

18 April 2022

Director
Industry Tax Policy Unit
Individuals and Indirect Tax Division
Treasury
Langton Cres
Parkes ACT 2600

Re: Submission of Electronic Arts Inc. Concerning the Digital Games Tax Offset Exposure Draft Legislation

Dear Director:

Electronic Arts Inc. (EA) applauds the Government on its release of the Digital Games Tax Offset (DGTO) Exposure Draft Legislation. Video games are a critical and growing part of Australian culture, a wellspring of high-quality, sustainable careers, and an engine for growth in the Australian national economy. EA supports the submission of the Interactive Games and Entertainment Association (IGEA) addressing the Exposure Draft Legislation, and also submits the following additional comments on its own behalf. While EA supports the goals and overall construction of the Exposure Draft Legislation, we respectfully suggest that it could be improved upon in two respects: allowing eligibility for development attributable to new games which are never published and allowing eligibility for game engine development.

EA is a leading global interactive entertainment software company. We deliver games, content and online services for internet-connected consoles, personal computers, mobile phones, and tablets. EA is recognized for critically acclaimed, blockbuster franchises such as *The Sims*, *Need for Speed*, *EA SPORTS FIFA*, *Real Racing*, *Madden NFL*, *Battlefield*, and *Plants vs. Zombies*. EA also has a well-established presence and commitment to the Australian video game industry. EA's wholly owned subsidiary, Firemonkeys studio in Melbourne, has been in mobile game development for over a decade. Firemonkeys is a leader in bringing high quality and engaging mobile entertainment experiences, such as *Real Racing 3*, *Need For Speed: No Limits* and *The Sims FreePlay*, to players around the world. As a leading voice in Australia's video game industry, EA supports the efforts of the Government to accelerate expansion of the video game industry in Australia, which should be considered an integral component of its vision for Australia to be a top 10 digital economy and society by 2030.

The economic and cultural reach of the global video game industry is undeniable. Video game developers and publishers are the innovators, creators, and business leaders that are reimagining entertainment and transforming how we interact, learn, and play. Today, one in three people on the planet play video games, a figure that highlights the appeal, reach, and vast potential of this vibrant, modern, and global industry. As IGEA highlighted in its recent *Backing the Game* federal election policy platform,¹ the numbers in Australia are similarly impressive. Nearly two-thirds of all Australians play video games, with 92% of Australian households having at least one device on which games are played.

¹ Available at [BACKING THE GAME: IGEA'S 2022 Federal Election Policy Platform - IGEA](#)

Video games, and video game development, are one of the flywheels driving modern, digital economies, and EA commends the Government in its efforts to expand the size and strength of the industry in Australia through the DGTO.

EA welcomes the Government's recognition of the importance of ongoing development as well as development for new game completion. In particular, we support the ability to make annual, enterprise-wide claims for ongoing development. This approach will ensure Australia is able to secure and maintain projects that provide long-term and sustainable game development jobs in Australia. We offer the following two modest proposals to improve the effectiveness of the DGTO, that will help grow Australian jobs and that will ensure Australia has an incentive program that can compete with other established and emerging game development incentives around the world.

Eligibility for Development Attributable to Unpublished Games

EA respectfully recommends amending the Exposure Draft Legislation to allow game developers to submit claims and receive credit for all new game development work that meets the \$500,000 threshold and otherwise meets the eligibility requirements, regardless of whether a game is completed. In our view, not allowing eligibility for development work on games that are ultimately unpublished will likely have a negative impact on budgeting and investment decisions to utilise the offset for new game development.

To fully incentivise new game development in Australia, the DGTO should align with the practicalities of game development business planning. New game development is a major undertaking, often taking several years and tens of millions of dollars for major games. However, by requiring new games to be completed as a condition for obtaining credit, the current structure of the DGTO minimizes the relative incentives to perform new game development in Australia. The uncertainty as to whether an incentive will be paid, when there is always a possibility that a game won't make it to full release, could restrain business planning and investment decisions for new game development. In particular, any appetite to reinvest the 30% offset into more Australian jobs throughout the development process would be significantly undermined if there is a requirement for a game to be completed as a condition for eligibility. This is especially true from a comparative perspective, since many other jurisdictions structure their video game tax incentives to provide credit on an annual basis for all game-related development.

Allowing eligibility for development of unpublished new games would be more fully consistent with the underlying intent of the DGTO - the stimulation of game development jobs, regardless of whether those jobs focus on the creation of published games, unpublished games, or ongoing game development. This will also demonstrate that the DGTO has been designed with the game development process and business in mind and ensure that it is regarded as one of the best game development incentives in the world.

Eligibility for Shared Game Technology and Game Engine Development

EA requests that the Government consider confirming and clarifying that shared game technology development, including game engine development, is eligible for the DGTO. Shared technology and game engines have become a critical component of the digital game development process, with some game engines becoming well-known in their own right. The use of shared game technology and game engines allows for a more efficient game development process, eliminating the need to recreate many tools and functions each time a new game is developed. Besides game engines,

other examples of shared game technology might include chat accessibility functionality, online safety controls, privacy and consumer protection processes and anti-cheat technology - all critical components of the game development process and all examples of technology that is often developed by a studio to be shared across multiple new games rather than being built from the ground up for each new project. Moreover, game engines have become so powerful and capable, they are commonly used in the production of major movies and have an array of potentially broader applications, such as interactive consumer touchscreen experiences and architectural visualization. Game engines are thus the sort of technical infrastructure that can benefit a wide swath of the digital economy and should be supported through the DGTO.

It may be difficult to directly attribute shared game technology and game engine development work to any particular video game, and thus it is ambiguous whether shared game technology and game engine development work would be eligible under the DGTO as set forth in the Draft Exposure Legislation. Accordingly, EA respectfully recommends that the DGTO be revised to expressly include shared game technology and game engine development work as eligible under the DGTO.

* * * *

EA supports the Government's efforts to stimulate video game development in Australia through passage of the DGTO. The Exposure Draft Legislation is a powerful tool for doing so, and EA appreciates the opportunity to submit its comments supporting the Exposure Draft Legislation to recommend a few areas for improvement that will ensure the legislation achieves its policy objective of making Australia a top 10 digital economy, creating jobs, and growing Australia's share of the global game development industry.

Respectfully submitted



Jim Lamoureux
Sr. Director, Public Policy & Govt. Affairs
Electronic Arts Inc.