 50 business members are based in NSW or have facilities in the state. Our business members include Australia's major studio complexes, production service providers, and world-class companies providing post-production services across picture, sound, music, visual effects, and animation. Noting the unique place of government agencies such as Screen NSW, this submission is made on behalf of Ausfilm's corporate members.

2. The screen sector is a key part of the creative industries

Ausfilm welcomes this consultation process and the NSW Government's interest in exploring opportunities to further support the creative industries. As the NSW Government is aware, the screen industry creates important cultural and economic benefits for New South Wales, and the state is a pivotal part of the national sector. Drama productions alone spend an average of $902 million in NSW across production and post-production, and this activity represents around 48 per cent of the average $1.885 billion national spend.[1] Further data from the Australian Bureau of Statistics spans drama and other genres, and shows NSW accounts for around half of the nation's broader film and video production and post-production activity:

The NSW screen sector – all genres – ABS data[2]		Film and video production businesses		Film and video post-production businesses	
		NSW	% of Aus.	NSW	% of Aus.
Businesses at end June:	15/16	1,381	49%	242	58%
	21/22	2,105	47%	284	50%
Employment at end June:	15/16	8,200	56%	1,452	59%
	21/22	13,232	49%	1,755	52%
Wages and salaries ($m):	15/16	365.1	57%	106.8	61%
	21/22	913.5	58%	128.3	58%
Total income ($m):	15/16	1,351.6	59%	245.6	62%
	21/22	3,051.9	67%	308.5	51%

[1] Screen Australia (2024), *Drama Report*.
[2] Australian Bureau of Statistics (2021-22 financial year), *Film, Television and Digital Games, Australia*. Data is not adjusted for inflation and involves some estimations.

This activity generates important benefits for audiences, the creative sector, and the broader economy. Screen stories are broadly popular and generate unique cultural impacts, helping to shape the way we see ourselves and our place in the world, and driving important soft power and tourism benefits. The screen sector employs thousands of talented and creative professionals in innovative and future-facing jobs, and screen production and post-production involves cultural forms such as music, design, and the performing arts, generating significant jobs and income for other creative industries.[3] Screen projects also engage many elements of the broader economy such as construction, transport and hospitality.[4]

3. International production and post-production play an important role

International drama productions spend an average of $461 million in NSW each year, around half of the total average NSW expenditure of $902 million.[5] Across the nation, international dramas spend an average of $879 million in Australia each year.[6] Activity by international dramas includes titles that shot in Australia, such as recent NSW productions *Apex* and *The Fall Guy*, and titles that only located post-production, digital and visual effects (PDV) work here, such as *Wicked* and *The Lord of the Rings: Rings of Power*.

International productions are generally large-scale projects and provide a range of vital benefits for the industry and Australia more broadly, including:

- Well-paid, highly-skilled employment for Australian cast and crew
- Significant income and investment for Australian businesses
- Technological development and innovation
- Training opportunities for local talent
- Opportunities for local key creatives to work on large-scale projects
- Soft power and tourism benefits
- The funding of world-class equipment, capabilities and infrastructure, which is also used by local projects.

It is important to emphasise that attracting international film and television projects drives direct foreign investment and expenditure into Australia that would not otherwise occur here. The largest projects each spend more than $150 million in the country, and the average collective spend by titles that shoot here is $573 million – a number Ausfilm expects to grow.[7] This spend disperses throughout the economy, and projects pay a range of taxes such as state payroll, federal withholding, GST and fringe benefits tax. An Oxford Economics study of the recent international production *Apples Never Fall* found that for every $1 of tax incentive received for local spend, the production supported $4.2 in domestic GDP.[8] Without tax rebates and funding supports, this foreign investment and broader economic benefits would disappear, and the local creative industries would miss out on the many gains they derive from these productions.

[3] Olsberg SPI (2017), *Film and the Creative Economy: How Film and Television Drama Productions Grow the Creative Industries*.
[4] Olsberg SPI (2023), *Study on the Impact of Film and Television Production Incentives in Australia*, p. 50-54.
[5] Screen Australia (2024), *Drama Report*. Minor errors may occur due to rounding.
[6] Screen Australia (2024), *Drama Report*.
[7] Screen Australia (2024), *Drama Report*.
[8] Oxford Economics (2024), *Economic impact of Apples Never Fall in Australia*. The broad benefits of rebates were also examined in Olsberg SPI (2023), *Study on the Impact of Film and Television Production Incentives in Australia*.

4. Tax and other funding frameworks are critical enablers of the sector

Australia's capacity to produce screen stories and nurture creative storytellers relies on a longstanding framework of government support. Ausfilm appreciates the strong history of support for the screen sector from governments across federal, state and territory jurisdictions. This support has enabled Australia's screen sector to grow into a world-class creator of culturally important screen stories, and provider of innovative jobs and businesses and broader economic and social benefits.

Importantly, government support has fostered a pipeline that includes both Australian and international projects across production and post-production. This broad pipeline supports a robust sector that can thrive at home and abroad.

International productions choose to work in Australia because of the nation's renowned crew and actors, world-class production and post-production businesses, diverse and stunning locations, and leading studio complexes, as well as well-calibrated policies and systems of support. Key federal and state policies related to tax and funding include:

- The federal Producer Offset (for Australian projects) Location Offset (for international projects) and PDV Offset (for post, digital and visual effects work) for film and television projects
- The federal Digital Games Tax Offset
- National funding and other support provided by Screen Australia, the ACTF and Ausfilm
- Support provided by state and territory agencies such as Screen NSW, including the Made in NSW Fund, PDV Rebate, and other direct funding and logistical support.

These policies are critical to the growth of the sector.

5. The current context, and reform considerations

The screen sector has experienced significant disruptions and change in the last five years, including the shock of the COVID-19 pandemic and the impact of industrial disputes in the United States screen sector which shut down international production for roughly half of 2023. The screen industry globally is responding to technological change, as the rise of online platforms continues to disrupt traditional platforms and content commissioning.

Amidst this disruption, Australia has hosted a significant increase in drama production spend. Expenditure in Australia on drama alone grew from $1.06 billion in 2019/20 to around $2.3 billion in 2021/22 and 2022/23, and reached $1.7 billion in 2023/24.[9] Success has spanned physical production and PDV activity, with spend on PDV services growing from $340 million in 2019/20 to $589 million in 2023/24.[10] This growth in spend is welcome, and Ausfilm anticipates strong future opportunities, but is also mindful that the sector is experiencing long-standing skills shortages in a range of key roles. Any tax-based support for training would be of great interest to the industry.

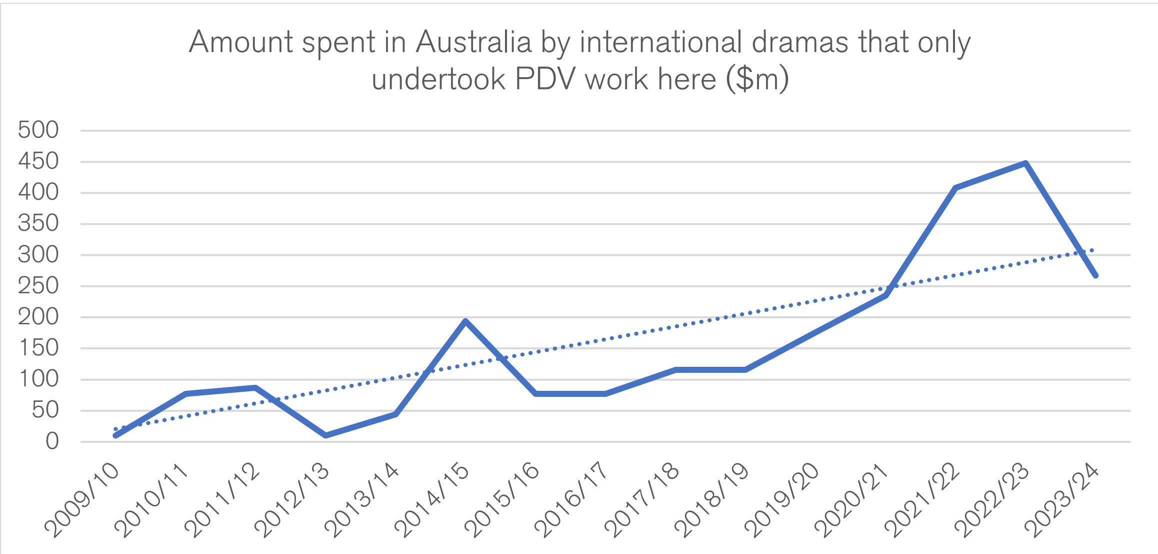
Australia has also seen a period of significant policy change. The Australian Government legislated important and long-anticipated reforms to the Location Offset tax rebate for international projects

[9] Screen Australia (2024), *Drama Report*.
[10] Screen Australia (2024), *Drama Report*. PDV services data is compiled differently and is not directly comparable.

in July 2024. The reforms replaced a 16.5% Location Offset and 13.5% Location Incentive grant program with a simpler, more predictable 30% Location Offset rebate. The Government also introduced new requirements for projects to support training and industry capacity building, and to use local providers of PDV services. This change was broadly welcomed and has driven strong activity in 2024/25. The Producer Offset has also been reformed at several points in recent years, notably in 2021 when the rebate for non-feature content increased to 30%, and in 2024 to support large-scale drama series that have a lower cost-per-hour. The Australian Government has also announced two future changes to the Offsets: the 'Above The Line' Cap that applies to the Producer Offset will be removed, and the minimum expenditure threshold for the Location Offset will be reduced to $15 million. These changes are yet to be legislated.

The Offsets provide the vast majority of government finance to the screen industry and are fundamental pillars of the sector's success. However, it is important to note that screen production is a high-cost, project-based activity that relies on business confidence and policy certainty. Screen projects are usually developed and financed over many years amid strong competition for limited investment. Large-scale projects often invest $100-200+ million across many months of production and post-production before recouping any revenue. PDV companies bid to win post-production projects against studios all around the world, adapting to project demands and relying on their record of work and reliability. In an overall sense, Australia competes against other territories to attract international investment and host specific projects. In all these contexts, confidence and certainty are key enablers of success in a sector that involves significant creative and financial risks.

Australia's framework of screen sector Offsets has driven significant growth. Data particularly demonstrates that activity flourishes when tax policy support is effective, certain and stable over time. In 2011, the federal PDV Offset for post, digital and visual effects work was raised to 30 per cent to be competitive with other jurisdictions. The PDV Offset enabled Australian companies to bid for PDV work on international productions, competing for projects across visual effects, animation, and picture, sound and music post-production. PDV activity since has been influenced by many factors, including state government support, foreign exchange rate fluctuations, and industry events such as US industrial disputes in the second half of 2023. But the certainty and stability of the PDV Offset has fostered strong growth in the last decade and a half, as shown by the amount spent in Australia by international productions that only undertake PDV work here.



Source: [Screen Australia production trends data] for 'PDV only' drama titles. 'PDV only' titles are international projects filmed in other countries that undertake PDV work in Australia, such as visual effects work, animation, and/or picture, sound or music post-production.

It is now important for governments to commit to a period of consistency for the key settings for the Offsets. Ausfilm supports targeted adjustments that enable the Offsets to respond to opportunities, such as the announced reforms to the Location Offset minimum expenditure threshold. However, the key policy settings of the Offsets are working well and should be maintained, particularly with regards to settings for international production.

Ausfilm notes the important principles for tax policy and government support articulated in the consultation paper. Beyond those principles, it is also important for tax and other policies to:

- provide a level of support that is effective at stimulating activity, including with regard to any competition from other jurisdictions
- provide sufficient certainty for the sector to effectively plan projects and strategize for business growth
- be stable and consistent over time, creating cascading benefits and overall growth.

These principles also apply to important state funding programs that provide rebates. Unlike the tax-based Offsets, these programs are funded directly by governments and can be constrained by funding caps or allocations. Ausfilm acknowledges the need for governments to balance the benefits provided by these programs with general demands on government funding, while noting how important these programs have been in supporting the growth of the sector to date. State government commitments have driven significant business investments over time, particularly in regard to the PDV sector, attracting global businesses and enabling the rise of local world-class companies. The principles articulated above – effectiveness, certainty, and stability and consistency – should be considered as part of any reforms to these programs, to ensure hard-won gains are not put at risk.

Finally, Ausfilm notes the role of payroll tax as a key policy instrument for state governments. Some jurisdictions offer a payroll tax rebate for screen productions. This has been a successful lever incentivising both domestic and international projects. We recommend that any payroll tax measures are considered in partnership with any other reforms, with an eye for consistency and the need to remain competitive with other jurisdictions, and in light of the principles articulated above.

6. Conclusion

Ausfilm thanks the NSW Government for its interest in tax-based reforms for the creative industries. We would be happy to discuss these issues further. To contact Ausfilm, please email Patrick May, Director of Policy and Research, via patrick.may@ausfilm.com.au