



Australian Government

SCREEN
AUSTRALIA

AT A GLANCE

A QUICK REFERENCE GUIDE TO THE PRODUCER OFFSET

(September 2008)

This document is a combination of a glossary of terms and definitions, with some summary statements of what is QAPE and what is non-QAPE.

It is not intended to repeat what is already set out in the Producer Offset Guidelines (July 2008)

It is intended for guidance only and does not bind Screen Australia to any of its content when considering applications as it may not represent the situation for all films.

You should carefully consider whether the guidance presented is appropriate for your project.
This document will be updated on a regular basis.

In the case of any inconsistency, the provisions of the ITAA97 Div. 376 have effect

For further clarification regarding the Producer Offset please contact:

Producer Offset & Co-Production Branch
Screen Australia
GPO Box 3984
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Fax: 61-2-9357 3737
produceroffsetenquiries@screenaustralia.gov.au
www.screenaustralia.gov.au/producer_offset

ACRONYMS

ACN	Australian Company Number
ABN	Australian Business Number
ARBN	Australian Registered Business Number
ATL	Above-the-Line
ATO	Australian Taxation Office
BTL	Below-the-Line
CSDS	Cultural Script Development Scheme
E&O	Errors and Omissions Insurance
FBT	Fringe Benefit Tax
GDI	General Development Investment
GST	Goods and Services Tax
HD	High Definition (usually digital tape)
ITAA 97	Income Tax Assessment Act 1997
MPAA	Motion Picture Association of America
QAPE	Qualifying Australian Production Expenditure
RBA	Reserve Bank of Australia
SA	Screen Australia
SAC	Significant Australian Content
SAG	Screen Actors Guild of America
SPV	Special Purpose Vehicle

USEFUL LINKS**Producer Offset Guidelines (July 2008)**

http://www.ffc.gov.au/producer_offset/producer_offset_guidelines_july08.pdf

Producer Offset Provisional application form

http://www.ffc.gov.au/producer_offset/provisional_application.doc

Spreadsheets for the purpose of calculating QAPE for PROVISIONAL

http://www.ffc.gov.au/producer_offset/sample_spreadsheet_20.xls

http://www.ffc.gov.au/producer_offset/sample_spreadsheet_40.xls

Producer Offset Final application form

http://www.ffc.gov.au/producer_offset/final_certificate.doc

Spreadsheets for the purpose of calculating QAPE for FINAL

http://www.ffc.gov.au/producer_offset/QAPE_spreadsheet_final_20.xls

http://www.ffc.gov.au/producer_offset/QAPE_spreadsheet_final_40.xls

Screen Australia's A-Z budget templates for features and documentaries including templates for QAPE calculations

http://www.afc.gov.au/filminginaustralia/azbudget/fiapage_1.aspx

Information regarding Significant Australian Content (SAC)

http://www.ffc.gov.au/producer_offset/sac_guidance.pdf

Screen Australia Co-Production Program

<http://www.screenaustralia.gov.au/copros>

Legislation: Tax Laws Amendment (2007 Measures No.5) Act 2007 No.164, 2007 (pages 120 to 177 are the relevant pages for the Producer Offset)

<http://law.ato.gov.au/pdf/20070164.pdf>

Explanatory Memorandum: Tax Laws Amendment (2007 Measure No.5) Bill 2007 (pages 183 to 236 are the relevant pages for the Producer Offset)

http://www.ffc.gov.au/producer_offset/explanatory_memorandum.pdf

Producer Offset Rules 2007

[http://www.comlaw.gov.au/ComLaw/Legislation/LegislativeInstrument1.nsf/0/FD4F2E1C5EBF60F2CA2573A1000E52A7/\\$file/F2007L04553.pdf](http://www.comlaw.gov.au/ComLaw/Legislation/LegislativeInstrument1.nsf/0/FD4F2E1C5EBF60F2CA2573A1000E52A7/$file/F2007L04553.pdf)

Location and PDV Offsets

http://www.arts.gov.au/film/australian_screen_production_incentive

Australian Taxation Office

<http://www.ato.gov.au/businesses/pathway.asp?pc=001/003/076>

A

ABOVE-THE-LINE [see ITAA Legislation s.376-170(4)(b)]

The Above-the-Line **QAPE expenditure** is capped at 20% of total film expenditure. The expenditure in excess of 20% is not excluded from the total film expenditure, nor does it preclude the Film's eligibility for the Offset. However, any expenditure in excess of 20% of the total film expenditure will be excluded from QAPE.

For the purposes of the 20% ATL cap, Screen Australia has identified from the Legislation the following components as Above-the-Line expenditure:

- 1) **DEVELOPMENT**
Including script
- 2) **REMUNERATION** (a benefit for services rendered) for:
 - a) **Principal Director**
The principal director or directors engaged and contracted to direct the Film.
 - b) **Producers**
Screen Australia would expect expenditure on the following 'producers' to be placed Above-the-Line - producers, executive producers and co-producers.
 - c) **Principal Cast**
Screen Australia would expect that remuneration for the following cast to be placed Above-the-Line for FEATURES (including theatrical documentaries and feature animation) and TELEVISION (drama, single-episode programs and seasons or series.)
 - Any cast who are a requirement of financing, completion guarantee, distribution or broadcast
 - Any cast member whose remuneration is substantially above other cast members; and
 - Any imported cast

This expenditure would include all fringes as it is part of the cast member's remuneration, but not travel or accommodation (NB: Fringes include annual leave & superannuation entitlements, but EXCLUDE payroll tax & workers compensation).

Screen Australia would not expect presenters or narrators for DOCUMENTARY to be placed Above-the-Line unless it is a docu-drama or a re-enactment with professional actors.

Screen Australia would not expect short form animation or animation series to place their actors above the line.

ACCOMMODATION - OVERSEAS

- 1) Expenditure on accommodation incurred overseas for Australian residents DURING the period of principal photography is considered QAPE.
- 2) Expenditure on accommodation incurred overseas for Australian residents OUTSIDE the period of principal photography is excluded from QAPE.
- 3) Expenditure on accommodation incurred overseas for non-Australian residents at any time is excluded from QAPE.

NB: QAPE can only be claimed for expenses relating to offshore filming where the subject matter of the film reasonably requires the film to shoot overseas.

ACCURAL BASIS OF EXPENDITURE

Expenditure will count as QAPE as long as it has been incurred by the applicant company. The company does not have to actually discharge its liability to pay, thereby allowing expenditure to account on an accrual basis as is consistent with normal commercial business practice in the film industry.

For example, a company may be making a film on a cost-plus basis and hold significant expenditures unpaid until funds are available via payments from the commissioning entity. Some of these expenditures, and some part of the payments of the commissioning entity, could be unpaid at the time of completion of the film at the time the Producer Offset is claimed.

Note however that despite the above, most deferrals and residuals are explicitly excluded from QAPE, unless paid out by the applicant company before production is completed (see **DEFERMENTS** below).

ACN & ABN

All applicants must be companies with an ABN. If the company is not incorporated in Australia, but has a permanent establishment in Australia, the company must also have an ARBN (Australian registered business number).

ADDITIONAL CONTENT

Expenditure which is not incurred for the "making of the film", as it is not directly attributable to the production of the first copy of the film, is not normally QAPE.

However, the Offset allows such expenditure to be claimed as QAPE where it is incurred in producing additional content for a subsequent release of the film and is incurred in Australia prior to completion of the film.

This means, for example, footage for special features for a DVD release if shot in Australia during a film's production could be counted as QAPE. Or if an applicant is making a 26 part TV series but also making a telemovie based on the series, additional expenditure on the making of the telemovie (ie: scripting, picture edit, sound post) may be eligible for QAPE (as long as the expenditure is incurred prior to completion of the first copy of the program).

APPLICANT COMPANY

There can only be one applicant company who must be responsible either for the making of the Film or undertaking the arrangements necessary for the making of the film in its entirety.

For an official treaty co-production, executing a co-production agreement means that the Australian co-producing partner meets this criteria.

APPLICANT FIRST INCURRED QAPE (FOR FINAL)

Is the date when QAPE is first accrued/incurred. Expenditure is "incurred" by an entity if it is "definitively committed" in the year of income in the sense that the entity is then under a "presently existing liability" on that account.

APPLICANT NAME

An applicant may apply for a Provisional Certificate for a specific project in one name and then apply for the Final Certificate for that project in another name.

If an applicant has been issued a Provisional Certificate in one name and wants to change the name on the certificate they must complete a form (which is available from the Producer Offset & Co-Production Branch) requesting this change of applicant name.

The Producer Offset & Co-Production Branch will then issue a letter to the applicant acknowledging their change of applicant name. However the Producer Offset & Co-Production Branch will not issue new certificates in the new name.

ARCHIVAL STORAGE / FILM VAULTS

Expenditure on the above is not eligible for QAPE as it is not directly attributable to the "making of the film".

ARMS LENGTH

At Final Certification the applicant must provide a list with the name of all companies (as identified in the expenditure statements) that provided goods or services in the making of the Film that are associated with the applicant or any of its associated entities with a brief explanation of the nature of the goods or services provided (ie: common shareholders or directors - for further reference refer to 'associates' in s318(2) of ITAA1936). This is to ensure that all dealings are at arm's length and prices paid are commercially reasonable.

ASDA (THE AUSTRALIAN SCREEN DIRECTOR'S ASSOCIATION) LEVIES

Guild levies paid by the production may be eligible for QAPE.

AUDIT FEES

Expenditure on an audit for an investor is considered a financing charge and is excluded from QAPE. However, the portion of the audit that pertains to the QAPE is in itself eligible for QAPE. At Final Certification the auditor must provide a breakdown of fees spent on each audit.

Expenditure on a film cannot be incurred in a subsequent financial year to that of completion. However an applicant can accrue these audit costs (and Offset application preparation costs) that have incurred at the end of the financial year if they have not physically paid the definitive cost, so long as they are supported by paperwork that clearly states the definitive cost (eg: invoice / tax invoice, agreed supplier quote supported by a committed purchase order, signed engagement letter).

AUSTRALIAN BUSINESS OVERHEADS

You may claim a proportion of your general business overheads as QAPE, but this is capped at 5% of your total film expenditure or \$500,000, whichever is the lesser amount. The budgetted figure can be higher, but the excess will be excluded from QAPE.

AUSTRALIAN RESIDENT**1) For the purposes of SAC**

In considering a project's claim against the SAC test, Screen Australia must have regard to the citizenship and residency of the persons involved in the making of the film. Residency, in this case includes the residency of a person from at least the income year directly preceding the commencement of official pre-production until the income year of completion

2) For the purposes of QAPE

As defined in the ITAA 1936 (SUBSECTION 6(1) - "Definitions") an Australian resident is a person who resides in Australia and who has actually been in Australia continuously or intermittently, during more than one-half of the year of income, or who is a member of the superannuation scheme established by the Superannuation Act 1990.

AUSTRALIAN RESIDENT COMPANY

As defined in the ITAA 1936 (SUBSECTION 6(1) - "Definitions") a company which is incorporated in Australia, or which, not being incorporated in Australia, carries on business in Australia, and has either its central management and control in Australia, or its voting power controlled by shareholders who are residents of Australia.

B**BANK FEES**

In Australia on producer's accounts specifically maintained for the production are eligible for QAPE, but not bank fees in relation to bank financing (ie: interest or facility fees).

BUDGET FORMATS

The Producer Offset & Co-Productions Branch accept budgets in any format (eg: Screen Australia's A to Z, Movie Magic) as long as they are accompanied by a completed QAPE spreadsheet.

Please do not create your own QAPE spreadsheets as the spreadsheets provided by Screen Australia contain valuable formulas which assist us in assessing your application. For each new application please download the latest spreadsheets from our website to ensure you are working with the most recent version.

The new Screen Australia A to Z budget has a QAPE spreadsheet attached to it, with formulas linked to the budget. Expenditure that is not eligible for QAPE can be earmarked in the budget and will automatically appear as exclusions / non-QAPE in the QAPE spreadsheet.

Screen Australia has taken great care to ensure that the formulas in the budget and the QAPE spreadsheets are correct. However, as the formulas are not locked, errors can occur when numbers are entered to override formulas and/or when lines are added or subtracted. Screen Australia can take no responsibility for the accuracy of your budget or spreadsheets. Please check each line where you have entered figures and ensure the accuracy of the sub-totals and totals lines and columns.

C**CENSORSHIP COSTS**

Are excluded from QAPE.

CHAIN OF TITLE

Chain of title is the set of documentation that establishes the producer's ownership of the rights in the script (and novel or stage play, if relevant) which entitles the producer to make and market the film. A chain of title narrative from a solicitor is sufficient at Provisional Certification, however at Final Certification a full set of chain of title documents will be required. Please note that all chain of title documents will need to be supplied on request earlier if necessary. Legal costs incurred in acquiring & securing the chain of title are eligible for QAPE.

CLOSED CAPTION EXPENDITURE

Is eligible for QAPE if expenditure on this work is incurred in Australia and prior to completion of the film.

COMPLETED FILM

According to the legislation, a film is completed when it is first in a state where it could reasonably be regarded as ready to be distributed, broadcast or exhibited to the general public. Screen Australia considers that a film is in such a state when the film is in a form ready for presentation to an audience in a cinema, on disc, on television or for streaming or download, whereby the dialogue and music are married to vision. Generally, the following shall be considered a completed film:

- a) if the Film is a feature film, completion is the manufacture of a release print
- b) if the Film is made for DVD distribution: fully mixed Digital Betacam or digital equivalent
- c) if the Film is made for internet distribution: fully mixed DVD or digital equivalent and
- d) if the Film is made for television broadcast: fully mixed Digital Betacam or HD with sound and vision or digital equivalent.

Should an applicant consider that their film is completed at an earlier stage, the applicant should provide a schedule to the application form outlining the circumstances. The date of completion will then be considered on a case-by-case basis.

COMPLETION GUARANTEE

Is excluded from QAPE.

CONTINGENCY

When submitting calculations at Provisional Certification please bear in mind that some of the contingency may need to be spent on non-QAPE items. An estimate of contingency at Provisional Certification is acceptable, but it can only be eligible for QAPE at Final Certification if actually expended on QAPE items. We advise you to seek advice from your completion guarantor and production accountant.

CO-PRODUCTIONS

- 1) Co-productions automatically pass the SAC test, providing that the Film Authority is satisfied that it is an official co-production. For both the Provisional and Final Certificates the Film Authority need a **signed copy** of the agreement between the co-producers of the Film and evidence from the Australian Commonwealth agency and from the relevant foreign country that the Film is an official co-production.
- 2) For the purposes of meeting the QAPE expenditure thresholds, official co-productions may count expenditure that is spent in the other co-producing country that would have been QAPE if it had been incurred in Australia. This means that although the money is not spent in Australia, the level of QAPE across the co-producing countries assists in meeting the threshold and per hour eligibility.
- 3) Expenditure on an Australian resident who works on a co-production (eg: in Australia & the UK)
 - a) All work by the Australian resident that takes place in the partner country during the period of principal photography is considered QAPE

- b) All work by the Australian resident that takes place in the partner country outside the period of principal photography is excluded from QAPE.
- 4) Expenditure on a non-Australian resident who works on a co-production (eg: in Australia & the UK)
 - a) Any expenditure on non-Australian crew and cast who work OUTSIDE AUSTRALIA is excluded from QAPE
 - b) Any expenditure on non-Australian crew and cast who work in Australia is eligible for QAPE (NB: 2 week rule for non-cast / non-residents applies)
 - c) If a non-Australian crew or cast member is paid a total fee for the production and the filming takes place in both Australia and overseas, you must calculate what portion of this fee was attributed to the overseas shoot and exclude it from QAPE
- 5) BOTH the Australian co-producing partner and the overseas co-producing partner may be able to claim certain items, depending on what the arrangement is between the different countries. Obviously in order to claim an item as QAPE, the Australian co-producing partner needs to actually expend the money. For example if the Australian co-producing partner did not actually pay for the Australian resident's wages during principal photography they cannot claim it as QAPE.

However, if the overseas producing partner pays for certain items on the Australian producer's behalf, and then is reimbursed by the Australian co-producer, the overseas co-producing partner will need to provide a detailed receipt / invoice so the Australian co-producing partner can claim these items as QAPE (if eligible) at Final Certification.

NB: QAPE can only be claimed for expenses relating to offshore filming where the subject matter of the film reasonably requires the film to shoot overseas.

The worksheet labelled "Example B" is attached to this document as a guide.

COPYRIGHT ACQUISITION & LICENSING

For example stock footage or pre-existing music. Is considered QAPE only where the copyright is acquired or licensed from an Australian resident individual or company. This is the case regardless of whether that company is an Australian syndicated company with a foreign parent. Legal costs incurred in acquiring or licensing stock footage or music are eligible for QAPE. NB: Copyright acquisition and licensing are included in chain of title (see **CHAIN OF TITLE**).

CREDIT CARD CHARGES

Credit card conversion charges for offshore currency spend is eligible for QAPE provided the underlying item or service being purchased under the transaction is QAPE.

CREDIT CARD INTEREST

Interest paid on credit card purchases are considered financing and are therefore not eligible for QAPE.

CULTURAL SCRIPT DEVELOPMENT SCHEME (CSDS) - Film Victoria

See **SLATE SUPPORT**.

CURRENCY EXCHANGE

All production expenditure and QAPE incurred in foreign currencies must be converted into Australian dollars. It is recommended to use the RBA or ATO official rate where published.

- 1) For the purposes of meeting the QAPE expenditure thresholds, expenditure must be converted using the foreign exchange rate for the day which principal photography commenced. This is to provide certainty to applicants that they are eligible for the Offset.
- 2) For the purposes of calculating the final QAPE figure upon which the Producer Offset is based, the exchange rate used for expenditure on foreign currency will be averaged across the period in which QAPE occurred.

D**DEDUCTIBLES**

Deductibles on insurance claim payouts are eligible for QAPE. Also, in a situation where, for example, damage to a hire car carries an excess, this excess is eligible for QAPE.

DEED OF ASSIGNMENT

Is a transfer of a right, interest or property from one entity to another. This is relevant for expenditure by prior companies and Screen Australia would expect to see a Deed of Assignment transferring the rights from one company to another at Final Certification.

DEFERMENTS

QAPE may be claimed in most circumstances where a liability to pay an actor, crew member or goods or service provider has been incurred (i.e. they have worked on the film), but their remuneration is to be paid at a later date. However, where the amount is to be paid from receipts from the film or the actual amount is contingent on receipts (e.g. a percentage of sales, box office or other exploitation of the film), such expenditure is excluded from QAPE.

For the avoidance of doubt the proceeds from the Producer Offset are excluded from the definition of receipts or earnings of the Film for this purpose (eg: if a portion of the producer's fee is deferred until the proceeds of the Producer Offset is received, it is still considered QAPE).

DELIVERABLES

Delivery items that are considered QAPE are as follows -

- 1) **Feature Films** - Delivery is considered 2 x internegs plus an answer / check print and release print for each interneg. Any prints budgeted for beyond this are treated as distribution costs and therefore excluded from QAPE.
- 2) **Television**
 - a) If there is delivery to more than one broadcaster and this delivery is outlined in either the applicant's PIA, completion bond documents, or makes up part of their finance plan then expenditure on all these deliverables would be considered QAPE. For example if an Australian TV series has a pre-sale to the BBC (UK) or ZDF (Germany) and this is outlined in their PIA, delivery to these broadcasters would be eligible for QAPE.
 - b) If the applicant intends to deliver more than one version of the program, expenditure on the work involved in making another version could be eligible for QAPE if expenditure is incurred prior to completion of the first copy of the program. For example if an applicant is making a 16 part television series and part of their delivery requirement (and indeed their finance plan) is to deliver a telemovie, the additional expenditure on creating this telemovie (ie: scripting, picture edit, sound post production) could be eligible for QAPE.

Reference: Income Tax Assessment Act 1997, Division 376-150, (1) 4 – The following expenditure of a company is also QAPE of the company on a film – expenditure incurred in producing audio or visual content for the film otherwise than for use in the first copy of the film, to the extent that the expenditure is incurred in Australia prior to the completion of the film.

Expenditure on a film cannot be incurred in a subsequent financial year to that of completion. However an applicant can accrue these deliverable costs that have incurred at the end of the financial year if they have not physically paid the definitive cost, so long as they are supported by paperwork that clearly states the definitive cost (eg: invoice / tax invoice, agreed supplier quote supported by a committed purchase order, signed engagement letter).

DEPRECIATING ASSETS

A depreciating asset is an asset that has a limited effective life and can reasonably be expected to decline in value over the time it is used, except: (a) land; or (b) an item of trading stock; or (c) an intangible asset (definition from section 40-30 ITAA 1997).

You can claim QAPE on depreciating assets used on a production. For further information or advice on depreciating assets please check the ATO website at www.ato.gov.au or seek advice from your accountant.

Please see attached worksheet "Depreciating Assets" to work out how to depreciate an asset.

DEVELOPMENT EXPENDITURE

Development expenditure that is for goods and services provided in Australia, the use of Australian land, or the use of goods located in Australia is eligible for QAPE. Development assistance for a Film means financial assistance provided to assist with meeting the development costs for the Film, and include, assistance to the extent to which it is provided in relation to any of the following:

- location surveys and other activities undertaken to assess locations
- storyboarding
- scriptwriting
- research
- casting
- budgetting
- scheduling

Repayment of the following development expenses may be excluded from QAPE. Costs incurred using this development assistance may be eligible for QAPE.

- Screen Business Venture Program - SBVP (see ""Slate Support"" for further information)
- CSDS (see ""Slate Support"" for further information)
- Producer Package (see ""Slate Support"" for further information)
- Offshore development work

Development expenditure must be incurred by either an Australian resident or a foreign company with an ABN and a permanent establishment in Australia.

DEVELOPMENT LOAN REPAYMENTS

The following expenditure is excluded from QAPE -

Expenditure on the film that is paid for with development assistance received from any of the following bodies:

- The former Film Finance Corporation Australia Limited
- The former Film Australia Limited
- The former The Australian Film Commission;
- The Australian Film, Television and Radio School

unless the amount or value of the assistance has been repaid.

DISTRIBUTION - PROOF OF

For Final Certification, the applicant must supply a fully executed distribution or transmission agreement from a bona fide Australian distribution company. "Fully executed" means that all parties have agreed to the terms and conditions of the contract or agreement by signing and initialing (if necessary) the contract or agreement.

DOCUMENTARY PRODUCER FEES

If a documentary producer is performing several tasks (eg: Director, DOP, researcher, post production supervisor), each task can be separately listed in the budget appropriately above or Below-the-Line.

DOLBY LICENCE

A Dolby License fee is excluded from QAPE. However, the applicant may claim some of this expenditure as QAPE where there is an allocation in the licence for service from a nominated Australian Dolby technician. As these are goods & services provided in Australia, they would be eligible for QAPE. If this provision is also contained in a sound licence for SDDS or DTS, then the same policy would apply.

DRIVER/CAR HIRE IN ANOTHER COUNTRY

If a driver is required in another country to transport an Australian cast or crew member, and the driver and the vehicle are hired together as part of a package (eg: car service in the UK picking up crew members from the airport) this would be considered QAPE (if the service takes place during principal photography). However, if the driver is employed as an individual, separate from the hire of the vehicle (eg: the production hires a car for 6 weeks and employs a driver to drive this hire car to transport the director) this would not be eligible for QAPE.

E**ELECTRONIC PRESS KIT (EPK)**

See **MARKETING COSTS**.

ERRORS & OMISSIONS INSURANCE (E&O)

Is excluded from QAPE

EXCHANGE RATE FLUCTUATION

You can include an amount in your contingency for forex fluctuations at Provisional Certification and claim it as QAPE, but only the actual expenditure can be included as QAPE at Final Certification if used on QAPE items. If, however, this provisional amount is actually used during the production to purchase an exchange rate hedging contract / facility, this cost is excluded from QAPE.

EXECUTIVE PRODUCER FEES

Are considered QAPE when the fee is for the services of an individual (who may be paid through a company) and providing that individual will be receiving an Executive Producer credit on the Film. Evidence of this will be required at provisional certification and in the credit listing from the Film at Final Certification. However, where Executive Producer fees are financing expenditure, they are excluded from QAPE.

F**FIELD DIRECTORS**

Field directors for documentaries can be Below-the-Line as long as a principal director is listed Above-the-Line.

FILM VAULTS / ARCHIVAL STORAGE

Expenditure on the above is not eligible for QAPE as it is not directly attributable to the "making of the film".

FINANCING

All expenditure on financing (and this includes some forms of insurance and legals) are excluded from QAPE, regardless of where they are placed in the budget.

FOREIGN RESIDENT - DEFINITION

A foreign or non-resident means a person who is not a resident of Australia as defined in the ITAA 1936 (Subsection 6 (1) - Definitions).

FREIGHT

Expenditure incurred in freighting goods within and between countries, to the extent that the goods will be used in the making of the film is eligible for QAPE.

If the destination of the goods is to be involved in the "making of the film" then the freight to that destination would be eligible for QAPE. For clarification:

- 1) Filming in Australia
 - a) If the production were to hire a piece of equipment from New York for use in the making of the film in Australia the freight from New York to Australia would be eligible for QAPE, but not the freight from Australia back to New York as it would not be for the making of the film.
 - b) If the production had requirements to deliver rushes to an overseas partner (ie: broadcaster) the freight to the other country would be eligible for QAPE.

- 2) Filming outside Australia
 - a) If filming is to take place outside Australia, all freight from Australia to the other country (eg: camera equipment, stock, props, wardrobe) is considered QAPE. However the freight back to Australia would not be eligible for QAPE as it would not be for the making of the film.
 - b) Freight within another country could be eligible for QAPE if the destination of the goods is to be involved in the making of the film. For example if you were shooting in Manchester in the UK and you freighted a camera body from London to Manchester and back, only the freight from London to Manchester would be eligible for QAPE.

NB: QAPE can only be claimed for expenses relating to offshore filming where the subject matter of the film reasonably requires the film to shoot overseas.

FRINGES FOR NON-AUSTRALIAN RESIDENTS

Fringes include annual leave & superannuation entitlements, but EXCLUDE payroll tax & workers compensation.

Fringes are considered QAPE to the extent that the salary/wage/remuneration is QAPE, therefore:-

- 1) Fringes paid to non-Australian residents working in Australia are considered QAPE.
- 2) Fringes paid to non-Australian residents working in another country (for example an LA based actor working in Vietnam) would be excluded from QAPE.
- 3) Where an employee's salary/wage/remuneration is part QAPE and part non-QAPE, the fringes must be pro-rated accordingly.

This needs to be accounted for in your final application and it is recommended you create a separate section in the budget detailing non-Australian residents, their fringes, travel, etc.

FRINGES FOR AUSTRALIAN RESIDENTS WORKING IN ANOTHER COUNTRY

Fringes include annual leave & superannuation entitlements, but EXCLUDE payroll tax & workers compensation.

Fringes paid to an Australian resident working in another country is considered QAPE where their fee or remuneration is QAPE (ie: during principal photography).

This needs to be accounted for in your final application. We recommend creating a separate section in the budget where you can easily identify offshore work that is excluded from QAPE, and work by Australian residents that is excluded from QAPE (eg: pre-production work, location recces).

FRINGE BENEFITS TAX (FBT)

If fringe benefits tax is paid on behalf of a crew or cast member whose remuneration is excluded from QAPE, then the FBT is also excluded from QAPE.

G

GENERAL DEVELOPMENT INVESTMENT (GDI)

Now called Screen Business Venture Program (SBVP). See **SLATE SUPPORT**.

GRATUITIES

Are excluded from QAPE.

GST

The Producer Offset is GST inclusive.

You are able to take your estimated GST into account to reach your estimated QAPE threshold at Provisional Certificate stage however, Screen Australia would not recommend this other than in exceptional circumstances.

GST means tax that is payable under the GST law and imposed as goods and services tax. (*A New Tax System (Goods and Services Tax) Act 1999*, Division 195 - Dictionary)

It is recommended that your general ledger tracks GST expenditure on QAPE items to assist in preparing a Final Certificate application.

Please see attached worksheet "Final QAPE spreadsheet" which shows you how to calculate your GST for Final Certification.

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HELP

If you have any questions regarding the Producer Offset, please do not hesitate to call our office on (02) 8113 5800 or email us at produceroffsetenquiries@screenaustralia.gov.au.

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INSURANCE

Certain kinds of insurance are considered financing and therefore excluded from QAPE. Please refer to the Tax Determination issued by the Commissioner of Taxation - TD2006/2.

EXCLUDED FROM QAPE

- Extra expense insurance
- Negative Film Risk
- Completion Guarantees & Bonds
- Weather Insurance
- Film Producer's Indemnity
- E&O

INCLUDED IN QAPE:

- Public Liability
- Props, Sets & Wardrobe (ie: multi-risk)
- Miscellaneous Equipment (ie: multi risk)
- Vehicle, Marine, Animal, etc
- Travel
- Money

Where it is not possible to break down an aggregated premium, a reasonable apportionment should be made. Details at Final Certification should be itemised by your insurer.

NB: Deductibles on insurance payouts may be eligible for QAPE

INTEREST PAYMENTS

Are considered financing and therefore excluded from QAPE, regardless of where they are placed in the budget.

J

JULY 1st, 2007

Goods and services provided and paid for prior to July 1st, 2007 are excluded from QAPE.

K

L**LEGALS**

Legal fees relating to financing are excluded from QAPE.

Legal services that are integral to production activity (eg: including but not limited to contracting cast & crew, music clearances, lease agreements etc) would all be eligible for QAPE.

Legal expenses that are incurred during development are also QAPE to the extent that they relate to writers' contracts or copyright issues, including chain of title. A reasonable apportionment should be made where it is not possible to break down an aggregated premium into financing legals or non-financing legals.

All legal work on a Production and Investment Agreement (PIA) is considered financing and therefore excluded from QAPE.

LOAN REPAYMENTS

Are not eligible for QAPE, as they are financing costs. However, any expenditure made using loaned funds may be eligible for QAPE. This applies equally to private loans and development loans provided by an Australian, state or territory Government agency (See **SLATE SUPPORT** for further information).

M**MARKETING COSTS**

For example press expenses, still photography, video tapes, public relations, poster design, trailer, electronic press kit (EPK). These costs are eligible for QAPE if the expenditure creates copyright that is held by an Australian resident and the expenditure was incurred before the project is completed.

MPAA (MOTION PICTURE ASSOCIATION OF AMERICA)

Costs are excluded from QAPE.

MUSIC COPYRIGHT

Is considered QAPE only where the copyright is acquired or licensed from an Australian resident individual or company. This is the case regardless of whether that company is an Australian syndicated company with a foreign parent. Legal services pertaining to music clearances are eligible for QAPE.

N**NEW ZEALAND**

NZ residents are NOT considered Australian for the purposes of QAPE. The Closer Economic Relations Treaty (CER) between Australia and NZ does not apply to government subsidies and tax concessions & measures for nationals of either country.

NON-AUSTRALIAN CREW & CAST

- 1) Any expenditure on non-Australian crew and cast who work IN AUSTRALIA is considered QAPE. (NB: 2 week rule for non-cast / non-residents applies)
- 2) Any expenditure on non-Australian crew and cast who work OUTSIDE AUSTRALIA is excluded from QAPE.
- 3) If a non-Australian crew or cast member is paid a total fee for the production and the filming takes place in both Australia and overseas, you must calculate what portion of this fee was attributed to the overseas shoot and exclude it from QAPE.

(NB: Fringes/Payroll tax for a non-resident's offshore work is excluded from QAPE).

See worksheet titled "Example A" for reference.

O

OFFSHORE WORK

- 1) Remuneration for Australian crew and cast who work in another country is only considered QAPE if the work takes place during **principal photography** and the crew or cast member is an **Australian resident**.
- 2) Travel costs (which include accommodation / transportatation / per diems / meals) for **Australian residents** working in another country are only considered QAPE if the expenditure takes place during the period of principal photography.
- 3) Any expenditure (including remuneration) on **non-Australian** residents who work in another country is excluded from QAPE

NB: QAPE can only be claimed for expenses relating to offshore filming where the subject matter of the film reasonably requires the film to shoot overseas.

OVERHEADS (GENERAL BUSINESS OVERHEADS)

Up to 5% of the total budget or \$500,000 - whichever is the lesser - is considered QAPE. Any excess is excluded from QAPE. Screen Australia will not expect to see a breakdown of Australian business overheads in relation to a "proportion of general business overheads that are indirectly attributable to the production".

P

PAYROLL TAX

If payroll tax paid relates to a crew or cast member whose remuneration is excluded from QAPE, then the payroll tax is also excluded from QAPE.

PER DIEMS

While filming in Australia:

- 1) All per diems paid to both **Australian residents** and **non-Australian residents** working in Australia are eligible for QAPE.

While filming in another country:

- 1) Per diems paid to **non-Australian** residents for their time spent in another country are excluded from QAPE.
- 2) Per diems paid to **Australian residents** for their time spent in another country for **principal photography** only are eligible for QAPE

The \$\$ amount of per diems cannot exceed the ATO reasonable amounts for overseas travel allowances. Anything in excess of this amount is subject to usual QAPE/NON-QAPE rules.

Please check the ATO website:

<http://law.ato.gov.au/atolaw/view.htm?rank=find&criteria=AND~TD~basic~exact::AND~2007%2F21~basic~exact&target=FA&style=java&sdocid=TXD/TD200721/NAT/ATO/00001&recStart=1&PIT=99991231235958&recnum=4&tot=5&pn=ALL:::ALL>

POSTER DESIGN

Is considered QAPE, where the expenditure on this work is incurred in Australia and prior to completion of the film.

PRINCIPAL PHOTOGRAPHY - DEFINITION WHEN WORKING IN ANOTHER COUNTRY

(Please refer to ITAA 97 legislation s.376-170 (2) Items 2 and 4)

NB: QAPE can only be claimed for expenses relating to offshore filming where the subject matter of the film reasonably requires the film to shoot overseas.

1) **Drama**

Principal photography is the period of time during which the main shooting unit of the Film takes place. Screen Australia would expect that the director and cast will be present, working to a defined schedule. Seasonal issues would need to be discussed on a case by case basis.

If the director and cast are present during the following, the additional work undertaken will be considered principal photography:

- Reduced unit
- Extra photography
- Early photography
- Special unit photography
- Re-shoots
- Second unit

A second unit shooting offshore at the same time that main unit are shooting principal photography in Australia, is not considered principal photography.

Time crucial photography for all formats (eg: seasonal requirements of the script in a foreign country) will be dealt with on a case by case basis.

2) **Documentary**

Principal photography is the period of time required to capture the image of the subject matter of the project (eg: mating seasons, seasonal necessities, lecture series, etc) where the director is present for the shoot. In some cases the presence of a field director may be considered principal photography.

3) **Animation**

Principal photography is defined as the day on which creation of the visual image commenced.

When calculating costs incurred overseas during principal photography, the dates for principal photography can include the travel days on either side of the official start and finish dates of principal photography.

PRIOR COMPANY EXPENDITURE

Is considered QAPE for the applicant company. However, costs incurred in taking over a production from a prior company are excluded from QAPE. The applicant will need to submit a Deed Of Assignment with the final application form which is a transfer of right, interest or property from one company to another.

PRODUCER PACKAGE

See **SLATE SUPPORT**.

PRODUCTION & INVESTMENT AGREEMENT (PIA)

The production & investment agreement is the contract between the producer, Screen Australia and any other investors. It sets out the terms & conditions of the investment. Please note that all legal work on a PIA is considered financing and therefore excluded from QAPE.

PROVISIONAL CERTIFICATE

Is optional and provides a guide as to whether your film, based solely on the information you provide, is likely to qualify for the Producer Offset. It is not a pre-requisite for a Final Certificate, does not guarantee you or entitle you to an Offset, and does not bind Screen Australia in considering applications for final certificates.

PUBLICITY & PROMOTION EXPENDITURE

Publicity and promotion expenditure are to be excluded from QAPE where:

- 1) expenditure creates copyright that is held by a non-Australian resident
- 2) expenditure was incurred after the project was completed (please refer to definition of 'completed' above). Publicity and promotion expenditure incurred in producing audio or visual content for the Film (otherwise than for use in the first copy of the Film) to the extent that the expenditure is incurred in Australia prior to the completion of the Film is considered QAPE.

Q**QAPE**

Is Qualifying Australian Production Expenditure.

QAPE SPREADSHEETS

QAPE spreadsheets for both Provisional and Final certificates can be downloaded from the Screen Australia website.

Please do not create your own QAPE spreadsheets as the spreadsheets provided by Screen Australia contain valuable formulas which assist us in assessing your application. For each new application please download the latest spreadsheets from our website to ensure you are working with the most recent version.

Screen Australia has taken great care to ensure that the formulas in the QAPE spreadsheets are correct. However, as the formulas are not locked, errors can occur when numbers are entered to override formulas and/or when lines are added or subtracted. Screen Australia can take no responsibility for the accuracy of your budget or spreadsheets. Please check each line where you have entered figures and ensure the accuracy of the sub-totals and totals lines and columns.

QUESTIONS

If you have any questions regarding the Producer Offset, please do not hesitate to call our office on (02) 8113 5800 or email us at produceroffsetenquiries@screenaustralia.gov.au.

R**REMUNERATION FOR CAST**

Remuneration is a benefit for services rendered and the following will be considered to be included (but not limited to) in the definition:

- 1) **Buyouts included in contract:**
 - Theatrical, future
 - Television, future
 - Ancillaries, potential
 - Formats yet to be devised
 - Residuals
- 2) **Fringes paid by the production company that may be eligible as remuneration are set out below:**
 - Holiday Pay (unless the HP is included as part of the cost of a fee or picture deal)
 - Superannuation (unless the super is included as part of the cost of a picture deal)

The following expenditure is not considered remuneration (but may still be eligible for QAPE - see "Fringes"):

- Payroll tax
- Workers Compensation

REMUNERATION OTHER THAN BY SALARY

If personnel are remunerated other than by a salary (such as by the payment of airfares for family), the value of the remuneration is QAPE only if the remuneration is contractually required and is apportioned for the time the person in question provides services.

Remuneration other than by salary is defined as a benefit for services rendered, including (but not limited to) salaries and wages including overtime, penalties and loadings, and bonuses. It may include payments for non-production personnel's travel.

Payments for Holiday Pay and Superannuation are INCLUDED in the calculation of remuneration. Payments for Payroll Tax and Workers Compensation are NOT INCLUDED in the calculation of remuneration.

RESIDUALS

Means payments for the use of the Film required to be paid by the Producer to creative contributors of the Film. Unless paid out by the applicant before production is completion, residuals are excluded from QAPE.

S**SAC**

Means Significant Australian Content (see below).

SAG FEES

SAG benefits are considered QAPE where the wage of the person is considered QAPE.

SCREEN BUSINESS VENTURE PROGRAM (SBVP)

See **SLATE SUPPORT**.

SECOND UNIT SHOOTING - OVERSEAS

See **PRINCIPAL PHOTOGRAPHY** above.

SERIES OR SEASON

Must consist of at least 2 episodes, and not more than 65 episodes. A season within a series must also consist of at least 2 episodes. Each season can apply for a Provisional Certificate, until the total number of episodes reaches 65 or a single claim can be lodged at the completion of the series or after the 65th episode.

SERVICES EMBODIED IN GOODS (Please refer to ITAA 97 legislation s.376-160)

Where a good is provided in Australia, but the real value of the good lies in a service embodied in it, the service must be provided in Australia for costs to be considered QAPE.

For example, where an Australian visual effects company provides visual effects footage to the producer in Australia on stock or computer media, but the production of the footage took place offshore, the expenditure on the visual effects does not become QAPE merely because the goods (stock or media) are provided in Australia. As the true value of the good lies in the service provided (e.g. the VFX production) and that service is not provided in Australia, expenditure is not QAPE. If a proportion of the service was provided in Australia, an appropriate proportion of the expenditure could be claimed as QAPE.

SIGNIFICANT AUSTRALIAN CONTENT (SAC)

Is the cultural test which governs access to the Producer Offset. To meet the SAC test, an applicant must satisfy Screen Australia that the project has 'Significant Australian Content'. Screen Australia must have regard to a number of legislated matters when making its decision on SAC:

- a) subject matter of the Film
- b) the place where the Film was made
- c) the nationalities & places of residence of the people who take part in the making of the Film
- d) the details of the production expenditure incurred in respect of the Film
- e) any other matters that the Film Authority considers to be relevant.

For further information regarding the SAC test please refer to our website:

http://www.ffc.gov.au/producer_offset/sac_guidance.pdf

SLATE SUPPORT

For example Screen Business Venture Program (SBVP), Producer Package, CSDS. These are generally excluded from QAPE as they pertain to a slate of projects. However, if you can provide evidence of expenditure on a specific project, such expenditure may be considered QAPE at Final Certification.

SPAA (SCREEN PRODUCERS ASSOCIATION OF AUSTRALIA) LEVIES

Guild levies paid by the production may be eligible for QAPE.

SPECIAL PURPOSE VEHICLE (SPV)

SPV is an expression used for the company set up by the producers specifically to produce the Film. This is an optional structure and may be the company which incurs QAPE for the purpose of the Offset (but note "Prior Company Expenditure" definition above).

STATUTORY DECLARATION

The information in an application for a Provisional or Final certificate must be certified as true and correct in a Statutory Declaration by an authorised person from the applicant company - normally this would be the producer, company director or CEO. A pro forma statutory declaration is available when you download both the application forms for Provisional and Final Certification.

T

TEST SCREENINGS

- 1) that take place in Australia are considered QAPE when they occur prior to completion of the Film.
- 2) that take place AFTER completion of the film are not eligible for QAPE.
- 3) that take place outside Australia are excluded from QAPE.

THRESHOLDS

The following QAPE thresholds apply

<u>Project</u>	<u>Offset Avail.</u>	<u>Min. Length</u>	<u>Threshold</u>	<u>Per hour threshold</u>
<i>Feature:</i>	40%	60 mins	\$1,000,000	n/a
<i>Imax Feature</i>	40%	45 mins	\$1,000,000	n/a
<i>TV Series:</i>	20%	commercial 1/2 hour	\$1,000,000	\$500,000
<i>TV Series: Animation</i>	20%	commercial 1/4 hour	\$1,000,000	\$500,000
<i>TV - Single Episode</i>	20%	commercial hour	\$1,000,000	\$800,000
<i>Doco - Single Ep.</i>	20%	commercial 1/2 hour	n/a	\$250,000
<i>Doco - Series</i>	20%	commercial 1/2 hour	n/a	\$250,000
<i>Short Form Animation</i>	20%	commercial 1/4 hour	\$250,000	\$1,000,000

THRESHOLDS - CO-PRODUCTIONS

For the purposes of meeting the QAPE expenditure thresholds, official co-productions may count expenditure that is spent in the other co-producing country that would have been QAPE if it had been incurred in Australia. This means that although the money is not spent in Australia the level of QAPE across the co-producing countries assists in meeting the threshold and per hour eligibility.

TITLE CLEARANCES / SEARCHES

Generally expenditure on title clearances and searches is paid to companies based in the USA and is therefore not eligible for QAPE. The applicant will need to provide evidence of such expenditure at Final Certification.

TOTAL FILM EXPENDITURE s376-170 (6)

Total Film budget as understood in the Australian Film Industry.

TRAILER

See **MARKETING COSTS**.

TRAVEL - FOR AUSTRALIAN RESIDENTS

NB: QAPE can only be claimed for expenses relating to offshore filming where the subject matter of the film reasonably requires the film to shoot overseas.

Travel costs overseas include accommodation, per diems, transportation (eg: hire car, taxi, petrol, parking) and meals.

- 1) All travel costs incurred overseas on **Australian residents** during the period of **principal photography** are QAPE

- 2) Any travel costs incurred overseas on **Australian residents outside** the period of **principal photography** are non-QAPE
- 3) Australian residents travelling to and from Australia for principal photography can claim 100% of their airfares
NB: If the Australian resident travels to another country for principal photography but undertakes work on pre-production or post production in a time period immediately before or after principal photography their airfare would be 100% QAPE.
- 4) Australian residents travelling to and from Australia outside the period of principal photography can claim 50% of their airfares (ie: return flight to Australia).

When calculating costs incurred overseas during principal photography, the dates for principal photography can include travel days on either side of the official start and finish dates of principal photography offshore. (Please also refer to the definition of **PRINCIPAL PHOTOGRAPHY** above). For **animation**, principal photography is defined as the day on which creation of the visual image commenced.

See attached worksheets - "*OS Flights Example*" and "*OS Transport Sample*" for assistance regarding travel.

TRAVEL - FOR NON-AUSTRALIAN RESIDENTS

- 1) Travel to and from Australia for a **non-Australian resident** can be claimed at 50% (ie: incoming flight to Australia only)
- 2) Travel from Australia to another country for a **non-Australian resident** is not eligible for QAPE
- 3) Expenditure overseas on a non-Australian resident (including remuneration & travel costs) during any period of production is excluded from QAPE.
- 4) Travel by a non-Australian resident from another country where filming is taking place **BACK TO** Australia is QAPE.

TWO WEEK RULE

Applies to crew only. Crew members (this includes Producers and Executive Producers) must remain in Australia for at least two consecutive calendar weeks for expenditure attributable to their stay to be eligible for QAPE. Each visit is considered separately.

U

V

VERSIONS

Generally, only **one** version of a particular program can be claimed as QAPE - any "second usage" costs are excluded. However, expenditure on re-versioning may be expenditure on 'additional content' and therefore eligible for QAPE if incurred in Australia prior to the completion of the film (See **ADDITIONAL CONTENT**).

W

WEB DESIGN & HOSTING

Is considered QAPE, where the design takes place prior to the completion of the Film. Screen Australia would expect to see any web agreement to verify the length of the licence and the termination date of the applicant's expenditure.

X, Y, Z

EXPENDITURE ON NON-AUST. RESIDENT WHO WORKS BOTH IN AUSTRALIA & OVERSEAS

All work by the non-Australian resident that takes place in Australia is considered QAPE
 (NB: Two week rule for non-cast applies)

All work by the non-Australian resident that takes place in another country is considered non-QAPE

Sample: Cast member who is US resident is employed on a film that is shooting in Australia for 6 weeks and East Timor for 4 weeks.

Total Fee: \$120,000

Divide their fee up into actual weeks worked.

Pre - Australia	4	weeks	\$32,000	QAPE
Shoot - Australia	6	weeks	\$48,000	QAPE
Shoot - East Timor	4	weeks	\$32,000	non-QAPE
Post	1	week	\$8,000	QAPE
Total:	15	weeks	\$120,000	

Therefore the amount of \$32,000 (spent in another country) would be considered NON-QAPE

NB: If any other work takes place outside Australia (eg. Post synching - this would also be considered NON-QAPE

NB: All payroll tax and fringes on the overseas portion of the fee would be NON-QAPE

*Note: This is intended for guidance only, does not bind Screen Australia in considering an application and may not represent the situation for all films.
 The applicant should consider carefully whether the guidance presented is appropriate for your project.*

EXPENDITURE ON AN AUSTRALIAN RESIDENT WHO WORKS ON AN OFFICIAL CO-PRODUCTION (EG: IN AUSTRALIA & THE UK)

All work by the Australian resident that takes place in the partner country outside the period of principal photography is considered non-QAPE. You therefore need to break fee down as follows:

eg:	Producer's Fee:		\$300,000	
Pre-Pre	6	QAPE	\$34,615	<i>We are saying to allow 6 weeks pre-pre as rule of thumb</i>
Pre - Australia	2	QAPE	\$11,538	
Pre -UK	8	non-QAPE	\$46,154	
Shoot - UK	9	QAPE	\$51,923	
Post - UK	1	non-QAPE	\$5,769	
Post - Australia	22	QAPE	\$126,923	
Delivery	4	QAPE	\$23,077	<i>We are saying to allow 4 weeks delivery as rule of thumb</i>
Total	<u>52</u>	<i>weeks</i>	<u>\$300,000</u>	

Note:

BOTH the Australian co-producing partner and the overseas co-producing partner may be able to claim certain items, depending on what the arrangement is between the different countries. Obviously in order to claim an item as QAPE, the Australian co-producing partner needs to actually expend the money. For example if the Australian co-producing partner did not actually pay for the Australian resident's wages during principal photography they cannot claim it as QAPE.

However, if the overseas producing partner pays for certain items on the Australian producer's behalf, and then is reimbursed by the Australian co-producer, the overseas co-producing partner will need to provide a detailed receipt / invoice so the Australian co-producing partner can claim these items as QAPE (if eligible) at Final Certification.

QAPE can only be claimed for expenses relating to offshore filming where the subject matter of the film reasonably requires the film to shoot overseas.

Note: This is intended for guidance only, does not bind Screen Australia in considering an application and may not represent the situation for all films.

The applicant should consider carefully whether the guidance presented is appropriate for your project.

EXPENDITURE ON AUSTRALIAN RESIDENT WHO WORKS BOTH IN AUSTRALIA & OVERSEAS

All work by the Australian resident that takes place in another country outside the period of principal photography is considered non-QAPE

All work by the Australian resident that takes place in another country during the period of principal photography is considered QAPE

You therefore need to break fee down as follows:

eg:	Producer's Fee:		\$300,000	
Pre-Pre	6	QAPE	\$36,735	<i>We are saying to allow 6 weeks pre-pre as rule of thumb</i>
Pre - Aust.	8	QAPE	\$48,980	
Pre -China	1	non-QAPE	\$6,122	
Shoot - China	2	QAPE	\$12,245	
Shoot - Aust.	6	QAPE	\$36,735	
Post - Aust.	22	QAPE	\$134,694	
Delivery	4	QAPE	\$24,490	<i>We are saying to allow 4 weeks delivery as rule of thumb</i>
Total	<u>49 weeks</u>		<u>\$300,000</u>	

Note: This is intended for guidance only, does not bind Screen Australia in considering an application and may not represent the situation for all films.

The applicant should consider carefully whether the guidance presented is appropriate for your project.

DEPRECIATING ASSETS

Costs incurred in the acquisition of a depreciating asset is NON QAPE

The **depreciation** of a depreciating asset is QAPE

The decline of a depreciating asset is worked out either by using the **prime cost** or diminishing value method and is based upon the cost and **effective life of the asset.**

Prime Cost Method

(please note the examples below are using the effective life figures provided by the ATO. The cost of goods are estimates only)

Item	Cost	Life	Rate of Depreciation per year	Depreciation
Example 1				
Digital Camera	\$5,000	5 years	$100\% \div 5 \text{ yrs} = 20\%$	$20\% \times \$5,000 = \$1,000$ depreciation (per yr over 5 yrs)

(therefore a camera may be used for two years for a doco, therefore producers can claim \$2,000 as QAPE)

Example 2

16mm/35mm cameras	\$40,000	10 years	$100\% \div 10 \text{ yrs} = 10\%$	$10\% \times \$40,000 = \$4,000$ depreciation (per yr over 10 yrs)
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(therefore a 35mm camera may be used for one year on a feature film, therefore producers can claim \$4,000 as QAPE)

Example 3

Camera Lens	\$3,000	10 years	$100\% \div 10 \text{ yrs} = 10\%$	$10\% \times 3,000 = \$300$ depreciation (per yr over 10 yrs)
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Diminishing Value Method

(please note the examples below are using the effective life figures provided by the ATO. The cost of goods are estimates only and presume that the asset is purchased on 1 July and therefore does not require apportionment)

Item	Cost	Life	Rate of Depreciation per year	Depreciation	
Example 1					
Digital Camera	\$5,000	5 years	n/a	$\$5,000 \times 200\% \div 5 = \$2,000$ $\$3,000 \times 200\% \div 5 = \$1,200$ $\$1,800 \times 200\% \div 5 = \720	First Year Second Year Third Year
Example 2				etc....	
16mm/35mm cam	\$40,000	10 years	n/a	$\$40,000 \times 200\% \div 10 = \$8,000$ $\$32,000 \times 200\% \div 10 = \$6,400$ $\$25,600 \times 200\% \div 10 = \$5,120$	First Year Second Year Third Year
Example 3				etc.....	
Camera Lens	\$3,000	10 years	n/a/	$\$3,000 \times 200\% \div 10 = \600 $\$2,400 \times 200\% \div 10 = \480 $\$1920 \times 200\% \div 10 = \384	First Year Second Year Third Year
				etc.....	

For further information or advice on depreciating assets please check the ATO website at www.ato.gov.au or seek advice from your accountant.

In order to assess the effective life of an item please refer to the guidelines on the ATO website at www.ato.gov.au

EXPENDITURE ON FLIGHTS TO AND FROM AUSTRALIA

Travel to and within other countries is only considered QAPE if the subject matter of the film reasonably requires the location in which the expenditure is incurred to be used for principal photography

Date of Travel	Name	Aust. Resident Y / N	Flight From	To	Production Period (eg: pre/shoot/post)	Service Provider	Total Cost	QAPE	non QAPE	Contract sighted Y / N	Comments
20-Feb-08 03-Mar-08	John Smith (crew member)	Y	Sydney Bangkok	⇄ Bangkok ⇄ Sydney	Pre-production	Showtravel Showtravel	\$700 \$700	\$0 \$700	\$700 \$0		
15-Jan-08 02-Feb-08	Betty Smith (LA based actor)	N	LA Sydney	⇄ Sydney ⇄ LA	Shoot	Qantas Qantas	\$4,000 \$4,000	\$4,000 \$0	\$0 \$4,000	Y	
01-Jan-08 25-Jan-08	Bill Smith (crew member)	Y	Sydney Dili	⇄ Dili ⇄ Sydney	Shoot	Qantas Qantas	\$600 \$600	\$600 \$600	\$0 \$0		
02-Feb-08 09-Mar-08	Jack Smith (LA based actor)	N	Sydney Dili	⇄ Dili ⇄ Sydney	Shoot	Air North Air North	\$600 \$600	\$0 \$600	\$600 \$0		NB: Only eligible for QAPE if returning to Australia to continue the making of the film
Total:							\$11,800	\$6,500	\$5,300		

1) All travel within Australia for both Australian and non-Australian residents is eligible for QAPE

2) Non-Australian residents travelling to and from Australia for pre / shoot / post is 50% QAPE (ie: incoming flight only) (NB: 2 week rule for non-cast / non-residents applies)

3) Australian residents travelling to, from and within another country for principal photography - 100% QAPE
NB: If the Australian resident travels to another country for principal photography but undertakes work on pre-production or post production in a time period immediately before or after principal photography their airfare would be 100% QAPE.

4) Australian residents travelling to and from another country for pre and post production - 50% QAPE

5) Where filming takes place in another country, expenditure on non-Australian residents travelling from Australia to another country is considered NON-QAPE (ie: L.A. based actor travelling from Sydney to Dili)

Expenditure on non-Australian residents returning to Australia from another country would be considered QAPE only if the actor will be continuing the making of the film. If for example the actor's work is completed in Dili and they are only flying back to Sydney to then fly home to LA, this would not be eligible for QAPE.

Note: This is intended for guidance only, does not bind Screen Australia in considering an application and may not represent the situation for all films.
The applicant should consider carefully whether the guidance presented is appropriate for your project.

EXPENDITURE INCURRED ON TRAVEL COSTS IN OTHER COUNTRIES

Travel costs include accommodation / per diems / transportation (eg: car hire, taxi, petrol, parking) and meals

Expenditure associated with Australian residents whilst working in another country is only considered QAPE if the subject matter of the film reasonably requires the location in which the expenditure is incurred to be used for principal photography

Date of Travel	Name	Aust. Resident Y / N	Production Period (eg: pre/shoot/post)	Country	Service Provided	Service Provider	Cost	In local currency		Exchange Rate	To be ascertained at Final Certification	
								QAPE	non QAPE		Total Cost	QAPE
20-Feb-08	John Smith	Y	Pre-production	Indonesia	Taxi	Bali Taxi Co.	Rp27,000		Rp27,000			
03-Mar-08	John Smith	Y	Shoot	Indonesia	Taxi	Bali Taxi Co.	Rp27,000	Rp27,000				
15-Jan-08	Betty Jones	N	Shoot	Indonesia	Taxi	Bali Taxi Co.	Rp42,000		Rp42,000			
15-Mar-08	John Smith	Y	Shoot	Indonesia	Petrol	BP Denpasar	Rp50,000	Rp50,000				
03-Mar-08	John Smith	Y	Shoot	Indonesia	Accomm.	Bali Hyatt	Rp27,000	Rp27,000				
15-Jan-08	Betty Jones	N	Shoot	Indonesia	Accomm.	Bali Hyatt	Rp42,000		Rp42,000			
15-Jan-08	John Smith	Y	Pre-production	Indonesia	Accomm.	Bali Hyatt	Rp42,000		Rp42,000			
Totals:								Rp104,000	Rp153,000			

- 1) All travel costs incurred overseas on Australian residents during the period of principal photography are QAPE
 - 2) Any travel costs incurred overseas on Australian residents outside the period of principal photography are non-QAPE
 - 3) All travel costs incurred overseas on non-Australian residents are non-QAPE
 - 4) Travel costs are only considered QAPE when incurred for Australian residents. (ie: Hiring a mini bus in Indonesia to transport 15 local extras would not be considered QAPE).
 - 5) All production expenditure and QAPE incurred in foreign currencies must be converted into Australian dollars
- NB:** We suggest you use a separate spreadsheet for each individual country and currency

Note: This is intended for guidance only, does not bind Screen Australia in considering an application and may not represent the situation for all films. The applicant should consider carefully whether the guidance presented is appropriate for your project.

