



Australian Government

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

Location Offset glossary

July 2026



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Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts
GPO Box 594
Canberra ACT 2601
Australia

Email: publishing@infrastructure.gov.au

Website: www.infrastructure.gov.au

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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 (as amended by the Location Offset Amendment Rules 2024) (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’ or ‘project’ 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. 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, Sport and the Arts at:

Email: filmenquiries@arts.gov.au

Tel: +61 2 6136 8012

Web: www.arts.gov.au

Screen Incentives Section

Department of Infrastructure, Transport, Regional Development, Communications, Sport 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
FTE	Full-time Equivalent
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
PDV	Post, Digital and Visual Effects
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

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

Producer Offset website—<https://www.screenaustralia.gov.au/producer-offset/>

Screen Australia's International Co-production Program website—www.screenaustralia.gov.au/funding-and-support/co-production-program

Screen Australia Funding and Support—www.screenaustralia.gov.au/funding-and-support

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 is not considered part of the making of the film and is not QAPE.

The cost of an audit provided in Australia, in relation to raising and servicing the financing of the production, incurred by the company that is responsible for making the production, can be considered QAPE if the cost is incurred by the applicant company before the end of the financial/income year that the production is completed.

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.

See [Completed production \(completion of the film\)](#)

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 eligible expenditure related to 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 (the year in which 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.

See [Financial year / income year](#).

Acknowledgement

See [Credits](#) (acknowledgement of Australian Government support).

ACN and ABN

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

All applicants must be either active Australian resident companies or foreign resident companies with a permanent establishment in Australia and an ABN. The applicant must be an eligible company when it incurs QAPE, applies and is being assessed under the Location Offset, lodges an income tax return and when the Location Offset is due to be credited. The company must demonstrate it is registered on the ABN lookup found at www.abr.business.gov.au and through providing a current ASIC company statement.

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 expenditure claimed under 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 by the applicant company before the completion of the film. For example, this could apply to a ‘behind the scenes’ documentary for inclusion as part of the release of the film on an eligible streaming service.

‘Additional content’ 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.

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.

See [Completed production \(completion of the film\)](#).

Advances

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

All payments made by way of an advance on a payment in respect of deferments, 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]

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 – see [Financing expenses](#).

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 a special purpose vehicle (SPV) to make the film may apply for and obtain a provisional certificate before the incorporation of the SPV.

Apportionment of expenses

When claiming fees and services for pre-production, production and post-production, only the amount directly related to the production activities in Australia can be claimed as QAPE for the purposes of the Location Offset.

In order to establish the correct apportionment of fees for services (such as for accounting, audit, legal, producer, director) each case needs to be considered in the context of the individual production and the relative amount of activity undertaken in Australia. For some activities the appropriate apportionment may be calculated based on production schedules (i.e. time spent undertaking tasks). The method of apportionment needs to be justified in the application materials.

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 as 'related parties'. To avoid confusion with the definition in the *Corporations Act 2001*, these parties are described as 'interested parties' in this document (see [interested party](#)).

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 does not hold permanent residency but who has lived in Australia for 12 months and intends to stay permanently, 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 channelled. 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 provide documentation that shows it contracted the work and was invoiced for it. It must also 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 (ITAA97 s.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 excel formats. The financial presentation must clearly identify what expenditure is being claimed as QAPE. If applicants choose to use the Screen Australia budget template, please note that it needs adjustments to fit the requirements of the Location Offset.

Please note that [Reporting Templates](#) must be used to meet reporting requirements. Please do not alter the templates.

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 and the activity is carried out 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 \(all subject to the accrual basis of expenditure\)](#).

Completed production (completion of the film)

[see ITAA97 s. 376-55 (2)]

A production is considered completed when it is first in a state where it could reasonably be regarded as ready to be broadcast or exhibited to the general public.

Completion of the film is defined by the Income Tax Assessment Act 1997 - Section 995.1. It specifies for a completed film under Division 376 to be defined by [subsection](#) 376-55 (2).

Completion guarantee / completion bond

[see ITAA97 s.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 (e.g. 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.

Contribution to the broader workforce

[see ITAA97 s.376-25]

For productions that commence principal photography or production of the animated image on or after 1 July 2023, the production must contribute to the broader workforce and infrastructure capacity of the sector to be eligible for the Location Offset. There are a range of ways to meet this new eligibility criteria (see [Eligibility Criteria](#)).

Copy of the completed production

[see ITAA97 s.376-245]

Within 30 days of a certified production'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 can be provided as a link to an online copy of the production or by posting to the Department on a PC formatted USB, DVD (region 4 or unrestricted) or Blu Ray. The copy of the production is required to verify that the production is ready for 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 one 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 relay 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 licence for the copyright in Australia. As in other contexts, the applicant will need to supply invoices to substantiate the claim and confirm that the applicant company has incurred the costs associated with acquiring the copyright licence. 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 non-QAPE.

Credits (acknowledgement of Australian Government support)

Acknowledgment of Australian Government support is welcome.

However, 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, they should 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. For example, in a situation where 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 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 are non-QAPE (but see [Investment of fees](#)).

Deliverables

Deliverables need to form part of the first-copy exhibition arrangements to be considered QAPE. At the time of applying for final certification, the relevant documentation needs to be provided to substantiate the QAPE claims.

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:

<https://www.ato.gov.au/law/view/document?Docid=TXR/TR20073/NAT/ATO/00001> (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 (i.e. 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 (i.e. the difference can be claimed as an expense).

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.

For information about infrastructure to meet the contribution to the broader workforce and infrastructure capacity of the sector requirement, see [Infrastructure](#).

Development expenditure

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

Expenditure on development work undertaken in Australia may be considered QAPE under 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
- Script writing
- 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 qualify as QAPE if legal services are provided in Australia.

The purchase of story rights/options or sequel fees are considered part of development costs and 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](#)).

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

Digital declaration

Applicants to the Location Offset are required to make a digital declaration under Part B of Schedule 2 of the Rules. The declaration is on the final page of the application form.

The information provided in your application (and in any subsequent requests for additional information) will be used by the Department to administer the Location Offset. The *Taxation Administration Act 1953* imposes administrative penalties on any entity that makes a false or misleading statement, or takes positions that are not reasonably arguable, to the Commissioner of Taxation or another entity exercising powers or performing functions under a taxation law. When submitting information to support an application to the Location Offset, it will be deemed to be made as a tax declaration. Any such statement could attract substantial penalties under taxation laws.

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 is not QAPE.

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
- the extent to which the film explores an idea or a theme

- the extent to which the film has an overall narrative structure
- 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](#).

Eligibility Criteria

There are six key criteria that must be in place for the production to be eligible to apply for the Location Offset. Please see the relevant links in the glossary for further information.

- see [Australian resident company](#)
- see [Exhibition for eligibility](#)
- see [Eligible formats](#)
- see [Expenditure thresholds](#)
- see [Post Digital Visual Effects Eligibility](#)
- see [Training](#) or see [Infrastructure](#)

When applying for a final certificate, applicants will also be required to provide data about employment on the production, the use of Australian service providers and businesses, filming locations, and any other activities carried out by the production as part of an application. For more information on what is required see [Final Reporting Obligations](#).

Eligible formats

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

The following formats are eligible for the Location Offset:

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

Eligible end-user arrangements of eligible formats can include theatrical release, television broadcast or online exhibition.

The following formats are ineligible for the Location Offset:

- short films,
- documentary features (although 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 parties, 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 their 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](#).

Exhibition: Eligibility Requirements

[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 exhibition to the public as a video recording (whether on video tapes, digital video disks, online exhibition or otherwise).

The requirement of exhibition to the public can be satisfied by exhibition anywhere in the world. Evidence of an end-user agreement with an eligible platform, such as a broadcaster or streamer, is required to support an application. Evidence can include the end-user agreement or a letter from the eligible platform confirming the intent to release the production.

Eligible exhibition pathways can include theatrical release, television broadcast or online exhibition.

Please note that a sales agent agreement, or a like agreement that is not an agreement with an eligible platform, does not meet this requirement.

Exhibition (Online Platforms)

For the exhibition eligibility requirement to be fulfilled, there needs to be an end-user agreement in place between the producer and an eligible platform.

Eligible online exhibition platforms are considered to be curated platforms where there is an agreement in place between the producer and the platform. Curated platforms are those where the service provider maintains editorial responsibility and content is commissioned/acquired through a contract. Generally, consumers pay a fee to access this content but not always. Editorial responsibility means control over the selection and organisation of programs on the service.

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, including the monthly 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 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—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:

- the date of commencement for principal photography (or for an animation the commencement of production of the animated image) in Australia,
- the date of completion of all production activity in Australia,
- the 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), and
- 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\$20 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\$1.5 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 \$1.5 million of QAPE per hour:

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

Productions that commence principal photography or production of the animated on or after 1 July 2023 are required to meet eligibility criteria that are aimed at contributing to the broader workforce capacity of the Australian screen sector. One of the ways this must be met is through meeting a minimum expenditure threshold on eligible training activities. For more information see [Training](#).

If your production commenced principal photography or production of the animated image before 1 July 2023, please contact the Screen Incentives Section film enquiries@arts.gov.au.

F

Final reporting obligations

Final reporting obligations apply to productions that commence principal photography or production of the animated image on or after 1 July 2023.

As part of the final certification process, applicants will be asked to provide data about the activities of the production in Australia. This includes information about employment on the production, the use of Australian service providers and businesses and filming locations.

Applicants are requested to provide the information in the spreadsheet templates, uploaded as part of a Location Offset final application. The questions and spreadsheet templates applicants must complete as part of a Location Offset final application are available on the department's website for your information and planning. Applicants should familiarise themselves with these questions and the format that this information is to be provided so this can be easily completed at final certification - see [Location Offset Final Reporting | Office for the Arts](#).

Providing this information is specified in the Rules and forms part of a complete application. Applicants will not be able to submit the final application until this information is provided. Incorrectly formatted spreadsheets will also not be accepted. There may be circumstances where some information is not available or cannot be provided. In these circumstances applicants should contact the Screen Incentives Section to discuss any issues they may have with supplying the information requested.

The questions request that employment numbers are converted into full-time equivalent. A calculation tool has been developed to assist – see [Full Time Equivalent](#).

This information is not requested or required to be provided as part of a provisional application.

Financial year / income year

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

QAPE for the purposes of the Location Offset can be incurred in any financial year up until the end of the financial year (or applicable income year) in which QAPE ceased to be incurred.

The ITAA97 uses the term 'income year' because 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 acquit 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 within 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 (a non-QAPE activity), 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.

Full-time Equivalent (FTE)

FTE, or full-time equivalent, is the ratio of the number of hours worked relative to the typical number of hours a full-time employee works. In Australia, the standard weekly hours in screen production are 50, or five x 10-hour days. The general make-up of the 50 hours is 38 standard working hours and 12 hours of (normally scheduled) overtime.

No employee can be greater than 1.0 FTE. An FTE of 1.0 is equivalent to a full-time worker. If a part-time or casual worker is employed for 25 hours a week where full-time work consists of 50 hours, this is counted as 0.5 FTE. If a full-time worker works overtime for 60 hours a week, this is counted as 1.0 FTE.

As part of the final certification process, applicants are asked to provide employment data converted into FTE. To assist with providing this data in a consistent manner, a calculation tool has been developed and is available at [Location Offset Final Reporting | Office for the Arts](#).

G

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 are non-QAPE. However, the ITAA97 allows a proportion of the Australian general 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 per cent of the total production expenditure or \$500,000, whichever is the lesser (see below). 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.

Any general business overheads claimed as QAPE must be genuinely incurred 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. All costs must be eligible, and applicants should avoid simply claiming the maximum permissible amount. 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.

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

Incurred

Expenditure must be ‘incurred’ by the applicant company on the applicant production for it to be considered production expenditure.

Expenditure is incurred when payment is made. However, unpaid expenditure may still be incurred provided that the applicant company is under a current existing legal liability to pay it. This means that a legal obligation to pay the amount must have come into existence before or in the relevant income year for which an offset is sought. While the legal obligation needs to have come into existence up to and including the relevant income year, it is not necessary for it to be paid in that particular income year. See Accrual basis of expenditure.

You need to provide evidence that claimed expenditure has been incurred. For unpaid expenditure, you will need to provide evidence of the current existing legal liability to pay the amount. This may include copies of any relevant contracts and corresponding invoices.

Expenditure is not incurred if it is impending, threatened or expected. There are also specific exclusions where expenditure is agreed to be deferred and paid out of receipts, earnings or profits from the production, or is otherwise dependent on the commercial performance of the production. The ITAA 376-135 expressly excludes deferments (item 6) and profit participation (item 7) when determining if expenditure is QAPE.

Infrastructure

[see ITAA97 s.376-28]

A production may meet its contribution to the broader workforce eligibility requirement by establishing permanent film and television infrastructure in Australia. While the eligibility requirement may be met by establishing permanent infrastructure, it is possible that expenditure related to this will not meet the definition of QAPE. Division 376 does not allow the purchase costs of property to be claimed as QAPE. It is a capital investment rather than expenditure directly incurred in film production. Acquisition of land/buildings is not production expenditure, it is an investment in an asset.

As part of final certification, applicants will be required to complete a report on the infrastructure projects progress and outcomes. As part of the assessment of the infrastructure project it must demonstrate it has contributed to alleviating capacity constraints in the Australian screen sector. Therefore, it is unlikely that an infrastructure project that is not completed will meet the eligibility criteria.

Infrastructure must be permanent and provide an ongoing benefit for the Australian screen sector, this includes upgrades to existing infrastructure. Infrastructure refers to buildings and permanent structures. Equipment and set builds, for example, are not considered infrastructure.

Some examples of infrastructure that the Board may consider meets this eligibility criteria includes: building a new studio facility, building a water tank, improving sound-proofing at an existing studio facility or building new permanent administration offices at an existing studio facility.

In order to meet the contribution to the broader workforce requirement through an infrastructure build, applicants will need to consider:

- the size of a production(s) seeking to establish infrastructure is commensurate with the scale of the infrastructure project;
- the required cost, scale and location of the proposed infrastructure is reasonable and appropriate; and
- the infrastructure has contributed to alleviating capacity constraints in the Australian screen sector.

Depending on what is being proposed and delivered, it may be appropriate for more than one production to meet its contribution to the broader workforce requirement through association with the infrastructure activity. The number of productions proposed to be associated with the infrastructure activity will need to be identified at *Provisional Certification – Infrastructure*.

Infrastructure example 1:

An independent production company has solar panels and battery storage installed on one production office building at a studio facility. The studio facility confirms that this reduces running costs and therefore the cost to productions looking to hire the office facility making it more accessible to local productions alleviating pressure on other affordable facilities. One production is assessed as meeting the contribution to the broader workforce eligibility requirement through this investment.

Infrastructure example 2:

A major US Studio contributes to the construction of a soundstage at a new studio facility being built. This increases soundstage capacity at the new facility and nationally while also being built in a state where no large studio facilities currently exist. Five productions are assessed as meeting the contribution to the broader workforce eligibility requirement through this investment.

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 [Completion guarantee / completion bond](#).

For final certification, insurance details must be itemised and substantiated with relevant agreements and supporting documentation.

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.

For costs related to insurance (including payouts) to be considered QAPE, expenditure must be incurred by the applicant company before the end of the financial/income year in which the production is completed.

See [Completed production \(completion of the film\)](#).

Interest payments

[see ITAA97 s.376-135 item 1]

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

Interested party

[see ITAA97 s.376-175]

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 holding, parent, sister company or 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, or
- 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, or
- reinvestment deals with post-production houses.

All transaction with interested parties must meet the principles of arm's length (see [Arm's length arrangements](#)).

As part of its recommendation to the Minister or the Minister's delegate, the Film Certification 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 or the Minister's delegate 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.

Investment of fees

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

Investment of fees is an arrangement where a person or company providing services to a production chooses to invest a portion of their fee towards the cost of the production.

To meet the definition of QAPE the expenditure must be properly incurred (see [Incurred](#)). Investment of fees arrangements must be fully and properly documented. Where the investment of fees is being claimed as QAPE, it will be treated as interested party expenditure (see [Interested party](#)).

Where the investment arrangement requires payment from the production's earnings, these arrangements are not QAPE. That is because the legislation expressly specifies that each of the following kinds of expenditure are not production expenditure and are not QAPE:

- amounts that are payable out of the receipts, earnings or profits from the film, or
- amounts that depend on the receipts, earnings or profits from the film, or are otherwise dependent on the commercial performance of the film.

See [Deferments/deferrals](#).

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.

These costs are only considered QAPE when incurred by the applicant company before the completion of the film.

See [Completed production \(completion of the film\)](#).

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 logbook 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 Examinations

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

Expenditure on medical examinations may be QAPE if an insurance requirement. For example, medical examinations required by Film Producer's Indemnity Insurance (FPI) may 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. 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-Australian service providers (including crew and cast)

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

- Expenditure for 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.

Non-Australian service providers - 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

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 exhibition see [Exhibition for eligibility](#)

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) as long as the relevant individual's salary is QAPE.

Pilot episode

A pilot episode (if there is one) may be considered to be part of the television series if made in Australia.

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

Normal rules apply to claim expenditure under the Location Offset. Expenditure on a pilot episode that is incurred outside of Australia is not QAPE for the purposes of the Location Offset.

A qualifying television series must be completed in a given timeframe.

See [Timeframe requirements for television series](#).

Pitch reel

See [Sizzle reel](#).

Post, Digital and Visual Effects (PDV)

[see ITAA97 s.376-20]

To be eligible to access the Location Offset, one or more Australian providers must be used to deliver post, digital and / or visual effects for the production in Australia. There is no minimum expenditure that applicants must spend on PDV activities in Australia.

To meet the eligibility criteria, the Board will expect to see the applicant company contract at least one Australian company or Australian individual operating as a sole trader to deliver post, digital and / or visual effects for the production in Australia. The Australian company or Australian individual operating as a sole trader must have a different ABN to the applicant company.

Activities that are eligible to qualify as post, digital and visual effects are those that are eligible under the PDV Offset. Subsection 376-35(2) of the ITAA97 defines PDV for the purposes of the PDV Offset as:

- the creation of audio or visual elements (other than principal photography, pick-ups or the creation of physical elements such as sets, props or costumes) for the film, and
- the manipulation of audio or visual elements (other than principal photography, pick-ups or the creation of physical elements such as sets, props or costumes) for the film, and
- activities that are necessarily related to the activities mentioned in the above two points.

In relation to the third point, please be aware that activities that are only related to PDV activity do not meet the eligibility criteria on their own. The legislation states that an Australian company must be contracted to deliver post, digital and visual effects production on the production in Australia.

Some expenditure, while considered an eligible activity under the PDV Offset, is only eligible where it relates to PDV activity. Examples of these are hiring of offices and equipment, legal expenses and copyright. To meet the Location Offset eligibility requirement, a company must be contracted to carry out PDV production in Australia and not just to deliver goods or services that are only eligible when they relate to PDV activity.

General business overheads are not considered an eligible activity to meet this requirement as they are not, and do not relate to, PDV activity.

At final certification, applicants will be required to report on these activities as per the below:

Provider Name	Picture Dailies and/or data management	Picture post	Picture Title design	Music supervision	Music Score	Sound post	VFX	Other	Other—please detail	Total
									Enter details of activity	
	\$	\$	\$	\$	\$	\$	\$	\$		\$
	\$	\$	\$	\$	\$	\$	\$	\$		\$

Post, digital and visual effects activities undertaken on the applicant production in Australia may be claimed as QAPE under the Location Offset.

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 incoming company may incur the expenditure of the prior company. In order to access the prior company expenditure allowance, the legal arrangements between the prior company and the incoming company need to confirm and substantiate that the expenditure incurred meets the definition of QAPE and that the applicant company has incurred the costs during the making of the production. Applicants are encouraged to seek legal advice to make sure arrangements meet the legislative requirements so prior company expenditure is incurred correctly by the applicant company and meets the definition of QAPE.

Please note that:

- The prior company expenditure will be interrogated at final application to ensure that all costs claimed meet the definition of QAPE on the applicant production and that the costs were incurred during the making of the production. A detailed general ledger of the prior company expenditure needs to be submitted with the application and form part of the audited statements. You may also be asked to provide detailed information about the prior company's activities, including contracts and payslips to verify work is eligible.
- When determining to what extent expenditure is QAPE, the incoming company is taken to be the prior company when the prior company was an Australian resident or foreign resident with a

permanent establishment in Australia and an ABN. The following items are **excluded** from QAPE under the prior company expenditure provision:

- 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 incoming 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 incurred before 8 May 2007 is non-QAPE.

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 Services Fees

Production company fees / production services fees are not QAPE because they are not directly related to the making of the film on the applicant production. Activities that are often included under production company fees or production services fees, such as [legal](#), [accounting](#) costs or [visa application fees](#), may be claimed as individual QAPE items.

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 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 General Business Overheads are being claimed as QAPE in order to determine the amount able to be claimed (see [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 promotional 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,
- deferments, 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.

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.

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.

Applicants implementing a long-term structured training program or establishing permanent film and television infrastructure should apply for either Provisional Certification – Training or Provisional Certification – Infrastructure.

For all other productions, applying for a provisional certificate is optional. For productions that do not intend to apply for a provisional certificate, it is recommended that the production is registered with the Screen Incentives Section. Registration is quick and easy and allows for monitoring of productions that intend to film in Australia. Registration of a production can be done through www.arts.gov.au/production-registration-form.

Provisional Certification – Infrastructure

If a production intends to invest in permanent infrastructure in Australia to meet the contribution to the broader workforce requirement, it is recommended you apply for *Provisional Certification – Infrastructure*. This allows for consideration of the proposed infrastructure project before it is established.

The company that applies for *Provisional Certification – Infrastructure* should be the company that can provide information on the infrastructure project and what productions will be seeking to be associated with the infrastructure project.

At *Provisional Certification – Infrastructure* applicants will be required to provide information about:

- the type of infrastructure project: whether it is new or an upgrade to existing film and television infrastructure;
- what the infrastructure is or what it will be used for;
- the size or scale of the project, if relevant;
- the location of the project and anticipated timing for its construction;
- total cost of the project and your investment or involvement;
- who will own or manage the infrastructure on an ongoing basis;

- other partners on the project; and
- how the project will contribute to alleviating capacity constraints in the Australian screen sector.

The *Provisional Certification – Infrastructure* application is assessed by the Board.

For more information on investing in infrastructure to meet the eligibility criteria under the Location Offset, see <https://www.arts.gov.au/publications/location-offset-training-and-infrastructure>

Provisional Certification – Training

If a production intends to meet the training requirement through a long-term structured training program, it is recommended you apply for *Provisional Certification – Training*. Applying for *Provisional Certification – Training* allows for consideration of the proposed training program before it is established.

The application can be done by the company that developed and will run the training program and can identify what productions will be seeking to be associated with it. Alternatively, if there are multiple different companies associated with developing and delivering the training program, a production services coordinator may apply to *Provisional Certification – Training* on all their behalf.

At *Provisional Certification – Training* applicants will be required to provide information about the long-term structured training program, including:

- how the training program helps alleviate capacity constraints in the Australian screen sector
- what skills or roles are targeted by the training program and why the program targets these areas
- whether the program encourages industry partnerships
- how the program addresses health and safety and promotes equity, diversity and inclusion
- the recruitment process for trainees and whether it provides opportunities for people from regional and/or remote regions
- the number of expected trainees

The *Provisional Certification – Training* application is assessed by the Board.

For more information on developing a training program to meet the eligibility criteria under the Location Offset, see <https://www.arts.gov.au/publications/location-offset-training-and-infrastructure>

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.

For clarity, only costs that are genuinely incurred by the applicant company in the making of the film in Australia can be considered QAPE. If costs are incurred for activities being delivered outside of Australia or on other productions, the costs must be apportioned. 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 a 'QAPE opinion' 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' (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.

Re-versioning

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

QAPE defined as those things necessary for the production of the first copy of the film. Therefore, costs associated with additional or multiple versions of a production are non-QAPE. Only costs associated with the first version of a production can be claimed as 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.

Sole Trader

To be eligible to access the Location Offset, one or more Australian providers must be used to deliver post, digital and/or visual effects for the production in Australia.

The provider/s can be an Australian company or Australian individual operating as a sole trader.

Sole traders will need to be registered as a sole trader and have an Australian Business Number.

The Australian company or Australian individual operating as a sole trader providing the post, digital and/or visual effects services on the production can be a related party to the applicant company. However, arrangements must still reflect a legitimate arm's length arrangement.

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

See [Digital declaration](#)

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.

Expenditure relating to insurance, audit and legal services relating to the financing of the film and incorporation and liquidation of the company must be incurred in the financial/income year that the production was completed or in earlier years (after 1 July 2007) to be considered QAPE. Expenditure incurred for these activities in a subsequent financial/income year to the completion of the production is non-QAPE.

Expenditure relating to PDV activity to produce additional content for the production must be incurred before the completion of the production to be considered QAPE. Additional content expenditure incurred after the completion of the production 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. 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\$20 million QAPE threshold, a television series must also have an average of at least AUD\$1.5 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.

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](#).

Training

Productions that commence principal photography or production of the animated image on or after 1 July 2023 are required to meet eligibility criteria that are aimed at contributing to the broader workforce capacity of the Australian screen sector.

Every production accessing the Location Offset must meet or exceed a minimum expenditure requirement on eligible training activities.

A production may apply for an exemption if they invest in:

- a long-term structured training program; or
- permanent film and television infrastructure in Australia.

Minimum Training Expenditure

Expenditure on eligible training activities that may contribute to the minimum expenditure requirement include, but are not limited to:

- paid attachments relating to any position on the production, including pre-production, production management, production and post production;
- paid internships and apprenticeships related to all positions on the production;
- cast and crew training for any activity that is necessary on the production, including pre-production, principal photography and post-production activities;
- cast and crew training for related activities such as physical and mental health and safety training, first aid, security and cultural sensitivity training;
- equity, diversity and inclusion training and initiatives;
- environmental sustainability training;
- training and development management costs, such as a training coordinator;
- mid-level and advanced career training and attachments, including creativity and leadership training;
- specialty training requirements related to the production including skills acquisition and development;
- any additional costs related to training such as office space and equipment hire; and
- apportionment of onset training and mentoring.

Activities such as induction and entry-level positions are not automatically classified as training activities. Training activity refers specifically to opportunities that equip participants with transferable skills applicable across multiple roles or workplaces.

For expenditure to be considered QAPE, it must be incurred by the applicant company, be related to the making of the production in Australia, be market rate and substantiated with relevant documentation such as contracts that detail the training activity. The training activity will need to be connected to individual cast and crew with an eligible QAPE salary working on the applicant production in Australia.

A third-party can deliver training for the production. The Board may request applicants substantiate the training providers' credentials or history of providing training in Australia if the delivery partner is not well known.

While expenditure on general training activities for crew may contribute to meeting the minimum expenditure threshold, it is expected that applicants will engage individuals to undertake specific training on the production across entry level, mid-career and upskilling participants. As a guide the expected number of participants that should be engaged on each production is as follows:

- For projects with a total QAPE between \$20 million to \$50 million, it is expected that at least five or more participants will be engaged.

- For projects with a total QAPE between \$50 million to \$90 million, it is expected that at least eight or more participants will be engaged.
- For projects with a total QAPE of \$90 million or more, it is expected that at least 10 or more participants will be engaged.

To demonstrate expenditure has occurred on training activities, the Board may request applicants to provide a detailed training plan and outcomes report for each participant as part of an application for final certification. The Board may request the training plan include details on the specific training that the participants received over the course of the production, who delivered the training on-set, milestones the participant met and an evaluation from the participant on the training they received.

Calculation of training requirement

Training costs need to meet the definition of QAPE and form part of the Total Production Expenditure. The minimum expenditure requirement is based on the final certified QAPE amount. For example:

- If a production is claiming \$42 million in QAPE for a production that starts principal photography on 1 December 2024, at least \$210,000 of its \$42 million of QAPE will need to have been spent on eligibility training activities.
- If a production is claiming \$130 million in QAPE for a production that starts principal photography on 30 October 2025, at least \$500,000 of its \$130 million of QAPE will need to have been spent on eligible training activities.
- If a production is claiming \$35 million in QAPE for a production that starts principal photography on 1 August 2026, at least \$350,000 of its \$35 million of QAPE will need to have been spent on eligible training activities.

Top-up payment

As the minimum training expenditure requirement is a percentage of QAPE, if a production's QAPE increases throughout the making of the film, so does the minimum training requirement amount the production must spend to be eligible to claim the offset.

A production may have an unexpected cost increase towards the end of its activities in Australia and it may not be feasible to increase training activities and expenditure at the required level to meet the increased minimum training expenditure requirement.

To accommodate this, in the event a production's costs overrun and they cannot make up the shortfall through training activities on the production, that production can make a top-up payment to meet the shortfall as long as the payment is:

- made to an eligible provider;
- not greater than 50 per cent of the production's total minimum training expenditure requirement;
- paid after principal photography has commenced in Australia but before the making of the film ceases or the production ceases incurring QAPE (whichever is earlier).

For example: a production with an anticipated QAPE spend of \$30 million commences shooting in Australia on 20 July 2026. It is required to spend 1 per cent of its QAPE on eligible training activities in Australia which equates to \$300,000. The production films with the training activities taking place during this time and the expenditure calculated to meet the \$300,000 requirement. The budget of the production then increases by \$4 million to \$34 million due to change orders altering the scope of work for the post, digital and visual effects being undertaken in Australia. The minimum expenditure for training therefore increases by \$40,000 to \$340,000 (1 per cent of \$34 million). However, there is no training taking place during PDV period and no ability for the production to hire a trainee or implement training activities to make up the unexpected shortfall. In this case, the production pays \$40,000 to AFTRS to meet its minimum training expenditure requirement.

Test: Is the payment to Australian government training organisation equal or less than 50 per cent of total minimum training expenditure requirement (\$340,000*50 per cent = \$170,000). In this case production has met its minimum training expenditure threshold and meets the eligibility criteria because the shortfall payment to AFTRS is less than \$170,000.

While the payment must be incurred by the applicant company prior to the completion of the film so it can contribute to the production meeting its minimum requirement, as it is not expenditure that is related to goods or services provided in Australia on the applicant production, it is not considered QAPE.

An eligible provider is defined as an entity that either:

- offers tertiary courses in screen production; or
- is an NVR registered training organisation (within the meaning of the *National Vocational Education and Training Regulator ACT 2011*) that offers VET accredited courses (within the meaning of that Act) in screen production.

While applicants are restricted to payments that total no more than 50 per cent of the total minimum requirement to an eligible provider, this does not restrict productions from working with these same eligible providers to meet their full minimum training expenditure requirement through delivery of training in relation to the making of the production in Australia.

For productions that incur expenditure in foreign currency, the QAPE figure that is used for the purposes of meeting the expenditure threshold is also the QAPE figure used to determine the minimum expenditure requirement on training activities.

Long-term structured training program

This option aims to encourage the establishment of a long-term structured training program rather than other short-term production-based initiatives or meeting the minimum expenditure requirement. It is designed to encourage ongoing and sustained activity that supports capacity building in the broader Australian screen sector.

There is no minimum expenditure requirement for a long-term structured training program. When assessing if a production has met the contribution to the broader workforce requirement through a long-term structured training program, the Minister for the Arts will consider:

- mentoring, industry partnerships and work experience placements facilitated by the training program;
- skills shortages in the Australian screen industry that are addressed by the training program;
- activities connected with the training program contribute to improvements in health and safety, diversity and inclusion in the Australian screen industry;
- any matters specified in Rules, including those related to the above matters.

Organisations such as the relevant state or territory screen agency can provide information on the skills gaps for their jurisdiction. Screen Australia and Ausfilm can also provide advice in relation to broader sector skills gaps and training needs.

As part of final certification, applicants will be required to complete a report on the training activities undertaken on that particular production as part of the program and the outcomes.

A long-term structured training program can only be established by organisations that have control over or can maintain oversight of productions that the training program is to be delivered through e.g. a film studio. This organisation should remain responsible for the long-term structured training program including granting approval to any production(s) outside of the organisation that may want to access it. While training providers can be hired to assist in the development and delivery of a long-term structured training program, it is unlikely they will be able to maintain a standalone long-term structured training

program in its own right as there are limits to the control and oversight they have over production activity.

For more information on developing a training program to meet the eligibility criteria under the Location Offset, see [Location Offset—Training and Infrastructure | Office for the Arts](#).

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](#)).

If a person's remuneration is QAPE, then the expenditure on their travel in Australia 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 (if they continue working on the production). 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](#).

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

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.