

# New Zealand Screen Production Grant

## Criteria

for

## International Productions

1 July 2017

### Key changes from 1 August 2015 version

#### Section 1 – Introduction

- Exercise of discretion – clause 4
- International Grant for PDV Productions is now 20% for the first \$25 million of QNZPE, thereafter moving to 18% - clause 5
- Changes to transitional arrangements – clause 6

#### Section 2A – Specific Eligibility Criteria

- Clarification that a production that has already been the subject of a successful final application is not eligible to form part of another final application as part of a bundle – clause 11.2

#### Section 2B – General Eligibility Criteria

- Removal of PDV Grant Exception 2 – clause 12.2

#### Section 3 – Qualifying New Zealand Production Expenditure

- Changes to the general QNZPE definition, including additional restrictions on overseas-sourced goods being QNZPE – clause 17.2
- Changes to specific inclusions – clause 17.3
  - Change to travel to New Zealand clause (exclusion of dog-legs) – clause 17.3(c)
- Additional exclusions from QNZPE:
  - Cap on QNZPE for stock or archive footage – clause 17.4(b)(iii)
  - Unspent Contingency – clause 17.4(k)
  - Production insurance – clause 17.4(l)
  - Completion bond fees – clause 17.4(m)
  - All international freight (including excess baggage) – clause 17.4(n)
  - Above The Line Costs in excess of 20% of QNZPE – clause 17.4(o)
  - Payments to guilds and other industry associations – clause 17.4(p)
  - Overseas taxes – clause 17.4 (q)
  - Application fees for the NZSPG – clause 17.4(r)
  - Costs involved in taking over production from a prior entity - clause 17.4(t)

#### Section 4 – Treatment of Expenditure

- Currency exchange must be at the mid-month rate published on the IRD's website – clause 20

#### Section 5 – Application Process

- Requirement that applicants apply for a Provisional Certificate or register with the NZFC – clause 26
- Applicants must notify the NZFC if the estimated QNZPE for a production changes by \$10 million or more – clause 27
- A fee may be payable for making an application – clauses 28.1 and 33.5
- 5% Uplift – application by invitation only – clause 30 and Appendix 3
- Changes to credit and promotional materials requirements – clause 35
- Changes to clauses relating to confidentiality, information for research purposes, exit survey – clauses 35,36, 37

#### Assessment Process

- Applications to be processed within the processing times notified by the NZFC from time to time – clause 42

#### Appendix 1 – Definitions and Interpretation

- Addition of definitions for New Zealand Citizen, Resident and Permanent Resident – Appendix 1
- Addition of definition of Live Action Production – Appendix 1

#### Appendix 3 – 5% Uplift

- Now only available to Live Action Productions – Appendix 3 (see Appendix 1 for a definition of Live Action Production)
- Tightening of Significant Economic Benefits Points Test (including introducing minimum points for all sections and increasing the percentage of shooting activity required to qualify for points) – Appendix 3
- Removal of 'Fast Track' provisions in Assessment of Significant Economic Benefits Points Test – Appendix 3

This document sets out the eligibility criteria for the New Zealand Screen Production Grant for International Productions and outlines the application process.

These criteria are subject to change from time to time. Before submitting an application, applicants are advised to check with the New Zealand Film Commission to ensure they are using the correct version of the criteria and the correct application form.

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## **SECTION 1 – INTRODUCTION**

### **1 Introduction**

Effective from 1 April 2014, the New Zealand Government introduced the New Zealand Screen Production Grant scheme. This scheme enhances and combines the Large Budget Screen Production Grant scheme and the Screen Production Incentive Fund. There are two sets of criteria – the NZSPG Criteria for International Productions and the NZSPG Criteria for New Zealand Productions.

These criteria are the NZSPG Criteria for International Productions. **International Productions** are generally those productions that do not have Significant New Zealand Content and/or that are of a larger scale than productions that apply under the NZSPG Criteria for New Zealand Productions.

A visual overview of the eligibility criteria for the International Grant is provided at the end of this Section.

Productions that have Significant New Zealand Content are advised to refer to the NZSPG Criteria for New Zealand Productions to see whether they are eligible for a New Zealand Grant under those criteria.

To be eligible to receive the International Grant, an applicant must comply with New Zealand law (including health and safety law) in respect of all the applicant's activities in New Zealand and in respect of any activities not undertaken in New Zealand but otherwise subject to New Zealand law. By submitting an application in respect of the International Grant, the applicant agrees to be bound by the terms of the NZSPG Criteria for International Productions.

### **2 Definitions**

Definitions of terms used in these criteria are set out in Appendix 1.

### **3 Purpose and intent**

The purpose of the International Grant (including the PDV Grant) is to provide economic and industry development benefits to New Zealand by incentivising screen production (and the resulting production expenditure in New Zealand) that would not have otherwise been made here.

The purpose of the PDV Grant is to specifically foster capacity and new business development for PDV Productions in New Zealand.

In establishing the International Grant, the New Zealand Government recognises that large budget screen productions and PDV Activity contribute to New Zealand's economic development by providing valuable economic, employment and skill development opportunities for the New Zealand screen production industry. The International Grant will ensure that New Zealand remains competitive in attracting large budget screen productions and PDV Activity from offshore.

It is expected that only experienced producers will apply for an International Grant. Applications must be prepared to a high standard and in accordance with both the letter and intent of these criteria. Applications that do not meet these standards or that technically meet the criteria but that, in the NZSPG Panel's opinion, are structured in a way that is inconsistent with the purpose or intent of the criteria, can be rejected by the NZSPG Panel at its sole discretion.

### **4 Exercise of discretion**

Where in these criteria there is a reference to the exercise of a discretion by the NZFC, NZSPG Panel or SEB Verification Panel, the exercise of that discretion by the NZFC, NZSPG Panel or SEB Verification Panel (as the case might be) will be undertaken acting reasonably and in good faith having regard to the circumstances of that application, all information about the applicant and the production available to the NZFC, NZSPG Panel or SEB Verification Panel and the purpose and intent of the criteria. The NZFC, the NZSPG Panel and the SEB Verification Panel are not under any obligation to exercise their discretion in a manner favourable to the applicant. Nor will the NZFC, NZSPG Panel or SEB Verification Panel be bound by previous exercise of the same discretion in respect of other applications.

## 5 Amount of International Grant

The amount of the International Grant is as follows:

- (a) the International Grant per production for PDV Productions is:
  - (i) 20% of QNZPE for QNZPE up to \$25 million; and
  - (ii) 18% of QNZPE for QNZPE above \$25 million;
- (b) the International Grant per production for Live Action Productions is 20% of QNZPE;
- (c) Live Action Productions that are invited to apply for, and qualify for, the 5% Uplift in addition to the International Grant will receive a total International Grant of 25% of QNZPE. This includes the International Grant of 20% and an Uplift of 5%.

## 6 Effective date, transitional provisions and historical costs

### *Effective date*

These criteria are effective from 1 July 2017.

### *Transitional provisions*

International Productions that start Principal Photography **before** 1 July 2017 will be assessed under the NZSPG criteria dated 1 August 2015.

International Productions that start Principal Photography **on or after** 1 July 2017 will be assessed under these criteria, unless that production has received a Provisional Certificate **on or before** 31 March 2017, provided that production starts Principal Photography before expiry of that Provisional Certificate.

International Productions that receive a Provisional Certificate **on or after** 1 April 2017 will be assessed under these Criteria, unless the production starts Principal Photography **before** 1 July 2017.

### *Historical costs*

Any expenditure on a screen production incurred before 1 April 2003 is excluded. Only QNZPE incurred on or after 16 July 2007 on PDV Production undertaken after 16 July 2007 is eligible for the PDV Grant.

In general, costs paid more than ten years prior to the start of Principal Photography cannot be claimed as QNZPE. If an applicant wishes to claim costs paid more than ten years prior to the start of Principal Photography, the applicant must apply for a Provisional Certificate and the NZSPG Panel will determine, at its sole discretion, taking into account the current status of the production, whether there are exceptional circumstances that allow these costs to be claimed as QNZPE.

## 7 Eligibility for International Grant

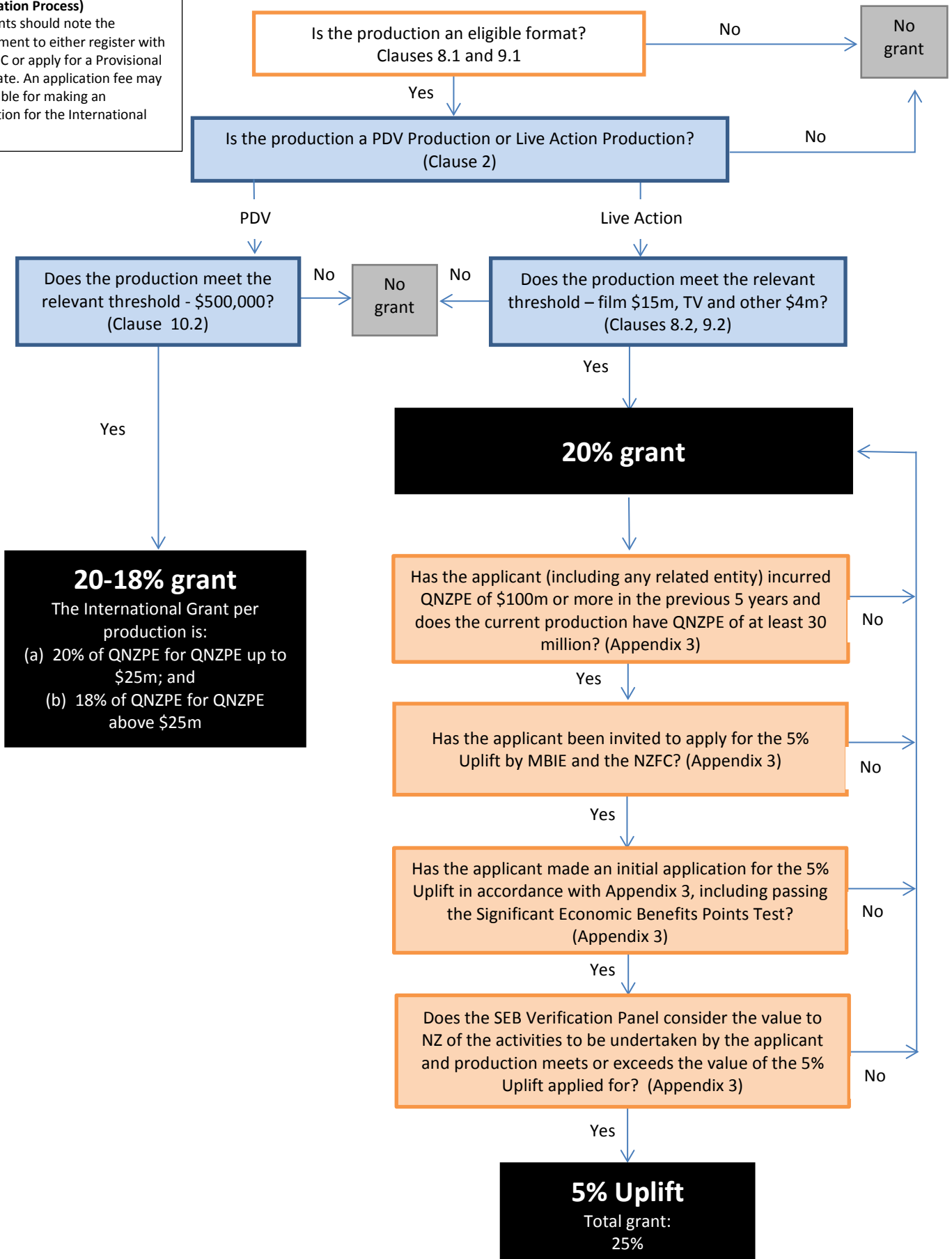
To be eligible for an International Grant, productions and applicants must:

- (a) register with the NZFC, on the registration form, in the timeframe stated in clause 26 or apply for a Provisional Certificate;
- (b) satisfy all of the requirements of the criteria (except to the extent that the NZFC or NZSPG Panel exercise a discretion in the criteria to waive a requirement);
- (c) provide all information the applicant is required to provide to the NZFC or the NZSPG Panel under the criteria and the relevant application form; and
- (d) conform with the purpose and intent of the International Grant.

To be eligible for the 5% Uplift, an applicant must be invited to apply and must satisfy the additional requirements set out in Appendix 3. Only Live Action Productions are eligible for the 5% Uplift.

Applicants should also refer to Section 5 of the criteria (Application Process)  
Applicants should note the requirement to either register with the NZFC or apply for a Provisional Certificate. An application fee may be payable for making an application for the International Grant.

## Visual Overview of the NZSPG International



## **SECTION 2A – SPECIFIC ELIGIBILITY CRITERIA**

### **8 Feature films**

#### **8.1 Format**

- (a) An eligible feature film is a production that is not excluded under clause 8.1(b) and is:
  - (i) commonly screened as the main attraction in commercial cinemas;
  - (ii) not less than 60 minutes, or in the case of a large format (IMAX) film not less than 40 minutes; and

is shot and processed to commercial release standards primarily for exhibition to the public in cinemas. Feature length content that is not intended primarily for exhibition to the public in cinemas, e.g. telefeatures or home entertainment releases, can be eligible if the production meets the requirements of clause 9.

- (b) A production that fits into any of the following categories (or to a substantial extent fits into the following categories) is specifically excluded from eligibility:
  - (i) an advertising programme or commercial;
  - (ii) a discussion programme, current affairs programme, news programme, panel programme, or a programme of a like nature;
  - (iii) pornography;
  - (iv) a training programme;
  - (v) an interactive digital game (other than transmedia content as per clause 17.3(b)(iv)); or
  - (vi) a production of a public event, including a sports event.

#### **8.2 Expenditure threshold**

A feature film must have QNZPE of \$15 million or more.

#### **8.3 Simultaneous or concurrent shooting of feature films**

Applicants can seek approval to treat more than one feature film as a single production for the purposes of the International Grant in the following circumstances:

- (a) all aspects of the production (pre-shoot-post) are being treated by the producers as a single production and there is no separation of resources between feature films; and
- (b) all feature films are being budgeted as a single production and reported on that basis; and
- (c) all feature films share the same or substantially similar setting and characters and an overarching narrative (e.g. parts of a trilogy, prequels, sequels).

The NZFC will treat multiple feature films as a single production for administrative purposes only.

Each feature film within the group of films must still satisfy the relevant eligibility threshold for a feature film or must satisfy the bundling criteria. The average QNZPE per film will be used to determine whether each film satisfies the expenditure threshold.

This clause does not entitle any production costs to be QNZPE if they would not have been QNZPE if each feature film had been treated as a separate production. For the purposes of clause 17.3(b), the date of Completion will be the date the last feature film approved for such treatment is Completed.

Requests under this clause 8.3 must be made in writing to the NZFC and must state how the films meet the requirements of the clause. Requests will be considered by the NZFC on a case-by-case basis.

## 9 Television and other non-feature films

### 9.1 Format

- (a) An eligible television or other non-feature film is a production that is not excluded under clause 9.1(b) and is either:
- (i) *a single episode programme* (including a telefeature or feature length content that is not primarily intended for exhibition to the public in cinemas) whether scripted or unscripted including but not limited to drama, documentary, factual, reality, children's and animation;
  - (ii) *a series or season of a series* whether scripted or unscripted including but not limited to drama, documentary, factual, reality, children's and animation being a programme with a common theme or themes consisting of at least two episodes that are intended for release together in a national market or markets and with individual episodes that have completed Principal Photography within 24 months from the start of Principal Photography, and

is shot and processed to commercial technical distribution standards and intended to be released on a distribution platform other than cinema. Distribution platforms include all forms of television, DVD/Blu-ray, internet, video-on-demand, mobile phone or any other public mass distribution medium device.

Where the Principal Photography of episodes in a series or season of a series might exceed 24 months due to the specific requirements of the production (e.g. documentaries covering a long time period or complex animation projects), applicants can seek approval from the NZFC to extend the 24-month period. Requests must be made in writing to the NZFC and must state the reasons why the production requires an extension. Requests will be considered on a case-by-case basis.

- (b) A production that fits into any of the following categories (or to a substantial extent fits into the following categories) is specifically excluded from eligibility:
- (i) an advertising programme or commercial;
  - (ii) a discussion programme, current affairs programme, news programme, panel programme, or a programme of a like nature;
  - (iii) pornography;
  - (iv) a training programme;
  - (v) an interactive digital game (other than transmedia content as per clause 17.3(b)(iv));
  - (vi) a production of a public event, including a sports event; or
  - (vii) a production principally made for the New Zealand market.

### 9.2 Expenditure threshold

A television or other non-feature film production must have total QNZPE of \$4 million or more. There is no per episode or per hour QNZPE requirement.

## 10 PDV Production

### 10.1 Format

A PDV Production must be one of the formats in clauses 8.1 or 9.1.

### 10.2 Expenditure threshold

A PDV Production must have QNZPE of \$500,000 or more. QNZPE in relation to PDV Productions only, means QNZPE that is spent directly on or is necessarily related to PDV Activity. QNZPE necessarily related to PDV Activity includes but is not limited to:



- (a) the fees and expenses of personnel working on PDV Activity;
- (b) the hire of studio and office space for PDV Activity;
- (c) the purchase or hire of equipment used for PDV Activity; and
- (d) the depreciation of assets used for PDV Activity.

## **11 Bundling**

### **11.1 Format**

Each production within a bundle must be one of the formats in clauses 8.1 or 9.1.

### **11.2 Expenditure threshold**

A bundle consists of two or more productions where:

- (a) each production has QNZPE of \$3 million or more;
- (b) all productions have completed Principal Photography (or PDV Activity for a PDV Production) within 36 months following the date that the first of those productions commenced Principal Photography or PDV Activity (as the case may be); and
- (c) the total bundle has QNZPE of \$30 million or more.

A production that has already been the subject of a successful final application, whether as part of a bundle or by itself, is not eligible to form part of another final application as part of a bundle.

### **11.3 Applicant for a bundle**

Each production within a bundle must either:

- (a) have an applicant that is the same entity or a Related Entity to other applicants in the bundle; or
- (b) have the same Creative Producer, who must be a New Zealand Citizen or New Zealand Permanent Resident.

## **SECTION 2B – GENERAL ELIGIBILITY CRITERIA**

### **12 Special Purpose Vehicle**

#### **12.1 Applicant to be SPV**

An applicant must be a special purpose vehicle (**SPV**) established principally in relation to making the production. The applicant must have its own GST and payroll registration numbers and its own bank account. If the applicant is part of a group of companies, then the applicant's GST and payroll returns must not be grouped with any other company within that group for tax purposes. The requirement for separate GST registration is conditional on IRD accepting that the relevant production is eligible to be registered as a separate registered person under section 56(2) of the *Goods and Services Tax Act 1985*.

#### **12.2 Exceptions**

An applicant is not required to be a SPV if one of the following exceptions applies:

- (a) *Series*: the production is a series or a season of a series. In this case a new SPV is not required for each series or season of the production and the applicant's existing GST and payroll registration numbers and bank account can be re-used for the new series or season, **provided that** there is no overlap in QNZPE to be claimed on each series or season. It is expected that all GST and payroll returns from the start of the new series or season will predominantly include expenditure relating to that series or season. Minor expenditure relating to other series or seasons can be included in those returns but this expenditure must be clearly identified and excluded from QNZPE. If there is overlap in QNZPE to be claimed on each series or season then a new SPV is not required for each series or season and the applicant's existing GST and payroll registration numbers and bank account can be re-used for each production **provided that** separate tax locations\* and a separate bank account must be used for each series or season.
- (b) *Repurposing (non-concurrent use)*: the applicant has incurred all QNZPE to be claimed on a previous production and/or has applied for an International Grant (or a SPIF or LBSPG grant) in respect of that previous production. In this case, the applicant's existing GST and payroll registration numbers and bank account can be re-used for the new production. It is expected that all GST and payroll returns from the start of the new production will predominantly include expenditure relating to that production. Minor expenditure relating to the previous production can be included in those returns but this expenditure must be clearly identified and excluded from QNZPE.
- (c) *Bundling*: the production is part of a bundle. In this case, a new SPV is not required for each production in the bundle and the applicant's existing GST and payroll registration numbers and bank account can be re-used for each production **provided that** separate tax locations\* and a separate bank account must be used for each production.
- (d) *PDV Grant Exception (will usually apply when the producer or production administrator is applying for the PDV Grant)*: for PDV Grant applications, the NZFC has waived the requirement for a SPV on the basis that the NZFC has determined that the application is likely to have all of the following characteristics:
  - (i) a small number of PDV suppliers who are not associated with the applicant;
  - (ii) a small number of large-value transactions;
  - (iii) no live action shoot elements (studio or location);
  - (iv) no direct labour costs incurred by the applicant; and
  - (v) the applicant has obtained a separate tax location\* for the relevant screen production.

*Notes on clause 12.2(d):*

- (i) Tax location numbers must not be re-used.

- (ii) If this exception applies, the production does not need to have a separate bank account.
- (iii) If the applicant engages additional PDV suppliers after the NZFC has waived the requirement for a SPV under this clause, the NZFC waiver will continue to apply.

\* A tax location number is a separate identifier within the applicant's principal GST and payroll registration number that enables the applicant to submit separate GST and payroll returns under that number without having to set up a separate entity. An applicant must contact IRD for information on the steps required to obtain a separate tax location number for an individual production.

### 12.3 Application for exception

- (a) Applicants who wish to rely on an exception under clause 12.2 must apply to the NZFC for confirmation that the applicant meets the requirements of the exception relied upon. Applications must include such information as is reasonably required by the NZFC to make a determination under the exception.
- (b) Applicants seeking to rely on the exception under clause 12.2(d) can apply to the NZFC at any time, however, the NZFC strongly recommends that such application be made prior to the start of PDV Activity on the production in New Zealand (so that applicants have sufficient comfort that they will qualify for an International Grant).

## 13 Residency status

### 13.1 Residency of applicant

An applicant must be either:

- (a) a New Zealand company, which in this clause 13 means a company that:
  - (i) is incorporated in New Zealand, or
  - (ii) carries on business in New Zealand and has either its central management or control in New Zealand, or its voting power controlled by shareholders who are New Zealand Residents; or
- (b) a New Zealand resident partnership (a partnership is a New Zealand resident if a majority of the partners in the partnership are New Zealand Residents); or
- (c) a foreign corporation operating with a fixed establishment in New Zealand for the purposes of lodging an income tax return (both when it lodges the International Grant application and when the International Grant is paid). Advice can be obtained from IRD on whether a company is a fixed establishment in New Zealand for the purposes of lodging an income tax return.

## 14 Responsible entity

The applicant must be the entity responsible for all activities involved in making the production in New Zealand or, for the PDV Grant, all PDV Activity on the production in New Zealand.

Only one entity per production can be eligible for the International Grant.

## 15 Other grants and New Zealand incentives

A production cannot receive an International Grant and a New Zealand Grant.

A production cannot receive more than one International Grant unless the first International Grant was for the pilot of a series in which case the subsequent series can also receive an International Grant (provided that the pilot and the subsequent series each satisfy the eligibility criteria).

A production seeking an International Grant is not eligible for any other New Zealand Government finance or tax incentives in relation to the production (including year 1 deductions under section DS 2 of the *Income Tax Act 2007* or funding through government screen agencies such as the NZFC, NZ On Air, Te Māngai Pāho).

Productions will, however, be eligible for development funding or non-production funding provided by the New Zealand Government or its non-screen agencies.

## **SECTION 3 – QUALIFYING NEW ZEALAND PRODUCTION EXPENDITURE (QNZPE)**

### **16 Expenditure statement**

All costs claimed as QNZPE must be presented in an audited expenditure statement attached to the final application. The audited expenditure statement must be in New Zealand dollars with all foreign currency converted as per clause 20. Arrangements should be made as early as possible to separate expenditure that is QNZPE from expenditure that is not QNZPE. Where necessary, invoices from a supplier must be broken down to show New Zealand and non-New Zealand activity, with computerised accounts formatted to show this split. This will also facilitate the independent audit of the expenditure statements. You should familiarise yourself with the requirements of the relevant final application form as early as possible.

### **17 QNZPE**

#### **17.1 What is QNZPE?**

QNZPE is expenditure incurred by the applicant on the production that:

- (a) falls within the definition in clause 17.2 (**General QNZPE**); or
- (b) is listed as a specific inclusion in clause 17.3 (a **specific inclusion**); and
- (c) is not specifically excluded under clause 17.4 (a **specific exclusion**).

#### **17.2 General QNZPE definition**

Expenditure will qualify as General QNZPE if it is incurred by the applicant on the production, where that expenditure is incurred on, or is attributable to:

- (a) goods purchased, hired or leased in New Zealand where those goods are sourced from within New Zealand; or
- (b) the use of a good that is sourced from overseas, provided that:
  - (i) the NZSPG Panel reasonably considers that good is not otherwise available to the production in New Zealand; and
  - (ii) that good is located in New Zealand at the time that the good is used in the making of the production; and
  - (iii) that good is purchased, hired or leased in New Zealand from a New Zealand Resident who is a habitual supplier of those goods in New Zealand; or
- (c) services provided in New Zealand; or
- (d) the use of land located in New Zealand.

#### **17.3 Specific inclusions**

The following expenditure will qualify as a specific inclusion where expenditure is incurred by the applicant on the production:

- (a) *New Zealand copyright acquisition*
  - (i) If the original owner of copyright in a pre-existing work is, or was, a New Zealand Resident, then the cost of acquiring copyright or licensing copyright in that pre-existing work for use in the production if the cost is deductible under the Income Tax Act 2007, or the depreciation if allowable under the Income Tax Act 2007.
  - (ii) If a work is created in New Zealand for use in the production, then the cost of commissioning and purchasing copyright (or an interest in copyright) in that work if the cost is deductible under the Income Tax Act 2007 or the depreciation if allowable under the Income Tax Act 2007.

(b) *Additional audiovisual content*

Costs incurred in New Zealand on audiovisual content that is intended to be released with the production in some form are QNZPE where they are incurred by the applicant prior to Completion of the production. Examples of additional audiovisual content for release with the production are:

- (i) director or cast commentary tracks;
- (ii) 'making of' documentaries;
- (iii) material for extended versions;
- (iv) any transmedia content released on a second screen where that content is developed and produced in conjunction with the production to be viewed contemporaneously with the production and shares a unified narrative with the production.

(c) *Travel to New Zealand*

The cost of each direct incoming journey to New Zealand is QNZPE if undertaken for the purposes of the production by:

- (i) cast; or
- (ii) non-cast personnel who are New Zealand Residents; or
- (iii) non-cast personnel who are not New Zealand Residents but who work on the production in New Zealand for 14 or more days in total.

The cost of a direct incoming journey is equivalent to 100% of a one-way fare or 50% of a return fare on a commercial airline. If an incoming journey is not direct (e.g. it includes a stopover or a dog-leg) the NZSPG Panel will determine the cost of an equivalent direct journey and the cost determined by the NZSPG Panel will be the QNZPE for that journey.

#### **17.4 Specific exclusions**

The following expenditure is a specific exclusion and will not qualify as QNZPE under any circumstances:

(a) *Remuneration of non-cast personnel for short-term visits*

Remuneration and all other costs (including travel) relating to the services of non-cast personnel who are not New Zealand Residents and who have not worked on the production in New Zealand for 14 or more days in total.

(b) *Acquisition or licensing of copyright*

- (i) If the original owner of copyright in a pre-existing work is not, or was not, a New Zealand Resident, the cost of acquiring or licensing copyright in that pre-existing work.
- (ii) If copyright in a work is not, or was not, created in New Zealand, the cost of commissioning and purchasing copyright (or an interest in copyright) in that work for use in the production.
- (iii) The costs of stock or archive footage above 20% of QNZPE or \$500,000, whichever is the lesser, except in exceptional circumstances as determined by the NZSPG Panel, at its sole discretion and on a case-by-case basis.

(c) *Publicity and promotional costs incurred after Completion*

Publicity and promotional costs incurred after Completion of the production.

(d) *Additional audiovisual content incurred after Completion*

Costs incurred on additional audiovisual content after Completion of the production and/or on additional audiovisual content not intended to be released with the production.

- (e) *Advances*  
Recoverable advance payments in respect of Guaranteed Deferments, Participation Payments or Residuals.
- (f) *Financing Expenditure*  
All Financing Expenditure.
- (g) *Business overheads cap*  
Costs generally considered by the NZFC to be 'business overheads' above 5% of the QNZPE or \$500,000 whichever is the lesser (and not determined by how any particular expenditure is categorised within a production's budget).
- (h) *Guaranteed Deferments, Participation Payments, Residuals*  
Guaranteed Deferments, Participation Payments, and Residuals.
- (i) *Acquisition of depreciating asset*  
Except for copyright acquisition expenditure that qualifies as QNZPE, the costs of acquiring a depreciating asset and any capital costs invested in that asset. See clause 24 for the definition and treatment of a depreciating asset.
- (j) *Legal*  
Legal fees that are NOT related to:
- (i) the drafting and/or negotiation of production and financing documents; or
  - (ii) legal advice on issues arising in the normal course of the making of a production.
- Applicants must ensure that their legal advisors provide a breakdown of their fees.
- (k) *Unspent contingency*  
Unspent contingency cannot qualify as QNZPE.
- (l) *Production insurance*  
The cost of production insurance, including: pre-production insurance, cast/producers/directors insurance, production equipment insurance, digital data insurance, props, sets and wardrobe insurance, extra expense insurance, errors and omissions insurance, key person insurance, money insurance, office equipment insurance, general liability insurance, umbrella liability insurance, fidelity guarantee insurance, public liability insurance, statutory liability insurance, guild/union accident insurance, workers compensation insurance, foreign workers compensation insurance, accidental death/disablement cover, transit cover.
- (m) *Completion bond fees*  
Completion bond fees.
- (n) *Freight*  
The cost of international freight (including excess baggage and freight within a country other than New Zealand).
- (o) *Above The Line Costs*  
Any expenditure on Above The Line Costs in excess of 20% of total QNZPE.
- (p) *Guild payments*  
Any payment to a screen industry guild or association or to any fund, trust or plan administered by a screen industry guild or association.

- (q) *Overseas taxes*  
Except for payments to the New Zealand Government, any payments made towards an applicant's or a production's tax obligations.
- (r) *Application fees*  
Expenditure on any application fees in relation to the International Grant.
- (s) *Others*  
Cast and Crew Perks, gifts, fines, Entertainment and Gratuities and any historical costs (see clause 6 for an explanation of historical costs).
- (t) *Costs involved in taking over the production from a prior entity*  
Any costs incurred by the applicant in taking over the production from a prior entity or entities.

### **17.5 Priority**

In the case of conflict, the exclusions will take priority. In other words, if any expenditure incurred by the applicant on the production:

- (a) could qualify as General QNZPE or could qualify as a specific inclusion; and
- (b) could also qualify as a specific exclusion,

then the expenditure will be excluded from QNZPE.



## **SECTION 4 – TREATMENT OF EXPENDITURE**

### **18 Income tax**

The International Grant will be given standard grant treatment for income tax purposes. That is, the cost base of the production will be reduced by the amount of the International Grant.

The International Grant is treated as excluded income for the purposes of income tax.

### **19 GST**

All figures set out in these criteria are net of GST. As such, the International Grant is calculated in relation to amounts that are net of GST. However, New Zealand tax law requires that the International Grant is paid GST inclusive. For this reason, the International Grant will be made to eligible applicants on a GST plus basis with applicants having to return the GST component in their next GST return.

### **20 Currency exchange**

All production expenditure incurred and paid in a foreign currency must be converted into New Zealand dollars on a monthly basis at the mid-month exchange rate published on IRD's website for the month in which the payment was made.

### **21 Non-arm's length expenditure**

The basis of the arm's length principle is to ensure that amounts charged between the applicant and any associate entities (including parent and subsidiary entities) for the provision of goods or services are commercially reasonable.

Where the applicant incurs expenditure under a non-arm's length arrangement that inflates the cost of a particular good or service in relation to the production, then only the commercial rate for that good or service is QNZPE. The commercial rate will be taken to be the amount that would have been incurred if the parties were dealing at arm's length with each other charging what they would ordinarily charge to an unrelated party and/or paying what they would ordinarily agree to pay an unrelated party. Factors such as the length of the hire, supply and demand issues, any bulk discount that might reasonably be expected to apply and overall cost-effectiveness will be taken into account when considering the commercial rate.

The arm's length principle applies to any act or transaction directly or indirectly connected with any expenditure incurred by the applicant - i.e. the principle still applies if a non-arm's length deal between other parties otherwise inflates the expenditure of a particular good or service purchased by the applicant.

Where there is significant non-arm's length expenditure in an application, the total budget will be considered against the total likely income earned by the production along with the overall feasibility of the production without the non-arm's length expenditure. If the NZSPG Panel then considers that any costs are calculated or that the production is structured in a way that is inconsistent with the purpose or intent of the criteria, the application may be rejected by the NZSPG Panel at its sole discretion as per clause 3.

Where parties providing goods or services to the production are also investing in the production, the charges for those goods or services must be at commercial rates (taking into account any bulk discount that might reasonably be expected to apply) and be at a level consistent with the charges of other parties providing goods or services to the production who are not also investing in the production.

### **22 Non-accrual basis of expenditure**

To be QNZPE a cost must have actually been incurred on the making of the specific production for which the application is made. In addition, the applicant must have actually discharged in full its liability to pay at the time of making a final application for the International Grant (for example, paid in cash, by cheque or electronic transfer). Credits must not be off-set against any QNZPE to be claimed on the production.

## 23 Expenditure by prior entities

An applicant that takes over the production from another entity (or entities) and completes the production (e.g. a completion guarantor) can be eligible for the International Grant. The applicant is taken to have incurred the production expenditure of the previous entity (or entities) for the purposes of the International Grant. Any costs incurred by the applicant in the takeover of the production are excluded from QNZPE. Costs incurred by entities prior to a SPV being set up must be reimbursed by the SPV to those entities in order to qualify as QNZPE, provided the expenditure also qualifies under clause 17.

## 24 Depreciating assets

Where an applicant purchases an asset for use in the production, uses it to make the production and sells or disposes of that asset at Completion of the production or at completion of QNZPE, the net cost of that asset can be claimed as QNZPE (provided the depreciation occurred in New Zealand).

Where an applicant holds a depreciating asset (other than copyright), uses it to make the production and retains it at the Completion of the production, then QNZPE (provided the depreciation occurred in New Zealand) can include so much of the decline in value over the effective life of the asset as is attributable to its use on the production (for tax purposes).

The definition of a 'depreciating asset' for the purposes of the International Grant is the same as that used by IRD.

Further information about the treatment of depreciating assets under Subpart EE of the *Income Tax Act 2007* can be downloaded from the IRD website at [www.ird.govt.nz](http://www.ird.govt.nz).

## 25 Transfer pricing

When considering the issue of transfer pricing, it is difficult to be prescriptive as transfer pricing analysis is extremely fact-intensive. However, IRD would favour the use of cost plus methodology for a low risk production contract, the mark-up varying with the degree of risk assumed, and functions performed, by the applicant and the timing of payments received for services provided.

## **SECTION 5 – APPLICATION PROCESS**

### **26 Registration**

Applicants who do not to make an application for a Provisional Certificate **must** use the then current version of the registration form provided on the NZFC website and have the production registered with the NZFC:

- (a) in the case of a Live Action Production, before the start of Principal Photography in New Zealand; and
- (b) in the case of PDV Productions, before commencement of Principal Photography in New Zealand.

An applicant that has not either registered or applied for a Provisional Certificate **will not be eligible** to make a final application for the International Grant.

An application will only be considered registered when the applicant receives written confirmation of registration from the NZFC.

### **27 Notification of changes in estimated QNZPE**

Applicants must inform the NZFC in writing as soon as practicable if, following registration or application for a Provisional Certificate, the estimated QNZPE for a production changes by \$10 million or more.

On a quarterly basis following registration or application for a Provisional Certificate, the NZFC and/or MBIE may request information from the applicant about the amount of estimated QNZPE incurred to date and forecast QNZPE to Complete.

### **28 Application for a Provisional Certificate**

Before production has started, or at any time during production, an applicant can (but does not have to) apply for provisional certification of eligibility for an International Grant (a **Provisional Certificate**).

Applicants with television or other non-feature film productions are strongly advised to apply for a Provisional Certificate to ensure that the proposed format meets the relevant criteria.

Applicants who choose not to make an application for a Provisional Certificate must have the production registered with the NZFC as set out in clause 26.

A Provisional Certificate will provide a non-binding view as to whether a production meets the criteria.

#### **28.1 Fee**

A fee, as determined by the NZFC from time to time and published on its website, may be payable for making an application for a Provisional Certificate. If a fee is payable, the NZFC will not begin processing an application for a Provisional Certificate until the NZFC has been paid the full amount of the fee.

#### **28.2 Validity of Provisional Certificate**

A Provisional Certificate will lapse **six months** from the date of issue, unless the production has commenced Principal Photography within that time period. In exceptional circumstances applicants can apply to the NZFC for an extension to their Provisional Certificate, in which case an extension fee may be charged. The amount of any extension fee will be published on the NZFC website.

In any event, applicants can submit a new application for a Provisional Certificate. A re-application fee may be charged. The amount of any fee will be published on the NZFC website.

If an applicant holds a Provisional Certificate and a material element of the production changes (e.g. changes to creative personnel, cast, filming locations) the applicant **must** contact the NZFC to see if those changes might affect the eligibility of the production for an International Grant.

### **29 Exchange rate fluctuation and pre-qualification**

Applicants concerned that they might not meet the expenditure threshold for an International Grant solely due to fluctuations in exchange rates can 'pre-qualify' for the International Grant by following the process below.

The applicant must submit an application for a Provisional Certificate under clause 28 and at the same time must:

- (a) notify the NZFC that, solely for the purpose of meeting the expenditure threshold, they may require any non-New Zealand dollar QNZPE converted at the 'preset exchange rate' (defined below); and
- (b) nominate the relevant non-New Zealand dollar currency or currencies.

The application for a Provisional Certificate in respect of this clause 29 must be received by the NZFC no earlier than three months before the start of Principal Photography in New Zealand or PDV Activity in New Zealand (as the case may be). In the event that the start date is delayed, the applicant can reapply.

On the date the NZFC receives the application for a Provisional Certificate it will obtain the relevant exchange rate/s published on the IRD website. This rate or rates will become the 'preset exchange rate/s'.

If at the time the applicant submits its final application for the International Grant, the QNZPE is below the relevant threshold, the NZFC will apply the 'preset exchange rate/s' against the QNZPE incurred in the nominated non-NZ dollar currency or currencies to recalculate the applicant's ability to meet the threshold.

In the event that the threshold is then met and the application is approved, the amount of the International Grant will be calculated and paid on actual QNZPE incurred (using the actual exchange rates as per clause 20 to convert any non-NZ dollar QNZPE).

### **30 Invitation and initial application for 5% Uplift**

Application for the 5% Uplift is only by the written invitation of MBIE and the NZFC. Potential applicants for the 5% Uplift can discuss the possibility of an invitation with the Head of Incentives at the NZFC.

Applicants who have been invited to apply for the 5% Uplift and who wish to apply for the 5% Uplift **must** submit a complete 5% Uplift Initial Application Form prior to commencement of Principal Photography.

Applicants are advised to review the 5% Uplift Initial Application Form and contact the Head of Incentives at the NZFC before submitting an application.

### **31 Initial assessment of eligibility for 5% Uplift**

Applicants who have submitted a 5% Uplift Application Form and who the SEB Verification Panel considers meet the requirements of Appendix 3 will be granted non-binding initial assessment of eligibility for the 5% Uplift.

### **32 Memorandum of Understanding for 5% Uplift**

Applicants who receive non-binding initial assessment of eligibility for the 5% Uplift will be required to enter into a legally binding memorandum of understanding (**MOU**) with the NZFC and/or other relevant New Zealand Government agencies. The MOU will provide for deliverables, which establish the basis upon which the applicant will satisfy the Significant Economic Benefits Points Test. Payment of the 5% Uplift is conditional on these deliverables being delivered by the applicant within the time frame specified in the MOU.

The MOU must be finalised within 12 weeks of initial assessment of eligibility for the 5% Uplift, unless there are exceptional circumstances and the NZFC agrees in writing to extend the time period. Any extension will be considered on a case-by-case basis and will be at the sole discretion of the NZFC.

The New Zealand Government and relevant agencies will be entitled to publish a summary of the MOU (agreed with the applicant) following execution of the MOU.

### **33 Final applications and interim applications**

#### **33.1 Non-bundled productions**

For non-bundled productions, applicants for an International Grant can submit to the NZFC:

- (a) *a final application*: once all QNZPE on the production is completed or all that is intended to be claimed is completed; or

- (b) *an interim application*: each time the QNZPE for the production has exceeded a multiple of \$50 million provided that there is evidence that the production will be Completed.

If an applicant makes an interim application, a final application setting out the remaining QNZPE must also be provided once all QNZPE for the production is completed.

Applicants must submit a final application within **six months** after Completion of the production.

### **33.2 Bundled productions**

For bundled productions, applicants for an International Grant can submit to the NZFC:

- (a) *a final application*: once all QNZPE on all productions in the bundle is completed or all that is intended to be claimed is completed; or
- (b) *an interim application*: each time the QNZPE for the bundle has exceeded a multiple of \$50 million provided that there is evidence that all productions in the bundle will be Completed.

Applicants must make a final application within **six months** after Completion of the last production in the bundle.

### **33.3 5% Uplift**

Applicants who have initial assessment of eligibility for the 5% Uplift can submit to the NZFC:

- (a) *a final application (including for the 5% Uplift)*: following confirmation the NZSPG Panel is satisfied the applicant has met all requirements of the MOU.
- (b) *an interim application*: each time the QNZPE for the production has exceeded a multiple of \$50 million provided that there is evidence that the production will be Completed. The grant rebate payable will be calculated at 25% of QNZPE, but at the time of interim application will only be paid at the rate of 20% of QNZPE. The difference (i.e. a 5% rebate on approved QNZPE) will be identified but held back until the applicant has a Final Certificate that includes the 5% Uplift amount.

Applicants must make a final application that includes the 5% Uplift within **six months** of Completion of the production, unless agreed otherwise in the MOU.

### **33.4 Interim assessment of status as a Live Action Production or PDV Production**

If an applicant makes an interim application as a Live Action Production but the NZSPG Panel is not satisfied that the production will qualify as a Live Action Production when a final application is made, the NZSPG Panel can elect to treat the production as a PDV Production for the purpose of calculating the amount of the interim payment.

If, when a final application is made, a production that was treated as a PDV Production for the interim application qualifies as a Live Action Production, the amount of the final payment will include any additional amount that would have been paid if the production was treated for the purpose of the interim payment as a Live Action Production rather than a PDV Production. This clause applies both where the applicant makes an interim application as a Live Action Production and where the applicant makes an interim application as a PDV Production.

### **33.5 Fee**

A fee, as determined by the NZFC from time to time and published on its website, may be payable for making a final application or an interim application. If a fee is payable, the NZFC will not begin processing a final or interim application until the NZFC has been paid the full amount of the fee.

## **34 Application requirements**

In respect of all applications an application must be made on the relevant application form.

In respect of a final and interim application for the International Grant, all contracts provided by an applicant as part of an application must be fully executed by all relevant parties.

The following must be included in a final application and an interim application (unless otherwise specified):

### **34.1 Audited expenditure statement**

All costs claimed as QNZPE must be presented in an audited expenditure statement. The audit must be prepared by a person who is:

- (a) qualified under the *Companies Act 1993* to audit companies;
- (b) not an officer, partner or employee of the applicant, or a related body corporate of the applicant (but can be contracted by them from time-to-time on a non-permanent basis). A related body corporate of an applicant would be a subsidiary of an applicant, the holding entity of an applicant or a subsidiary of the holding entity of the applicant; and
- (c) approved by the NZFC (as published on the NZFC website from time to time).

The auditor's report is provided at the applicant's expense, with the name of the auditor and auditor's company or firm, qualifications, and contact details to be provided in the relevant section of the application form.

### **34.2 Credit list, proof of distribution, sample footage**

An interim application for an International Grant must include a draft credit list.

A final application for an International Grant must include:

- (a) a full final credit list;
- (b) proof of compliance with the requirements of clause 35; and
- (c) proof of distribution or exhibition arrangements.

If the production has not been released to the public or international marketing for its imminent release has not occurred, the NZFC may request a copy of the completed production or a dated selection of footage.

### **34.3 Statutory declaration**

The information provided in a final application must be certified in a statutory declaration by an authorised person from the applicant - normally this would be the producer or a director of the applicant entity. Please note that under New Zealand law there are specific legal requirements for certification of statutory declarations.

### **34.4 Further information as requested**

The NZFC reserves the right to require any further information the NZFC deems necessary to complete the assessment process. This information must be provided at the applicant's expense within 14 days of the NZFC's request, although the applicant can write to the NZFC seeking an extension of time. The period of time between the NZFC's request for information and the applicant providing a satisfactory response will not be counted towards the NZFC's processing times notified by the NZFC from time to time.

Applicants should familiarise themselves with the relevant application form and the further information requested in that form.

## **35 Credit and promotional materials**

All applicants must provide in the Completed production an on-screen end credit and an on-screen NZFC logo, each readable in ordinary circumstances. Unless otherwise agreed by the NZFC in writing, the credit must be:

*"The filmmakers acknowledge the assistance of the New Zealand Government's Screen Production Grant"*

Unless otherwise agreed by the NZFC in writing, the logo must be the current version of the NZFC logo.

In exceptional circumstances, the NZFC can agree to waive the on-screen credit and/or logo requirement.

Unless specifically waived by the NZFC, applicants must provide promotional materials to the NZFC in accordance with the [Promotional Materials Schedule](#) available on the NZFC website. From time to time the NZFC may request a licence or permission to use certain of the promotional materials. The applicant must consider any such request in good faith, having regard to any contractual restrictions in relation to such material.

### **36 Confidentiality**

Certain information supplied by the applicant to the NZFC or independent consultants will be provided to the NZSPG Panel, SEB Verification Panel, IRD, MBIE, MCH the NZFC and independent consultants where reasonably necessary during the application and approval process. Once the International Grant has been approved and paid, the NZFC and MBIE may publish or announce the following information:

- the names of successful applicants;
- the amount of the QNZPE incurred by each applicant; and
- the amount of International Grant paid to each applicant.

Once the International Grant has been approved and paid, the amount of the QNZPE and the amount of an International Grant may be announced or published on the NZFC website and in any other publications selected by the NZFC or by any other part of the New Zealand Government.

Except where disclosure is permitted by clauses 36 to 38 (inclusive), the NZFC will use reasonable efforts to maintain the confidentiality of the information provided by the applicant. The NZFC, IRD, MBIE and MCH are government entities, which are subject to various disclosure requirements, for example disclosure of information under the *Official Information Act 1982*. None of them will be liable for any disclosure it believes (acting reasonably) it is required to make.

As such, applicants are advised to clearly indicate those parts of its application that the applicant regards as commercially sensitive and confidential. In processing a request under the *Official Information Act 1982*, the NZFC or relevant New Zealand Government agency will consult the relevant applicant prior to a decision on release of information.

### **37 Information for research purposes**

Information provided by the applicant may be used by the NZFC and provided to other parts of the New Zealand Government for research purposes; for example, as part of a study on the broader economic and industry development impacts of a production. Only non-identifying or aggregated information will be made public.

### **38 Exit survey**

When making a final application, applicants will be required to complete a survey about their experience of making a production in New Zealand. This information will be used for research and marketing purposes and, unless the applicant agrees otherwise, it will be treated confidentially and only non-identifying or aggregated information will be made public.

The NZFC will not begin processing a final application until the NZFC has received a complete exit survey.

### **39 Further information**

For further information on these criteria and the process of applying for an International Grant please contact the Incentives Executive on tel: +64 (0)4 382 7680, email: [nzspg@nzfilm.co.nz](mailto:nzspg@nzfilm.co.nz).

For information about taxation and other obligations of entities commencing business in New Zealand, filing business activity statements and annual income tax returns, consult the IRD website at [www.ird.govt.nz](http://www.ird.govt.nz), or IRD screen production desk's website at [www.ird.govt.nz/industry-guidelines/screen-production/](http://www.ird.govt.nz/industry-guidelines/screen-production/).

#### **40 Application forms**

Application forms can found on the NZFC website at <http://www.nzfilm.co.nz>.

Applications, including all required documentation, must be submitted as specified on the NZFC website.



## **SECTION 6 – ASSESSMENT PROCESS**

### **41 Assessment process**

Once the NZFC receives an application, it is checked to ensure that it is complete and includes all relevant documents (as per the checklist at the back of the application form).

Once the application is complete, the applicant is sent an acknowledgement letter. The date of this letter is the start of the assessment process.

The complete application may be sent to an independent consultant contracted by the NZFC, or assessed internally at the NZFC. The independent consultant's role is to assess the application against the requirements of the criteria. All independent consultants are subject to a contractual duty of confidentiality.

If necessary, the independent consultant will contact the applicant to obtain further information about the application, production or applicant. A delay in providing further information on request may impact processing time.

If the request for information relates to non-arm's length issues, the independent consultant may seek information on the process and methodologies adopted to show that the amounts charged accord with the arm's length principle.

The NZFC will prepare a report, based on the independent consultant's report, for the NZSPG Panel to consider. It is NZSPG Panel's role to assess whether the application satisfies the criteria in respect of the baseline International Grant.

### **42 Processing time**

The NZSPG Panel will process applications within the processing times notified by the NZFC from time to time. The processing time for an application will not begin until the NZFC has sent the applicant an acknowledgement letter, as per clause 41.

If the NZFC or an independent consultant requests further information from the applicant, the time between the request for information and the applicant providing a satisfactory response will not be counted towards the NZFC's stated processing time in respect of the application.

### **43 NZSPG Panel**

The NZSPG is administered by the NZFC on behalf of MBIE. Applications for an International Grant will be assessed by the NZSPG Panel, a panel made up of industry practitioners and representatives from the NZFC and MBIE. The NZSPG Panel will determine whether applications satisfy the criteria. A representative from IRD and from MCH is invited to attend all NZSPG Panel meetings.

A separate verification panel is responsible for assessing whether productions and applicants meet certain of the requirements for the 5% Uplift. See Appendix 3 for details.

### **44 Assessment of 5% Uplift**

The assessment process for the 5% Uplift is set out in Appendix 3.

### **45 IRD verification and payment of International Grant**

Payment of the International Grant is dependent on:

- (a) IRD verifying the quantum of the potential claim for QNZPE against records held by IRD; and
- (b) approval by the NZSPG Panel.

Once a complete final application has been received, the NZFC will provide the application to IRD for IRD verification. The NZFC will endeavour to process the application within three months. Payment of the International Grant will generally be made within ten business days by MBIE upon advice from the NZFC and

receipt of an invoice and formal verification of bank account details from the applicant. The International Grant can only be paid in New Zealand dollars to the applicant company to their New Zealand bank account.

#### **46 Payment of the 5% Uplift**

Payment of the 5% Uplift can only be made once the NZSPG Panel is satisfied the applicant has met all of the requirements of the MOU entered into in accordance with clause 32. Once the NZSPG Panel is satisfied the applicant has met all requirements of the MOU, the NZSPG Panel will send the applicant a confirmation letter. Payment of the 5% Uplift will generally be made within 10 business days by MBIE upon advice from the NZFC and receipt of an invoice and formal verification of bank account details from the applicant. The 5% Uplift can only be paid in New Zealand dollars to the applicant company to their New Zealand bank account.

## **APPENDIX 1 – DEFINITIONS AND INTERPRETATION**

**Where used in these criteria, the terms below shall have the meaning below:**

**\$** means New Zealand dollars.

**5% Uplift** means (for Live Action Productions only) an increase to the International Grant of 5% over the baseline grant of 20% of QNZPE. PDV Productions are not eligible to receive a 5% Uplift.

**Above The Line Costs** means:

- Development Expenditure;
- Remuneration of the writer(s), director(s), producer(s) and lead cast; and
- Travel costs of the writer(s), director(s), producer(s) and lead cast,

as each of those terms is defined in this criteria, and in each case not determined by how any particular expenditure is categorised within a production's budget.

**Cast and Crew Perks** means benefits (for example; companion airfares, a personal chef, childcare) provided to a cast or crew member that are not part of the total Remuneration for that person.

**Complete, Completed or Completion** means when a production is first in a state where it could reasonably be regarded as ready to be distributed, broadcast or exhibited to the general public in any form or format. For different formats, this means:

- (a) *feature film* – when it is completed to Digital Cinema Package (DCP) format or any replacement format ready for distribution;
- (b) *single episode programme* – when the programme is finished to master video tape stage (or digital equivalent) with credits ready for broadcast;
- (c) *series* – when all of the episodes in the series are finished to master video tape stage (or digital equivalent) with credits ready for broadcast;
- (d) *season of a series* – when all of the episodes are finished to master video tape stage (or digital equivalent) with credits ready for broadcast, completed within one defined time period or “season” of a series.

**Creative Producer** means an individual with decision-making authority who has a key role in the creative evolution of a production and plays an active role throughout the pre-production, production and post-production of a production and assumes responsibility for the physical process of production and carrying through practical and financial arrangements for the making of a production.

**Development Expenditure** means expenditure incurred prior to official pre-production on development of the production, and includes expenditure on any of the following:

- location surveys and other activities undertaken to assess locations;
- storyboarding;
- scriptwriting / purchase of story rights;
- research;
- casting;
- budgeting; and
- scheduling.

**Entertainment** includes alcohol, wrap parties, and meals outside a production base unless such meals are in place of standard production catering for cast and crew.

**Final Certificate** means a certificate issued to an applicant by the NZFC that states whether or not, on the basis of the information included in a final application, a production has qualified for an International Grant and the amount of that International Grant.

**Financing Expenditure** includes expenditure connected with raising and servicing finance for the production, such as interest payments on loans to cashflow the International Grant, development loans and pre-sales or

gap funding cashflowed to the production budget (but not deferrals). Financing Expenditure does not include fees or premiums associated with the provision of any equity funding.

**Gratuities** includes tips, koha, vouchers and similar payments for which no invoice or receipt is provided.

**Guaranteed Deferments** means payments to personnel or the production entity (including payments for story rights) that are quantifiable prior to Completion of the production but are payable after Completion of the production.

**International Grant** means the grant available under the NZSPG to productions that meet the eligibility criteria under the NZSPG Criteria for International Productions. It includes the PDV Grant.

**IRD** means the Inland Revenue Department.

**LBSPG** means the Large Budget Screen Production Grant scheme that was introduced by the New Zealand Government in 2003 and that was replaced by the NZSPG in April 2014.

**Live Action Production** means a production with QNZPE relating to filming with real people or animals and in which expenditure on Visual Effects Production is no more than 55% of QNZPE.

**MBIE** means the Ministry of Business, Innovation and Employment.

**MCH** means the Ministry for Culture and Heritage.

**New Zealand Citizen** or **Citizen** means a natural person who has acquired New Zealand citizenship under the Citizenship Act 1977.

**New Zealand Grant** means the grant available to New Zealand Productions under the NZSPG Criteria for New Zealand Productions.

**New Zealand Permanent Resident** or **Permanent Resident** means a person who meets the definition of a permanent resident under the Immigration Act 2009.

**New Zealand Production** means a production with Significant New Zealand Content.

**New Zealand Resident** or **Resident** means:

- (a) in the case of a natural person, a person that the *Income Tax Act 2007* treats as a New Zealand resident under section YD 1; or
- (b) in the case of a company, a company that the *Income Tax Act 2007* treats as a New Zealand resident under section YD 2.

**NZFC** means the New Zealand Film Commission.

**NZSPG** means the New Zealand Screen Production Grant scheme introduced by the New Zealand Government effective from 1 April 2014.

**NZSPG Panel** means the New Zealand Screen Production Grant Panel.

**Participation Payments** means payments to personnel or the production entity (including payments for story rights) that are contingent on gross and/or net receipts of the production.

**PDV Activity** means, in general, the post, digital and visual effects production activities including but not limited to those listed in Appendix 2 (as may be updated from time to time) to the extent they occur in New Zealand.

**PDV Grant** means the grant available under the NZSPG to eligible PDV Productions.

**PDV Production** means a production that is not a Live Action Production and that meets the criteria in clause 10 of Section 2A.

**Principal Photography** means:

- (a) *for scripted productions*: the period of time during which the main shooting of the production takes place. It is expected that certain key shooting cast and crew (such as the director, director of photography, key cast, hair and make-up, continuity) will be present. The period of time is usually a fixed period, however, where a pick-up shoot, second unit shoot or re-shoot meets this criteria, it will also be considered principal photography.

- (b) *for unscripted productions and documentaries (whether scripted or unscripted)*: the period of time required to capture the image of the subject matter of the production where the director, or in some cases, the field director, is present for the shoot. The shoot does not need to occur over a fixed period of time. Interviews with key subjects and time critical photography will be considered principal photography. Where there is no shoot element for a documentary, the period of time during which the edit takes place.
- (c) *for PDV Productions*: the period from the day on which an ongoing schedule of production of the animated image commences until the day that the animated images are completed.

**Provisional Certificate** means a certificate issued to an applicant by the NZFC that states whether or not, on the basis of the information included in an application for a Provisional Certificate, a production is likely to qualify for an International Grant.

**QNZPE** means Qualifying New Zealand Production Expenditure, as defined in Section 3.

**Qualifying Person** means a person who is a New Zealand Citizen or a New Zealand Permanent Resident at the time the production is made and who is credited in the production.

**Regional Filming** means filming outside the Auckland and Wellington regions.

**Related Entity** generally means an entity that has 50% or more shareholding in common with the applicant. However, it is not intended that separate business units within a group are related entities, e.g. a broadcast or cable company will generally not be considered a related entity to a feature film company despite having the same ultimate ownership. In exceptional circumstances, where a related entity does not meet the shareholding requirement and the applicant can provide evidence of another means of association or control, the NZFC may accept that that entity is related to the applicant for the purposes of the criteria.

**Remuneration** means all contractual entitlements to fees, accommodation, per diems and childcare and other allowances but excluding travel.

**Residuals** means any residual payments due to personnel (including those distributed by guilds, unions or other collecting bodies) for exhibition and distribution of a production other than its original release (these are not classified as Participation Payments).

**SEB Verification Panel** means the Significant Economic Benefits Verification Panel.

**Significant Economic Benefits Points Test** means the test used to determine whether a production brings significant economic benefits to New Zealand. This test is located in the Significant Economic Benefits Guidelines in Appendix 3.

**Significant New Zealand Content** means significant New Zealand content for the purposes of the NZSPG Criteria for New Zealand Productions as determined in accordance with those criteria.

**SPIF** means the Screen Production Incentive Fund that was introduced by the New Zealand Government in 2008 and that was replaced by the NZSPG in April 2014.

**Visual Effects Production** means the activities set out in paragraph 2 of Appendix 2.

## **APPENDIX 2 – PDV ACTIVITY**

QNZPE in relation to PDV Productions only, means QNZPE that is directly or necessarily related to PDV Activity. The items below are examples of activities that are considered to be PDV Activity. If an item is not on the list below, please contact the Head of Incentives.

QNZPE necessarily related to PDV Activity includes but is not limited to fees and expenses of personnel, hire of studio and office space, purchase of hire or equipment, depreciation of assets (see clause 10.2).

### **1. Post-Production**

#### **1.1 Picture Post-Production**

- Picture editorial
- Digital Intermediates (including TV online/colour sessions)
- Graphics, idents, textless backgrounds
- Main, end and textless titles
- Master exports
- Creation of master picture delivery items (not including distribution copies), data management and movement (provided the cost of data movement is charged to a New Zealand entity and the data originates from New Zealand)
- Film scanning/telecine
- Stereoscopic 3D conversion

#### **1.2 Music**

- Composing, scoring, performing, recording

#### **1.3 Sound Post-Production**

- Sound and music editorial
- ADR/voiceover recording including remote ADR/voiceover recording including but not limited to ISDN connections provided the cost is charged to a New Zealand entity
- Sound design including any additional sound recording recorded by a sound editor
- Sound tracklay
- Foley effects and recording
- Sound mixing/re-recording (not including international versioning for distribution)
- Creation of master sound delivery items (not including distribution copies or international versioning)

NOT INCLUDED: Proprietary licence fees e.g. Dolby.

#### **1.4 Film Laboratory**

- Film recording
- Film restoration and repair
- Titles, credits
- Stills manipulation
- Grading/colour timing
- Negative inspection, negative pulling, cutting, logging, assembly cutting and pulling and assembling of scan rolls
- Film/digital opticals
- Creation of master film delivery items, e.g. interpositives and internegatives (not including distribution copies)
- Digital negative developing, processing and print from digital negative

### **2. Visual Effects Production**

#### **2.1 Physical Effects (only where Principal Photography is outside New Zealand)**

- Specialist prosthetics, models, props and costumes primarily used as on-set visual effects aids
- Specialist prosthetics, models, props and costumes which are scanned or photographed to be used as reference for digital creatures, doubles, environments and other digital effects

#### **2.2 Visualisation**

- Research and development for visual effects technology used by and charged to the production
- Visual effects design (including concept art and photographing and/or scanning of physical models by the VFX supplier to use as VFX reference)
- Visual effects planning, supervision, management and integration into production
- 3D storyboards outlining placement, movement, shape and elements needed for the completion of VFX shots including for pre-visualisation, technical visualisation or post-visualisation

#### **2.3 VFX Photography and Data Capture**

- Virtual camera including motion capture, performance capture or facial capture (see note 1 below)
- Creation, shooting and delivery of models and miniatures
- Creation, shooting and delivery of animatronics
- Aerial plates
- Green/blue screen photography not involving lead cast or the main unit director used for the purposes of supporting visual effects and other than Principal Photography

- Plates/elements including but not limited to background, crowd/extras, specialist prosthetics, pyrotechnics and fire, lightning, smoke, dust, water and clouds
- On-set data capture (including environment, prop, human and creature capture) such as 3D scanning and processing of captured data
- Virtual studio and sets

#### **2.4 CGI/2D/3D**

- 2D and 3D animation (see note 1 below)
- Digital creatures
- Digital doubles
- Digital environments
- Other digital effects
- Rotoscoping
- Digital matte painting
- Compositing
- Film treatment and restoration
- Wire effects removal
- Editing and grading

NOTE 1: For the avoidance of doubt, all costs relating to motion/performance/facial capture and animation activities are QNZPE even if they are incurred during Principal Photography.

#### **3. Other**

- Film scanning for visual effects
- Licence fees for stock footage (provided copyright is held by a New Zealand Resident)
- Library and sound clearances (provided copyright is held by a New Zealand Resident)



**APPENDIX 3 – 5% UPLIFT (INCLUDING ASSESSMENT OF SIGNIFICANT ECONOMIC BENEFITS)**

**NEW ZEALAND SCREEN PRODUCTION GRANT**

**International Productions**

**5% Uplift (including assessment of Significant Economic Benefits)**

**Guidelines**

**1 July 2017**

# New Zealand Screen Production Grant - International

## 5% Uplift

### Introduction

The New Zealand Screen Production Grant (**NZSPG**) was introduced by the New Zealand Government on 1 April 2014. All International Productions that meet the relevant eligibility criteria are able to access a grant equivalent to 20% of QNZPE.

Certain Live Action Productions may be invited to apply for an additional 5% grant (**5% Uplift**).

The 5% Uplift is reflective of the fact that screen productions can raise New Zealand's profile internationally, attract high value tourists, and profile our innovative and creative people and technologies. It is expected that productions that qualify for the 5% Uplift will be well placed to market, promote and showcase New Zealand.

This Appendix sets out the 5% Uplift requirements and assessment process and it must be read in conjunction with the full criteria and other documentation for the NZSPG. It has been developed to provide information for producers on how the requirements for accessing the 5% Uplift will be assessed.

### Minimum requirements for 5% Uplift

To receive initial certification of eligibility for a 5% Uplift, an applicant must:

- 1) meet the QNZPE thresholds (for current and previous productions);
- 2) be invited in writing by the NZFC and MBIE to apply for a 5% Uplift;
- 3) apply for a 5% Uplift, and meet the requirements of the criteria (including the Significant Economic Benefits Points Test); and
- 4) provide value to New Zealand that the SEB Verification Panel considers meets or exceeds the value of the 5% Uplift applied for.

An applicant must meet all four of the requirements outlined above to receive initial certification of eligibility for a 5% Uplift.

#### 1) QNZPE thresholds

To be invited to apply for the 5% Uplift, an applicant must meet or exceed two QNZPE thresholds:

- the current production must have QNZPE of at least \$30 million; and
- the applicant must have incurred QNZPE of at least \$100 million in the five years prior to the date of the applicant's invitation.

In determining whether the applicant has met the threshold for QNZPE on previous productions, MBIE and the NZFC will consider QNZPE that has been determined to be QNZPE in a previous application(s) for the International Grant and any supporting evidence provided by the applicant.

#### 2) Invitation

MBIE and the NZFC can invite applicants who have reached the QNZPE thresholds to apply for the 5% Uplift. MBIE and the NZFC have sole discretion to decide whether to issue an invitation, and are under no obligation to issue an invitation to applicants who reach the QNZPE thresholds. An applicant who is invited to apply is not obliged to apply. Nor does being invited to apply mean that the applicant will qualify for the 5% Uplift.

### **3) Application and Significant Economic Benefits Test**

An applicant who is invited to apply and who wishes to apply, must submit to the SEB Verification Panel a 5% Uplift initial application, on the 5% Uplift Initial Application Form provided with the invitation. The SEB Verification Panel will provide the applicant with written confirmation once it has received a complete application.

The SEB Verification Panel will determine whether a production and applicant pass the Significant Economic Benefits Points Test. A production that receives at least 20 points out of a possible 35 points, receives a minimum number of points in each of the sections (as set out in the SEB Points Test) and receives the necessary points in mandatory categories (as set out in the SEB Points Test) will pass the SEB Points Test.

The SEB Verification Panel will endeavour to make this determination within four weeks of the SEB Verification Panel providing confirmation to the applicant that it has received a complete 5% Uplift Initial Application.

Due to the nature of the Significant Economic Benefits Test (particularly Section D), applicants must ensure that an authorised person of the applicant is available to engage with and provide further information to the NZFC and the SEB Verification Panel during the assessment process. Proposals included in the application must be valid for three months from the application date.

### **4) Value to New Zealand**

The SEB Verification Panel will determine whether the value (including economic benefit and industry development) to New Zealand of the activities to be undertaken by the applicant and production meets or exceeds the value of the 5% Uplift applied for by:

- (a) estimating the value to New Zealand of the benefits of the activities to be undertaken by the applicant and the production. MBIE and the NZFC will make this estimation taking into account information provided by the applicant and any other information available to MBIE and the NZFC that is relevant to determining value to New Zealand; and
- (b) comparing the estimated value to New Zealand of the activities to be undertaken by the applicant with the value of the 5% Uplift the applicant has applied for.

The SEB Verification Panel has sole discretion to determine whether the value to New Zealand of the activities to be undertaken by the applicant and production meets or exceeds the value of the 5% Uplift applied for.

## Significant Economic Benefits Points Test

	Points Available
<b>A – Expenditure on Current Production</b>	
A1 – QNZPE in NZD of expenditure on current production Feature film: A mandatory minimum \$30m QNZPE (1pt). Additional point for each \$10m QNZPE up to \$80m. Non-feature film: A mandatory minimum \$25m QNZPE (1pt). Additional point for each \$10m QNZPE up to \$75m.	Up to 6
<b>Total – Section A (maximum: 6 points and minimum: 1 point)</b>	<b>6</b>
<b>B – New Zealand Production Activity</b>	
B1 – Shooting – Location/Studio (1 for 75%, 2 for 90%, an additional 1 point for 25% Regional Filming)	Up to 3
B2 – Picture Post-Production (50% plus)	1
B3 – Sound Post-Production (50% plus)	1
B4 – Digital or Visual Effects (1 for 50%, 2 for 75% or 1 for \$5m, \$10m for 2)	Up to 2
B5 – If applicable, Concept Design & Physical Effects (Period/Genre) (1 for 50%, 2 for 75%)	Up to 2
B6 – 75% or more of total budget is QNZPE (1 bonus point available if maximum points not achieved in B1-B5)	1
<b>Total – Section B (maximum: 10 points; minimum: 4 points; 1 mandatory point: B2, B3, B4, B5)</b>	<b>10</b>
<b>C – New Zealand Personnel</b>	
<i>To qualify, individuals must be a New Zealand Citizen or New Zealand Permanent Resident at the time the production is being made and be credited in the production (a <b>Qualifying Person</b>).</i>	
C1 – Director/Producer/Writer (1 point if 1 of 3, 2 points if 2 of 3)	Up to 2
C2 – Lead or Supporting Cast (1 point if 2 supporting cast, 2 points if 1 lead or 3 or more supporting cast)	Up to 2
C3 – Majority of Cast (75% plus)	1
C4 – Key Production Staff – DOP, Editor, Production Designer, Composer, Sound Designer, Sound Editor, Sound Mixer, VFX Supervisor, 1 <sup>st</sup> Assistant Director, 2 <sup>nd</sup> Unit Director, Line Producer, Costume Designer, Key Make-up & Hair (0.5 pt per role, maximum of 3 points)	Up to 3
C5 – Majority of Crew (75% plus)	1
C6 – 90% or more of total cast or crew are Qualifying Persons (1 bonus point available if maximum not achieved in C1-C5)	1
C7 – Skills and/or talent development - Mandatory	1
<b>Total – Section C (maximum: 11 points; minimum: 7 points; 1 mandatory point: C7)</b>	<b>11</b>
<b>D – Wider Economic Benefits</b>	
<i>Are you able to provide wider economic benefits to New Zealand or the New Zealand screen industry?</i>	
D1 – Marketing, promoting and showcasing New Zealand	Up to 3
D2 – Placement of New Zealand in screen production	Up to 2

D3 – Investment in New Zealand infrastructure	Up to 2
D4 – Investment in innovation, technology or knowledge transfer	1
<b>Total – Section D (maximum: 8 points; minimum points: 3; mandatory categories: 2 points from D1 and/or D2)</b>	<b>8</b>
<b>To meet this points test a production must score a minimum of 20 points in the above points test (and meet the minimum points and categories requirements in Sections A, B, C and D).</b>	<b>__ (out of 35)</b>

## Section A – Expenditure on Current Production

**Minimum/mandatory points:** applicants must receive a minimum of 1 point in Section A.

### A1: Points –Expenditure on Current Production

**Feature films** with QNZPE (in New Zealand dollars) of:

- Greater than or equal to \$30 million but less than \$40 million 1 point
- Greater than or equal to \$40 million but less than \$50 million 2 points
- Greater than or equal to \$50 million but less than \$60 million 3 points
- Greater than or equal to \$60 million but less than \$70 million 4 points
- Greater than or equal to \$70 million but less than \$80 million 5 points
- Greater than or equal to \$80 million 6 points

**TV and other non-feature films** with QNZPE (in New Zealand dollars) of:

- Greater than or equal to \$25 million but less than \$35 million 1 point
- Greater than or equal to \$35 million but less than \$45 million 2 points
- Greater than or equal to \$45 million but less than \$55 million 3 points
- Greater than or equal to \$55 million but less than \$65 million 4 points
- Greater than or equal to \$65 million but less than \$75 million 5 points
- Greater than or equal to \$75 million 6 points

For applications for a Provisional Certificate, applicants must submit a detailed spreadsheet of the production's estimated QNZPE in New Zealand dollars. Applicants can use the budgeted exchange rate or IRD's mid-month rate for the month in which the application is lodged ([www.ird.govt.nz](http://www.ird.govt.nz)). Applicants who are concerned that the minimum expenditure thresholds for this test may not be achieved solely due to exchange rate fluctuations can apply to pre-qualify. Please see clause 29 of the criteria for details of this process.

Please note that final assessment of whether a production meets the above thresholds will be based on the level of QNZPE approved at final application stage. If this is below the estimated QNZPE, this may adversely impact on the points scored and may affect the production's eligibility for the 5% Uplift.

## Section B – New Zealand Production Activity

**Minimum/mandatory points:** applicants must receive a minimum of 4 points in Section B, including at least one point in each of sections B2, B3, B4 and B5.

### Explanatory notes

Except for Principal Photography, the amount of work on a film-making activity in this section will be calculated by the amount of expenditure on that work. This will include: where a person works on a film, where goods are supplied from and/or where the services are performed.

Where expenditure on a film-making activity is split between activity inside and outside New Zealand then expenditure must be claimed in proportion to the location of that activity.

Information regarding the ownership of any equipment and technical facilities used by an applicant to claim points under this section may be requested.

If, due to exceptional circumstances beyond the applicant's control, the actual percentage of shooting days carried out in New Zealand or the actual percentage of QNZPE is less than the estimated percentage included in an application for a Provisional Certificate and this results in the applicant failing to pass this points test, then the applicant can make a case for reconsideration of its eligibility for the 5% Uplift.

### B1 – Shooting – Location/Studio

Up to 3 points will be awarded for the location and/or studio shooting carried out in New Zealand, on the following basis:

- 1 point can be awarded if at least 75% of the location and/or studio shooting is carried out in New Zealand.
- 2 points can be awarded if at least 90% of the location and/or studio shooting is carried out in New Zealand.
- 1 additional point can be awarded for 25 % of Regional Filming.

Location/Studio shooting includes Principal Photography at any studio, location, warehouse or other place where filming takes place. It does not include any shooting done by second or other units or any re-shoots that take place after so-called "wrap" of Principal Photography. It will be measured by reference to the number of days spent on the work as set out in the shooting schedule. In this instance, Principal Photography means the period of time during which the main shooting of the production takes place. It is expected that certain key shooting cast and crew (such as the director, director of photography, key cast, hair and make-up, continuity) will be present.

### B2 – Picture Post-Production

1 point will be awarded for the picture post-production if at least 50% of the total budget for picture post-production is QNZPE.

Picture post-production includes the following activities. It does not include dailies or activities normally carried out on-set during the Principal Photography period:

- Picture editorial
- Digital Intermediates (including TV online/colour sessions)
- Graphics, idents, textless backgrounds
- Main, end and textless titles

- Master exports
- Creation of master picture delivery items (not including distribution copies), data management and movement (provided the cost of data movement is charged to a New Zealand entity and the data originates from New Zealand)
- Film scanning/telecine
- Stereoscopic 3D conversion

Picture post-production also includes the following film laboratory activities:

- Film recording
- Film restoration and repair
- Titles, credits
- Stills manipulation
- Grading/colour timing
- Negative inspection, negative pulling, cutting, logging, assembly cutting and pulling and assembling of scan rolls
- Film/digital opticals
- Creation of master film delivery items, e.g. interpositives and internegatives (not including distribution copies)
- Digital negative developing, processing and print from digital negative

### B3 – Music Recording, Voice Recording, Sound Post-Production

1 point can be awarded if at least 50% of the total budget for music, voice recording activities and/or sound post-production is QNZPE.

Music includes composing, scoring, performing and recording but does not include source music. The performing and recording of the following qualify: a new piece of music composed for the film; or a new arrangement/score of an existing piece of music, created specifically for the film.

Sound post-production includes:

- Sound and music editorial
- ADR/voiceover recording including remote ADR/voiceover recording including but not limited to ISDN connections provided the cost is charged to a New Zealand entity
- Sound design including any additional sound recording recorded by a sound editor
- Sound tracklay
- Foley effects and recording
- Sound mixing/re-recording (not including international versioning for distribution)



- Creation of master sound delivery items (not including distribution copies or international versioning)

NOT INCLUDED: Proprietary licence fees e.g. Dolby.

For animation only: Work on voice recording will also be eligible. 1 point will be awarded if at least 50% of the total budget for this activity is QNZPE.

#### B4 – Visual Effects Production

Either:

- 1 point can be awarded if at least 50% of the total budget for Visual Effects Production is QNZPE.
- 2 points can be awarded if at least 75% of the total budget for Visual Effects Production is QNZPE.

Or:

- 1 point can be awarded if at least \$5 million QNZPE is spent on Visual Effects Production.
- 2 points can be awarded if at least \$10 million QNZPE is spent on Visual Effects Production.

Visual Effects Production includes:

##### ***Visualisation***

- Research and development for visual effects technology used by and charged to the production
- Visual effects design (including concept art and photographing and/or scanning of physical models by the VFX supplier to use as VFX reference)
- Visual effects planning, supervision, management and integration into production
- 3D storyboards outlining placement, movement, shape and elements needed for the completion of VFX shots including for pre-visualisation, technical visualisation or post-visualisation

##### ***VFX Photography and Data Capture***

- Virtual camera including motion capture, performance capture or facial capture (see note 1 below)
- Creation, shooting and delivery of models and miniatures
- Creation, shooting and delivery of animatronics
- Aerial plates
- Green/blue screen photography not involving lead cast or the main unit director used for the purposes of supporting visual effects and other than Principal Photography
- Plates/elements including but not limited to background, crowd/extras, specialist prosthetics, pyrotechnics and fire, lightning, smoke, dust, water and clouds
- On-set data capture (including environment, prop, human and creature capture) such as 3D scanning and processing of captured data
- Virtual studio and sets

##### ***CGI/2D/3D***

- 2D and 3D animation (see note 1 below)
- Digital creatures

- Digital doubles
- Digital environments
- Other digital effects
- Rotoscoping
- Digital matte painting
- Compositing
- Film treatment and restoration
- Wire effects removal
- Editing and grading

NOTE 1: For the avoidance of doubt, all costs relating to motion/performance/facial capture and animation activities are QNZPE even if they are incurred during Principal Photography.

For animation only: Costs incurred on shooting, visual design, and layout and storyboarding, will also be eligible.

#### B5 – Concept Design and Physical Effects

For productions where Concept Design and Physical Effects are a significant part of the production e.g. genre or period:

- 1 point can be awarded if at least 50% of the total budget for Concept Design and Physical Effects is QNZPE.
- 2 points can be awarded if at least 75% of the total budget for Concept Design and Physical Effects is QNZPE.

For the purposes of this section of the test, Concept Design and Physical Effects includes creature design, special effects, mechanical effects, specialist prosthetics, models, special props and costumes supplied by specialist companies rather than by the crew working on the production e.g. art department crew. It does not include fees for the production designer or for personnel in art department, wardrobe or hair and make-up.

#### B6 – Bonus point for proportion of budget that is QNZPE

1 point can be awarded if at least 75% of the total budget is QNZPE. The total budget must include all above-the-line and below-the-line items usually included in budgets for similar productions.

## Section C – New Zealand Personnel

**Minimum/mandatory points:** applicants must receive a minimum of 7 points in Section C, including at least 1 point in C7.

### C1 – Director/Producer/Writer

- 1 point can be awarded if at least 1 of the producer, director or writer are Qualifying Persons;
- 2 points can be awarded if at least 2 of the producer, director or writer are Qualifying Persons.

Where there are multiple directors (for example for a series of episodes), 1 point can be awarded if at least 66% of the directors are Qualifying Persons or if the majority of the episodes are directed by Qualifying Persons.

Where there is more than one director (for example for a feature film), applicants will be asked to make a case for who is the lead, except where there are joint and equal directors in which case an applicant can choose either to be the lead. The lead director will be determined by taking into account factors including: the person who takes the credit in the production, the creative input and time spent working on the production.

Where there is more than one producer, applicants will be asked to make a case for who are the lead producers. A producer is defined as an individual with decision-making authority who plays an active role throughout the pre-production, production and post-production of a production and assumes responsibility for the physical process of production and carrying through practical and financial arrangements for the making of the production. For feature films, executive producers and associate producers will generally not be considered lead producers. For television series, executive producers may be considered lead producers. The lead producer will be determined by taking into account factors including: the person who takes the credit in the production, the creative input and time spent working on the production. Producers for television series, line producers and unit production managers are considered under C4.

Where there are multiple scriptwriters (for example for a series of episodes) 1 point can be awarded if at least 66% of the scriptwriters are Qualifying Persons or if the majority of the episodes are written by Qualifying Persons.

Applicants will be asked to make a case for who are the scriptwriters. A scriptwriter will be determined by taking into account factors including: the person who takes the credit in the production, creative input on the script and time spent working on the script.

### C2 – Lead and/or Supporting Cast

- 1 point can be awarded if two of the supporting cast are Qualifying Persons.
- 2 points can be awarded if one of the lead actors or three of the supporting cast are Qualifying Persons.

Applicants will be asked to make a case for who are the lead and supporting cast. The lead and supporting cast will be determined by taking into account factors including: the number of days worked in front of the camera, the size and importance of the role (with reference to line count, number of scenes, shoot days, and whether a performer is being paid a weekly rate), how the cast member is described in the relevant contract, amount of screen time, who the actor is taking direction from, marquee value and the centrality of the actor's role in the story. As a guide, an actor who is described as a "day player" or "bit player", or who is not required to speak more than six lines of dialogue or more than fifty words, or who is required to mime, would not be considered supporting cast. The actor must receive a credit and appear in the final production.

For animations only: this will include actors voicing characters.

For documentaries only: this will include the presenter, narrator, or other person who participates or appears in or is otherwise the subject of a documentary.

### C3 – Majority of Cast

1 point can be awarded if at least 75% of the cast are Qualifying Persons.

‘Cast’ means all the actors and performers (including stunt men and women) but not extras that appear in the production.

For the purposes of this test, ‘extras’ means: a person who appears in a production where a non-specific, non-speaking character is required, usually as part of a crowd or in the background of a scene.

For animations only: this will include actors voicing characters.

### C4 – Key Production Staff

Up to 3 points will be awarded for key production staff, on the following basis:

- 0.5 points can be awarded for each of the key production staff who are Qualifying Persons.

Key production staff are: the lead cinematographer, the lead production designer, the lead editor, the lead digital/visual/special effects supervisor, the composer, the lead sound designer, the lead sound editor, the lead sound mixer (either production sound recordist or re-recording mixer, but not both), the first assistant director, the second unit director (if applicable), the line producer or unit production manager, the costume designer, key make-up and key hair (or key make-up and hair if the role is performed by one person).

For animations only, the key production staff are: the animation director, lead layout supervisor, the lead production designer, the lead character designer, the lead editor, the lead sound designer, the lead visual effects supervisor and the lead modelling supervisor.

### C5 – Majority of Crew

1 point can be awarded if at least 75% of the production crew are Qualifying Persons.

Production crew means all the people directly involved in the making of a production but who do not appear in the production. That is, people involved directly in the production and post-production stages but not people involved in providing ancillary services e.g. caterers.

Whether a person is or is not in the production crew will be determined by taking into account factors including: whether he or she is contracted by the production company to perform services on the film; and whether he or she is given industry-standard on-screen credits.

### C6 – Bonus point for Total Cast or Crew

1 point can be awarded if at least 90% of the cast (as defined in C3) or production crew (as defined in C5) are Qualifying Persons.

### C7 – Skills and/or talent development

1 point will be awarded for productions that can demonstrate outcomes in skills and/or talent development.

New Zealand is keen to grow its capability in key creative roles such as above-the-line personnel and heads of department. It is expected that most productions will take on trainees in junior roles or that crew can ‘step up’ into new roles over a period of time. To gain points under this section, the focus must be on skills and/or talent development that would not happen in the normal course of a production and is focused at developing more senior personnel. The length of the opportunity, the demand for the skills, and the cost to the production will be taken into account when assessing the value of the opportunity.

Although welcome, opportunities like one-off masterclasses or workshops will not in themselves be enough to gain a point.

Examples:

- Paid internships (e.g. writing, directing, producing).
- Paid mentoring opportunities (in areas of high demand e.g. production accountancy, line producing, head of department roles).

## Section D – Wider Economic Benefits

**Minimum/mandatory points:** applicants must receive a minimum of 3 points in Section D, including at least 2 points from D1 and/or D2.

### Explanatory notes

In the case of each of these categories, the intention is that the benefits will be material and over and above something that might have occurred in the usual course of a production.

### D1 – Marketing, promoting and showcasing New Zealand

#### *Intent of benefit*

New Zealand has achieved considerable success through being able to associate productions made here with New Zealand and through communicating the message “made in and with New Zealand”. At its most developed, such as *The Hobbit*, New Zealand has been showcased most effectively, with direct benefit for our tourism and screen industries.

Broadly speaking, New Zealand wishes to:

1. Associate the screen production with New Zealand in order to showcase New Zealand; and
2. Link locations used in the production with New Zealand; and
3. Utilise the production to highlight the talents of the New Zealand screen industry involved; and
4. Leverage the production or its associated companies to access channels and markets to showcase New Zealand as more than a screen production destination.

#### *Points*

Up to 3 points are available to market, promote or showcase New Zealand resulting in positive brand recognition. Different productions have different showcasing value for New Zealand and this is recognised in the points. One point is available for productions that can work closely with New Zealand Government agencies or related entities to showcase New Zealand as a screen production destination. Two points are available to productions that can work closely with New Zealand Government agencies or related entities to showcase another aspect of New Zealand e.g. tourism, music, education, investment, technology. The largest number of points is available when a high value strategic partnership can be developed with a number of New Zealand Government agencies or related entities.

Imaginative proposals are encouraged, including cross-sector marketing or initiatives that might open up new markets to New Zealand or give New Zealand better access to capital, tourism, screen or other markets.

The table below provides further information on the 1 to 3 points scale for D1.

<b>Requirements</b>	<b>Points</b>
Agree a detailed marketing strategy with relevant New Zealand Government agencies or related entities to enable New Zealand to be showcased as a screen production destination. At a minimum this would include enhanced access to the production (during and post shoot) including the ability to interview key cast and crew, access key production statistics and access to screen production assets (e.g. publicity materials).	1 point
Some productions are better placed than others to be able to showcase New Zealand and provide marketing opportunities of significance. It is expected that applicants able to achieve two or three points in D1 will be able to demonstrate the geographic and demographic markets their production (or content promoting that production or New Zealand in general) will reach and that these align with New Zealand’s interests. They will also be able to demonstrate their capacity to work with New Zealand to realise effective marketing partnerships.	

Requirements	Points
<p>Agree a detailed marketing strategy with a New Zealand Government agency or related entity to enable New Zealand to be showcased as more than a screen production destination. This would involve an agreement with one or more non-screen New Zealand Government agencies or related entities enabling them to generate its own marketing content. This agreement could include:</p> <ol style="list-style-type: none"> <li>1. Access to screen production assets including branding, imaging and moving footage for use in paid, owned and earned media.</li> <li>2. The ability to interview key cast and crew while they are in New Zealand for use in paid, owned and earned media.</li> <li>3. Opportunities for media to visit and experience location shooting (when appropriate).</li> <li>4. Opportunities around the premiere and release of the screen production worldwide.</li> <li>5. Opportunities to access the fan base of the production.</li> </ol>	2 points
<p>As above, but with a larger number of New Zealand Government agencies or related entities. <i>The Hobbit</i> is an example of this type of partnership.</p> <p>It is expected that only very large budget, high profile productions would be able to gain three points, e.g. tent-pole films or established series.</p>	3 points

Applicants that are invited to apply and that apply for the 5% Uplift must disclose any other funding received by other central or local government agencies for the same production and the SEB Verification Panel can take this into account when deciding if further government funding via the 5% Uplift is warranted.

## D2 – Placement of New Zealand in the screen production

### *Intent of benefit*

New Zealand recognises that some productions offer the possibility to incorporate New Zealand on-screen, and that this can have equivalent benefits to marketing partnerships if it is of sufficient weight.

### *Points*

Up to 2 points will be awarded if an association of significance with New Zealand can be created on-screen, which would lead to New Zealand brand recognition in a significant geographic and demographic market that aligns with New Zealand's interests.

In order to achieve this, the screen production may utilise:

- New Zealand as a setting and, if identifiable as New Zealand and depending on the significance (e.g. a reasonable amount of screen time, not a passing reference), then points may be awarded;
- a New Zealand performer to play a New Zealand character in a significant and prominent role (lead or supporting) and depending on the significance or prominence of the role, then points may be awarded;
- other possibilities the applicant wishes to propose.

In general, one point will be for the prominent placement of a New Zealand setting **or** character. For television, the number of episodes of the series and the number of episodes that the New Zealand setting or character features in will be taken into account.

In general, two points would be awarded if there is both a New Zealand setting **and** a prominent New Zealand character, e.g. the film or series is mostly set in New Zealand with a lead New Zealand character.

### D3 – Investment in New Zealand infrastructure

#### *Intent of benefit*

New Zealand is interested in developing its screen industry infrastructure (both physical and business capability) in order to enhance the offering to future productions. We recognise that incoming productions can assist New Zealand with this and in a number of cases, such developments constitute a legacy where, but for the production, this investment would not have occurred.

#### *Points*

Up to 2 points will be awarded for:

- physical infrastructure which the applicant is able to facilitate being developed and left in New Zealand to be available to further productions;
- merchandising or ancillary business opportunities for New Zealand companies that will enable those companies to grow in scale or develop new skills or connections (associated games, merchandising contracts, related transmedia production, app developments and so on).

The ability to gain 2 points in this section will depend on the significance of the investment. Major capital investment or ancillary business activity is likely to qualify for 2 points, more minor proposals for 1 point. We also anticipate that significant commercial developments could be undertaken with New Zealand partners.

In determining the significance of the investment, the SEB Verification Panel will consider both the upfront cost of the investment and the estimated value of the investment over its economic life.

#### *Examples:*

New Zealand is aware of partnerships around the world which have resulted in the construction of specialist soundstages, or specific equipment or facilities such as water tanks. This category can also include providing significant equipment to an educational institution at the end of production.

### D4 – Investment in innovation, technology or knowledge transfer

#### *Intent of benefit*

New Zealand recognises that some productions will be well-placed to extend New Zealand's knowledge base within the screen sector or to other sectors by:

- use of innovative production technologies not already found in New Zealand;
- transfer of know-how to New Zealand personnel;
- entering into commercial partnerships to develop new technologies or methods;
- research and development initiatives.

#### *Points*

1 point will be awarded for productions that can demonstrate one or more of the above outcomes.



