



10 September 2024

[REDACTED]

[REDACTED]

[REDACTED]

## 15 AUGUST 2024: OFFICIAL INFORMATION ACT REQUEST

In your email dated 15 August 2024 you requested information under the Official Information Act 1982 (OIA) regarding details related to any grants or financial support provided by the New Zealand Film Commission for the production of the film "*Ted 2*."

Responses to your specific questions are set out below.

1. *Details of the Grants Provided:*

- a) *The total amount of funding provided to the production of "Ted 2" by the New Zealand Film Commission.*

*Ted 2* was approved the New Zealand Screen Production Grant (NZSPG) for International Productions in November 2015. The NZSPG is not New Zealand Film Commission (NZFC) funding. It is a rebate scheme administered by the NZFC on behalf of the Ministry of Business, Innovation and Employment (MBIE).

The purpose of the NZSPG for International Productions is to incentivise the production of foreign and domestic large budget films, television and other format productions in New Zealand in order to provide economic and industry development benefits to New Zealand. Productions must meet specific criteria to be eligible for the rebate. The criteria *Ted 2* was assessed under is attached at **Appendix 1**.

A list of approved rebates for International Productions is published every quarter on the NZFC website here: [Approved Screen Production Rebates - International Productions \(nzfilm.co.nz\)](https://www.nzfilm.co.nz/approved-screen-production-rebates-international-productions)

This page on the NZFC website provides an overview of the Rebate: [New Zealand Screen Production Rebate for International Productions \(nzfilm.co.nz\)](https://www.nzfilm.co.nz/new-zealand-screen-production-rebate-international-productions)

Please note that the NZSPG was renamed the New Zealand Screen Production Rebate in 2023.

- b) Copies of the grant applications, approvals, and any other relevant documents that outline the purpose and intended use of the funds.*

Documents in relation to this part of your request are attached at **Appendix 1**. Information has been redacted where the documents contain information outside of the scope of the request or one of the withholding grounds under the OIA applies, in which case the specific grounds are noted by the redaction.

The Application, Independent Consultant's Report, Audit Opinion and Audited Expenditure Statement and the IRD Letter have been withheld in full under the following grounds of the OIA:

- Section 9(2)(b)(ii): to protect information where the making available of the information would likely unreasonably prejudice the commercial position of the person who supplied or who is the subject of the information.
- Section 9(2)(ba)(i): to protect information which is subject to an obligation of confidence, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source and it is in the public interest that such information should continue to be supplied.

*2. Invoices and Payments:*

- a) Copies of all invoices submitted in relation to the funds provided for "Ted 2."*
- b) Records of payments made by the New Zealand Film Commission to the production.*

The NZFC does not hold this information. Invoices for the Rebate are paid by MBIE.

*3. Work Done by New Zealand Suppliers:*

- a) A list of New Zealand-based suppliers, contractors, and companies that were engaged as part of the production of "Ted 2" and paid using the grant funds.*
- b) Details of the work carried out by these New Zealand suppliers, including contracts, statements of work, and any related documentation.*


The "grant funds" are not used for this purpose – the applicant must first incur expenses in order to claim the Rebate.

Wētā FX provided work on the production.

*4. Reporting and Accountability:*

- a) Copies of any reports or evaluations submitted by the production company to the New Zealand Film Commission regarding the use of the grants.*

Please note that the NZSPG is a rebate on incurred expenditure. Applicants are required to supply supporting documentation for the purposes of assessing this expenditure. An



overview of these requirements is in the Criteria and the Final application forms available on the NZFC website.

- b) Any correspondence between the New Zealand Film Commission and the production company related to the grant, including emails, letters, and meeting notes.*

Documents in relation to this part of your request are attached at **Appendix 1**. Information has been redacted where the documents contain information outside of the scope of the request or one of the withholding grounds under the OIA applies, in which case the specific grounds are noted by the redaction.

5. *Other Relevant Documentation:*

- a) Any other documentation that relates to the funding and financial support provided by the New Zealand Film Commission for "Ted 2."*

The NZFC did not provide funding or financial support for *Ted 2*. The NZSPG for International Productions is a rebate scheme administered by the NZFC on behalf of MBIE.

We will be publishing this letter (with your personal information removed) and **Appendix 1** on the NZFC website.

Please be aware that you have the right, by way of complaint to an Ombudsman under section 28(3) of the OIA to seek an investigation and review of our response.

Yours sincerely

*Tayla Hancock*

Tayla Hancock  
**Senior Advisor, Policy and Performance**  
**New Zealand Film Commission**





14 September 2015

MRC II NZ Limited  
Level 4,  
52 Swanson Street,  
AUCKLAND 1010

By email: s9(2)(a)

Dear Brett,

**NEW ZEALAND SCREEN PRODUCTION GRANT APPLICATION**

I acknowledge receipt of your application for final certification for the New Zealand Screen Production Grant in respect of *Ted 2* on 14 September 2015.

We'll send a copy of the application to our independent consultant Rob ffiske and to Vince Costa at the Inland Revenue Department. Once we've received their reports and have reviewed the application ourselves, it will be presented to the NZSPG Panel. We'll aim to get back to you with the Panel's decision within three months. In the meantime, Rob or Vince may be in touch with you directly if they have any questions or require further information.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Chris Tyson', with a stylized flourish at the end.

Chris Tyson  
Incentives Executive

TEL: 64 4 382 7680 • FAX: 64 4 384 9719 • PO BOX 11 546 • WELLINGTON

LEVEL 3 • 119 Ghuznee Street • WELLINGTON • NEW ZEALAND  
info@nzfilm.co.nz • www.nzfilm.co.nz

## NZSPG - International Application Checklist (to be completed for each interim and final application received)

Applicant	MRC II NZ Limited
Name of production	Ted 2
Date application received:	14 September 2015
3-month expiry date:	14 December 2015
Date acknowledgement Letter Sent	14 September 2015
External consultant	
Confirm papers sent to IRD and consultant	Yes
Exit Survey included and sent to Film NZ	
Recorded on log and calendar	yes

Confirm statutory declaration signed	Yes
Confirm format	Feature Film
Confirm threshold	PDV – QNZPE exceeds NZ\$1m
Name of Auditor	Grant Thornton
Confirm receipt signed Auditor's letter	Yes
Confirm receipt of DVD of production (or examples of footage if interim or PDV application)	
Confirm receipt of distribution letter/agreement	

Date of panel meeting	
Date grant approval letter sent	
Confirm approval letter cc'd to MED and IRD	

6<sup>th</sup> meeting of the NZSPG Panel of the New Zealand Film Commission.  
New Zealand Film Commission, Level 3, 119 Ghuznee Street, Wellington  
On Thursday 26<sup>th</sup> November 2015 at 11am.

## AGENDA

1.0	Apologies	
2.0	Conflicts of Interest	
3.0	Minutes	
3.1	Minutes of 5th NZSPG-NZ Panel meeting held on Monday 19 <sup>th</sup> October 2015.	Attached
4.0	Out of scope	
4.1		All attached
4.2		
4.3		
4.4		
4.5		
5.0		
5.1		
5.2		All attached
5.3		
5.4		
5.5		
5.6		
6.0	Final Application <i>Ted 2</i> (NZSPG – PDV, International)	
6.1	Screen Incentives Report	
6.2	Independent Consultant's Report	All attached
6.3	Email from Applicant	
6.4	Audit Opinion and Audited Expenditure Statement	
6.5	Weta Letter	
6.6	IRD Letter	
7.0	Out of scope	
7.1		All attached
7.2		
7.3		
7.4		
7.5		

8.0	<b>General Business</b>	
8.1	Upcoming applications	All oral update
8.2	Update on the Consultants' Forum	
8.3	Update on Out of	

Released under the Official Information Act 1982

<p align="center"><b>Screen Incentives Report on Final Certification International Grant</b></p>
<p><b>Screen Production:</b> <u>Ted 2</u></p>
<p><b>Synopsis:</b> Newlywed couple Ted and Tami-Lynn want to have a baby but in order to qualify to be a parent, Ted will have to prove he's a person in a court of law.</p>
<p><b>We have identified the following issues:</b></p> <p><b>Background</b>  Ted 2 is a feature film, with PDV activity carried out in New Zealand between 1 March and 31 July 2015. The applicant will be assessed under the 1 April 2014 NZSPG International criteria.</p> <p><b>Adjustments</b>  Possible adjustments of s9(2)(b) have been identified.</p> <p>s9(2)(b)(ii)</p> <div style="background-color: black; height: 300px; width: 100%;"></div>
<p>The NZFC recommends that as the services were performed outside New Zealand they should be excluded.</p> <p>Does the Panel AGREE with the NZFC's recommended adjustments?</p>
<p><b>Eligibility Criteria</b></p>
<p><i>Administrative Requirements:</i></p>
<p><input checked="" type="checkbox"/> Application must be sent in within 3 months of completion of the screen production</p>



Comments: The application was acknowledged on 14 September 2015 which was within 3 months from the completion date of 15 June 2015, as per the application form.

☐ Completed application must be sent in with all required attachments: audited expenditure statements, auditor's Letter, DVD, Statutory declaration

Comments:

As the film had already screened in New Zealand at the time of application no DVD was requested.

☒ Other documentation sent in where applicable.

Comments: The production, MRC II NZ Limited has entered into an agreement with Weta Digital Limited, dated 5 March 2015 for the provision of visual effects services for *Ted 2*.

**Time of completion**

☒ Screen Production Completed after 1 July 2003

☐ Distribution agreement confirmed

☐ DVD of completed production seen

Comments: The Production had already screened in New Zealand cinemas when the application was received.

**QNZPE expenditure thresholds**

☐ (A) Over NZ\$15 million

☐ (B) Interim NZ\$50 million or more

☒ (C) PDV NZ\$1 million or more

Comments: Claimed QNZPE of s9(2)(b)(ii)

**Format**

☒ Feature film   ☐ Telemovie   ☐ Mini-series   ☐ TV Drama series   ☐ Direct-to-video

Comments: Theatrical release, 115 minutes.

**Relevant entity**

Comments: The applicant is the New Zealand SPV set up to manage the production in New Zealand.

**Residency status**

<input checked="" type="checkbox"/> The applicant is a New Zealand resident company <input type="checkbox"/> The applicant is a foreign corporation operating with a fixed establishment in NZ for the purposes of lodging an income tax return.  <u>Comments:</u> MRC II NZ Limited, Incorporated on 04 Feb 2015 with company number 5553105.
<b>Other incentives</b> <u>Comments:</u> Not applicable.
<b>Auditor</b> <input checked="" type="checkbox"/> NZFC Approved Auditor  <u>Comments:</u> Grant Thornton were the auditors.
<b>Audited expenditure statements</b> <u>Comments:</u> The expenditure statement is signed off by the auditors for QNZPE of s9(2)(b)(ii).
<b>Non-Arm's Length Expenditure</b> <u>Comments:</u> Not applicable.
<b>Attachments:</b> Attached to this report: <ul style="list-style-type: none"> <li>• Independent consultant's report</li> <li>• Auditor's opinion and audited expenditure statements</li> <li>• IRD letter</li> </ul>
<b>Conclusion:</b> Subject to the Panel's assessment of the issue identified in this report, the NZFC recommends that the applicant is eligible to qualify for the International PDV NZSPG.
<b>Total approved QNZPE:</b> Pending the Panel's decision, the assessed QNZPE is \$2,309,890.67. (Claimed QNZPE of s9(2)(b)(ii) less adjustments of s9(2)(b)(ii)).
<b>Recommendation to Panel:</b>  That a NZSPG PDV grant of <b>NZ\$461,978.13</b> be approved in respect of this screen production, being 20% of the assessed QNZPE - subject to the Panel's decision outlined in the conclusion.
<b>IRD VERIFICATION</b> The IRD verification letter is attached.

Date: 27 October 2015

Prepared by: Chris Tyson

Reviewed by: Catherine Bates

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**From:** [Brett Thornquest](#)  
**To:** ["ffiske Robert"](#)  
**Cc:** [Chris Tyson](#)  
**Subject:** RE: Ted 2 PDV application  
**Date:** Wednesday, 28 October 2015 6:31:11 a.m.  
**Attachments:** [image001.png](#)  
**Importance:** High

---

Hi Rob every message u left I returned either by phone or email

s9(2)(b)(ii)



regards  
Brett Thornquest

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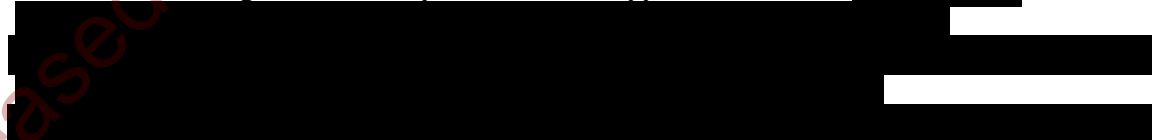
**From:** ffiske Robert [s9(2)(a)]  
**Sent:** Tuesday, 27 October 2015 10:10 AM  
**To:** Brett Thornquest [s9(2)(a)]  
**Cc:** Chris Tyson <chris.tyson@nzfilm.co.nz>  
**Subject:** Re: Ted 2 PDV application

Hi Brett

I would still like to talk to you re the administration charges and have made several attempts to call you and left messages.

I have put in my report to the Film Commission.

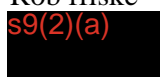
I am recommending the Grant be paid on the full application less the s9(2)(b)(ii)



I have forwarded your emails so far to Chris so the panel will see your argument and you can also still send us both any further information you wish too to support your argument.

Thanks  
Rob ffiske

s9(2)(a)



**From:** Brett Thornquest s9(2)(a)  
**To:** 'ffiske Robert' s9(2)(a)  
**Sent:** Tuesday, 27 October 2015 11:48 AM  
**Subject:** RE: Ted 2 PDV application

Hi rob just checking in on this all good now to proceed to approval ?

Client asking re status

Thanks as always  
Regards  
brett

---

**From:** ffiske Robert s9(2)(a)  
**Sent:** Thursday, 22 October 2015 1:22 PM  
**To:** Brett Thornquest s9(2)(a)  
**Subject:** Re: Ted 2 PDV application

Can you tell me what that project is please?

Rob ffiske  
s9(2)(a)

---

**From:** Brett Thornquest s9(2)(a)  
**To:** 'ffiske Robert' s9(2)(a)  
**Sent:** Thursday, 22 October 2015 3:05 PM  
**Subject:** RE: Ted 2 PDV application

Hi rob – I meant to say the reference to the Interim Assessment was not for Ted 2 but another current project, that s9(2)(b) it is vending services for etc  
regards

Brett Thornquest

---

**From:** Brett Thornquest s9(2)(a)  
**Sent:** Wednesday, 21 October 2015 3:42 PM  
**To:** 'ffiske Robert' s9(2)(a) >  
**Cc:** 'Chris Tyson' <[chris.tyson@nzfilm.co.nz](mailto:chris.tyson@nzfilm.co.nz)>  
**Subject:** RE: Ted 2 PDV application

Hi rob

s9(2)(b)(ii)



s9(2)(b)(ii)

regards

Brett Thornquest

**Contrarian Group\_Logo and Name**



**New Zealand Office**

[www.contrarianinc.com](http://www.contrarianinc.com)

s9(2)(a)

**AUSTRALIA – NEW ZEALAND - USA**

Tel + 64

---

**From:** ffiske Robert s9(2)(a)

**Sent:** Wednesday, 21 October 2015 1:32 PM

**To:** Brett Thornquest s9(2)(a)

**Cc:** 'Chris Tyson' <[chris.tyson@nzfilm.co.nz](mailto:chris.tyson@nzfilm.co.nz)>

**Subject:** Re: Ted 2 PDV application

Hi Brett

Thanks for the invoices. The invoices provided show no evidence that any of this work was done in New Zealand. Can you please provide paid invoices from a New Zealand supplier or evidence of work done in New Zealand.

Thanks

Rob ffiske

s9(2)(a)

---

**From:** Brett Thornquest s9(2)(a)

**To:** 'ffiske Robert' s9(2)(a)

**Cc:** 'Chris Tyson' <[chris.tyson@nzfilm.co.nz](mailto:chris.tyson@nzfilm.co.nz)>

**Sent:** Tuesday, 20 October 2015 6:27 AM

**Subject:** RE: Ted 2 PDV application

Hi rob

Invoices attached

Brett Thornquest

**Contrarian Group\_Logo and Name**



**Australian Office  
Office (Postal)**

Level 6 / 69 Reservoir Street  
Blvd, # 431  
Surry Hills NSW 2010  
Hills CA 90212  
Sydney, Australia

s9(2)(a)

**U.S.A**

9461 Charleville

Beverly

Tel

**New Zealand Office**

[www.contrarianinc.com](http://www.contrarianinc.com)

(s9(2)(a))

Tel + 64

**AUSTRALIA – NEW ZEALAND - USA**

**NOTICE:**

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---

**From:** ffiske Robert s9(2)(a)

**Sent:** Monday, 19 October 2015 1:01 PM

**To:** s9(2)(a)

**Cc:** Chris Tyson <[chris.tyson@nzfilm.co.nz](mailto:chris.tyson@nzfilm.co.nz)>

**Subject:** Ted 2 PDV application

Hi Brett

Can I please have copies of the s9(2)(b)(ii) invoices please.

Thanks

Rob ffiske

s9(2)(a)

31 July 2015

Screen Incentives Manager  
New Zealand Film Commission  
PO Box 11546  
WELLINGTON 6011  
New Zealand

Dear Sir/ Madam

[NZSPG (PDV) APPLICATION – TED 2]

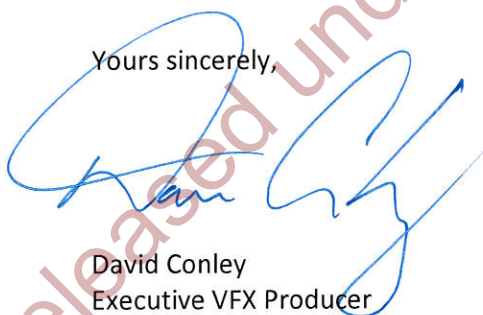
This representation letter is provided in connection with the Application for Final Certificate for the New Zealand Screen Production Grant (PDV), which I understand is to be lodged by MRC II (NZ) Ltd [“the Applicant”] in respect of PDV production in New Zealand on the feature film Ted 2 [“the Picture” ].

Weta Digital Limited (Weta) provided work to the Applicant comprising VFX shot production for shots for the Picture under the terms of an agreement dated 5 March 2015

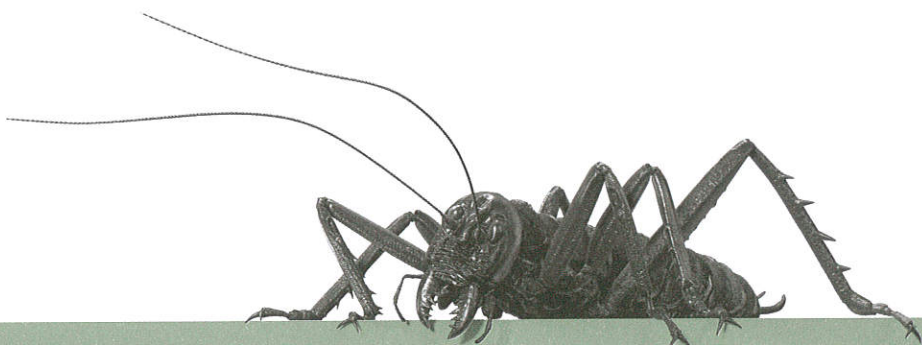
I hereby make the following representations, which are true to the best of my knowledge and belief having made the appropriate enquiries:

- The expenditure incurred by Weta in carrying out the work provided to the Applicant is all attributable to goods and services provided in New Zealand; and
- Weta did not bring any foreign non-cast personnel to New Zealand to provide services in respect of the Picture for periods of less than 2 consecutive weeks.

Yours sincerely,



David Conley  
Executive VFX Producer





**6th Meeting of the NZSPG-NZ & International Panel**  
**Held at the New Zealand Film Commission, Level 3, 119 Ghuznee Street, Wellington**  
**On Thursday 26 November 2015**

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**The meeting opened at 11.10 am.**

**Present:** Dave Gibson (Chair)  
Catherine Bates (NZFC)  
John McCay – (Board)  
Carrie Cooke (MCH)  
Robyn Henderson – (MBIE)  
Vincent Burke (Industry Member)  
Sharon Menzies (Industry Member) (Phone)

**In Attendance:** Chris Tyson (NZFC) (minutes)  
June Rout (MBIE)  
Rob ffiske (Independent Consultant) (Phone)  
Deborah McCarthy (IRD)  
Kristen Rowe (NZFC)

---

**1.0 Apologies**  
None

**2.0 Conflicts of interest**  
None

**3.0 Minutes**

3.1 The minutes of the 5th meeting of the NZSPG-NZ & International Panel held on 19<sup>th</sup> October 2015 were tabled.

s9(2)(b)(ii)



s9(2)(b)(ii)

Released under the Official Information Act 1982

Released under the Official Information Act 1982

s9(2)(b)(ii)

**6.0 Ted 2 – NZSPG – International PDV Final Certificate (MBIE Vote)**

6.1 The Panel considered the Screen Incentives Report, the Independent Consultant's Report, an email from the Applicant, the Audited Opinion and Audited Expenditure Statement, the Weta letter and the IRD letter.

6.2 The applicant claimed a company overhead fee of s9(2)(b)(ii)

6.5 The NZFC recommended that as the services were performed outside New Zealand they should be excluded.

6.6 The Panel AGREED with the NZFC but asked the NZFC to send the Final Certificate letter to MBIE for review before sending to the applicant.

**6.7 IT WAS AGREED**

That the claimed s9(2)(b)(ii) be excluded from the QNZPE.

That *Ted 2* fulfilled the requirements of the criteria and that a Final Certificate be granted.

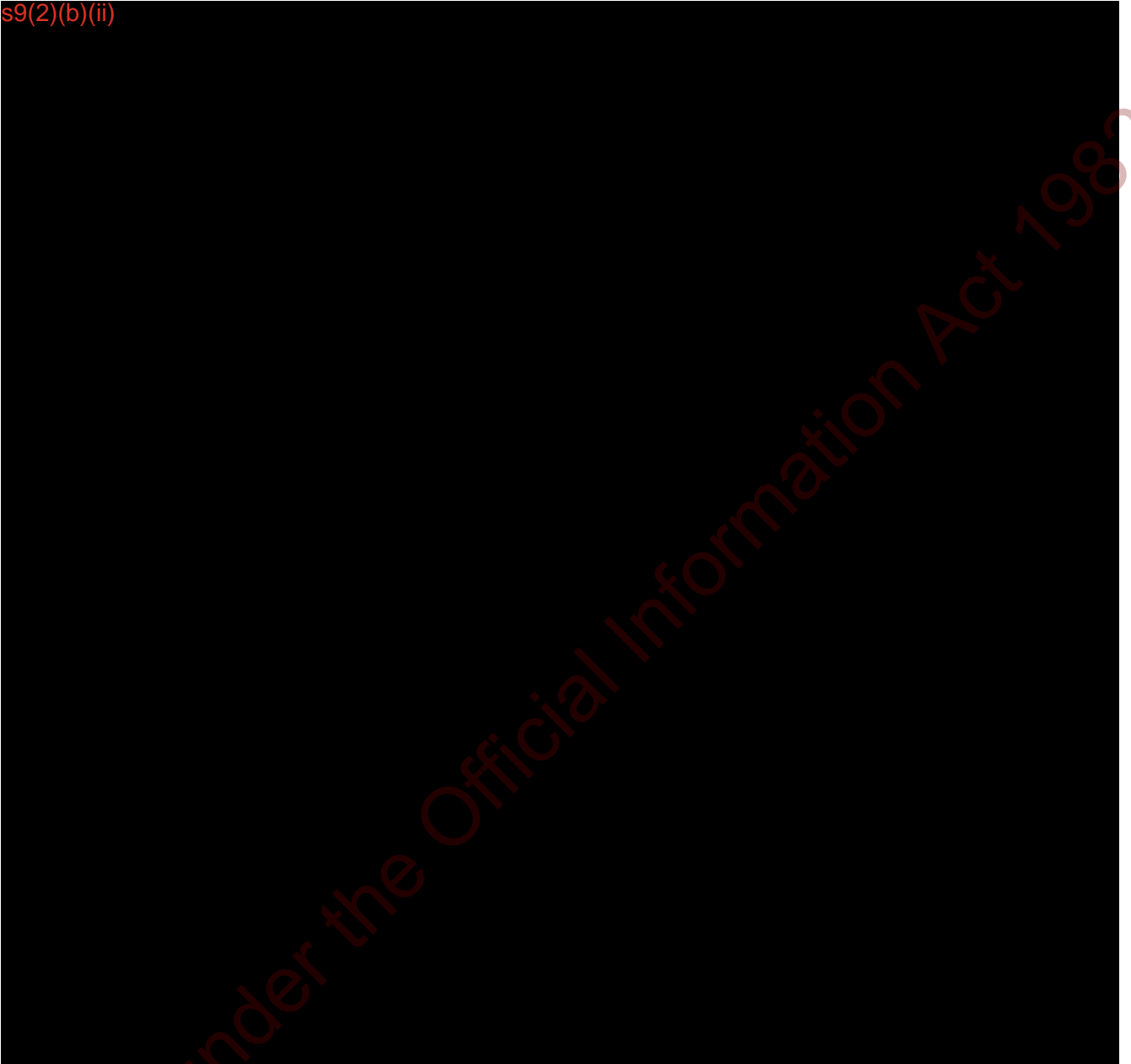
Qualifying New Zealand Production Expenditure (QNZPE)

Total approved QNZPE is \$2,309,890

Total Grant

\$461,978 (being 20% of the approved QNZPE)

s9(2)(b)(ii)



**6.0 General Business**

The NZFC advised the Panel of up-coming applications for the 16<sup>th</sup> December Panel meeting and that the next proposed meeting is currently scheduled for the 3<sup>rd</sup> February 2016.

The Head of Incentives gave the Panel an update on the Consultants Forum held on the 10<sup>th</sup> November 2015.

s9(2)(b)(ii)



The meeting closed at 12.25 pm.

Read and confirmed

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Dave Gibson  
Chair

Released under the Official Information Act 1982



26 November 2015

MRC II NZ Limited  
Level 4,  
52 Swanson Street,  
AUCKLAND 1010

By email: s9(2)(a)

Attn: Brett Thornquest

Dear Brett,

**New Zealand Screen Production Grant – International Productions**

I am pleased to inform you that your application for New Zealand Screen Production Grant – International Productions in respect of the screen production “Ted 2” has been approved.

**Qualifying New Zealand Production Expenditure (QNZPE)**

The total approved QNZPE is \$2,309,890 excluding GST. Inland Revenue records support a claim for QNZPE in this amount.

**Adjustments**

We identified s9(2)(b) of expenses detailed below which have been deducted from claimed QNZPE of s9(2)(b)(ii)

s9(2)(b)(ii)

The 1 April 2104 criteria states:

Clause 16 QNZPE

**16.1 General QNZPE definition**

QNZPE is expenditure spent in by the applicant on the production, where that expenditure is incurred on, or is attributable to:

(a) Goods and services provided in New Zealand; .....

The NZFC have therefore excluded this fee as the service was not provided in New Zealand.

TEL: 64 4 382 7680 • FAX: 64 4 384 9719 • PO BOX 11 546 • WELLINGTON

**Grant**

MCR II NZ Limited is entitled to receive a grant of \$461,978, excluding GST, being 20% of the approved QNZPE.

To receive this Grant, please submit a GST Invoice for NZD 461,978 plus GST on the form attached, along with your bank account details, a scanned copy of a bank deposit slip and a copy of this letter, to the Ministry of Business, Innovation and Employment. The invoice will be processed within 10 working days of the Ministry receiving the invoice.

We remind you that you will need to account for the GST on your next New Zealand GST return.

Thank you for your application and we wish you all the best for your future productions.

Yours sincerely,



Chris Tyson  
**Incentives Executive**

CC. Robyn Henderson, Ministry of Business, Innovation and Employment  
June Rout, Ministry of Business, Innovation and Employment  
Vince Costa, Inland Revenue Department  
Catherine Bates – New Zealand Film Commission



**New Zealand Screen Production Grant**  
**Criteria**  
**for**  
**International Productions**

1 April 2014

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 should check with the New Zealand Film Commission to make sure 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 should refer to the NZSPG Criteria for New Zealand Productions to see whether they are eligible for a New Zealand Grant under those criteria.

### **2 Key Definitions**

In these criteria the following terms or symbols have the meaning set out below. Further definitions of other terms used in these criteria are in Annexure 1. If a word or phrase is capitalised it is defined below or in Annexure 1.

**\$** means New Zealand dollars.

**5% Uplift** means an increase to the International Grant of 5% of QNZPE. This is only available to eligible productions that pass the Significant Economic Benefits Test.

**IRD** means the New Zealand Department of Inland Revenue.

**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.

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

**New Zealand Productions** means productions with Significant New Zealand Content.

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

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

**PDV Activity** means the post, digital and visual effects production activities listed in Annexure 3 (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 Productions** means productions that meet the criteria in clause 9 of Section 2A.

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

**Significant Economic Benefits Test** means the test used to determine whether a production brings significant economic benefits to New Zealand. This test is included in the Significant Economic Benefits Guidelines in Annexure 2.

**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.

### **3 Purpose**

The purpose of the NZSPG for International Productions is to provide a financial incentive for the production of foreign and domestic large budget films, television and other format productions in New Zealand.

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

In establishing the NZSPG for International Productions, 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 anticipated that only experienced producers will apply for an International Grant. As a consequence of this, it is expected that applications will 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 may be rejected by the NZFC.

#### **4 Amount of International Grant**

The International Grant is 20% of QNZPE.

Productions that qualify for the 5% Uplift will receive a total International Grant of 25% of QNZPE.

#### **5 Effective Date and Transitional Provisions**

These criteria are effective from 1 April 2014.

International Productions that have started Principal Photography **before** 1 April 2014 will be assessed under the relevant LBSPG criteria. However, the LBSP Grant on any QNZPE incurred on a production after 1 April 2014 will be paid at the new rate of 20%.

International Productions that start Principal Photography **after** 1 April 2014 will be assessed under these criteria. However, the International Grant on any QNZPE incurred on a production before 1 April 2014 will be paid at the previous rate of 15%.

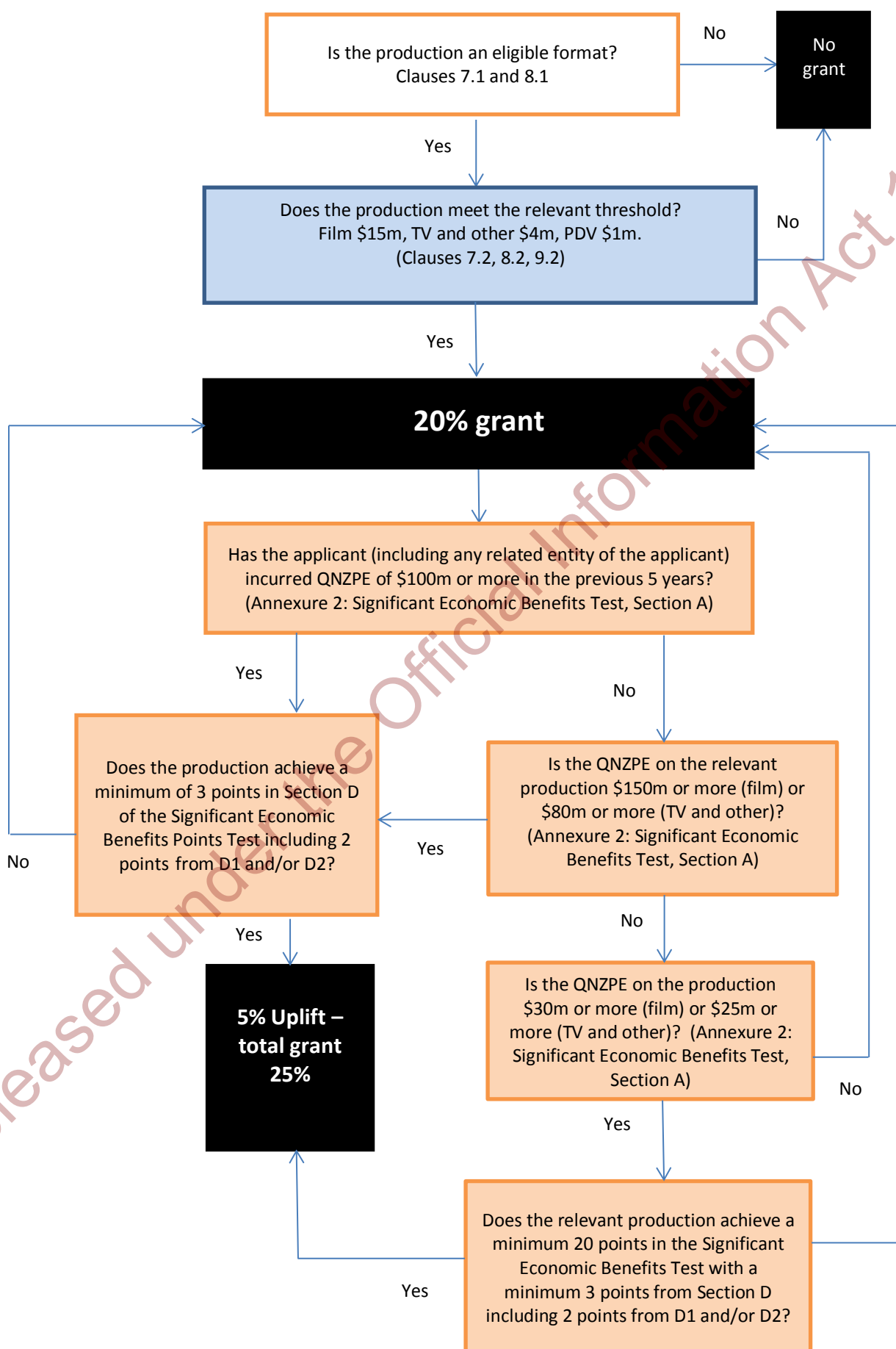
#### **6 Eligibility for International Grant**

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

- (a) the relevant specific eligibility criteria in Section 2A; and
- (b) the general eligibility criteria in Section 2B.

To be eligible for the 5% Uplift, productions and applicants must also pass the Significant Economic Benefits Test.

## Visual Overview of the International Grant



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

### **7 Feature Films**

No

#### **7.1 Format**

- (a) A feature film is a production that is not excluded under clause 7.1(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 45 minutes; andis shot and processed to commercial release standards primarily for exhibition to the public in cinemas.
- (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, news, a panel programme, or a programme of a like nature;
  - (iii) pornography;
  - (iv) a training programme;
  - (v) an interactive digital game; or
  - (vi) a production of a public event, including a sports event.

#### **7.2 Expenditure threshold**

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

#### **7.3 Simultaneous or Concurrent Shooting of Feature Films**

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

- (a) Where 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;
- (b) Where all feature films are being budgeted as a single production and reported on that basis;
- (c) Where all feature films share the same or substantially similar setting and characters and an overarching narrative (e.g. parts of a trilogy, prequels, sequels).

Where the above applies to more than one film, the NZFC will treat all feature films as one production for administrative purposes only. Each feature film within the package will need to meet the relevant eligibility threshold for a feature film or the bundling criteria. The average QNZPE per film will be used to determine eligibility. This clause will not entitle any production costs to be QNZPE if they would not otherwise have been QNZPE if each feature film had been treated as a separate production. However, for the purposes of clause 16.2(b), the date of Completion of the production will be the date the last feature film approved for such treatment is completed. Requests should be made in writing to the NZFC stating how the films meet the criteria in this clause and these will be considered on a case-by-case basis.

### **8 Television and Other Non-feature Films**

#### **8.1 Format**

- (a) A television or other non-feature film is a production that is not excluded under clause 8.1(b) and is either:

- (i) *a single episode programme* 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 may exceed 24 months due to the specific requirements of the production (e.g. documentaries covering a long time period or complex animation projects), applicants may seek approval from the NZFC to extend the 24-month period. Requests should be made in writing to the NZFC stating the reasons why the production requires an extension and these 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, news, a panel programme, or a programme of a like nature;
  - (iii) pornography;
  - (iv) a training programme;
  - (v) an interactive digital game;
  - (vi) a production of a public event, including a sports event; or
  - (vii) a production principally made for the New Zealand market.

## 8.2 Expenditure threshold

A television or other non-feature film production must have QNZPE of \$4 million or more.

# 9 PDV Production

## 9.1 Format

A PDV Production must be one of the formats in clauses 7.1 or 8.1.

## 9.2 Expenditure threshold

A PDV Production must have QNZPE of \$1 million 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.



## **10 Bundling**

### **10.1 Format**

Each production within a bundle must be one of the formats in clauses 7.1 or 8.1.

### **10.2 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

the total bundle has QNZPE of \$30 million or more.

### **10.3 Applicant for a bundle**

The applicant for each production within a bundle must be the same entity or must be related to each other applicant in the bundle by having 50% or more of its shareholding in common.

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

### **11 Special Purpose Vehicle**

#### **11.1 Applicant to be SPV**

An applicant must be a special purpose vehicle (**SPV**) established solely to make the production in New Zealand. 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 Inland Revenue 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*.

#### **11.2 Exceptions**

An applicant is not required to be a SPV where one of the following 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 may 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 may be included in those returns but this expenditure must be clearly identified and excluded from QNZPE.
- (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 may 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 may 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 may 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 1 (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.

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

Notes on clause 11.2(d):

- Tax location numbers may be re-used when the conditions in clauses 11.2(a), (b) or (c) apply to the PDV Grant application.
  - If this exception applies, the production does not need to have a separate bank account.
  - 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.
- (e) *PDV Grant Exception 2 (will usually apply when the PDV supplier 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 total QNZPE of less than \$10 million for a single production;
  - (ii) the applicant has been engaged to supply all services on the production in New Zealand (any services to be provided or sub-contracted by the applicant outside New Zealand must be contracted separately);
  - (iii) the applicant is not associated with the entity to whom the services are being provided in any way; and
  - (iv) there is an arm's-length contractual arrangement between the applicant and the entity to which the services are being provided that clearly specifies that the applicant has the right to apply for and retain 100% of the PDV Grant for the production.

Where the exception in this clause 11.2(e) applies, the QNZPE for the production shall be deemed to be equivalent to the arm's-length amount actually paid to the applicant prior to the submission of the final PDV Grant application for the services provided on the production in New Zealand (the **purchase price**) divided by 80% (or, where the production qualifies for the 5% Uplift, 75%). Where any amount is due but not paid for legitimate commercial reasons, then these will be considered on a case-by-case basis. The PDV Grant will be paid on the QNZPE calculated by this method, however, the NZFC reserves the right to review the expenditure incurred by the applicant to ensure that the purchase price has been paid solely in relation to QNZPE incurred by the applicant on the production. If the purchase price is not in NZD and is near the PDV expenditure threshold of \$1 million the applicant should use the initial assessment process to pre-qualify an exchange rate.

The application process for a final application under clause 11.2(e) is set out in clause 28 of these criteria.

Applicants seeking a waiver of the requirement for a SPV under clauses 11.2(d) and (e) may 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). Applications for a waiver must include such information as may be reasonably required by the NZFC to make a determination under the relevant exception.

## 12 Residency Status

### 12.1 Residency of applicant

An applicant must be either:

- (a) a New Zealand resident company, which in this context, 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 residents of New Zealand; 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 Tax 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 the IRD on whether a company is a fixed establishment in New Zealand for the purposes of lodging an income tax return.

### **13 Responsible Entity**

An 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.

### **14 Other Grants and New Zealand Incentives**

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

A production may not receive more than one International Grant unless the first International Grant was for the pilot of a series in which case the subsequent series may 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 film 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 agencies such as the NZFC, NZ On Air, Te Māngai Pāho). Productions will, however, be eligible for development funding provided by the New Zealand Government or its agencies.

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

### **15 Expenditure Statement**

All costs claimed as QNZPE must be presented in an audited expenditure statement attached to the final application. Arrangements should be made to track expenditure that relates to QNZPE and non-QNZPE as early as possible. Where necessary, invoices from any supplier should 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.

### **16 QNZPE**

#### **16.1 General QNZPE definition**

QNZPE is expenditure spent by the applicant on the production, where that expenditure is incurred on, or is attributable to:

- (a) goods and services provided in New Zealand; or
- (b) the use of land located in New Zealand; or
- (c) the use of a good that is located in New Zealand at the time that the good is used in the making of the production; or
- (d) the specific items set out in clause 16.2, excluding the expenditure set out in clause 16.3.

#### **16.2 Specific items**

(a) *New Zealand Copyright Acquisition*

The cost if deductible under the *Income Tax Act 2007*, or the depreciation, if allowable under the *Income Tax Act 2007*, of acquiring copyright or the licensing of copyright in a pre-existing work for use in the production is QNZPE if the original owner of copyright in the pre-existing work is, or was, a New Zealand Tax Resident.

The cost, if deductible under the *Income Tax Act 2007*, or the depreciation, if allowable under the *Income Tax Act 2007*, of commissioning and purchasing copyright (or an interest in copyright) in a work created for use in the production is QNZPE if the work is, or was, created in New Zealand.

(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 before 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 incoming journey to New Zealand undertaken for the purposes of the production is QNZPE. The cost of an incoming journey is equivalent to 100% of a one-way fare or 50% of a return fare on a commercial airline.

(d) *Production Insurance*

The cost of production insurance, excluding errors and omissions insurance, is QNZPE if paid to a New Zealand entity.

(e) *Completion Bonds*

Completion bond fees are QNZPE regardless of whether they are paid to an entity within New Zealand or outside New Zealand, but provided they are paid on an arm's-length basis to a third party who is a recognised completion guarantor (as determined by the NZFC).

(f) *Freight*

The cost of international freight is QNZPE if paid to a New Zealand entity.

### 16.3 Excluded Expenditure

(a) *Costs relating to short-term visits for non-cast personnel*

The fees (and other benefits) for the services of non-cast personnel who travel to New Zealand and work on the production for thirteen days or less (in total). However, costs relating to travel to New Zealand in accordance with clause 16.2(c) are QNZPE.

(b) *Acquisition or licensing of copyright*

The cost of acquiring or licensing copyright in a pre-existing work where the original owner of copyright in such work is not, or was not, a New Zealand Tax Resident and the cost of commissioning and purchasing copyright (or an interest in copyright) in a work for use in the production where the work is not, or was not, created in New Zealand.

(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*

Business overheads above 5% of the QNZPE or \$500,000 whichever is the lesser.

(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 23 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 should ensure that their legal advisors provide a breakdown of their fees.

(k) *Others*

Cast and Crew Perks, gifts, fines, Entertainment and Gratuities.

Released under the Official Information Act 1982

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

### **17 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.

### **18 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.

### **19 Currency Exchange**

All production expenditure incurred in foreign currencies must be converted into New Zealand dollars at the spot rate on the date of payment or, if this is not practicable, on a monthly basis at the mid-month exchange rates published by the Inland Revenue ([www.ird.govt.nz](http://www.ird.govt.nz)).

### **20 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.

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.

### **21 Non-Accrual Basis of Expenditure**

To be QNZPE an expenditure item 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 its liability to pay at the time of final application for the International Grant.

### **22 Expenditure by Prior Entities**

Eligibility for the International Grant extends to an applicant that takes over the production from another entity (or entities) and completes the production. 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.

### **23 Depreciating Assets**

Where an applicant purchases an asset for use in the production and sells or disposes of that asset on the Completion of the production or on completion of the 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) may 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 Grant is the same as that used by the IRD. Further information about the treatment of depreciating assets under Subpart EE of the *Income Tax Act 2007* may be downloaded from the IRD website at [www.ird.govt.nz](http://www.ird.govt.nz).

## **24 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 by the applicant and the timing of payments received for services provided.

## **SECTION 5 – APPLICATION PROCESS**

### **25 Initial Assessment Applications**

Applicants may (but do not have to) apply for initial assessment of eligibility for an International Grant.

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

An Initial Assessment Certificate will provide a non-binding view as to whether a production meets the criteria. It will lapse six months from the date of issue, unless the production has commenced Principal Photography within that time period. In exceptional circumstances applicants may apply to the NZFC for an extension to their Initial Assessment Certificate and may, in any event, submit a new application for initial assessment.

### **26 Initial Assessment Applications for 5% Uplift**

Applicants who wish to apply for initial assessment of eligibility for the 5% Uplift *before* submission of a final application, must submit an application for initial assessment and complete all sections of that application.

### **27 Exchange Rate Fluctuation and Pre-qualification**

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

The applicant should seek initial assessment under clause 25 and at the same time should:

- (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 initial assessment must be received by the NZFC no earlier than three months before the start of Principal Photography or PDV Activity (as the case may be). In the event that the start date is delayed, the applicant may reapply.

On the date the NZFC receives the application for initial assessment it will obtain the relevant exchange rate/s from the Reserve Bank of New Zealand. This rate or rates will become the 'preset exchange rate/s'.

If at the time the applicant submits its 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 19 to convert any non-NZ dollar QNZPE).

### **28 PDV Grant SPV Exception 2**

Where the SPV requirement exception under clause 11.2(e) applies, the final PDV Grant application and verification process shall be as set out in this clause.

The final application for a PDV Grant in respect of the production may only be made once all PDV Activity on the production in New Zealand has been completed. The application may not be made later than three months after Completion of the production.

The total PDV Grant will not exceed 20% (or 25% if the applicant qualifies for the 5% Uplift) of the deemed QNZPE calculated in accordance with clause 11.2(e).

The following information must be included with each application form:

- (a) Approved auditor's opinion verifying the purchase price;
- (b) A copy of the completed production or sample footage;
- (c) Statutory declaration;
- (d) Further information as requested.

IRD verification of the information provided to the NZFC will be different to verification of other productions, and will likely focus more on invoices, receipts, and bank statements, as well as review of tax compliance of the processes of the applicant.

## 29 Information Before and During Production

For planning purposes applicants should provide advance notice by email to [nzspg@nzfilm.co.nz](mailto:nzspg@nzfilm.co.nz) of their intention to apply for an International Grant or PDV Grant and, if shooting is to occur in New Zealand, the estimated shoot dates.

Throughout the production, the NZFC may request information on estimated QNZPE incurred to date and forecast QNZPE for the New Zealand Government's financial planning purposes only.

## 30 Final Applications

Applicants may submit a final application for an International Grant to the NZFC:

- (a) once all QNZPE on the production is completed; or
- (b) each time the QNZPE for the production has exceeded a multiple of \$50 million (an **interim application**). Where this occurs, a final application setting out the remaining QNZPE must also be provided once all QNZPE for the production is completed,

**provided that** an applicant may not apply for an International Grant later than three months after Completion of the production (or Completion of the last production within a bundle).

An application must be made on the relevant application form.

In the case of bundled screen productions, applicants may only submit an application once QNZPE on all productions within a bundle is completed. However, an interim application may be made in respect of any individual production that has either: (a) completed QNZPE where such QNZPE exceeds the relevant expenditure threshold; or (b) incurred QNZPE of \$50 million or more. Applicants may not apply for an International Grant later than three months after Completion of the last production within the bundle.

The following information must be included with each final application form:

### 30.1 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 may 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.

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.

### 30.2 Credit list, proof of distribution, sample footage

An application for an International Grant must include:

- (a) a full final credit list; and
- (b) 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. Applications for a PDV Grant need not include a final credit list or a copy of the completed production unless applying under PDV Grant SPV Exception 2.

### 30.3 Statutory declaration

The information provided in an 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.

### 30.4 Further information as requested

The NZFC reserves the right to require any further information deemed necessary to complete the application process. This information must be provided at the applicant's expense within 28 days of the NZFC's request, although the applicant may write to the NZFC seeking an extension of time.

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

## 31 Credit and Promotional Materials

All applicants should provide an on-screen end credit in the completed production. An example follows:

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

In exceptional circumstances (such as where the provision of a credit is not within the control of the applicant), the NZFC may agree to waive the on-screen credit requirement.

Applicants are also expected to provide promotional materials to the NZFC in accordance with the [Promotional Materials Schedule](#) available on the NZFC website.

## 32 Confidentiality

Certain information supplied by the applicant will be provided to the NZSPG Panel, the IRD, MBIE, MCH and independent consultants where reasonably necessary during the application and approval process.

The NZFC will use reasonable efforts to maintain the confidentiality of the information provided by the applicant. The NZFC notes however that it is subject to various disclosure requirements, for example under the *Official Information Act 1982*, and shall not be liable for any disclosure it believes (acting reasonably) it is required to make.

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

## 33 Information for Research Purposes

The NZFC may wish to use information provided by the applicant for research purposes; for example, as part of a study on the broader economic effects of a production. Information would only be used with the written agreement of the applicant.

## 34 Exit Survey

In the final application form, applicants may be asked to complete a written 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 aggregate information will be made public.

## 35 Further Information

For further information on these criteria and the process of applying for an International Grant please contact the Screen Incentives Manager 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's screen production desk's website at [www.ird.govt.nz/industry-guidelines/screen-production/](http://www.ird.govt.nz/industry-guidelines/screen-production/).

## 36 Application Forms

Application forms can be downloaded from the NZFC website at [www.nzfilm.co.nz/funding/feature-films/production-funding/new-zealand-screen-production-grant](http://www.nzfilm.co.nz/funding/feature-films/production-funding/new-zealand-screen-production-grant).

Applications, including all required documentation, should be sent to:

Screen Incentives Manager  
NZ Film Commission  
PO Box 11 546  
Manners Street  
Wellington 6142  
New Zealand

Courier address:  
Level 3  
119 Ghuznee Street  
Wellington 6011  
New Zealand

Email address:  
[nzspg@nzfilm.co.nz](mailto:nzspg@nzfilm.co.nz)

## **SECTION 6 – ASSESSMENT PROCESS**

### **37 NZSPG Panel**

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

A separate verification panel will be responsible for assessing whether productions and applicants pass the Significant Economic Benefits Test. See clause 38 for details.

### **38 Assessment of Eligibility for the 5% Uplift**

A significant economic benefits verification panel (**SEB Verification Panel**) will determine whether a production and applicant pass the Significant Economic Benefits Test and are therefore eligible for the 5% Uplift. The SEB Verification Panel will endeavour to make this determination within four weeks of receiving a complete application.

Due to the nature of the Significant Economic Benefits Test (particularly section D), applicants should ensure that an authorised person of the applicant is available to engage with and provide further information to the NZFC and SEB Verification Panel during the assessment process.

Applicants who pass the Significant Economic Benefits Test may be required to enter into an agreement with the New Zealand Government that will set out the basis upon which the applicant will satisfy the Significant Economic Benefits Test.

### **39 Independent Consultants**

The NZSPG Panel and the SEB Verification Panel may seek the advice of one or more independent consultants to provide an independent assessment of any matters relating to the criteria, the International Grant or the Significant Economic Benefits Test.

Where necessary the consultant may seek further information from the applicant or its auditor. Where this information relates to non-arm's length issues, the consultant may seek information on the process and methodologies adopted to show that the amounts charged accord with the arm's length principle. All consultants will be subject to a contractual duty of confidentiality.

### **40 IRD Verification and Payment of International Grant**

Payment of the International Grant is dependent on:

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

Once a complete final application has been received, the NZFC will endeavour to process the application within three months. Payment of the International Grant will be made by MBIE upon advice from the NZFC and receipt of an invoice from the applicant.

## **ANNEXURE 1 – FURTHER DEFINITIONS AND INTERPRETATION**

Where used in these criteria, the terms below shall have the meaning or be interpreted as follows:

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

**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. For different formats, this means:

- (a) *feature film* – when it is completed to Digital Cinema Package (DCP) format or any replacement format;
- (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 the series of programmes are finished to master video tape stage (or digital equivalent) with credits ready for broadcast;
- (d) *season of a series* – when the programmes 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.

**Entertainment** includes alcohol, wrap parties, and meals outside the 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).

**Gratuities** includes tips, koha 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.

**Initial Assessment 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 initial assessment application, a production is likely to qualify for an International Grant.

**Incurred**, for the purposes of the NZSPG, means paid in cash.

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

**MBIE** means the New Zealand Ministry of Business, Innovation and Employment, or any entity that replaces that entity.

**MCH** means the New Zealand Ministry for Culture and Heritage, or any entity that replaces that entity.

**New Zealand Tax 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.

**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.

**Principal Photography** means:

- (a) *for drama*: 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 documentaries*: 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.
- (c) *for animation*: the period from the day on which production of the animated image commences until the day that the animated images are completed.

**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).

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



## **ANNEXURE 2 – SIGNIFICANT ECONOMIC BENEFITS GUIDELINES**

### **NEW ZEALAND SCREEN PRODUCTION GRANT**

#### **International Productions**

#### **Assessment of Significant Economic Benefits**

#### **Guidelines**

**1 April 2014**

# New Zealand Screen Production Grant

## Assessment of Significant Economic Benefits – Guidelines

### 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 specific eligibility criteria and the general eligibility criteria for the NZSPG are able to access a grant equivalent to 20% of QNZPE.

Certain productions may be entitled to an additional 5% (**5% Uplift**) if they can demonstrate significant economic benefits to New Zealand.

These guidelines have been developed to provide information for producers on how assessment of a production's significant economic benefits will be made.

The guidelines reflect 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 with significant economic benefits will be well placed to market, promote and showcase New Zealand.

This document should be read in conjunction with the full criteria and other documentation for the NZSPG.

### Assessment

The assessment of whether a production will bring significant economic benefits to New Zealand will be made on the following basis:

- A production that receives at least 20 points out of a possible 30 points will be considered as bringing significant economic benefits to New Zealand for the purposes of the NZSPG.
- The production must receive a minimum number of points in Section A (Expenditure) and Section D (Wider Economic Benefits).

Certain productions will be able to fast-track to Section D (Wider Economic Benefits) where:

- The applicant (or a related entity of the applicant) has incurred QNZPE of \$100 million in the past five years; or
- The production is a feature film with QNZPE of \$150 million or more; or
- The production is a TV series or other format with QNZPE of \$80 million or more.

## Assessment of Significant Economic Benefits – Points Test

	Points Available
<b>A – Amount of Past Expenditure or Expenditure on Current Production</b>	
<b>Either:</b> Fast Track based on QNZPE in NZD of past expenditure or expenditure on current production If applicant (including a related entity of the applicant) has incurred QNZPE of \$100m or more in the past five years; or The production is a feature film with QNZPE of \$150m or more; or The production is a non-feature film with QNZPE of \$80m or more.	Fast Track to Section D
<b>Or:</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 (50% for 1, 75% for 2, 90% for 3)	Up to 3
B2 – Visual Post-Production (50% plus)	1
B3 – Audio Post-Production (50% plus)	1
B4 – Digital or Visual Effects (50% for 1, 75% for 2 or \$5m for 1, \$10m for 2)	Up to 2
B5 – If applicable, Concept Design & Physical Effects (Period/Genre) and/or Research & Development (documentaries) (50% for 1, 75% for 2)	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: 9 points)</b>	<b>9</b>
<b>C – New Zealand Personnel</b>	
<i>To qualify, individuals must be a New Zealand citizen or permanent resident at the time the production is being made.</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
<b>Total – Section C (maximum: 9 points)</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
D5 – Skills and/or talent development	1
<i>For productions that fast track from Section A only.</i>	1
D6 – Other New Zealand production activity or personnel	
<b>Total – Section D (maximum: 6 points and minimum: 3 points which must include 2 points from D1 and/or D2)</b>	<b>6</b>
<p><b>To qualify as bringing significant economic benefits to New Zealand a production must <u>either</u>:</b></p> <ul style="list-style-type: none"> <li>• score a minimum of 20 points in the above points test (and meet the minimum points requirements in Sections A and D), or</li> <li>• achieve ‘Fast Track’ status and meet the minimum points requirements in Section D.</li> </ul>	__ (out of 30)

## Section A – Amount of Past Expenditure or Expenditure on Current Production

### **Fast Track – Past Expenditure or Expenditure on Current Production**

If the production meets the criteria in this section and scores the minimum points in Section D, then it is considered to have “Fast Track” status and is not required to score any points in Sections B or C.

#### **Past Expenditure**

If the applicant (or a related entity to the applicant\*) has incurred QNZPE in New Zealand dollars of \$100 million or more on another production or productions in either (at the applicant’s option):

- the five years preceding the date of the initial assessment application, provided Principal Photography on the current production starts no later than 12 months after the date of the initial assessment application; or
- the five years preceding the date of the final application for the current production.

\*a related entity is one that has 50% or more shareholding in common with the applicant. In exceptional cases, where a related entity does not meet this requirement but 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 this section.

Past QNZPE will be measured on the total QNZPE approved for the applicant (or a related entity of the applicant) by the Large Budget Screen Production Grant Panel, SPIF Committee or NZSPG Panel.

#### **Expenditure on Current Production**

**Feature films** with QNZPE (in New Zealand dollars) of \$150 million or more.

**Non-feature films** with QNZPE (in New Zealand dollars) of \$80 million or more.

### **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 initial assessment applications, applicants must submit a detailed spreadsheet of the production’s estimated QNZPE in New Zealand dollars. Applicants may use the budgeted exchange rate or the Inland Revenue’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 may apply to pre-qualify. Please see clause 27 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.

Released under the Official Information Act 1982

## Section B – New Zealand Production Activity

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 initial assessment application and this results in the applicant failing to pass this points test, then the applicant may 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 50% of the location and/or studio shooting is carried out in New Zealand.
- 2 points can be awarded if at least 75% of the location and/or studio shooting is carried out in New Zealand.
- 3 points can be awarded if at least 90% of the location and/or studio shooting is carried out in New Zealand.

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. It will be measured by reference to the number of days spent of the work as set out in the shooting schedule.

### B2 – Visual Post-Production

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

Visual post-production means:

#### *General*

- Editing off line, on line.
- Licence fees for stock footage.
- Clearances library (provided copyright is held by a New Zealand Tax Resident).
- Clearances sound (provided copyright is held by a New Zealand Tax Resident).

#### *Film Laboratory*

- Film restoration and repair.
- Credits, titles and roller.
- Stills manipulation.
- Grading.
- Negative inspection, negative pulling, cutting, logging, assembly cutting and pulling and assembling of scan rolls.
- Opticals including fades, wipes, dissolves, 16 mm Blow Up to 35mm, Super 35mm squeeze to achieve cinemascope aspect ratio, reduction, speed change, ramping, racking, zooms, titles, credits, credit roller, subtitles, textless backgrounds.

- One set each (purchased by production) of:
  - Answer prints from cut master negative (also known as trial prints);
  - Interpositive/internegative as opposed to plural negatives;
  - Answer print/s ex internegative - with sound;
  - Sound negative including shooting and printing (but excluding SDDS negative).
- Digital negative processing and print from digital negative.

#### *Digital Post-Production*

- Telecine transfers or film scanning and dubs to tape or files.
- Film Scanning and recording.
- Digital Intermediates including film scanning/data importing, data management and logging, conforming, colour grading, outputting of data, and sound laybacks.
- Graphics, titles, idents, credit roller, subtitles, textless backgrounds.
- Mastering includes standards and aspect ratio conversion, delivery copies for Standard Definition and High Definition, deliverables for HD and Blu-ray, DVD and Video duplication (one set only).
- Digital Cinema Distribution Mastering (DCDM).
- Data management and storage.
- File transfers (provided the cost is paid in New Zealand).

NOT INCLUDED: Digital Cinema Package (DCP)

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

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

Music recording 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 means:

- Music: composing, scoring, recording, tracklay, pre mixing and mixing.
- ADR/Dialogue replacement, file transfers and laybacks. Voiceovers, synching and laybacks.
- Sound design and editing.
- Tracklay - atmospheres and effects, spot effects.
- Foley effects, recording and tracklay.
- Any additional sound recording recorded by a sound editor be it in post-production stage or production for location specific sounds.
- Sound mixing.
- Pre dubbing dialogue, atmospheres and effects.
- Final Mixing, Print master, Music and Effects track, Dialogue Music and Effects track, TV mix, 5.1 mix. Home theatre mix, speed changes, 6 and 4 track mag tracks, drive usage and stock.
- Sound delivery items (one set only purchased by production).

NOT INCLUDED: Dolby, SDDS and DTS licence fees.

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 means:

*Pre Visualisation (Pre Vis)*

3D storyboards outlining placement, movement, shape and elements needed for the completion of VFX shots.

*VFX Plates*

- Models and miniatures.
- Motion capture.
- Animatronics.
- Elements including pyrotechnics and fire, lightning, smoke, dust, water and clouds.

*CGI/3D*

- 3D animation.
- Digital creatures.
- Digital doubles.
- Digital environments.
- Virtual studio and sets.
- Other digital effects.

*2D*

- Rotoscoping.
- Digital matte painting.
- Compositing.
- Film treatment and restoration.
- Wire effects removal.
- 2D animation.
- Sky replacement.
- Editing and grading.

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

B5 – Concept Design and Physical Effects or Research and Development

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 documentaries only:

- 1 point can be awarded if at least 50% of the total budget for Research and Development is QNZPE.
- 2 points can be awarded if at least 75% of the total budget for Research and Development is QNZPE.

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

For the purposes of this test, a qualifying person means a citizen or a permanent resident of New Zealand.

To qualify, a person must be a qualifying person at the time the production is made. If a person holds dual nationality he/she may choose either nationality for the purpose of the test.

### 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 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 may 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.

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. Executive producers and associate producers will generally not be considered lead producers. Line producers 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.

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 and the centrality of the actor's role in the 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.

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

#### 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 or art director, the lead editor, the lead digital/visual/special effects supervisor, the composer, the lead sound designer, the lead sound editor, the lead sound mixer, the first assistant director, the second unit director (if applicable), the line producer, the costume designer, key make-up and hair.

For documentaries only, the key production staff are: the lead camera, the lead/field sound recordist, sound designer, sound mixer, sound editor, the lead editor and the lead researcher.

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.

## Section D – Wider Economic Benefits

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.

All productions must gain a minimum of 3 points in Section D including a minimum of 2 points from D1 and/or D2.

### 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.

#### *Points*

Up to 3 points are available to market, promote or showcase New Zealand or the New Zealand screen industry resulting in positive brand recognition. Different productions have different showcasing value for New Zealand and this is recognised in the points. The largest number of points are available when a strategic partnership can be developed with a New Zealand government agency or related entity. At this level, both the production and New Zealand would have a high degree of active engagement with each other.

Imaginative proposals are encouraged including cross-sector marketing or initiatives that may 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.

Requirements	Points
As per the <u>Promotional Materials Schedule</u> on the NZFC website: <i>Before and during production</i> – key marketing contact and media and promotional materials as they are released. <i>After completion of production</i> – hi-res publicity stills, key art, trailers, press kits, electronic press kit, schedule of restrictions. <i>Very large productions</i> – additional materials to be negotiated on a case-by-case basis.	1 point
<b>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 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.</b>	
As above, plus enhanced access to the production (during and post shoot) for relevant New Zealand government agencies or related entities giving the ability to interview key cast and crew, and access to screen production assets.  Can include commercial partnerships negotiated with suitable New Zealand partners.	2 points  Difference between 2 points and 3 is the degree and scale of active leverage by the New Zealand government agencies or related entities and the applicant; and the extent to which the production can enable New Zealand

	government agencies or related entities to generate their own marketing content (as opposed to utilising production material as per one point.)
<p>As above, plus full strategic partnership with New Zealand government agencies or related entities which leverages:</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> </ol> <p>New Zealand would also be interested in:</p> <ul style="list-style-type: none"> <li>- Opportunities to explore commercial partnerships such as the establishment of a screen attraction utilising sets, props and costumes and other IP from the production.</li> <li>- Where appropriate, opportunities to access the fan base for the production.</li> <li>- Other opportunities that are specific to the particular production and the production partners involved in it.</li> </ul>	<p>3 points</p> <p>To gain the full 3 points, a partnership with a New Zealand government agency or related entity would need to be negotiated and confirmed. New Zealand has an effective track record of such partnerships which have worked to enhance both the production's interests as well as those of New Zealand. <i>The Hobbit</i> is such an example.</p>

## D2 – Placement of New Zealand in 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 (assuming the box office or ratings success of the production).

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 role (lead or supporting) and depending on the significance of the role, then points may be awarded;
- other possibilities the applicant wishes to propose.

## 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, or alternatively left in New Zealand;
- merchandising or ancillary business opportunities for New Zealand companies (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.

*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.

*Examples:*

- First use of new camera technology in New Zealand (3D for *Avatar*, high frame rate for *The Hobbit*, LIDAR/HDRI/photogrammetry for *Walking with Dinosaurs 3D*).
- Massive software developed for *The Lord of the Rings*, high speed camera rigs developed for *Spartacus*, specialised prosthetics for *The Hobbit*.
- Scanning software developed for film and now used by the healthcare industry.
- New or advanced data management practices.

D5 – Skills and/or talent development

*Intent of benefit*

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 may “step up” into new roles over a period of time. To gain points under this section, the focus should 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.

*Points*

1 point will be awarded for productions that can demonstrate the above outcomes.

*Examples:*

- Paid internships.
- Mentoring opportunities.

**For productions that fast-track from Section A only**

D6 – Other New Zealand production activity or personnel

*Intent of benefit*

New Zealand wishes to encourage productions to undertake as much New Zealand production activity as possible or engage significant numbers of New Zealand personnel. For productions that fast-track from Section A, we expect that productions would commit to activities or personnel over and above what they would do in the normal course of a production.

*Points*

1 point will be awarded if a production undertakes a substantial amount of activity in New Zealand that would not otherwise have occurred. Proposals should align with the activities and personnel set out in section B or C.

*Examples:*

- Undertaking an additional motion-capture, elements or plate shoot in New Zealand.
- Undertaking some post-production in New Zealand.
- Undertaking concept design and physical effects in New Zealand.
- Engaging a New Zealand head of department for an offshore shoot.

## **ANNEXURE 3 – PDV ACTIVITY**

### **Post-Production:**

#### ***General***

- Editing off line, on line
- Licence fees for stock footage
- Clearances library (provided copyright is held by a New Zealand Tax Resident)
- Clearances sound (provided copyright is held by a New Zealand Tax Resident)

#### ***Film Laboratory***

- Film restoration and repair
- Credits, titles and roller
- Stills manipulation
- Grading
- Negative inspection, negative pulling, cutting, logging, assembly cutting and pulling and assembling of scan rolls.
- Opticals including fades, wipes, dissolves, 16 mm Blow Up to 35mm, Super 35mm squeeze to achieve cinemascope aspect ratio, reduction, speed change, ramping, racking, zooms, titles, credits, credit roller, subtitles, textless backgrounds.
- One set each (purchased by production) of:
  - Answer prints from cut master negative (also known as trial prints)
  - Interpositive/internegative as opposed to plural negatives
  - Answer print/s ex internegative - with sound.
  - Sound negative including shooting and printing (but excluding SDDS negative)
- Digital negative processing and print from digital negative



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

- Music: composing, scoring, recording, track lay, pre mixing and mixing.
- ADR/Dialogue replacement, file transfers and laybacks. Voice overs, synching and laybacks.
- Sound design and editing.
- Tracklay - atmospheres and effects, spot effects.
- Foley effects, recording and tracklay.
- Any additional sound recording recorded by a sound editor be it in post-production stage or production for location specific sounds.
- Sound mixing
- Pre dubbing dialogue, atmospheres and effects.
- Final Mixing, Print master, Music and Effects track, Dialogue Music and Effects track, TV mix, 5.1 mix. Home theatre mix, speed changes, 6 and 4 track mag tracks, drive usage and stock.
- Sound delivery items (one set only purchased by production).

NOT INCLUDED: Dolby, SDDS and DTS licence fees.

### ***Digital Post-Production***

- Telecine transfers or film scanning and dubs to tape or files.
- Film Scanning and recording.
- Digital Intermediates including film scanning/data importing, data management and logging, conforming, colour grading outputting of data, and sound laybacks.
- Graphics, titles, idents, credit roller, subtitles, textless backgrounds.
- Mastering includes standards and aspect ratio conversion, delivery copies for Standard Definition and High Definition, deliverables for HD and Blu-ray, DVD and Video duplication (one set only).
- Digital Cinema Distribution Mastering (DCDM).
- Data management and storage.
- File transfers (provided the cost is paid in New Zealand)

NOT INCLUDED: Digital Cinema Package (DCP)

### ***Visual Effects Production***

#### ***Pre Visualisation (Pre Vis)***

- 3D storyboards outlining placement, movement, shape and elements needed for the completion of VFX shots.

### **VFX Plates**

- Models and miniatures
- Motion capture (see note 1 below)
- Animatronics
- Elements including pyrotechnics and fire, lightning, smoke, dust, water and clouds.

### **CGI/3D**

- 3D animation (see note 1 below)
- Digital creatures
- Digital doubles
- Digital environments
- Virtual studio and sets
- Other digital effects

### **2D**

- Rotoscoping
- Digital matte painting
- Compositing
- Film treatment and restoration
- Wire effects removal
- 2D animation (see note 1 below)
- Sky replacement
- Editing and grading

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