Treasurer's Economic Reform and Productivity Roundtable

Submission from Live Performance Australia

SUMMARY OF POLICY PROPOSALS

Build Economic Resilience	
Attract new investment by ...	✓ Introducing 40% **Live Theatre Production Incentive for commercial and not-for-profit theatre producers** to attract investment in a globally competitive market**.** **Positive ROI with 40% offset**
	✓ **Incentivising Tax Deductible Donations**: increase tax deductible donations to 1.5x amount of gift.
Attract and retain skilled workforce by ...	✓ **Extending Public Benevolent Institutions (PBI) status** to a broader range of arts and cultural institutions.
	✓ **Supporting nation-wide industry led training initiatives**, so that workers gain practical and relevant skills and experience.
Improve productivity	
Reduce red tape by ...	✓ **Removing barriers in the migration system:** add musicians and dancers on the Core Skills Occupation List.
	✓ **Harmonising occupational licensing and other requirements** to enable touring productions to operate more efficiently.

INDUSTRY CONTEXT

Our live performance industry engages, entertains, educates, and inspires audiences of all ages and backgrounds. It contributes to the economic, social and cultural vibrancy of our cities, towns and suburbs. The creative vision and skills of Australian artists, performers, technical and production workers are internationally renowned. There were more than 30 million ticketed attendances for live performance events in 2023 which generated more than $3 billion in ticket revenue.[i]

The live performance industry creates jobs, drives economic growth, and brings Australians together in the sharing of creative and cultural experiences. Our creative and performing arts organisations and businesses are an integral part of Australia's **$64 billion cultural and creative industries** which collectively contribute around 2.5% of GDP (comparable in size to either the agriculture and forestry or accommodation and food services industries). [ii] Over the last 15 years, the sector has grown by 62%.[iii] The performing arts alone saw its GDP contribution rise from $1.5 billion in 2008-09 to $2.4 billion in 2022–23.[iv] The arts employed 282,000 workers in cultural and creative industries in 2021 and more than 300,000 today.[v]

THE OPPORTUNITY

We can strengthen the economic, cultural and social impact of our live performance industry through targeted measures aligned with already proven models for attracting investment and driving growth, including incentives for live theatre and orchestras.

Australian governments have recognised the value of these incentives in supporting local industry. The Australian Screen Production Incentive has been in place since 2007, and an incentive for digital games development was introduced in 2023.

The principles behind these measures, such as boosting investment and economic, employment and skill development opportunities for Australian workers apply across the live performance industry as well.

Developing a new theatre or orchestral production demands considerable upfront investment — financially, creatively, and logistically. It involves dedicating extensive time to development and rehearsal, and covering significant upfront costs for talent, venue hire, design, and technical production. These challenges are compounded by the uncertainty of audience turnout and revenue.

Significantly increased costs, tighter operating margins, cost of living pressures for audiences and government funding that has not kept pace with the cost of production and touring have destabilised the live performance industry. For the industry to remain sustainable and resilient, there needs to be an environment that encourages new investment and innovation, particularly additional sources of investment to complement current revenue streams for both commercial and not for profit organisations.

The absence of production incentives in the live performance industry puts Australian theatre producers at a particular disadvantage when they are competing for investment support from local and international investors who can just as easily invest in productions in the United Kingdom and United States which offer cultural tax incentives.

The United Kingdom in particular offers attractive incentives through its Theatre Tax Relief and Orchestra Tax Relief schemes. In addition, the live performance industry also competes against other local sectors (screen and digital games) for investment, due to incentives currently offered by the Australian Government towards these industries.

Skills Shortages and Workforce Productivity

Australians working in the live performance industry are internationally recognised and acclaimed for their creative, production and technical skills and capabilities. However, the industry is experiencing challenges in attracting and retaining skills and providing a secure career pathway. Key skills shortages exist in production and technical roles, as well as in attracting workers with IT, finance, marketing and philanthropy skills.

Workforce productivity and operational efficiency are hindered by restrictive migration settings that restrict the ability to secure the best talent, and licensing and other business requirements that differ across jurisdictions.

Targeted incentives which improve workforce capability and encourage more production activity will help to build sustainable career pathways in the live performance industry enabling it to attract skilled workers and provide them with rewarding employment opportunities and careers.

POLICY PROPOSALS

A 40% Live Theatre Production Incentive (Positive Return on Investment)

LPA is proposing to establish a new sustainable, long term funding source for Australian-made theatre to support the arts and creative industries (in addition to earned revenue through ticket sales, philanthropic and government support).

A **Live Theatre Production Incentive** will drive investment in Australian-made theatre by offsetting the costs of developing and producing live theatre. It will also create more jobs, stimulate industry activity (including hospitality and tourism) and deliver **a positive return on investment** for the government across the commercial and not-for-profit sectors.

Economic Contribution	40% Offset	50% Offset
Additional Employment (FTE)	4,151	5,136
New productions	168	210
Added Industry output (direct &indirect)	$1,505m	$1,862m
Added Industry value (direct & indirect)	$486m	$601m
Tax forgone	$93m	$116.2m
Tax received	$117.3m	$145.1m
Net tax position	$24.3m	$28.9m

Source: EY (2024), The benefits of providing tax offsets to Australian theatre producers, Live Performance Australia, August 2024

The incentive would be provided as a tax offset for commercial producers, or as a rebate for not-for-profit organisations. It would apply to defined eligible production expenses, similar to arrangements already in place for the screen and digital games industries, as well as the successful Theatre Tax Relief (TTR) scheme in the United Kingdom. The incentive could be administered through the *Income Tax Assessment Act 1997* alongside the arrangements already in place for the screen and digital games industries (divisions 376 and 378).

Refer to **Attachment 1** for a summary of the key benefits and economic impact of a Live Theatre Production Incentive and **Attachment 2** for full details of the proposal.

LPA also supports the development of a similar production incentive for orchestras, modelled on the UK Orchestra Tax Relief which provides a rebate on core production expenses involved in presenting orchestral concerts.

Additional Initiatives

Other initiatives to attract new investments, address skills shortages and improve productivity include:

- **Extension of the Public Benevolent Institutions (PBI) status** to a broader range of arts and cultural institutions (so that not-for-profit companies can offer more attractive salaries/benefits to attract and retain staff).
- **Increasing tax deductible donations** to 1.5x amount of gift.
- **Supporting nation-wide industry-led training initiatives** (so that workers gain practical and relevant skills and experience).
- **Removing barriers in the migration system** that inhibit the ability of live performance employers to attract the best talent from overseas (musicians and dancers are excluded from the Core Skills Occupation List (CSOL)).
- **Harmonising occupational licensing and other requirements among the various states and territories** to improve operational efficiency and reduce the regulatory burden associated with touring productions nationally.

ABOUT LPA

LPA is the peak body for Australia's live arts and entertainment industry. Established over 100 years ago in 1917 and registered as an employer organisation under the *Fair Work (Registered Organisations) Act 2009*, LPA has over 400 Members nationally. We represent commercial and independent producers, music promoters, performing arts companies, venues (performing arts centres, commercial theatres, stadiums and arenas), arts festivals, music festivals and service providers (such as ticketing companies and technical suppliers). Our membership spans from small-medium and not-for-profit organisations to large commercial entities.

LPA has a clear mandate to advocate for and support policy decisions that benefit the sustainability and growth of the live arts and entertainment industry in Australia.

References

[i] EY (2024), *2023 Ticket Attendance and Revenue Report*, Live Performance Australia, October 2024
[ii] Australian Government (2024), Bureau of Communications, Arts and Regional Research, *Cultural and Creative Activity in Australia, 2008-09 to 2022-23 (Methodology Refresh),* December 2024, p.12 and p.16
[iii] ibid, p.12
[iv] ibid p.21
[v] Australian Government (2024), Bureau of Communications, Arts and Regional Research, *Analysis of the Cultural and Creative Sector, Revive: Sectoral Analysis*, December 2024, p.4

ATTACHMENT 1: INVESTMENT SUPPORT FOR THE LIVE PERFORMANCE INDUSTRY: Live Theatre Production Incentive proposal

Rationale

In 2023, there were **9.3 million ticketed attendances** for theatrical productions across Australia (including musical, dramatic and children's/family theatre, ballet and dance, and opera) which generated almost **$910.4 million in ticket revenue**.

Despite strong consumer demand for live theatrical productions, it is becoming increasingly difficult for Australian producers to stage new productions due to the rising cost of producing content and declining pool of investors to support the development of new work in Australia.

Australian producers compete for investors with international jurisdictions that offer significant tax incentives (e.g. UK and USA). Within Australia, live performance producers compete against other industries, notably screen and digital games. For example, the 40% Producer Offset (screen) and 30% Digital Games Tax Offset allow producers to offset costs on qualifying expenditure. There is an urgent need for live theatre producers to access tax incentives to attract the level of investment required to produce and stage world-class shows, support more jobs and drive industry growth.

Benefits of investment incentives

Stimulating investment in new live productions =

- Stimulates direct and indirect economic activity
- Licensing and export opportunities
- Provides more employment and skills development opportunities
- Improves producers' equity share and builds sustainable businesses
- Contributes to cultural vibrancy
- Improves social cohesion and wellbeing through community participation and attendance

Economic impact of investment incentives

Investment incentives will stimulate economic activity. LPA proposes a **40% Live Theatre Production Incentive** for commercial and not-for-profit producers of live theatre, noting that the level of economic activity generated increases as the level of investment incentive increases.

- ↑ **up to 5,136** Additional employment (FTE)
- ↑ **up to $1,862m** Additional industry output
- ↑ **up to 210** New productions
- ↑ **up to $601m** Additional industry value add

Metric	40% Tax Offset	50% Tax Offset
Employment (FTE)	4,151	5,136
New productions	168	210
Industry output (direct and indirect)	$1,505m	$1,862m
Industry value add (direct and indirect)	$486m	$601m

Source: EY (2024), The benefits of providing tax offsets to Australian theatre producers, Live Performance Australia, August 2024

Net tax flow to government

A 40% Live Theatre Production Incentive would have a positive return on investment for the Australian Government.

Metric	40% Tax Offset	50% Tax Offset
Tax forgone	$93.0m	$116.2m
Tax received	$117.3m	$145.1m
Net tax position	**$24.3m**	**$28.9m**

Source: EY (2024), The benefits of providing tax offsets to Australian theatre producers, Live Performance Australia, August 2024

LIVE PERFORMANCE AUSTRALIA

Live Performance Australia (LPA) is the peak body for Australia's live arts and entertainment industry. LPA represents commercial and independent producers, music promoters, major performing arts companies, small to medium companies, venues (performing arts centres, commercial theatres, stadiums and arenas), festivals, and service providers such as ticketing companies and technical suppliers.

Economic analysis on the impact of investment incentives was undertaken by Ernst & Young (EY) for LPA.

Tax incentive schemes

UK Theatre Tax Relief

40% Tax relief for non-touring productions

45% Tax relief for touring productions

- Following the economic and cultural success of creative sector tax relief in the UK, particularly in film, TV and video games, the Theatre Tax Relief (TTR) scheme was introduced as part of the Finance Act 2014 ("Act") and came into effect on 1 September 2014.
- The TTR is intended to encourage and support investment in the production and touring of UK live dramatic works (including plays, operas, musicals, ballets and circus), to maintain the sustainability of live performance in the UK.
- This provides a clear policy precedent for the extension of tax-based incentives into the live performance industry.
- The TTR scheme entitles production companies to claim 40% of its total qualifying pre-production costs for non-touring productions, and 45% for touring productions.
- Both commercial and publicly-funded (subsidised) productions are eligible and can benefit from the scheme, as trading subsidiary arrangements effectively enable not-for-profit organisations to access the scheme.
- Return on costs can be re-invested into new works, or passed on to investors.
- 1230 claims were made in 2022-23, totalling £178 million in tax relief.
- More than 24,700 live productions have benefited from the TTR scheme since its introduction, saving a total of £645 million from 2014-2023.

USA Tax Relief for live theatrical productions

100% Federal deduction for investment

20 – 35% State based tax relief

- The UK Government is not the only country to have recognised the need to remain globally competitive. The US has a legacy of state-based tax incentives for theatrical productions. These apply in Illinois, Louisiana, New York State (not including New York City), Maryland, Ohio and Rhode Island.
- The provisions range from 20% - 35% tax credits for qualifying expenditure by production companies.
- The common purpose of these incentives is primarily to increase jobs and economic outputs by increasing the State's competitive position for incentivising theatrical producers to bring productions to their state.
- In December 2015, the US government passed federal legislation that establishes equal tax treatment for live theatrical productions as is provided for film and TV.
- It allows a 100% deduction for investment in live performance by the investor from their income in the year of the investment.
- The legislation allows investors to immediately recoup their investments prior to taxes being assessed on profits earned. This is intended to deepen the pool of interested investors in commercial theatrical productions.

Film and TV Producer Offset

40% Tax relief for feature films

30% Tax relief for non-feature films
(TV, mini-series, documentaries)

- In 2007 the Producer Offset was introduced as part of the Australian Screen Production Incentive (ASPI), a package of measures to boost support for the Australian film and television industry.
- It provides a refundable tax offset (rebate) for producers of Australian feature films, television and other projects.
- Feature films are eligible for a 40% rebate of qualifying expenditure, and other programs such as TV, mini-series and documentaries are eligible for a 30% rebate.
- Screen Australia conducted a review of the Producer Offset in 2017, ten years after it was introduced. The report found that the Producer Offset "unquestionably" provided critical financial support for addressing the challenges of raising revenue to meet production budgets.
- Additionally, the report found that the Producer Offset improved the equity share retained by producers in their film and television projects.
- Improved equity share has allowed producers enhanced leverage to attract private investment from new and existing sources. This directly supports producers building sustainable production businesses.

Source: Screen Australia (Nov 2017), *Skin in the Game: The Producer Offset Ten Years On*

Digital Games Offset

30% Tax relief for digital games

- The Digital Games Tax Offset (DGTO) was introduced in 2023, following the success of Australia's tax incentives for screen.
- It provides a refundable tax offset for eligible game developers that spend a minimum of $500,000 on qualifying Australian development expenditure (QADE).
- The refundable tax offset is set at 30%, with a cap of $20 million per income year for a company or consolidated group of companies.
- It is available for completion, ongoing development or porting of digital games, subject to the criteria set out in Division 378 of the *Income Tax Assessment Act 1997*.
- Applicants can obtain a provisional and final certificate from the Minister for the Arts through Smarty Grants to confirm eligibility and total QADE.
- DGTO can then be claimed from the ATO in the company tax return.

ATTACHMENT 2

LIVE PERFORMANCE AUSTRALIA

LIVE THEATRE PRODUCTION INCENTIVE

PROPOSAL FOR CONSIDERATION

1. Purpose

The purpose of this document is to outline a proposal for a live theatre production incentive. The incentive would apply to pre-production costs of live theatre (commercial and not-for-profit). A **40% production incentive** would result in a positive return on investment for the Australian Government in terms of total tax collected (up to $117.3m in tax received for $93m tax forgone), up to $1,505m in additional industry output and 4,151 FTE jobs[1].

2. Background and Context

LPA HAS CONTINUOUSLY ADVOCATED FOR PRE-PRODUCTION LIVE THEATRE PRODUCTION INCENTIVES

As outlined in LPA's Pre-Budget Submission (2025-2026), production incentives are needed to attract the level of investment required to produce and stage world class shows, support more Australian jobs and drive industry growth.

LPA has advocated for live theatre production incentives through Pre-Budget submissions since 2016. The time is right to adopt this proposal in 2026, to meet the significant aspirations of the National Cultural Policy - *Revive*.

The rationale for this proposal can be summarised as follows:

- It is increasingly challenging for Australian producers to finance new live productions, due to the high cost of pre-production and difficulties in attracting investment, both locally and globally.
- Theatrical producers in Australia compete against other industries that offer tax incentives.
- Theatrical producers in Australia also compete for investors with international jurisdictions that offer significant tax incentives for live productions, notably the UK and US.

Due to the above, opportunities to develop new content with Australian-owned intellectual property and job creation have been lost.

TAX INCENTIVES HAVE PROVED SUCCESSFUL IN AUSTRALIA AND OVERSEAS

Tax incentives offered within Australia and overseas are detailed under Section 3: Key Issues. They have proved extremely beneficial in terms of industry support, economic output and job creation.

[1] *EY (2024), The benefits of providing tax offsets to Australian theatre producers, Live Performance Australia, August 2024*

For example, within Australia:

- Australia's package of screen offsets (location, producer, and post, digital and visual effects) generated **$16.5b in economic output** from 2018/19 to 2021/22, with 20,600 FTE jobs supported in 2021/22 alone.
- Of the 10 international production companies responsible for nearly 90% foreign production expenditure between 2018/19 and 2021/22, all indicated that they would **not** have undertaken their productions in Australia without the Location Incentive (grant and offset). [2]
- In reviewing the decade since Australia's Producer Offset was introduced, 91% of surveyed production companies indicated that the offset was critically important to the operation of their business and 87% said that it contributed to their ability to consistently produce content.[3]

3. Key Issues

The biggest barrier to growth in live theatre is raising capital. Australian theatre producers face the following key challenges:

DIFFICULTIES IN ATTRACTING INVESTMENT AND RISING COSTS

Prior to the pandemic, a commercial musical typically required AU$10 million to $15 million to capitalise a show. Post-pandemic, capital costs have increased by at least 30% on average. In order to raise enough funds to produce a show, producers either need to cast the net wider to find new investors or ask investors with whom they have existing relationships to dig deeper into their pockets. This is undermined by investors favouring the UK and US where incentives are offered and the investment risk is significantly mitigated. Future investment in Australia will be severely constrained if producers cannot offer incentives to compete with other industries and jurisdictions that offer attractive tax incentives to investors.

Given rising production costs and limited revenue growth, the margins associated with producing new work are diminishing. This means that producers' equity share is also diminishing, leaving less funds to reinvest in new work, as well as insufficient equity to leverage private investment and attract new investors or donors needed to invest in new work.

COMPETITION WITH OTHER AUSTRALIAN INDUSTRIES

In addition to dealing with rising costs, theatrical producers in Australia must compete for investors with local industries that can offer tax incentives. This patchy approach to tax incentives in the arts and entertainment industry hinders job and content creation. It would be more beneficial for the Australian economy if the creative industries were viewed more holistically, with tax incentives offered for multiple industries that can grow collectively.

The Federal Government currently offers a suite of three screen production incentives. Each film may be certified for only one of these three tax offsets. They can be combined with state and territory tax incentives (additional 10% to 20%) and grants. Australia also offers a tax offset for digital games development. More information on these incentives can be found in **Appendix 1: Australian Tax Incentives.**

[2] Study on the Impact of Film and Television Production Incentives in Australia 2023 - MPA APAC (mpa-apac.org)

[3] Skin-in-the-game-producer-offset.pdf (screenaustralia.gov.au)

COMPETITION WITH INTERNATIONAL JURISDICTIONS

Over 80% of investment capital for commercial theatre in Australia comes from offshore investors. This creates a highly competitive environment for Australian producers to secure capital to stage new productions. In this context, Australia is well behind other jurisdictions that offer tax incentives for live productions. Further details on these international tax incentives can be found in **Appendix 2**.

United Kingdom

The UK has 8 creative tax reliefs, including 3 "cultural reliefs" for theatre, orchestra and museums/galleries. The others are for film, animation, high-end television, video games and children's television.

In 2021 the cultural relief rates were raised to aid post-pandemic recovery.[4] For the Theatre Tax Relief (TTR), this meant an increase from 25% (touring productions) and 20% (non-touring productions to 50% and 45% respectively.

On 6 March 2024 the Government announced that higher TTR rates (45% and 40%) would become permanent from 1 April 2025.[5] This responds to the positive impact that the incentives have had in attracting audiences and producing world-class performances.

United States of America

The US has live performance tax incentives at both federal and state levels.[6] In December 2015, US federal legislation established tax treatment for live theatrical productions equal to that provided for screen. This allows for a 100% deduction for live performance investment from the taxpayer's income that year, capped at $15m (or $20m for productions in low income areas). Additionally, tax credits ranging from 20%-35% are available in New York, Illinois, Louisiana, Rhode Island, Maryland and Ohio.

Mexico and Spain

Mexico and Spain also offer tax credits for live performances. However, the legislative frameworks for these countries will be less applicable to Australia than the UK and US.

4. Lost Opportunities

The flow on consequences of limited investment in new work means that there are limited employment opportunities for professionals within the live performance industry who will either need to look to other career options or overseas to apply their skills. The Australian Government's 2023 National Skills Priority List and 2024 Apprenticeships Priority List already confirm a critical national shortage of professionals with technical expertise (specifically sound and lighting technicians).[7] The continued loss of creative talent and professionals to overseas markets is likely to have a negative impact on the quantity and quality of productions staged in Australia.

A reduction in the number of live performances is also likely to adversely affect economic activity in the tourism market and other related hospitality sectors. For example, a total of 10.4 million trips in

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[4] Two year extension of higher rates for theatre, orchestra, and museums and galleries exhibition tax reliefs - GOV.UK (www.gov.uk)

[5] Corporation Tax: new permanent rates of relief for theatre, orchestra, museum and galleries tax relief - GOV.UK (www.gov.uk)

[6] Live Theater Tax Credits (ct.gov)

[7] Jobs and Skills Australia (2024), *2023 Skills Priority List*; Department of Employment and Workplace Relations (22 January 2024), *Appendix A – Australian Apprenticeship Priority List – 1 January 2024*

Australia (domestic and international) during the 2023 calendar year involved attendance at theatre, concerts or other performing arts and the total trip expenditure of these visitors was $13.6 billion. [8]

Without further investment in live theatrical productions, Australia will continue to lose the following opportunities:

- Intellectual property and licencing opportunities for the creation of new, original Australian productions
- Export opportunities (eg domestic and international touring of Australian productions; costume, stage and set design)
- Competitive advantage, particularly with Asia and the UK
- Greater employment within the industry (eg performers, musicians, creatives, technical and production, suppliers) and ability to further develop Australian capabilities
- Greater diversity, scale, scope and size of shows
- Flow on benefits to other related industries (eg retail, hospitality and tourism)
- Increased audience reach, including greater access for regional audiences
- Contributions to cultural vibrancy, social cohesion and wellbeing.

5. Proposal: Live Theatre Production Incentive

THE CHALLENGES ARE BEST ADDRESSED THROUGH TAX INCENTIVES

This approach has been assessed against other options, including grants/funding, removing GST for live performance tickets and tax deductions for individuals investing in live performances.

It was found that tax incentives for pre-production costs of live theatre will be **most effective** in addressing key issues and can **mirror existing tax incentive schemes** to avoid resource-intensive system changes. EY economic analysis has found that providing theatre producers with a **40% tax offset** on qualifying pre-production expenditure would result in a positive return on investment for the Australian Government in terms of total tax collected (net tax position of $24.3m) and economic contribution (up to $1,505m in output and $486m in value add).

WHO WILL BE ELIGIBLE?

Access to the pre-production tax offsets should be open to commercial and not-for-profit theatrical producers.

WHAT COSTS SHOULD BE ELIGIBLE?

The scope of eligible expenditure should be determined in consultation with industry stakeholders.

As an example, the *UK's Theatre Tax Relief* covers theatrical productions where at least 25% of the core expenditure is incurred on goods or services provided from within the UK or European Economic Area (EEA).

[8] Austrade (2024), *Inquiry into the challenges and opportunities within the Australian live music industry Submission 20 – supplementary submission*

Theatrical productions are defined as:

- A ballet, play, opera, musical or other dramatic piece that tells a story, where the performances are live and the performers give their performances wholly or mainly through the playing of roles.
- All or a high proportion of the performances must be for paying members of the general public or provided for educational purposes.
- May be touring (6 or more separate premises or at least two separate premises with at least 14 performances) or non-touring.
- Productions are ineligible if (a) the main purpose is to advertise, make a recording or train and/or (b) performances include a competition, contest, wild animal or are of a sexual nature.

Core costs include:

- Amount spent on producing and closing the theatrical production (eg casting, rehearsals, costume design, set construction and dismantling).
- Includes exceptional running costs, such as costs for substantial recasting or set redesign if incurred on or after the first performance date.
- Includes expenditure on rights to use a story/book as the basis of a production that progresses beyond the development phase, or to use music, songs or stock footage in the production.
- Does not include development costs (eg speculation and initial script writing), non-producing or ordinary running activities (eg finance, marketing, legal services and storage), or exploiting the production.

HOW WILL THE TAX OFFSETS WORK?

The administrative model could mirror existing schemes in the UK and Australia

The most resource-effective way to introduce tax offsets for live entertainment would be to mirror existing schemes such as Australia's Producer Offset or Digital Games Tax Offset (DGTO), while also looking to the UK's TTR for examples of how not-for-profits could be eligible.

The Producer Offset is administered by Screen Australia under Division 376 of the *Income Tax Assessment Act 1997*. Eligible Australian production companies can apply for a provisional and final certificate from Screen Australia through Smarty Grants to confirm eligibility and qualifying Australian production expenditure. The Producer Offset is then claimed from the ATO through the Company Tax Return (40% for feature films and 30% for other eligible projects).

The DGTO was introduced under Division 378 of the *Income Tax Assessment Act 1997*. Similarly, eligible game development companies apply for certificates from the Minister for the Arts through Smarty Grants to confirm eligibility and qualifying Australian development expenditure, before claiming DGTO from the ATO (30% - capped at $20m per company).

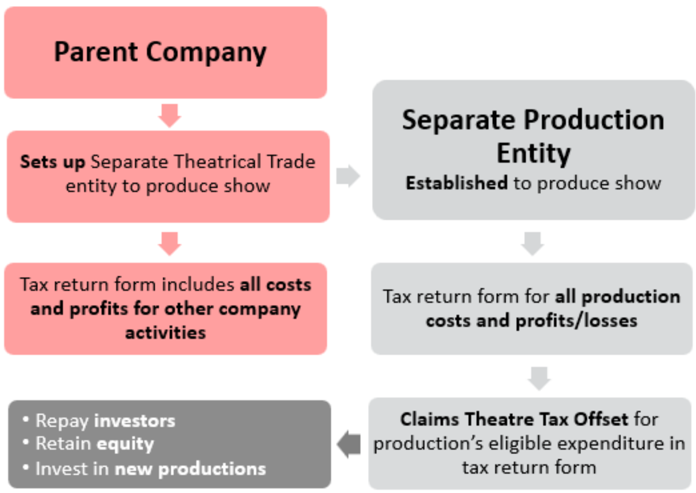
The UK's TTR is legislated under the *Finance Act 2014*, with tax relief claimed from HM Revenue & Customs. Companies will generally set up a production as a Separate Trade entity, with profits and losses calculated separately from the other company activities. TTR is claimed via a CT600 Company Tax Return Form to HM Revenue & Customs and may cover several productions. For a profit-making theatrical trade, the corporation tax payable can be reduced through additional deduction. For a loss-making theatrical trade, a tax loss can be created or increased to surrender for Theatre Tax Credit.

TTR eligibility extends to not-for-profit companies, including charitable companies and community interest companies. Generally:

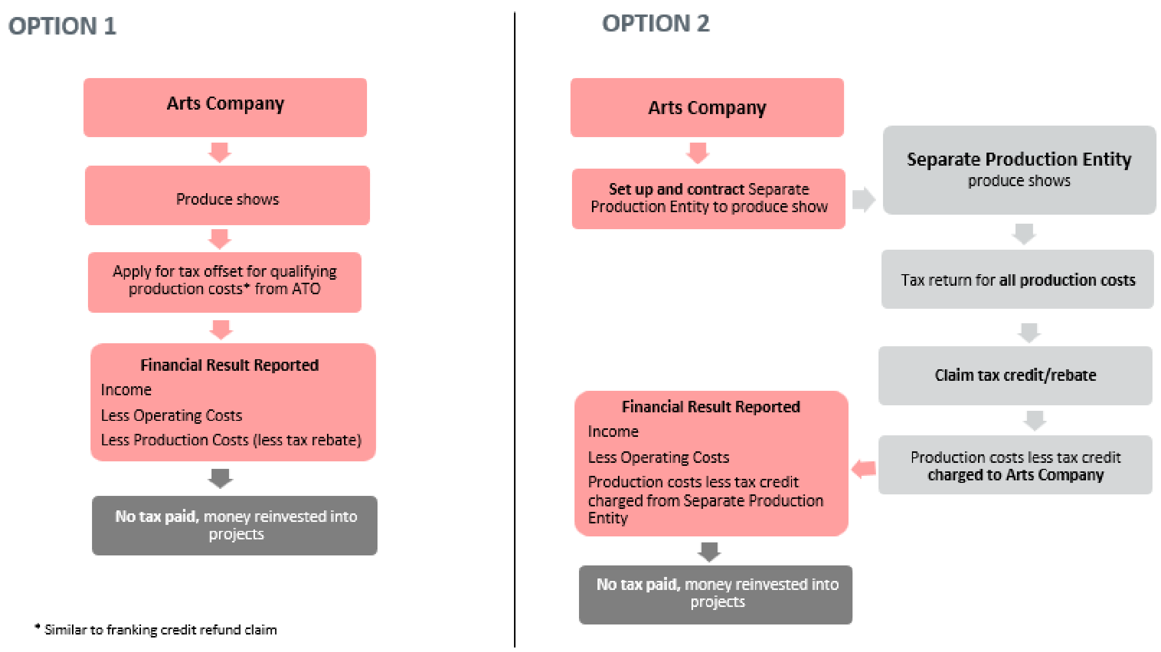
- The company sets up a separate theatrical entity and contracts them to produce the show(s),
- The parent company tax return includes all production income and does not claim TTR.
- The separate theatrical entity tax return includes production costs *only* and claims TTR. They then charge the parent company for all production costs minus the tax credit.

Although the exact mechanism for how a Live Theatre Tax Offset could work in Australia would be developed by Government in consultation with industry stakeholders, the following examples have been developed for reference. These are based on the existing Australian and UK schemes above.

Example Commercial Model



Example Not-for-Profit Models



6. Key Benefits

As outlined in Section 2, tax incentives have proven successful both in Australia and internationally.

LPA's Members have noted that production incentives would likely be used to produce new Australian or licenced work or stage additional shows for pre-existing productions. Benefits of this include:

- stimulates direct and indirect economic activity
- encourages producers to present and tour more shows due to reduced financial risk
- creates licensing and export opportunities, including for new Australian work
- provides increased employment and skills development opportunities
- encourages a greater culture of investing within Australia
- strengthens Australia's international reputation and attractiveness for overseas investors
- improves producers' equity share and builds sustainable businesses
- contributes to cultural vibrancy and more choice for Australian audiences
- supports affordable ticket prices
- improves social cohesion and wellbeing through community participation and attendance.

The level of economic activity generated will increase as the level of investment incentive increases. EY analysis demonstrates this below.[9]

Economic Contribution	40% Tax Offset	50% Tax Offset
Employment (FTE)	4,151	5,136
New productions	168 *Not for Profit: 50* *Commercial: 118*	210 *Not for Profit: 63* *Commercial: 157*
Industry output (direct and indirect)	$1,505m	$1,862m
Industry value add (direct and indirect)	$486m	$601m
Tax forgone	$93m	$116.2m
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[9] EY (2024), *The benefits of providing tax offsets to Australian theatre producers,* Live Performance Australia, August 2024