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This Section outlines particular requirements of the ITAA97 that you must follow in preparing an application. It also explains the treatment of certain items of expenditure, based on rulings or determinations issued by the ATO.

### Currency exchange

All production expenditure incurred in foreign currencies must be converted into Australian dollars using an average rate of exchange over the period from the commencement of principal photography (or, for an animated film, from the date the production of the animated image commences) to the completion of production. Published exchange rates, together with information that may assist in calculating the average exchange rate, is available from the ATO website at [www.ato.gov.au](http://www.ato.gov.au)

For the purposes of television series, the rate of exchange is averaged across the production period commencing when QAPE began to incur and concluding with the completion of the series. This may mean, for example, that where a pilot was made in Australia but the series is made the following year an interlude in production occurs. In this case, you should *not* exclude the period of inactivity from the calculation of the average rate of exchange.

Therefore, if expenditure on a pilot episode is QAPE, the average currency rate of exchange calculation would:

- start at the commencement of principal photography of the pilot or (for an animated series) production of the pilot's visual image; and
- conclude with the completion of the series.

If expenditure on a pilot episode is not QAPE, the average currency rate of exchange calculation would:

- start at the commencement of principal photography of the series (excluding the pilot) or (for an animated series) production of the visual image of the series (excluding the pilot); and
- conclude with the completion of the series.

The treatment of pilot episodes in the context of currency exchange appears in the table in Section V.

Details of the average currency exchange rate, the source from which the rate was derived, and the dates of commencement of principal photography (or for an animation, the commencement of production of the animated image) and completion of the film, must be included in the Application Form.

### Arm's-length expenditure

The arm's-length principle aims to ensure that amounts charged between the applicant company and any related companies (including parent and subsidiary companies) for the provision of goods/services are commercially reasonable. Where the company incurs expenditure under a non-arm's length arrangement that inflates the cost of a particular

good/service in relation to the film, only the commercial rate for that good/service—the amount that would be charged to an unrelated party—will be counted towards production expenditure for the purposes of the offset.

This principle applies not only to the actual arrangement under which the company incurs expenditure, but also to any act or transaction directly or indirectly connected with the expenditure the company incurs.

For example, even if the applicant company itself was dealing at arm's-length to obtain the goods/services, the principle still applies if a non-arm's-length deal between others could otherwise inflate the cost. Where less than commercial rates have been charged to lower expenditure to qualify for the offset—reducing total production expenditure to increase the percentage of QAPE—general anti-avoidance rules may apply.

The applicant company will be required to provide details of all providers of goods/services that are used in making the film where the providers are associated with the applicant or any of its associate companies. This will assist in the process of assessing the extent to which costs charged between related goods/service providers are at the appropriate commercial level.

### **Accrual basis of expenditure**

For the purposes of the offset, expenditure will count as production expenditure 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 count on an accrual basis as is consistent with normal commercial 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 made from a commissioning studio. Some of these expenditures, and some part of the payments by the commissioning studio, could be unpaid at the time of completion of the film and at the time the offset is claimed.

### **Depreciating assets**

Where a production company holds a depreciating asset and uses it in making a film, the production expenditure on the film includes so much of the decline in value (depreciation) of the depreciating asset that is reasonably attributable to the asset's use in making the film. In order to qualify as production expenditure a deduction in relation to the asset must also be available under Division 40 of the ITAA97.

It is only the decline in value of the asset that is included in production expenditure. The expenditure incurred in acquiring or improving a depreciating asset is not directly included in production expenditure and neither is the difference between the purchase and sale price of the asset. The decline in value of a depreciating asset is worked out using either the prime cost or diminishing value method and is based upon the cost and effective life of the asset.

Deductions for depreciating assets are based on an asset's effective life as determined by the Commissioner of Taxation. The Commissioner's determinations regarding the effective life of depreciating assets used in film production are found on the ATO Legal Database (see

TR2000/18 and TR2006/15 at [law.ato.gov.au/atolaw/index.htm](http://law.ato.gov.au/atolaw/index.htm)). These determined values will assist you to calculate your production expenditure.

Alternatively, taxpayers also have the option of self-assessing the effective life of a depreciating asset based on their particular circumstances. Effective life is worked out by estimating the period (in years) that the asset can be used by any entity to produce income, having regard to the wear and tear expected from the circumstances of use and assuming that the asset will be maintained in reasonably good order and condition. If, in working out that period, it is concluded that the asset is likely to be scrapped, sold for no more than scrap value, or abandoned before the end of that period, its effective life ends at the time it is either scrapped, sold or destroyed.

Production expenditure relating to depreciating assets is included in QAPE to the extent that the expenditure is reasonably attributable to depreciating assets provided in Australia or the use of depreciating assets located in Australia at the time that they are used in the making of the film.

Please note that expenditure incurred in acquiring or improving assets such as buildings and structures are excluded from production expenditure. In general, such buildings and structures are not held by production companies and, where needed, are leased for the period required for the film project (lease costs are included in production expenditure and may be QAPE when they meet the definition in Section IV).

Generally, where expenditure is incurred to acquire copyright, including a licence in relation to copyright, in pre-existing works for use in the film, the expenditure qualifies as both QAPE and production expenditure if the copyright is held by a qualified person (within the meaning of section 32 of the *Copyright Act 1968*).

Further information about the availability of deductions and the treatment of depreciating assets under the uniform capital allowance rules (set out in Division 40 of the ITAA97) is available at the ATO website ([www.ato.gov.au](http://www.ato.gov.au)). It is recommended that you seek advice from the ATO about depreciation of assets used in filmmaking.

### **Goods and Services Tax (GST)**

Where applicable, references to fees and expenditure should include GST as set out in *A New Tax System (Goods and Services Tax) Act 1999* (GST Act). An entity, which includes a person, is able to claim input tax credits for the GST included in its expenditure provided that:

- the acquisition is for a creditable purpose under Division 11 of the GST Act;
- the entity is registered, or required to be registered for GST; and
- the entity holds a tax invoice.

### **Fringe Benefits Tax (FBT) and state payroll tax**

FBT and state payroll tax may be claimed as QAPE where they relate to qualifying goods or services used in making the film in Australia. For instance, the payroll tax attributable to a cast member who works on the film in Australia would qualify as QAPE, while that for a non-cast member who visits Australia for less than two weeks would not. In both cases the tax paid would count towards production expenditure for the film.

As FBT and payroll tax are directly attributable to the remuneration and benefits paid, the amount of FBT and payroll tax claimed as QAPE should reflect the same proportion that remuneration and benefits claimable as QAPE bear to the total remuneration and benefits paid. For example, where the QAPE component represents 20 per cent of the total remuneration and benefits paid to a cast member, the amount of FBT and payroll tax claimed as QAPE for that individual would be 20 per cent of the total FBT and payroll tax paid in relation to them.

### **Remuneration other than by salary**

If personnel are remunerated other than by salary, 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 in Australia. If any personnel are remunerated other than by salary, you must provide copies of the contract in question with your application form. You should also be aware that some FBT obligation may incur as a result of this remuneration and you should discuss these obligations with the ATO prior to making your application.

### **State government incentives**

The Application Form asks the production company to identify any state government incentives that they may have received in respect of the film. Where such an incentive is a payroll tax rebate (remission or refund), only the balance of the payroll tax after deduction of the rebate will qualify as production expenditure and QAPE. The value of other rebates or refunds must also be excluded from production expenditure and QAPE calculations.

You must indicate on your Application Form if you have accessed any state government incentives and provide a contact officer at the relevant state government agency.

### **Insurance**

On 1 March 2006, the Commissioner of Taxation issued a tax determination on the treatment of certain insurance costs for the purposes of the offset (see TD2006/2 at [www.ato.gov.au](http://www.ato.gov.au)). The determination confirmed that expenditure on insurance policies is not production expenditure to the extent that it is expenditure incurred in relation to the financing of a film. Expenditure on insurance policies that are unrelated to the financing of the film and are reasonably required for the making of the film remains production expenditure and may be claimed as QAPE where the service is provided in Australia.

Expenditure will not be production expenditure where the insurance policy provides for the payment to cover additional production activities required as a result of the insured event. Further, expenditure on policies to cover required minimum payments to financiers are also not production expenditure. These types of policies are considered to be a form of financing expenditure. Examples of these types of policies are negative film risk insurance, completion guarantees, weather insurance or film producer's indemnity insurance (see TD2006/2 for further details).

If some of your film's insurance expense may be QAPE, you should obtain a breakdown of your insurance policy from your insurer. Then you must only claim as QAPE those types of insurance that are approved in TD2006/02.

Where an insurer is unable to provide a breakdown of a policy, an applicant may make a fair and reasonable apportionment with reference to TD2006/02. You must consult with the ATO prior to making this apportionment.

### **Legal expenses**

Legal expenses incurred in respect of services performed by a law firm in Australia during the making of the film may be claimed as QAPE.

Such services would need to be integral to production activity—for example, contracting cast and crew, music clearances, insurance and lease agreements. Expenditure on legal services in respect of such activities would count towards both QAPE and production expenditure where the expenditure on those activities qualifies as QAPE itself.

Applicants should ensure that legal expenses that relate directly to Australian production activity are identified and invoiced separately to assist in the preparation of expenditure statements that break down QAPE and non-QAPE.

### **Shipping / freight**

On 1 March 2006, the Commissioner of Taxation issued a tax determination on the treatment of freight costs for the purposes of the offset (see TD2006/3 at [www.ato.gov.au](http://www.ato.gov.au)). The determination confirmed that expenditure on freight is QAPE only to the extent that these costs relate to the provision of freight services within Australia.

Under the *Acts Interpretation Act 1901*, ‘Australia’ is defined as the territory and airspace of Australia and Australian coastal waters – effectively 15 nautical miles from the low water line along the coast of Australia, including the airspace above it.

If the entire transit of the freighted item does not take place within Australia, you may only claim the proportion of the shipping cost that occurred in Australia as QAPE. You must calculate the cost according to the proportion of the freight that takes place in Australia. If the entire freight journey takes place within Australia, the entire cost may be claimed as QAPE.

The amount of freight that takes place within Australia may, in some cases, be difficult to calculate. If so, you may make a fair and reasonable apportionment as to the amount of freight expense to be counted as QAPE. However, you must consult with the ATO before making this apportionment.

If an item is purchased or hired for use on the production and the freight cost is included within the cost or rental of it and therefore is unidentifiable, the entire cost may be claimed as QAPE. Please see TD2006/3 for further details.

### **Gratuities, entertainment expenses and prizes**

Gratuities and entertainment expenses are not able to be claimed as QAPE.

Prizes and prize money for contestants on eligible television series may be claimed as QAPE, because it is reasonably attributable to gaining the services of the contestants and is therefore comparable to an actor’s wage. A prize must be reasonably attributable to the making of the film in Australia so if the time and services of a contestant are also required overseas, only a proportion of the prize relative to securing the contestant’s services in Australia can be

claimed. Where prizes do not involve any expenditure, for example where they are donated, they cannot be claimed as QAPE.

### **Transfer pricing**

Australia's transfer pricing rules are set out in a number of related Taxation Rulings. In particular Taxation Ruling TR97/20 explains the principles of transfer pricing methodologies while TR 98/11 discusses how these principles can be applied. Furthermore, the 'permanent establishment' attribution rules as they relate to international transfer pricing are contained in TR 2001/11.

The ATO's views on how the offset incentive might be reflected in the method of charging for services supplied to a foreign associate are set out in Taxation Determination TD2002/20.

The number, subject heading, date of effect and paragraphs 1 to 7 of this Taxation Determination are a 'public ruling' for the purposes of Part IVAAA of the *Taxation Administration Act 1953* and are legally binding on the Commissioner. The remainder of the Determination is administratively binding on the Commissioner. Taxation Rulings TR 92/1 and TR 97/16 together explain how a Determination is legally or administratively binding.

The above rulings, determinations and other ATO publications on international transfer pricing issues can be accessed on the *ATO-assist* website at [www.ato.gov.au](http://www.ato.gov.au)

## SECTION VII—PROVISIONAL APPLICATIONS

Prior to commencing or at any time during production, an applicant may apply for a provisional certificate of eligibility. A provisional certificate does not guarantee a final certificate. It will, however, provide an indication of eligibility and the extent to which projected expenditure on a film project can be counted towards QAPE.

To apply for a provisional certificate, complete the Provisional Application Form and provide it, along with all attachments, to DCITA. The Film Certification Advisory Board (FCAB) will assess your application and will issue you, or decline to issue you, with a provisional certification. The Provisional Application Form must include your best estimates as to the likely budget and expenditure. The Provisional Application Form is at [www.dcita.gov.au/filmtaxoffset](http://www.dcita.gov.au/filmtaxoffset)

Applicants will be advised in writing of any projected budget items included in an application for provisional certification that would not be considered as production expenditure or QAPE for the purposes of the offset.

A provisional certificate will state that, based on the information and projected budget presented in the application, the proposed film project would meet the core eligibility requirements in relation to production expenditure for the purposes of the offset. A film that holds a provisional certificate is not guaranteed to qualify for the offset and **must apply for final certification once the film is completed** in order to claim the offset benefit. Conversely, a decision not to issue a provisional certificate for a film project does not prevent the production company from applying for a final certificate in relation to that film, and a provisional certificate is not a requirement for eligibility for a final certificate. Applying for a provisional certificate is entirely a matter of choice and is an optional exercise.

### Eligible applicants

Companies are eligible to apply for provisional certification where they are either:

- a production company responsible for the making of a film; or
- the company responsible for developing a film project prior to the establishment of a production company.

Prospective applicants have the option of applying for a provisional certificate at any stage in the development and production of a film project up to its completion. If available, details of the registered name of the applicant company, ABN, registered address and names and addresses of the company directors must be provided in the Provisional Application Form. The relevant documents verifying this information must be submitted with the Provisional Application Form. If the applicant company is not the film production company, the same details must be provided for the film production company. If the production company has taken over responsibility for the film from a previous company, this must also be noted, with the relevant legal agreement attached to your application and documentation establishing the film production company.

If the film production company is yet to be established, you must indicate the level of responsibility that the film production company will have for the making of the film, and whether the film production company will be an Australian company with an ABN.

Applicants should refer to Section VI regarding arm's-length expenditure requirements. To the extent that they have been finalised, applicants for provisional certificates must note all providers of goods and services that are associated with the film production company or any of its associated companies.

### **Projected provisional expenditure statements**

In order to facilitate the assessment of likely QAPE and production expenditure calculation, you must fill in each item for the projected expenditure in the Provisional Application Form. Please refer to Sections III and IV above for explanations as to the meaning of production expenditure and QAPE . Also, ensure you attach a copy of the film's projected expenditure.

If you intend to claim Australian copyright expenses as QAPE and if that copyright has been acquired, you must attach agreements verifying the transfer of ownership of the copyrighted material, or documents that establish that copyright in such material is held by an Australian.

If your film is a television series, refer to Section V above for an explanation of the treatment of pilot episodes in relation to QAPE and production expenditure calculations.

## SECTION VIII—CERTIFICATION PROCESS

### Overview

Once a film is completed, the applicant may submit an application for a certificate of eligibility for the offset to DCITA. The Application Form is available at [www.dcita.gov.au/filmtaxoffset](http://www.dcita.gov.au/filmtaxoffset)

Once an application has been received by DCITA, it will be provided to the FCAB. The FCAB has members that are highly experienced Australian producers with expertise in large and very large budget production and is chaired by a senior representative of DCITA.

The FCAB will request at least one independent film production consultant provide the FCAB with a written report on the expenditure statement attached to an application. A copy of the application will also be forwarded to the ATO for information.

The FCAB will assess whether the application satisfies the requirements for the issue of a certificate under the ITAA97 and will provide the Minister with a written report on its assessment of the application against the requirements of the ITAA97. The FCAB has the capacity to request further information from an applicant, if such information is required, for the assessment of the application by the FCAB. If satisfied that the application meets the requirements of the ITAA97, the Minister may issue a certificate.

The applicant must then submit the certificate as part of the company's tax return for the income year in which the film was completed.

Final certification of a film is a statement of eligibility for the offset, but not the final amount of the offset. This will be determined by the ATO and the offset paid against the company's Australian tax liabilities for the income year in which it was completed.

### Verification—advice from an independent film production consultant

The FCAB may seek the advice of an independent film production consultant to:

- provide an independent assessment of whether specific items claimed in an expenditure statement are 'reasonably attributable' to production expenditure and qualifying Australian production expenditure;
- assess whether costs charged for specific items are made on an 'arm's-length' basis; and
- provide advice on the extent to which costs between subsidiary companies and parent/associate companies are commercially reasonable.

DCITA has engaged a panel of such consultants to provide services to the FCAB.

This assessment will be undertaken on a strictly commercial-in-confidence basis and the independent film production consultant will be subject to a contractual duty of confidentiality.

Further information may be required, where necessary, to assist the independent film production consultant's assessment. Where this information relates to 'arm's-length' issues, the consultant may seek information on the process and methodologies adopted to show that the amounts charged accord with the 'arms'-length' principle. The consultant may contact you directly for this or for other reasons and, if so, you should cooperate with the consultant's requests.

Before the consultant's report is delivered to the FCAB, a copy will be provided to you. You may challenge any aspect of that you consider to be incorrect.

### **Refusal to issue a certificate**

Where the Minister refuses to issue a certificate, the applicant company will be notified in writing of this decision (including reasons for the decision).

An applicant can request a statement of reasons for the decision under section 28 of the *Administrative Appeals Tribunal Act 1975* and may also seek review of the decision by the Administrative Appeals Tribunal.

### **Revocation of a certificate**

The Minister may revoke a certificate where it was obtained by fraud or serious misrepresentation and will notify the applicant company in writing of this decision (including reasons for the decision to revoke the certificate).

The information provided to the FCAB (in an application and such other additional information requested by the FCAB) may be used for the purposes of the consideration of the revocation of a certificate.

An applicant can request a statement under section 28 of the *Administrative Appeals Tribunal Act 1975* and may also seek review of the decision by the Administrative Appeals Tribunal.

## SECTION IX—YOUR APPLICATION

There are a number of considerations to take into account when completing your application for the offset.

### Timing of applications

There is no specific closing date for applications. However, you should bear in mind the following.

- An application for a final certificate can only be made when the film is completed (as defined in Section II).
- The process of assessing the application by DCITA may take up to eight weeks, if all relevant documents are in order, after which the Minister will consider whether to issue a certificate.
- Once you have received your certificate, you must then provide it to the ATO along with the applicant's tax return for the income year in which the film was completed. You will receive the refund once the ATO has assessed the return.

### Auditor's statement

You will need to include, with your Application Form, an independent auditor's statement verifying the particulars of the production expenditure detailed in your application. The auditor's statement must be provided on the pro forma attached to the Application Form.

The audit must be prepared by a person who is:

- a registered auditor under the *Corporations Act 2001*; and
- not an officer, partner or employee of the applicant company, or a related body corporate of the applicant company (but may be contracted by them from time-to-time on a non-permanent basis).

A related body corporate of an applicant company would be a subsidiary of an applicant company, the holding company of an applicant company or a subsidiary of the holding company of the applicant company.

The auditor's statement is provided at the applicant's expense, with the name of the auditor and auditor's company or firm, qualifications and contact details provided in the relevant section of the Application Form.

### Attached documentation

You will be required to attach a range of documentation to support your application, including copies of legal documents relating to, for example, the establishment of the applicant company, legal agreements to verify the fact of Australian copyright ownership and confirmation of distribution and exhibition arrangements. A checklist of these documents is included at page 34 (see 'Before submitting your application').

## **Statutory declaration**

The information provided in your application must be certified in a Statutory Declaration completed by an authorised person from the applicant company—normally, the Producer or CEO. A Statutory Declaration form is attached to the Application Form.

## **DVD or VHS copy of the completed film**

A dated copy of the completed film on DVD or VHS tape, together with a full final credit listing, must be provided to verify the film is ready for distribution or exhibition to the general public and to confirm other details of the film.

## **Confidentiality**

Please note that all information provided by the applicant will be held by DCITA on a strictly commercial-in-confidence basis. The information will only be provided to the ATO, the FCAB and an independent film production consultant. These parties will be bound by Australian Government confidentiality provisions and, where appropriate, will be subject to contractual duties of confidentiality.

Section 16 of the ITAA36 and Section 68 of the *Taxation Administration Act 1953* impose secrecy obligations and restrictions on any ATO officer who, in the course of his/her duties, may acquire information about the tax affairs of any person.

DCITA may be legally required to release information provided by applicants in certain circumstances—for example, under the *Freedom of Information Act 1982*. However, in processing a request under that Act, DCITA would consult the relevant applicant prior to a decision on release of documents containing commercial information being made.

## **Further information from the applicant**

The FCAB reserves the right to require any additional information it deems necessary in order to issue a certificate. For instance, where an application is incomplete, the FCAB may require the applicant, at the applicant's expense, to provide further information. This information must be provided within 28 days of the request, although the applicant may write to the FCAB seeking an extension of time.

## Submitting your application

You can submit an application in hard copy on the Application Form provided. You can download the Application Form and these guidelines from [www.dcita.gov.au/filmtaxoffset](http://www.dcita.gov.au/filmtaxoffset)

If you have trouble downloading these documents, please contact the offset team at DCITA to request a hardcopy version of them on:

Tel: 02 6271 1815 (international +61 2 6271 1815)

Fax: 02 6271 1365 (international +61 2 6271 1365)

Email: [film.taxoffset@dcita.gov.au](mailto:film.taxoffset@dcita.gov.au)

Send the original application and three complete copies, including all attachments, to:

Refundable Film Tax Offset  
Department of Communications, Information Technology and the Arts  
GPO Box 2154  
CANBERRA ACT 2601  
Australia

## Further information

For further information on these guidelines and the process of applying for a certificate, please contact the Manager of the Refundable Film Tax Offset in DCITA using the telephone, fax or email details above.

Or write to:

Manager, Film Incentives and International  
Department of Communications, Information Technology and the Arts  
GPO Box 2154  
CANBERRA ACT 2601  
Australia

For information about taxation and other obligations of companies commencing business in Australia, registering for an ABN, filing business activity statements or annual income tax returns consult the ATO website at [www.ato.gov.au](http://www.ato.gov.au)

Or contact the ATO Film Tax Offset contact officer in the National Client Group Segment of Large Business & International:

Tel: 02 9374 1555 (international +61 2 9374 1555)

Fax: 02 9374 1223 (international +61 2 9374 1223)

Or write to:

ATO contact officer—Film Tax Offset National Client Group  
Large Business & International  
Australian Taxation Office  
PO Box 1216  
HURSTVILLE NSW 2220  
Australia

## BEFORE SUBMITTING YOUR APPLICATION

- Have you completed **each page** of the Application Form?
- Have you attached an independently **audited expenditure statement**?
- Have you attached the **auditors' statement** on the pro-forma provided?
- Have you attached proof of **Australian permanent residence** of applicant production company—including ABN, registered address, names and addresses of directors?
- Have you attached documents confirming the **production company's responsibility** for either:
  - all the activities required to make the film (including internationally); or
  - all the activities required to make the film in Australia (including responsibility for costs incurred by non-Australian companies for activities in Australia)?
- Have you attached a document verifying the status of the applicant company—that is, the legal agreement with a parent/associate company and/or **establishing the applicant company**?
- If applicable, have you attached a document verifying the **transfer of film production responsibility from a previous production company or companies**?
- Have you attached the relevant documentation to show that the film will be **distributed or exhibited** once complete? (*A letter of confirmation of distribution/exhibition deals on letterhead will demonstrate this*).
- Have you enclosed a dated copy of the completed film on **DVD (or VHS)**, together with a **full final credit listing**, to verify the film is ready for distribution?
- If applicable, have you attached **agreements verifying the transfer of ownership in copyright**, which identifies the copyright owner at the time of the application? (*Only relevant where purchase or licensing of Australian copyright is being claimed as QAPE*).
- If applicable, have you attached documents **verifying the transfer of ownership in copyright**, or establishing that the **copyrighted promotional material** is held by an Australian? (*Only relevant where purchase or licensing of Australian copyright is being claimed as QAPE*).
- If applicable, have you attached a schedule that identifies the **residuals** paid out to individual cast before completion of the film? (*Only relevant where cast member's remuneration is QAPE*).
- If applicable, have you attached a schedule that identifies **non-recoverable advances** paid to individual cast? (*Only relevant where cast member's remuneration is QAPE*).
- Have you attached the **statutory declaration** made by an authorised signatory?

## ANNEXURE A

## PRODUCTION EXPENDITURE—SPECIFIC INCLUSIONS AND EXCLUSIONS

Expenditure type	Costs excluded from Production Expenditure unless QAPE	Costs included as Production Expenditure and QAPE if costs are QAPE	Costs always excluded from Production Expenditure and QAPE
Financing	YES	No	YES
Development	YES	YES—Australian development costs only	
Copyright acquisition	YES	YES—Purchase of Australian copyright only	
General business overheads	YES	YES—Share of Australian business overheads only	
Publicity and promotion	YES	YES—Cost of Australian copyrighted promotional material incurred before completion of film only	
Deferments	YES	No	YES
Profit participation	YES	No	YES
Residuals	YES	YES—Residuals paid out before completion of film only	
Advances	YES	YES—Non-recoverable advances only	
Pilots	YES	YES—Australian production costs	
Acquisition of a depreciating asset	YES	YES—Purchase of Australian copyright only	