



RESPONSE TO TREASURY REGARDING REFUNDABLE FILM TAX OFFSETS REVIEW

Australian Directors Guild* (ADG) NOVEMBER 2008.

The ADG welcomes the opportunity to make a contribution to the review of the Refundable Film Tax Offsets.

We note the limitations in the terms of reference of this review, and would say at this point that we do not have enough information available from our members or from currently available data to adequately address the issues raised, primarily the effects in relation to levels of production by the Australia independent production sector compared to levels of production by Australian television broadcasters.

Given this opportunity we would like to draw attention to several critical areas of concern that are contributing to the slow uptake of data that would adequately address the terms of reference.

We support the introduction of the Producer Offset, and its objectives to:

1. Provide funding directly and efficiently to filmmakers, and;
2. Help build sustainable screen production businesses

As it is currently set up, the Producer Offset creates several problems that need addressing if these objectives are to be achieved:

1. CASHFLOW

Obtaining funds to cashflow the Producer Offset is a critical issue for producers, especially for one-off or low budget productions such as documentary and independent feature film production. These productions represent a large proportion of total Australian production, and are the sector of the industry that could potentially gain most benefit from the Producer Offset. At present these small and medium sized businesses face serious obstacles in raising cashflow, as they tend to have less

** The Australian Directors Guild (ADG) is an industry association representing the interests of film and television directors, documentary filmmakers, animators and independent producers throughout Australia. ADG has 700 members nationally.*

working capital. They also have difficulty organising production schedules to take any advantage of the ATO's lodgment deadlines, as they have little bargaining power with broadcasters.

So far, it has been demonstrated that banks and commercial lenders are not interested in such loans and that where funds are available, the transaction costs, fees, and interest rates are very high.

2. ATO

The ADG is aware that the ATO's requirement to assess the producer offset within the income year lodgment period creates serious issues for production scheduling as well as increasing the amount needed for cashflow. While this is perhaps not of immediate concern to Treasury, it undermines the value of the scheme overall.

This is likely to become a critical problem closer to the last quarter of this financial year in April - June 2009. As in the initial stages of the 10BA era it creates problems that could be addressed if the scheduling of Offset assessment was tiered throughout the year. "Bunching" creates spikes and slumps in demands for resources to meet delivery deadlines. This forces costs up and makes businesses inefficient and less productive.

3. AUSTRALIAN-NESS TEST

We recommend a review of the Significant Australian Content (SAC) test as soon as possible. If the aim of the Producer Offset is to encourage the creation of viable Australian businesses, then this economic goal is best reached by encouraging a diversity of films made by Australian filmmakers. We believe that what matters most is who owns the screen content – both creatively and financially.

We urge the government to review these outstanding issues with the Producer Offset as soon as possible to assess the impact of the legislation and ensure that the Producer Offset Scheme delivers benefits to the screen industry as laid down in the objectives quickly and efficiently.

The Independent Producers Initiative (IPI) support this submission regarding the review of the film tax offsets.