Australian Government | acma

Australian Communications and Media Authority

Reporting qualifying expenditure at pre-production stage

The ACMA has developed an approach to support SVODs to report on eligible Australian programs at pre-production stage.

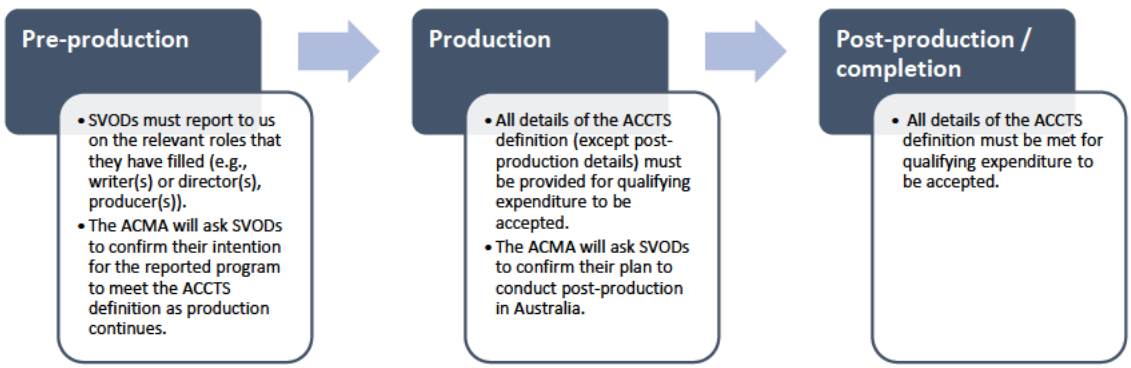
Introduction

- Qualifying expenditure is the amount that SVODs can use to reduce their Australian content expenditure requirement. To acquit the expenditure requirement, SVODs must spend money on eligible Australian programs – and must demonstrate that the program meets the objective test set out in the Broadcasting Services (Australian Content and Children's Television) Standards 2020 (the ACCTS).
- SVODs must calculate and report on qualifying expenditure using cash-based accounting. This encourages timely payment from commissioning SVODs to Australian production companies to help manage the cost of productions. In each SVOD reporting year, SVODs can only report on money spent in that year.
- The Act allows SVODs to acquit their expenditure requirement across a 3-year acquittal cycle. This is intended to account for the nature of production cycles, where expenditure across multiple years may vary.
- SVODs can acquit their expenditure requirement during pre-production of a program (including, but not limited to, expenditure on script development, location scouting and set design).
- During pre-production on a specific program, it will sometimes be difficult for SVODs to confirm all details needed to fully satisfy the definition of an eligible Australian program. For example, some decisions about the creative control of a program – like casting may not be completed during pre-production (before the program has been greenlit).

Our approach

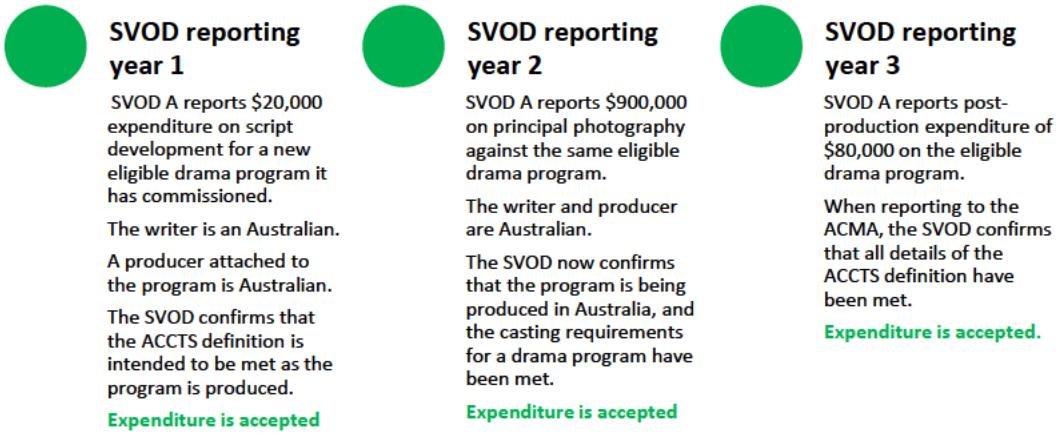
- When SVODs lodge their annual compliance reports, they will be asked to fill out the details of all roles that are known for the specific program they are claiming qualifying expenditure against.
    - At pre-production stage SVODs will be asked to confirm their intention that the definition of an Australian program (contained in the ACCTS) will be met as production continues. We will ask for similar confirmation at production stage.
- Depending on the stage of the program's production, the ACMA will need to be satisfied that different elements of the ACCTS definition of an Australian program (ACCTS definition) have been met before it accepts the expenditure. This approach is set out at figure 1.

Figure 1: Level of detail that must be reported to the ACMA at different production stages



- Just because expenditure is counted as qualifying expenditure in one SVOD reporting year, it does not guarantee that additional expenditure on the same program will count in future SVOD reporting years. SVODs should be prepared to progressively demonstrate that the ACCTS definition is being met as the production cycle continues. Figures 2 and 3 set out the proposed approach.

Figure 2: Scenarios where the ACCTS definition is being met by an SVOD that is spending on an eligible program



- In figure 2, the SVOD A has complied with the ACCTS definition to the best of their ability throughout the development of the program. The SVOD has confirmed to the ACMA that the ACCTS definition is intended to be met as the program is produced and is finalised. The SVOD then ensures that the ACCTS definition is progressively met during principal photography and is fully met on program completion. Expenditure in each SVOD reporting year is accepted.

Figure 3: Scenario where expenditure on an eligible program may not be qualifying expenditure on an eligible Australian program



- In figure 3, while SVOD B initially intended that the program would meet the ACCTS definition. However, casting decisions after script development mean that the program will not be an eligible Australian program once it is completed. Because of this decision, while expenditure in SVOD reporting year 1 is accepted, the expenditure in SVOD reporting year 2 will not be counted towards acquitting the SVODs expenditure requirement.

The ACMA may elect to revisit the approach set out in this guidance on the basis of returns received by SVODs over a period of time.