



Australian Government

Department of Infrastructure, Transport,
Regional Development, Communications and the Arts

Location Offset Glossary

January 2023

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This Glossary is a combination of terminology and a general description of what is, and is not, considered Qualifying Australian Production Expenditure (QAPE) for the Location Offset.

The legislation which governs the Location Offset is Division 376 of the *Income Tax Assessment Act 1997*, as amended (ITAA97). This Glossary should be read in conjunction with the ITAA97 and the Location Offset Rules 2018 (the Rules) as made by the Minister for the Arts (the Minister) pursuant to section 376-260 of the ITAA97. These legislative instruments are all available from the Federal Register of Legislation website: www.legislation.gov.au.

In the case of any inconsistency with the Glossary, the provisions of ITAA97 and the Rules take precedence.

Please note that consistent with the ITAA97, the term 'film' is used generically and unless otherwise indicated, 'film' applies to all Offset-eligible projects. In addition, the term 'production' is used to refer to all eligible projects.

The Glossary is intended to supplement what is set out in the Location Offset Guidelines, and to offer practical, general guidance to applicants and their advisers. Each project is of course different, the Glossary provides guidance on QAPE issues in general terms and is not to be considered legal or tax advice. You are encouraged to seek professional legal and / or accounting advice when preparing an application.

Contact

For further information regarding the Location Offset please the Screen Incentives Section of the Department of Communications and the Arts at:

Email: filmenquiries@arts.gov.au Tel: +61 2 6271 1543

Web: www.arts.gov.au

Screen Incentives Section
Department of Infrastructure, Transport, Regional Development, Communications and the Arts
GPO Box 2154
Canberra ACT 2601 Australia

For information about taxation and the other obligations of companies commencing business in Australia, registering for an ABN, and filing business activity statements and annual income tax returns, please consult the ATO website at www.ato.gov.au. Alternatively, the ATO enquiry line for businesses is 13 72 26 (or +61 137 286 for tax agents).

Acronyms

ACN	Australian Company Number
ABN	Australian Business Number
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
E&O	Errors and Omissions Insurance
FBT	Fringe Benefits Tax
FPI	Film Producers' Indemnity Insurance
GST	Goods and Services Tax
IFPC	Independent Film Production Consultant

ITAA97	Income Tax Assessment Act 1997
ITAA36	Income Tax Assessment Act 1936
PIA	Production Investment Agreement
QAPE	Qualifying Australian Production Expenditure
RBA	Reserve Bank of Australia
SAG	Screen Actors Guild of America
SAP	Substituted Accounting Period
SPV	Special Purpose Vehicle

Useful links

Location Offset Guidelines and Application

www.arts.gov.au/funding-and-support/tax-rebates-film-and-television-producers

Other programs

Producer Offset website—www.screenaustralia.gov.au/producer_offset

Screen Australia's International Co-production Program website—

www.screenaustralia.gov.au/coproductions/

Producer Equity Program (PEP)—www.screenaustralia.gov.au/funding-and-support/documentary/production/producer-equity-program

A–Z of terms

[A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W](#)

A

Accounting, audit and tax advice (all subject to the Accrual basis of expenditure)

[see ITAA97 subs.376-150(1) item 6]

Expenditure on an annual company tax return that is not part of the incorporation or liquidation of the applicant company is not considered part of the making of the film and is therefore non-QAPE.

The cost of an audit provided in Australia, in relation to raising and servicing the financing of the production, which is incurred by the company that is responsible for making the production can be considered QAPE.

Fees for the incorporation and liquidation of the company that makes or is responsible for making the film are QAPE. For example, accountant and ASIC fees directly relating to incorporation and liquidation may be QAPE.

Accounting and audit advice directly in relation to QAPE performed by a registered Australian accountant or auditor may be QAPE.

Accrual basis of expenditure

[see ITAA97 subs.376-125(5)]

The Location Offset operates on an accrual basis of accounting. Applicants should note that:

- QAPE must be incurred in the income / financial year for which the Location Offset is claimed or an earlier year (the relevant income year is the year in which the film, or production activity on the film, is completed in Australia).
- Expenditure can only be claimed as Production Expenditure or QAPE where a liability to pay is in place before the end of the income year in which the tax offset is sought (or in the year in which the film, or activity on the film, is completed in Australia and QAPE ceased to be incurred).
- Generally, where expenditure is claimed as QAPE, but payment has not actually been made, applicants must ensure a liability to pay is in place and supply supporting documentation to demonstrate the liability. Relevant documentation could include:
 - tax invoices for the confirmed amount, and / or
 - an executed contract for the work relating specifically to the production, dated before the end of the relevant income year.

An example of this would be expenditure on an audit, invoiced before the end of the financial year in which the expenditure on the film is otherwise completed, but which takes place in the subsequent financial year.

Also see [Financial year / income year](#).

Acknowledgement

See [Credits](#).

ACN and ABN

[see ITAA97 para.376-10(1)(e)]

All applicants must be either Australian resident companies or foreign resident companies with a permanent establishment in Australia and an ABN. This applies when the company lodges its income tax return and when the Location Offset is due to be credited.

Each applicant will need to provide an ASIC company statement which includes the registered address of the applicant and the names and addresses of directors and shareholders of the company.

A company acting in the capacity of a trustee of a trust is not eligible for the Location Offset and therefore can neither be certified, nor incur QAPE (see [Trusts](#)).

Additional content

[see ITAA97 subs.376-150(1) item 4]

With the exception of permitted expenditure on general business overheads, the general rule is that expenditure that is not incurred in the ‘making of the film’ is not QAPE (as it is not directly attributable to the production of the first copy of the film).

However, the legislation allows some expenditure to be QAPE where it is incurred in producing additional content for a release of the film, provided that it is incurred in Australia before the completion of the film. This could apply to, for example, a ‘behind the scenes’ documentary for inclusion on a Blu-ray or DVD release of a film.

‘Additional content’ must still be for a subsequent release of the same film and does not mean content which itself amounts to, or is for, a completely different film. If additional content amounts to a different film, not material associated with a release of the same film, then the expenditure would not form part of the application for the film. The work would need to take place in Australia and the expenditure would need to be incurred before the completion of the film.

This provision also acts as a specific exception to the general exclusion on [Marketing](#), publicity and promotion expenditure (see [Marketing](#)). For example, if a trailer to promote the film is shot in Australia during production and is intended to be released with the film in some form, expenditure on producing the trailer may be considered QAPE if other conditions are met.

Advances

[see ITAA97 subs.376-135 items 6-9]

All payments made by way of an advance on a payment in respect of deferrals, profit participation or residuals are excluded from production expenditure and QAPE unless the residuals are paid out before the film is completed (and non-recoverable from the payee).

If the payment is non-recoverable, the advance may be included as production expenditure if it otherwise qualifies because it is not related to the production’s commercial performance or earnings. Where such advances are included as production expenditure and claimed as QAPE, a separate schedule detailing their payment to individual cast and non-cast members must be included as an attachment to your Application Form.

Agency fees

[see ITAA97 s.376-135 item 1]

Administration fees paid to State and Federal funding bodies (for example ScreenWest, VicScreen, Screen Australia) are non-QAPE, as they are expended in obtaining financing.

There are some exceptions in relation to certain financing expenditure. These are outlined in section 376-150 of the ITAA97 at item 6.

Applicant company

[see ITAA97 para.376-20(5)(c)]

There can only be one applicant company. This is the company that either carried out, or arranged the carrying out of all the activities in Australia that are necessary for the making of the production.

The applicant company must be the entity that incurs the production expenditure (unless the circumstances outlined in [Prior company expenditure](#) apply).

A company acting in the capacity of a trustee of a trust is not eligible for the Location Offset and therefore can neither be certified, nor incur QAPE (see [Trusts](#)).

There is **no requirement** that a provisional and final certificate for the same project must be held by the same entity. For example, a production company, often the producer’s own company, that intends to set up an SPV to make the film may apply for and obtain a provisional certificate before the incorporation of the SPV.

Arm’s length arrangements

[see ITAA97 s.376-175]

Expenditure can only be claimed as QAPE when it is worked out on an ‘arm’s length’ basis. Where a transaction is not conducted at arm’s length, the expenditure able to be claimed as QAPE will only be the amount that would have been incurred if the parties were dealing at arm’s length.

The basis of the arm’s length principle is 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.

In determining whether parties are ‘dealing with each other at arm's length’, an assessment must be made as to whether the parties deal with each other as arm's length parties normally do, so that the outcome of their dealing is a matter of real bargaining, reflecting a true market price.

Often the reason why parties do not transact at arm’s length is because of a corporate or business relationship between those parties. Such parties have previously been referred to as ‘related parties’. To avoid confusion with the definition in the Corporations Act 2001, these parties are described as ‘interested parties’ in this document.

Interested Parties

An interested party is a party who has an interest in the receipt of the Location Offset by the applicant company. The mere fact that goods or services are provided to the applicant company does not itself make the provider an interested party. A clear example of an interested party is the parent or sister company of an applicant established as a special purpose vehicle (SPV). Other examples of an interested party on a project would include:

- an Executive Producer
- an equity investor
- a company with common directors with the applicant, or its parent company
- any party associated with the project that has a financial interest in the applicant’s receipt of the Location Offset.

This list is not exhaustive, and other aspects of a transaction may give rise to a connection or association which would classify it as an interested party transaction. For example, if the applicant company were to retain the services of a post-production house and in addition to those services, one of the company principals of the post production house were to take an executive producer role on the film, the service provider would be regarded as an interested party for the purposes of the Location Offset.

Some common examples of transactions between ‘interested parties’:

- an applicant company hiring or leasing equipment or facilities from a parent company or sister company (e.g. camera and lighting, office space)
- an applicant company purchasing post-production services from a parent company or company in a corporate group
- a parent company providing the services of in-house personnel to the applicant company
- reinvestment deals with post-production houses.

As part of its recommendation to the Minister or the Minister’s delegate, the Film Certification and Advisory Board (the Board) must be satisfied that expenditure incurred by an applicant on acquiring goods or services from an interested party is commercially reasonable, reflecting a fair market price. The Board may also seek advice on this by independent film production consultants (IFPCs).

In considering whether expenditure has been incurred on an arm’s length basis, there are several elements for the Board and the Minister to consider:

- Was the expenditure genuinely incurred?
- What was the expenditure incurred for (i.e., what goods or services were provided in exchange for this expenditure)?
- Would a company acting at arm's length actually contract for those particular goods and/or services?
- Once satisfied of the above, is the quantum of the fee paid an arm's length price, that is, are the fee/rates paid higher than those that would be paid to an independent, non-interested party?
- If the fees/rates have been inflated, only the arm's length price for those goods or services will be considered QAPE.

What needs to be submitted for assessment purposes?

Where an interested party is involved in a project, the onus is on the applicant to substantiate its claim that the transaction with the interested party meets the arm's length principle (i.e., is commercially reasonable). At final certification stage, an applicant should supply the following documentation:

- **Interested Party Expenditure Breakdown**—at final certification applicants must provide detail of all interested party expenditure transactions. This breakdown should not simply be a 'dump down' of the general ledger and must provide details of any transactions between the applicant and an interested party, broken down to clearly identify the date, the payee, the services, the period of time, the weekly rate and the overall total paid.
- **Detailed general ledger**—the general ledger needs to accurately record the details of all transactions and be coded under the appropriate budget categories (such as Development, Producer Fees, Camera Equipment & Stores and Accommodation, Living & Catering). If there are any lump sum payments with a single line entry in the general ledger, the Board may require a detailed breakdown itemising the individual transactions which comprise the lump sum.

In some cases (and always where the expenditure being paid to an interested party/parties exceeds 50 per cent of total expenditure on a film), an applicant company may also need to present the detailed general ledger of each interested party to which a payment was made, clearly outlining all expenditure line by line.

Applicants may also be asked to supply third party quotes or valuations from alternative (arm's length) providers for the same or equivalent goods/services.

Applicants may also be asked to supply supporting documentation such as invoices, purchase orders, work orders and change orders to substantiate the lump sum amount.

If an applicant does not adequately break down interested party expenditure or substantiate any lump sum payments claimed as QAPE, the expenditure will be deemed as non-QAPE. For example, if an applicant supplies a general ledger with a line item in post-production titled 'editing room', paid to an interested party for \$100,000 with no further detail, this would not be acceptable and would be considered non-QAPE without further substantiation.

The Department or IFPC on behalf of the Board may request additional information in connection with interested party expenditure and may ask the applicant to supply relevant third-party quotes.

Assets

See [Depreciating assets](#).

Audit fees

[see ITAA97 s.376-135 item 1 and subs.376-150(1) item 6(b)]

Expenditure on an audit performed by an Australian auditor for the purposes of raising and servicing the financing of the film is QAPE if incurred by the company that makes, or is responsible for making the film.

See [Accounting, audit and tax advice \(all subject to the Accrual basis of expenditure\)](#).

Australian resident

The concept of Australian residency is outlined in the Income Tax Assessment Act 1936 and explained on the ATO website: www.ato.gov.au.

The ATO explains that generally a person is an Australian resident for tax purposes if any of the following applies:

- The person has always lived in Australia
- The person has moved to Australia and lives here permanently
- The person has been in Australia continuously for six months or more, and for most of the time has been in the same job and living in the same place
- The person has been in Australia for more than half of the relevant financial year, unless:
 - their usual home is overseas, and
 - they do not intend to live in Australia.

Some examples:

An Australian citizen who lives permanently in Los Angeles would not be considered an Australian resident for the purposes of calculating QAPE.

A UK citizen, who has lived in Australia for 12 months and intends to stay in Australia permanently, but who does not hold permanent residency, would be an Australian resident for the purposes of calculating QAPE.

The most recent advice on residency for tax purposes can be found on the ATO's website:

www.ato.gov.au/business/international-tax-for-business/working-out-your-residency/.

Australian resident company

[see Income Tax Assessment Act 1936, as amended, subs.6(1)]

This requirement is defined under the Income Tax Assessment Act 1936 (ITAA36), as a company which:

- is incorporated in Australia; or
- if not incorporated in Australia, it 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.

Taxation Rule TR 2018/5 provides the ATO's interpretation of residency where the company is not incorporated in Australia (as at the date of publication).

The term 'permanent establishment' is also defined in subsection 6(1) of the ITAA36 which refers to 'a place at or through which [a] person carries on any business'. The ITAA36 includes examples of permanent establishment.

Taxation Ruling TR 2002/5 (including the amendments created by TR2002/5A—Addendum) provides the ATO's interpretation of the meaning of the phrase 'a place at or through which [a] person carries on any business' in the definition of 'permanent establishment'. The ruling provides guidance to a non-resident

who carries on business in Australia as to whether they have a place for the purposes of the definition of 'permanent establishment'.

To ensure you have the most recent ATO advice, visit www.ato.gov.au/law/view/document?DocID=TXR/TR20025/NAT/ATO/00001.

If you have any doubt about these residency tests, including whether they are modified by any Double Tax Agreement with any other countries, you should contact the ATO to seek advice. Also, make sure you are relying on the most current guidance.

Where several production companies are involved in making a production, the company that is eligible to claim the Location Offset is the one that meets the above requirements. Although there may be a number of entities that make arrangements for, or carry out activities necessary for making a production, only one company can be eligible for the Location Offset, and that is the company that is responsible for all of the aforementioned activities or Australian activities.

In practice this means that the applicant company must be the company through which all transactions are channeled. For example, the expenditure incurred in contracting a company to contract actors (that is, its fees for that service and the actors' fees themselves) qualifies as production expenditure as long as the applicant company is able to account for these costs in its audited expenditure statement.

A company acting in the capacity of a trustee of a trust is not eligible for the Location Offset and can neither be certified, nor incur QAPE (see [Trusts](#)).

B

Bank fees

Bank fees incurred in Australia on the applicant's account maintained for the production may be QAPE to the extent that the fees relate to QAPE expenditure. If an applicant incurs bank fees that relate to non-QAPE expenditure, those fees are also non-QAPE. Fees that amount to financing expenditure such as overdrawn fees or interest charges are non-QAPE (ITAA97s.376-135 item 1).

An example would be where an applicant company is paying a fee by telegraphic transfer to a 'non-Australian' actor for work that took place outside Australia. As the fee for the actor is non-QAPE, the fee for the telegraphic transfer facilitating this transaction would also be non-QAPE.

Budget formats

Budgets are accepted in most formats as long as the financial presentation clearly identifies what expenditure is being claimed as QAPE.

C

Catering

Expenditure on production catering in Australia can be QAPE. However, entertainment expenditure including wrap parties are non-QAPE.

Childcare

Costs in relation to meeting the requirements of state child protection agency regulations for child actors can be eligible QAPE if other conditions are met.

The cost of childcare, such as nannies and tutors for children of cast and crew, may be QAPE if the expense meets the ‘usual’ QAPE tests (i.e. the expenditure is reasonably attributable to the making of the film and is for services provided in Australia).

Where childcare is contractual (e.g. on a similar basis to companion travel) a fully executed contract must be supplied with the application. The consideration of childcare expenditure being classed as QAPE may also rest on whether the childcare arrangements have been altered or specially arranged directly as a result of the employment of the cast or crew member during the making of the film.

Please note that childcare costs in relation to employment may attract Fringe Benefits Tax. This is an issue to be discussed with your tax advisor.

Closed caption expenditure

Closed caption expenditure is QAPE provided expenditure is incurred in Australia and before the completion of the film.

Companion airfares

See [Remuneration other than by salary](#).

Company set up / company expenses

Expenditure relating to establishing and/or liquidating a company that makes or is responsible for the making of the production may be QAPE.

Fees in respect of the ongoing running of the company, such as annual ASIC return fees or annual tax return expenses are not considered to be directly related to the production and are non-QAPE. This type of expense may be able to be included as part of the company’s general business overheads (see [Overheads \(general business overheads\)](#)).

See [Accounting, audit and tax advice \(all subject to the accrual basis of expenditure\)](#).

Completion guarantee / completion bond

[see ITAA97s.376-135 item 1 and s.376-150 item 6]

Expenditure on a completion guarantee or bond may be QAPE to the extent that the expenditure is incurred in Australia (i.e. Australian bond provider).

Contingency

As contingency is not directly attributable to QAPE items, no contingency elements of a projected budget will be accepted for the purposes of projected QAPE for provisional certification.

Copy of completed film

[see ITAA97s.376-245]

Within 30 days of a certified film’s completion, the applicant must submit a copy of the completed production to the Minister, through the Department. The production’s completion is defined as when the production material is in a state where it could reasonably be regarded as ready to be distributed, broadcast or exhibited to the general public (as detailed in ITAA97 section 376-55(2)).

The copy should be provided on DVD (region 4 or unrestricted) or Blu Ray, a PC formatted USB, or via link to an online copy of the production.

The copy of the production is required to verify that the production is ready for distribution or exhibition to the general public and to confirm other details of the production. The Minister may revoke a certificate if the copy is not supplied.

It is not anticipated that the Minister will revoke a certificate on this ground without first contacting the applicant (although the Minister is empowered to do so). If the Location Offset has already been paid by the ATO and a certificate is subsequently revoked, the ATO may commence recovery of the offset as a debt. In the case of an applicant applying for the Location Offset before completion of production, the applicant should indicate the expected date of completion. Should the expected date of completion change at any time, the applicant should advise the Department of the change, and briefly indicate the reason(s) for the delay.

In the case where an applicant is applying for the Location Offset after the completion of the production, the 30-day timeframe is not a requirement for when an application must be made. For example, if an application is submitted for a production which was completed a year ago, a copy of the production can be supplied when the application is made.

Should you have any concerns regarding either provision of an expected date of completion or submitting a copy of the film, you should relate these concerns to the Department when submitting your application as soon as possible. Such concerns will be considered on a case by case basis.

Copyright acquisition and licensing

[see ITAA97 subs.376-150(1) item 2]

Expenditure on acquiring copyright, or a licence for copyright, in a pre-existing work (such as music or images including maps, photographs, stock footage) is considered QAPE only where the copyright (in the relevant work) is held by an Australian resident individual or company. QAPE therefore includes the cost of acquiring ownership, or a licence, of copyright from an Australian resident who owns or holds the exclusive licence for the copyright in Australia. As in other contexts, the applicant will need to supply invoices to substantiate the claim. Where the purchase or licensing of Australian-held copyright is being claimed as QAPE the applicant must also provide the relevant legal agreement verifying the transfer of ownership or the licensing of copyright.

If the copyright is not held by an Australian resident, the fact that an Australian music supervisor is engaged to source the music is not sufficient to make the cost of the purchase/licence of the copyright QAPE. Similarly, if a third party acts as an Australian agent in supplying archival or stock footage, but they do not own or have the right to license the work in Australia then the expenditure is not QAPE.

The costs of commissioning music or a score is not considered to be expenditure in acquiring pre-existing copyright. Such expenditure is treated as any other production expenses (it may be production expenditure and, if the composition is undertaken in Australia, it may be QAPE).

Where the purchase or licensing of Australian-held copyright is being claimed as QAPE you must attach the relevant legal agreement verifying the transfer of ownership or the licensing of copyright to your Application Form.

Credit card interest

Interest paid on credit card purchases is considered financing and is therefore non-QAPE.

Credits (acknowledgement of Australian Government support)

There is no requirement to credit the Australian Government in the completed film in order to receive the Location Offset.

Where the applicant chooses to include a credit / publicly acknowledge the support of the Australian Government, the Government may in turn publicise the information that the film was made with the support of the Location Offset.

If an applicant chooses to credit the Australian Government please contact the Screen Incentives Section to discuss wording and/or use of the Australian Government logo.

D

Deductibles

Deductibles on insurance claim payouts with Australian insurers are QAPE if the claim relates to QAPE activity. In a situation where, for example, damage to a hire car carries an excess, this excess is QAPE (assuming the premium itself is QAPE).

Deferments/deferrals

[see ITAA97 s.376-135 item 6]

Production expenditure is limited to expenditure that is independent of a production's commercial performance and its earnings. Amounts that are only payable out of the profits, receipts or earnings of a film, in this context commonly referred to as deferments or deferrals, are excluded from production expenditure and therefore QAPE (but see [Investment of fees](#)).

Depreciating assets

[see ITAA97 subs.376-125(6)-(7), subs.376-135 item 10 and subs.376-150(1) item 2]

Other than expenditure incurred to acquire copyright, costs incurred in acquiring a depreciating asset and any capital costs invested in that asset are not QAPE.

Where a production company holds a depreciating asset and uses it when making a production, the production expenditure includes as much of the decline in value (depreciation to be worked out in accordance with Division 40 of the ITAA97) of the depreciating asset that is reasonably attributable to the asset's use in making the project. 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 included in production expenditure and neither is the difference between the purchase and sale price of the asset.

However, a balancing adjustment may be made in certain circumstances.

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. Effective life can be determined by Australia's Commissioner of Taxation. The Commissioner's determination regarding the effective life of depreciating assets used in production can be found on the ATO's Legal Database: law.ato.gov.au (TR2007/3). You may use these determined values in calculating your production expenditure.

Alternatively, applicants 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.

Division 40 of the ITAA97 also reconciles an assumed loss of value to the actual change in value worked out when a 'balancing adjustment event' occurs. A balancing adjustment event occurs for the asset before the film is completed if:

- the asset's termination (e.g. disposal or sale) value is more than its adjustable value just before the event (disposal/sale) occurred—the production expenditure of the company on the film is reduced by the film proportion of the difference (e.g. the difference is credited); or
- the asset's termination value is less than its adjustable value just before the event occurred— the production expenditure of the company on the film includes the film proportion of the difference (e.g. the difference can be claimed as an expense).

Please note that expenditure incurred in acquiring or improving assets such as buildings and structures are unlikely to be 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 project (lease costs can be included in production expenditure and may be QAPE).

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) may be downloaded from the ATO's website at www.ato.gov.au. It is recommended that applicants consult with their accountants or seek advice from the ATO about depreciation of assets used in filmmaking.

Development expenditure

[see ITAA97 s.376-135, subs.376-150(1) item 1 and s.995-1]

Expenditure on development work undertaken outside of Australia is not QAPE and cannot be counted as part of production expenditure or QAPE for the purposes of the Location Offset.

Development expenditure is defined as including expenditure to the extent to which it is incurred on any of the following:

- Location surveys and other activities undertaken to assess locations for the possible use in the film
- Storyboarding
- Scriptwriting
- Purchase of story rights
- Research
- Casting actors
- Developing a budget
- Developing a shooting schedule.

Legal costs that relate to writers' contracts or to copyright issues including chain of title are considered development expenditure and therefore qualify as QAPE where legal services are provided in Australia.

The purchase of story rights/options or sequel fees are considered part of development costs and therefore may be considered QAPE and included as Production Expenditure if the copyright is held by an Australian resident individual or company (see [Copyright acquisition and licensing](#)).

Distribution expenditure

[see ITAA97 para.376-125(4)(c)]

Expenditure on distribution of the production is specifically excluded from the definition of Production Expenditure and therefore is not QAPE.

Distribution for eligibility

[see ITAA97 subs.376-20]

In order to qualify for the Location Offset a production must be:

- produced for exhibition to the public in cinemas or by way of television broadcasting (including delivery of a television program by a broadcasting service as defined by the Broadcasting Services Act 1992) or produced for distribution to the public as a video recording (whether on video tapes, digital video disks, online distribution or otherwise), and
- an eligible format (feature film or film of like nature, a mini-series of television drama or a television series—see [Eligible formats](#) and if applicable [Television series \(including mini-series\)](#)).

The requirement of exhibition to the public can be satisfied by distribution anywhere in the world. A distribution agreement or other supporting documentation is required to support an application.

Distribution Online

For the distribution requirement to be fulfilled, there needs to be a distribution agreement in place between the producer and the distributor. Eligible online distribution platforms are considered to be curated platforms where there is an agreement in place between the producer and the platform. Curated platforms are considered to be those where the content is commissioned/acquired through a contract. Generally, consumers pay a fee to access this content.

Free posted content and general access online platforms, such as Youtube, would not be considered an eligible distribution platform because there is no distribution contract in place between the producer and distributor.

Documentary

[see ITAA97 s.376-25]

The meaning of documentary is defined by the ITAA97.

A production is a documentary if it is a creative treatment of actuality, having regard to:

- the extent and purpose of any contrived situation featured in the film, and
- the extent to which the film explores an idea or a theme, and
- the extent to which the film has an overall narrative structure, and
- any other relevant matters.

A film is not a documentary if it is:

- an infotainment or lifestyle program (as defined by Schedule 6 to the Broadcasting Services Act 1992); or
- a film that presents factual information and has two or more discrete parts, each dealing with a different subject or a different aspect of the same subject and does not contain an over-arching narrative structure of thesis.

Dubbing

[see ITAA97 subs.376-125(2)]

Dubbing costs associated with the making of the first copy of the film may be eligible QAPE. However, dubbing expenditure related to additional copies for distribution is not production expenditure or QAPE.

E

Electronic press kit (EPK)

See [Marketing](#).

Eligible formats

[see ITAA97 subs.376-20(2)]

The formats which are eligible for the Location Offset are:

- feature films or films of a like nature (e.g. telemovies) (unless a documentary)
- mini-series of television drama
- television series (including documentaries) (see [Television series \(including mini-series\)](#)).

Distribution of eligible formats can include direct-to-video, direct-to-DVD, television broadcast or online distribution.

The following formats are ineligible for the Location Offset:

- short films
- documentary features (documentary television series are eligible)
- advertising programs or commercials
- discussion, quiz, game, panel or variety programs, or a program of a like nature
- films of public events
- training films
- computer games (defined by the Classification (Publications, Films and Computer Games) Act 1995 (Classification Act)).

Section 5A of the Classification Act defines a computer game as:

- a computer program and any associated data capable of generating a display on a computer monitor, television screen, liquid crystal display or similar medium that allows the playing of an interactive game; or
- a computer program, data associated with a computer program or a computer program and any associated data that:
- is capable of generating new elements or additional levels into a game (the original game) that is a computer game under subsection (1) of the Classification Act and
- is contained in a device separate from that containing the original game.

Entertainment

Entertainment expenses (for example wrap party, crew and cast screenings, press screenings, the purchase of alcohol and birthday cakes) are always non-QAPE.

Errors and omissions insurance (E&O)

[see ITAA97 s.376-135 item 1]

See [Insurance](#).

Executive Producer fees

Where an Executive Producer (EP) fee is solely a requirement of a financing or distribution arrangement (regardless of whether an individual is receiving an EP credit), the fee is considered to be a financing cost and is non-QAPE.

EP fees may be QAPE if the EP in question provides his or her services in Australia and the services form part of the ‘making of the film’ (i.e. not solely financing or distribution).

Evidence in the form of contracts and credit listings may be required for final certification.

Expenditure on an EP who is not an Australian resident is only QAPE when the work by the EP takes place in Australia and meets the [Two week rule](#).

Expenditure in a foreign currency

[see ITAA97 subs.960-50(6) items 9 and 9B]

All production expenditure and QAPE incurred in foreign currencies must be converted into Australian dollars. For the purposes of applying for the Location Offset must be done in two ways:

1. For the purposes of meeting the expenditure thresholds, expenditure must be converted using the foreign exchange rate for the day on which principal photography or production of the animated image commenced. This is to provide certainty to applicants in being eligible for the Location Offset.
2. For the purposes of calculating the final QAPE figure upon which the rebate is based, the exchange rate used for expenditure on foreign currency must be averaged across the period in which QAPE was incurred.

Official published exchange rates are available from the Reserve Bank of Australia at www.rba.gov.au.

For example, for a production that incurred QAPE in US dollars from April 2021 to July 2021 the average monthly exchange rate can be sourced from the Reserve bank and then averaged for the period (as demonstrated in the table below). The average rate is then used to calculate the foreign currency conversion for the QAPE incurred in US dollars.

Example—average monthly rates from the Reserve Bank of Australia

Date	Rate
30-Apr-2021	0.7776
31-May-2021	0.7725
30-Jun-2021	0.7518
30-Jul-2021	0.7381
Average for period	0.7600

For a television series with a pilot:

- For the purposes of the qualifying expenditure threshold, if the pilot is shot at the same time as other material, then the day the pilot commences shooting may be considered the date for commencement of principal photography.
- For the purposes of calculating the average exchange rate, then the time taken to film a pilot is only relevant if the expenditure on the pilot is considered QAPE.

The Application Form requires details on:

- date of commencement for principal photography (or for an animation the commencement of production of the animated image) in Australia
- date of completion of all production activity in Australia
- dates of first and last QAPE incurred
- the foreign exchange rate on the date principal photography commenced
- the average foreign currency exchange rate over the period QAPE was incurred (and the method used for calculating the average e.g. monthly or daily rates)
- the source from which the rates were derived (e.g. Reserve Bank of Australia or ATO).

The expenditure statements should also outline expenditures made in a foreign currency converted to Australian dollars using both methods of conversion.

Expenditure thresholds

[see ITAA97 subs.376-20(3), (5) and (6)]

A production must spend QAPE of at least AUD\$15 million to be eligible for the Location Offset.

In addition to this expenditure requirement, a television series must also have an average of at least AUD\$1 million of QAPE per hour. The average QAPE per hour is calculated by dividing the total QAPE by the duration of the series measured in hours. Please note this refers to the actual length of the completed production, rather than commercial hours. You must provide the calculation in your application as follows:

Total QAPE divided by duration of film (that is length of series) in hours = average QAPE per hour

For example, a 22-episode series of 42-minute episodes that spent \$30 million of QAPE meets this test, as it averaged over \$1 million of QAPE per hour:

$\$30,000,000 / 15.4 \text{ hours} = \$1,948,000 \text{ per hour.}$

F

Financial year / income year

[see ITAA97 subs.376-125(5)]

QAPE expenditure can be incurred in any financial year (commencing with 1 July 2007) up until the end of the financial year (or applicable income year) in which QAPE ceased to be incurred (this is usually the year the production work ceased in Australia).

Expenditure incurred in a financial/income year subsequent to the income year in which the QAPE is claimed is non-QAPE.

The ITAA97 uses the term income year as a company may have an accounting period ending on a day other than 30 June (when determined under section 18 of the Income Tax Assessment Act 1936).

See [Accrual basis of expenditure](#). Where relevant, see [Substituted accounting period \(SAP\)](#).

Financing expenses

[see ITAA97 subs. 376-125(4), subs.376-135 item 1 and subs.376-150(1) item 6]

Arranging or obtaining finance for a production is not considered to be the making of a film therefore in general (subject to some exceptions) all expenditure on financing is to be excluded from production expenditure and QAPE. Financing expenditure specifically includes returns payable on amounts invested and expenditure connected with raising and servicing finance such as interest payments. Financing expenditure also includes application and administrative fees paid to funding bodies to secure or acquire grants or incentives.

For the Location Offset, QAPE opinion costs are also considered financing expenditure and are non-QAPE.

However, the legislation allows some specific aspects of financing expenses to be claimed as QAPE. These are in relation to insurances, certain legal and audit fees and company set-up and liquidation fees. (See [Insurance](#) and [Legal fees and expenses](#).)

Fines

Fines are non-QAPE (i.e. parking fines, late fees or penalties).

Foreign currency

See [Expenditure in a foreign currency](#).

Free days

Expenditure on services provided under a ‘free days’ arrangement can be claimed as QAPE provided that the services are provided in Australia. Where services are provided partly in Australia and partly elsewhere (including services such as additional dialogue recording or publicity under a ‘free days’ arrangement), the applicant must make a reasonable apportionment of the relevant expenditure.

Freight

[see ITAA97 subs.376-165(1) item 3]

Expenditure incurred on freighting an item to Australia or in Australia is QAPE provided the goods are used in the making of the film.

Transporting an item from Australia to another country is not QAPE.

For example, 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 QAPE, but not the freight from Australia back to New York as it would not be for the making of the film. The hire cost of the equipment for the period of its use in Australia may also be QAPE.

Fringe Benefits Tax (FBT)

Fringe Benefits Tax (FBT) is only QAPE when paid against QAPE items. For example, if FBT is paid on the purchase of alcohol for a wrap party, this portion of the FBT is non-QAPE. For final certification applicants may be asked for a breakdown of the FBT payments.

Fringes

Fringes are QAPE to the extent that the associated remuneration is QAPE. Fringes include annual leave and superannuation entitlements, however taxes and insurances such as payroll tax and workers compensation should be treated separately.

Where an employee's remuneration is part QAPE and part non-QAPE, the fringes must be pro-rated accordingly.

Fringes paid to non-cast members who enter Australia to work on the production in Australia, are eligible subject to the usual QAPE rules, and notably the [Two week rule](#).

Please refer to [Payroll tax, Workers compensation](#) and [Two week rule](#) for further information.

G

Gratuities and gifts

All gratuities are non-QAPE, including gifts and donations paid in lieu of fees. Any additional benefits provided to cast or crew must be contractual and associated with remuneration that is QAPE in order for them to be considered QAPE.

GST (Goods and Services Tax)

Applicants are not able to claim input tax credits for the GST as QAPE or production expenditure. All expenditure statements must show GST exclusive expenditure.

H, I

Insurance

[see ITAA97 s.376-150(1) item 6]

Expenditure incurred on insurance for the making of the film is QAPE to the extent that such expenditure is incurred in Australia (i.e. an Australian insurance provider). This could include expenditure on the following kinds of insurance:

- errors and omissions (E&O)
- extra expense
- film producer's indemnity
- negative film risk
- weather insurance
- miscellaneous equipment (i.e. multi-risk)
- money, props, sets & wardrobe (i.e. multi-risk)
- public liability
- travel and vehicle.

See also [Completion guarantee / completion bond](#).

For final certification, insurance details must be itemised.

In the case where an Australian insurance broker is used but the policy provided is ultimately from a non-Australian insurance provider, the inclusion of these costs as QAPE will be assessed in the context of a sufficient connection to the provision of a service in Australia and the type or availability of insurance in question from an Australian provider.

Deductibles on insurance payouts may be QAPE (assuming the premium is also QAPE). If an insurance claim is made during production, the costs associated with the claim or the loss and replacement costs may be considered QAPE.

Interest payments

[see ITAA97 s.376-135 item 1]

Interest payments are financing expenditure and are excluded from production expenditure and therefore QAPE, regardless of where they are placed in the budget.

Interested party

[see ITAA97 s.376-175]

Interested parties include holding, parent and sister companies, and other associated companies such as those with common directors to the applicant company as well as individuals that are employees and/or directors of those companies.

All transactions with interested parties must meet the principles of arm's length (See [Arm's Length Arrangements](#)).

Investment of fees

[see ITAA97 s.376-135 items 6 and 7]

As outlined in [Deferments/deferrals](#), amounts payable from exploitation of the film (i.e. box office receipts) are not QAPE, as no expenditure has been incurred (Item 6 in the table in ITAA97 section 376-135). However, where a service provider invests some or all of its fees for goods or services, the fees are not considered deferments and may be QAPE, depending on whether they satisfy the usual QAPE tests. Note, however, this arrangement must impose a legal liability on both parties.

For example, where a post-production company has contracted with the applicant company to be paid a fee of \$100,000, and then the post-production company decides to invest \$10,000 of this fee in the film, in order for the entire \$100,000 to be claimed as QAPE, the Board would expect to see:

- an invoice issued by the post-production company to the applicant company for \$100,000
- an invoice issued by the applicant company to the post-production company for \$10,000 (the invested amount)
- the entire \$100,000 recorded in the general ledger and cost report as remuneration of the post-production company, and
- the post-production company sharing in \$10,000 worth of equity in the film.

The post-production company's entire \$100,000 fee could then be QAPE, provided that there is appropriate supporting documentation confirming the above and the usual QAPE tests are satisfied.

J, K, L

Legal fees and expenses

[see ITAA97 s.376-135 item 1 and s.376-150(1) items 1 and 6]

Legal expenses incurred in respect of services performed by a law firm in Australia during the making of the production 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.

Legal expenses that are incurred during development can only be QAPE to the extent that they relate to raising and servicing financing of the film, writers' contracts, chain of title or other copyright issues.

Legal fees charged by financiers (such as cash-flow lenders) may be considered QAPE if they fall into a category of expenditure set out in section 376-150(1) of the ITAA97 (see in particular, item 6), which

outlines specific inclusions of expenditure constituting QAPE. Legal fees for litigation in Australia may be eligible QAPE for the Location Offset if the litigation is sufficiently related to production activity in Australia.

Applicants should ensure that legal expenses that relate directly to qualifying Australian production activity are identified and invoiced separately. This will assist in the preparation of expenditure statements for the Location Offset.

M

Marketing

[see s.376-135 item 5 and subs.376-150(1) items 3 and 4]

Generally speaking, all expenditure related to the marketing, publicity and promotion of the film is excluded from production expenditure and by definition is non-QAPE as it is not for the ‘making of the film’.

However, the legislation provides limited allowances for QAPE claims related to some publicity and promotional expenses. This is limited to expenditure which is:

- incurred in producing material where the copyright in the material is held by an individual or a company that is an Australian resident (e.g. design of the poster, e-books, apps (other than games), and/or
- incurred in producing audio or visual content for the film otherwise than for use in the first copy of the film (e.g. footage for the ‘making of’ DVD, trailer or the Electronic Press Kit (EPK)) before the completion of the film.

Any expenditure on duplication and distribution of the above items is non-QAPE.

For final certification an applicant must provide the relevant documents that confirm the above requirements.

Expenditure on unit publicist services provided in Australia is non-QAPE, except in the event that some production work is undertaken by members of the publicity staff, outside the scope of that which would be considered standard work of a publicity officer. In this scenario, applicants may claim the proportion of expenditure spent doing this work. The applicant must provide evidence of this expenditure for final certification such as a log book of hours worked on film production activities by individual publicity officers and clear description of the activities for which claims were being made with sufficient evidence to demonstrate they were production activities and not publicity activities.

Expenditure relating to marketing consultants’ fees, games, and attendance at conferences, markets and/or festivals is not QAPE.

Medical fees

[see ITAA97 s.376-135 item 1, s.376-150 item 6]

As Film Producer’s Indemnity Insurance (FPI) may be QAPE, expenditure on medical examinations required by FPI insurance may also be QAPE so long as the examination takes place in Australia (see [Insurance](#)).

If international personnel covered by FPI undergo medical examinations overseas these medical examinations are non-QAPE.

Music copyright

[see ITAA97, subs.376-150(1) item 2)]

See [Copyright acquisition and licensing](#).

N

New Zealand

The Australia-New Zealand Closer Economic Relations Trade Agreement (CER) does not apply to government subsidies, tax concessions and measures for nationals of either country. Therefore, New Zealand residents are treated the same as any other 'non-Australian' residents for the purposes of QAPE. Similarly, work in New Zealand by Australians or non-Australians is considered overseas work.

Non-arm's length arrangements

[see ITAA97 s.376-175]

See [Arm's length arrangements](#) and [Interest party](#).

Non-Australian service providers (including crew and cast)

QAPE generally refers to expenditure on goods and services provided in Australia. Therefore:

Expenditure on non-Australian resident cast and crew who work in Australia to provide goods or services is generally QAPE. Please note however that crew are subject to the [Two week rule](#) (see [Two week rule](#)).

Any expenditure on non-Australian resident cast and crew who work outside Australia is non-QAPE.

If a non-Australian crew or cast member is paid a total fee and the work takes place in both Australia and overseas, the applicant must calculate what portion of this fee was attributed to the overseas work and exclude it from QAPE and provide supporting evidence with the application.

If expenditure is incurred on the use of non-Australian goods it may be QAPE if it is for use in Australia for the making of the film. For example, an applicant company hires a camera from the US which will be used during principal photography in Australia, the expenditure on the camera hire can be QAPE.

Apportionment of services provided

Where a service provider's contract does not distinguish between the services provided in Australia and overseas, it may be possible to use apportionment to substantiate eligible QAPE expenditure.

For example, if cast or crew member contracts specify a fixed fee for all services provided, the amount that could be claimed as QAPE could be based on the number of days the cast or crew member provided their services in Australia. To do this, the contract fee should be divided by the total number of days worked to establish a daily rate, then multiplied by the number of days the service was provided in Australia to calculate the QAPE.

When undertaking apportionment calculations, applicants should use the rate which reflects the services provided. For example, where the contract specifies an hourly, daily or weekly rate, and/or rates differ between rehearsals/pre-production, principal photography and post production, then QAPE should be calculated using the appropriate rate for the time spent providing the service.

If services are provided on a part time or on an exclusive basis, the QAPE claim should reflect this and the method of calculating the claim.

In order to apportion costs based on the number of days, the day of departure from or arrival in Australia is considered a day that services are provided in Australia as long as services are provided to the production during part of that day.

Where remuneration of a person is claimed as QAPE and the person in question undertakes work on the production both in Australia and overseas applicants must attach copies of fully executed contracts for such individuals to their application to verify that a reasonable apportionment has been correctly calculated.

O

Overheads (general business overheads)

[see ITAA97 s.376-135 item 4, subs.376-165(1) item 1 and subs.376-165(2)]

Expenditure incurred to meet the general business overheads of the company that are not incurred in relation to the making of the production (or are not reasonably attributable to the activities undertaken, or use of equipment or other facilities for the making of the production) are excluded from production expenditure and therefore QAPE. However, the ITAA97 allows a proportion of the Australian business overheads incurred by an applicant company to be claimed as QAPE.

For the purposes of the Location Offset, the overheads for any single project are capped at 2% of the total production expenditure or \$500,000, whichever is the lesser (see below).

Any general business overheads claimed as QAPE, do not need to be directly related to the making of the production. However, they must be genuinely incurred expenditure for, or reasonably attributable to, goods and services provided in Australia, the use of land located in Australia or the use of goods that are located in Australia at the time they are being used in the making of the film. The amount claimed must represent a reasonable apportionment between those overheads attributable to the making of the film and the overheads attributable to the other activities undertaken by the company during the relevant period.

The Board expects to see the claimed overheads form part of the applicant's original budget and final cost report, as well as being reflected in the general ledger for the project. If the claimed overheads are only shown as a lump sum amount, the applicant may be required to itemise costs and provide evidence that they were incurred.

If a cost has already been claimed as QAPE it cannot also be included as a general business overhead.

As mentioned above, the legislation allows an applicant to be able to claim up to the lesser amount of 2% of the total production expenditure on the film or \$500,000. This does not mean that an applicant can simply claim up to the threshold, the costs must be eligible, as outlined above.

For the purposes of working out the threshold, the total production expenditure must be calculated in accordance with the ITAA97. See [Production expenditure](#) for further information.

Overseas work

Production work (or services) undertaken outside of Australia is never QAPE for the Location Offset.

P

Payroll tax

In most cases payroll tax for eligible cast/crew (for both Australians and non-Australians) is QAPE because it relates to work undertaken in Australia. The general rule is that if the person's remuneration is QAPE then the Payroll Tax paid on that salary is also QAPE. Please note, however, that for crew working in Australia the [Two week rule](#) applies (see [Two week rule](#)).

Per diems

[see ITAA97 s.376-145, s.376-155 and s.376-165(1) item 2]

All per diems paid (i.e. to both Australian and non-Australian residents) to cast and crew working on the production in Australia are QAPE (note, however, that the [Two week rule](#) applies).

Pilot episodes

A pilot (if there is one) may be considered to be part of the television series if made in Australia. Normal rules apply to claim expenditure under the Location Offset.

See [Television series \(including mini-series\)](#).

Pitch reel

See [Sizzle reel](#).

Poster design

[see ITAA97 subs.376-150(1) item 3] See [Marketing](#).

Prior company expenditure

[see ITAA97 s.376-180]

The ITAA97 provides that where one company (e.g. an SPV) takes over the making of the production from a prior company (e.g. the parent company), the new company is deemed to have incurred the expenditure of the prior company. However, note that:

- Expenditure incurred in order for a company to take over a production from a prior company, such as legal work on rights buyouts or reimbursements, is non-QAPE.
- Any expenditure incurred by a company acting in the capacity of a trustee of a trust is always non-QAPE. Therefore, if any expenditure is incurred by either the prior company or the new company when either of those companies is acting in the capacity of a trustee of a trust, such expenditure cannot be QAPE (see [Trusts](#)).
- Expenditure incurred by a sole trader (e.g. an individual) is non-QAPE.
- Any expenditure before 1 July 2007 is non-QAPE.

When determining to what extent expenditure is QAPE, the incoming company is taken to be an Australian resident or foreign resident with a permanent establishment in Australia and an ABN for any period of time when the prior company was an Australian resident or foreign resident with a permanent establishment in Australia and an ABN.

Prizes and prize money

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

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

Production Company Fees

Production company fees are not QAPE because they are not directly related to the making of the film on the applicant production.

Production expenditure

[see ITAA97 s.376-125, s.376-130, s.376-135, s.376-150]

Production expenditure is expenditure incurred both inside and outside Australia for the purposes of making the film. This includes pre-production, production and post production activities and any other activities that are necessary to bring a production to the stage where it is ready to be distributed, broadcast or exhibited to the general public. An applicant company may incur production expenditure in the income year for which an offset is sought or in earlier income years.

Applicants should note that total production expenditure is not required except in circumstances where Australian Business Overheads are being claimed as QAPE in order to determine the amount able to be claimed (see [Overheads \(general business overheads\)](#)).

The following expenditure (non-exhaustive) does not count as production expenditure for the purposes of the Location Offset:

- financing expenditure, **except** for eligible insurances, certain audit and legal services provided in Australia and fees for incorporation and liquidation
- development expenditure incurred overseas (Australian legal fees during development cannot be included **except** where they relate to writer's contracts or chain of title and other underlying copyright issues)
- copyright acquisition expenditure, **except** the acquisition of Australian held copyright for pre-existing work used in the film from an individual or company that is an Australian resident that holds the copyright
- general business overheads incurred overseas
- publicity and promotion expenditure, **except** expenditure incurred in producing Australian copyrighted promotional material or producing additional audio or visual content (other than for the film itself) if incurred before the completion of the film
- residuals, **except** if paid out before the film being completed
- deferrals, profit participation, and advances, and
- expenditure to the extent to which it sets or increases the costs of a depreciating asset.

Total production expenditure cannot include unsubstantiated accrued expenditure, estimates to complete or contingency items.

Production investment agreement (PIA)

[see ITAA97 s.376-135 item 1, subs.376-150(1) item 6]

The PIA is the contract between the producer and investors in the project which sets out the terms and conditions of the investment. All legal work undertaken in Australia on a PIA may be QAPE.

Provisional certificate

A provisional certificate provides a guide as to whether, based solely on the information and assurances provided by the applicant, the Board is satisfied that the film is— if made —likely to meet the legislative requirements for certification for the Location Offset. Applying for a provisional certificate is an optional step and it is not a pre-requisite for a final certificate.

Being issued with a provisional certificate does not guarantee or entitle the applicant to a final certificate, and does not bind the Minister to issue a final certificate.

It is important to note that for provisional certification, the Board will not:

- certify that transactions between associated or interested parties as outlined in the budget are budgeted at arm’s length, or
- audit the claims in your application form and associated documentation but will rely only on the information provided in making its assessment.

Publicity and promotion expenditure

See [Marketing](#).

Q

QAPE

[see ITAA97 s.376-145]

QAPE stands for Qualifying Australian Production Expenditure.

QAPE is the applicant company’s production expenditure on the production to the extent it is incurred for, or reasonably attributable to:

- goods and services provided in Australia; or
- the use of land located in Australia; or
- the use of goods that are located in Australia at the time they are used in the making of the production.

For the Location Offset QAPE can include expenditure on pre-production, production and post-production. A number of specific inclusions and exclusions are described in the legislation and detailed in this Glossary.

QAPE opinions

[see ITAA97 s.376-135 item 1]

For the Location Offset expenditure obtaining ‘QAPE opinions’ from accountants or line producers for cash-flow lenders, investors or guarantors is not QAPE as it is a financing expense.

R

Related party transactions

[see ITAA97 s.376-175]

Related party transactions are referred to as ‘Interested party transactions’, but see [Arm’s length arrangements](#).

Remuneration other than by salary

If cast/crew are contractually remunerated other than by salary (such as by the payment of companion airfares, or where an individual is paid an allowance for their own travel arrangements) such payments will form part of the cast/crew member’s total remuneration.

For example, a non-Australian marquee actor’s fee is \$500,000, and the contract includes an allowance for additional airfares (for his family). In this case, if the expenditure of the additional airfares totalled \$25,000, the expenditure on these airfares may be able to be treated as part of his remuneration and brings his total remuneration up to \$525,000 (plus fringes if applicable).

If the actor undertakes work outside Australia (e.g. for ADR undertaken in LA), the QAPE apportionment must be based on the entirety of his remuneration (including his fee, the companion airfares and fringes if applicable).

This does not apply to the travel expenses that are paid separately to the actor’s contract, for example if they are paid by the production company. In this case, the expenses are not considered remuneration and be subject to the usual QAPE travel rules.

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.

Note that remuneration other than by salary may attract FBT liabilities.

For final certification, the applicant must supply contracts for all personnel who are remunerated other than by salary.

Residuals/buyouts

[see ITAA97 s.376-135 item 8]

Buyouts of residual rights are QAPE if they are paid out before the production is completed and are connected with a person’s fee that is QAPE.

However, any residual payments that are incurred after completion of the film (e.g. triggered by box office receipts or USA TV Sales) are non-QAPE.

S

SAG (Screen Actors Guild) fees

SAG benefits are QAPE to the extent that the wage/salary of the actor is QAPE.

Services embodied in goods

[see ITAA97 s.376-160]

Where goods are located in Australia when used in the making of a film, but the real value of the goods lies in a service embodied in them, the service must be provided in Australia for the expenditure associated with the goods to be QAPE.

This means that where the goods themselves have little or no value as an item, and the value rather lies in the service embodied in those goods, then where the service is provided rather than where the goods are located will be the determining factor on whether QAPE can be claimed.

For example, the cost of animation or special effects work undertaken outside of Australia is not QAPE. If a company contracts the delivery of animation or visual effects work undertaken outside Australia as stock or computer media in Australia the cost of that contract would not be QAPE (although the cost of delivering the stock to Australia could be). The animation or effects work would have to be carried out in Australia for the work to be considered QAPE.

A further example is where a production company engages a wardrobe specialist overseas to provide costumes and the costumes are shipped to Australia. The salary of the wardrobe specialist would not be QAPE, but the cost of the costumes and the freight costs would be QAPE.

Sizzle reel

Expenditure incurred on the preparation of a sizzle reel which is prepared for the purposes of attracting finance is non-QAPE.

Software

Expenditure incurred on the purchasing or use of software may be considered QAPE if it can be demonstrated that the software is directly related to the making of the production in Australia.

Special Purpose Vehicle (SPV)

SPV is an expression used to describe a company formed specifically to produce a film. The SPV will be the company that carried out, or made the arrangements for the carrying out of, all the activities that were necessary for the making of the film in Australia.

See also [Prior company expenditure](#).

Statutory declaration

The information in an application for a provisional or final certificate must be certified as true and correct in a statutory declaration, which must be sworn by a person from the applicant company who is in a position to attest to the veracity of the application form and its attachments. Normally this would be a company director or often the physical producer.

The statutory declaration must be witnessed by somebody authorised at law to witness a statutory declaration. A pro forma statutory declaration is available when you download the application form for either provisional or final certification.

More information is available on the Attorney-General's Department website, including advice on authorised witnesses for a statutory declaration: <https://www.ag.gov.au>.

Temporary changes to execution and witnessing

Temporary changes have been made to the law on Commonwealth statutory declarations, through the [Coronavirus Economic Response Package \(Modifications—Statutory Declarations and Notices of Intention to Marry\) Determination 2021- external site](#) (the Determination). These changes allow Commonwealth statutory declarations to be completed and witnessed electronically. This means you can use an electronic signature to make a Commonwealth statutory declaration. You can also get it witnessed using audio visual technology. A statutory declaration made in accordance with the Determination can be submitted through the SmartyGrants portal, and a hardcopy declaration does not need to be provided to the Department. A pro forma for an electronic statutory declaration is provided in the SmartyGrants portal. These changes are in place until 31 December 2023. Visit the “ [How to complete a statutory declaration](#)” webpage on the Attorney-General’s website to find out more.

Subsequent financial year (to completion of the film)

QAPE may have been incurred in the income year for which the Location Offset is claimed and also in earlier financial years. Any expenditure incurred in a subsequent income year (to the year the production activity ceased in Australian and therefore the year in the claim will be made) is non- QAPE.

See [Accrual basis of expenditure](#).

Substituted accounting period (SAP)

Some applicant companies are authorised by the ATO to use an income year which differs from the usual 1 July to 30 June financial year. This is known as a Substituted Accounting Period (SAP) and can only be adopted by a taxpayer with the Commissioner of Taxation’s permission. Applicants are asked to identify in the final application form whether or not they use a SAP for their company. Any expenditure incurred in an income year (financial year) subsequent to the year the offset is being claimed cannot be claimed as QAPE, so applicant companies with SAPs should note that their differing accounting calendar may impact their QAPE claim.

See also [Accrual basis of expenditure](#).

T

Teaser

See [Sizzle reel](#).

Television series (including mini-series)

[see ITAA97 s.376-20]

For the purposes of the Location Offset, a television series or mini-series of television drama must be made up of two or more episodes that:

- are produced wholly or principally for public broadcast on television under a single title
- have a common theme or themes
- contain dramatic elements that form a narrative structure, and
- are intended for broadcast together in a national market or markets.

In addition to meeting the other requirements of the ITAA97 and the AUD\$15 million QAPE threshold, a television series must also have an average of at least AUD\$1 million of QAPE per hour to be eligible for the Location Offset (see [Expenditure thresholds](#)).

To be considered a television series there must be common elements that draw the episodes of the series into a cohesive whole that are then released under a single title. This can include anthology series that are thematically linked but where plot, setting and characters differ. However different series or episodes produced for different markets or released separately cannot be grouped together to reach the minimum QAPE threshold for eligibility.

Timeframe requirements for television series

A qualifying television series must be completed in a given timeframe. The length of this timeframe depends on whether the series is predominantly an animation or a live action series. The production of a pilot is not included in the timeframe requirements.

If a television series is predominantly a digital animation or other animation, the entire production of the series must be completed within 36 months. This timeframe does not include pre-production activities or the making of a pilot for the television series, but would otherwise start when production expenditure, as defined in the legislation, begins to be incurred.

For a live action or other television series that is not predominantly an animation, principal photography for the series must be completed within 12 months. Once again, the timeframe excludes the photography of any pilot episode. The period also does not include any second-unit photography.

Pilot expenditure (for television series only)

Expenditure on a pilot that is incurred outside of Australia is not regarded as production expenditure for the purposes of the Location Offset. Eligible expenditure on a pilot in Australia may be considered production expenditure and QAPE.

Test screenings

The ability for expenditure on screenings to be claimed as QAPE is very limited. These screenings must be genuine ‘test screenings’, not cast and crew screenings or promotional screenings. Test screenings may involve both technical screenings and preview screenings with audiences. In the latter case, audiences would complete a questionnaire or provide feedback in some form. The applicant may also be asked to provide evidence of the use of a professional research company or details of those who attended the screening as evidence in support of the application.

To be eligible expenditure, test screenings must take place in Australia before the completion of the film.

Title clearances/searches

Generally, expenditure on title clearances and searches is paid to companies based in the USA and as such would be non-QAPE.

Trailer

See [Marketing](#) and [Additional content](#).

Travel

[see ITAA97 subs.376-165(1) items 1 and 2]

Travel in Australia

Travel for Australian and non-Australian residents in Australia is QAPE if deemed necessary to undertaking activities in relation to the making of the production (non-cast members are subject to the [Two week rule](#)).

The principle for expenditure in relation to travel in Australia, is that if a person’s remuneration is QAPE at a location, then the expenditure on their travel to and from that location is also likely to be QAPE.

Travel expenditure can include airfares, accommodation, per diems and transportation (e.g. hire car, taxi, petrol, parking and excess baggage).

Travel to Australia

Similar to travel in Australia, travel for Australian and non-Australian residents to travel to Australia is likely to be QAPE if that person’s remuneration is QAPE. Expenditure on travel from Australia to another country is never QAPE. For example:

- Australian and non-Australian cast members travelling to New Zealand to undertake filming as part of the production can only claim the portion of the airfare to return to Australia. Where the airfare is purchased as a return airfare the cost of the incoming journey is 50 per cent of that return fare.
- Australian and non-Australian non-cast members (crew, producers, executive producers) travelling to New Zealand to undertake filming as part of the production are able to claim the portion of the airfare to return to Australia only if they remain in Australia and work on the film for at least two consecutive calendar weeks (refer to [Two week rule](#)).

The applicant company will need to maintain detailed records of this expenditure.

Travel from Australia to another country is not QAPE as activity undertaken overseas is not eligible QAPE under the Location Offset.

For information about travel relating to people who are NOT cast or crew working on a production, refer to [Remuneration other than by salary](#).

Trusts

[see ITAA97 subs.376-10(1) and subs.960-100(1) and (4)]

A company acting in the capacity of a trustee of a trust is not eligible for the Location Offset and can neither be certified, nor incur QAPE.

It is important to note that this also applies to any ‘prior company expenditure’.

The ITAA97 provides that where one company (e.g. an SPV) takes over the making of the film from a prior company, the new company is deemed to have incurred the expenditure of the prior company. So if, for example, any development expenditure is incurred by either the prior company or the new company when either of those companies is acting in the capacity of a trustee of a trust, such expenditure cannot under any circumstances be QAPE.

Two week rule

[see ITAA97 para.376-155(b)]

The ‘two week rule’ applies to non-cast members (e.g. crew only). All non-cast members (including producers and executive producers), whether Australian or non-Australian residents, must remain in Australia and work on the film for at least two consecutive calendar weeks (14 consecutive nights) for expenditure attributable to their stay to be QAPE (including salary, fringes, per diems, travel, ground transportation and accommodation). Each visit is considered separately.

U

Union fees

Union fees (including to offshore unions) are QAPE where the wage/salary of the person is QAPE (see [SAG \(Screen Actors Guild\) fees](#)).

V

Virtual Production

In order for expenditure on virtual production to be considered QAPE under the Location Offset, the activity needs to be demonstrably undertaken in Australia. This includes crew who must be located in Australia at the time of the activity taking place for salaries to be considered QAPE.

Visas

[see ITAA97 subs.376-165(1) item 2]

The rules for visas, for both Australian and non-Australian residents, follow the same rules as for travel. The principle is that if a person's remuneration is QAPE at a location, then the expenditure on their visa to that location is also QAPE regardless of the country in which the visa is purchased.

W

Online content

[see ITAA97 subs.376-150(1) items 3 and 4]

Expenditure in relation to online content can fall in two areas of the legislation, depending on the use of the content. In some cases, it may fall in the 'marketing/promotion and publicity' provision of the legislation, in other circumstances it may sit in the 'additional content' provision.

Expenditure on establishing a website such as domain name registration, and any ongoing expenditure incurred in relation to website editing/hosting that occurs after the film is completed is non-QAPE.

A breakdown of the expenditure for the website would be required to ascertain what expenditure may be QAPE. See [Marketing](#) or [Additional content](#) for further information.

For online distribution see [Distribution for eligibility](#)

Workers' compensation

In most cases workers' compensation insurance for cast/crew in Australia (for both Australians and non-Australians) is QAPE because it is for work undertaken in Australia. The general rule is that if the person's remuneration is QAPE, then any workers' compensation linked to that salary is also QAPE.