

Large Budget Screen Production Grant

CRITERIA

19 October 2007

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CRITERIA

Large Budget Screen Production Grant

These criteria apply from 16 July 2007

SECTION I - INTRODUCTION

1. The New Zealand Government has introduced a Large Budget Screen Production Grant whereby an eligible applicant will be granted a sum totalling 15% of the Qualifying New Zealand Production Expenditure ("QNZPE") that the applicant has spent either on:
 - an eligible screen production ("LBSP Grant"); or
 - Post, Digital and Visual Effects Production on an eligible screen production ("PDV Grant").
2. The purpose of the LBSP Grant is to provide an additional financial incentive for the production of both foreign and domestic large budget film and television projects in New Zealand.
3. The purpose of the PDV Grant is to specifically foster capacity and new business development for large budget PDV Production in New Zealand.
4. In establishing the grants, the Government recognises that large budget screen productions and PDV Production contribute to New Zealand's economic development by providing valuable economic, employment and skill development opportunities for the New Zealand screen production industry. The grants will ensure that New Zealand remains competitive in attracting large budget screen productions and PDV Production from abroad.
5. This document sets out the eligibility criteria for the grants and outlines the process requirements for application. The criteria may be subject to change from time to time and applicants should check with the New Zealand Film Commission ("NZFC") which administers the grants before making an application.
6. The grants are tax exempt for the purposes of income tax.
7. This criteria applies from 16 July 2007. Screen productions which have started production and which have incurred *all* QNZPE prior to 16 July 2007 should refer to the criteria dated 17 December 2003 (which can be obtained on request from the NZFC) to determine their eligibility for the grant.
8. Screen productions which have started production prior to 16 July 2007 but which have incurred some of their QNZPE after 16 July 2007 shall be assessed for eligibility under the 17 December 2003 criteria, but they shall be entitled to apply for a grant of 15% of the QNZPE incurred after 16 July 2007 (as opposed to a grant of 12.5% on QNZPE incurred prior to that date).
9. Only QNZPE incurred after on or after 16 July 2007 on PDV Production undertaken after 16 July 2007 shall be eligible for the PDV Grant.

SECTION II – ELIGIBILITY CRITERIA

10. To be eligible for either the LBSP Grant or the PDV Grant, a screen production or PDV Production respectively, must meet the following four criteria:
- (a) *Expenditure Thresholds;*
 - (b) *Format;*
 - (c) *Relevant Entity; and*
 - (d) *Residency Status.*

11. An applicant may only apply for one grant (either the LBSP Grant OR the PDV Grant) in respect of an individual screen production. An applicant who applies for a grant and then incurs further QNZPE on the same screen production, is not eligible to apply again for that production.

(a) *Expenditure Thresholds*

12. Production expenditure spent on a screen production or on PDV Production will qualify for a grant if it fits within certain QNZPE thresholds:

LBSP Grant:

- a) Where the value of the QNZPE is NZ\$15 million or more;
- b) For television series, where individual episodes which have completed principal photography within 12 months following the date that principal photography commenced and have a minimum average QNZPE of NZ\$500,000 per commercial hour are bundled to achieve a total QNZPE of NZ\$15 million or more;

PDV Grant:

- c) Where the value of QNZPE that is spent directly or is necessarily related to PDV Production is NZ\$3 million or more, but does not exceed NZ\$15 million. (Where the value of QNZPE that is spent directly or is necessarily related to PDV Production exceeds NZ\$15 million the applicant should apply for the LBSP Grant.)

Bundling:

- d) For 2 or more screen productions, where each production has a minimum QNZPE of NZ\$3 million or more, all have completed principal photography (or PDV Production where only PDV expenditure is being claimed) within 24 months following the date that the first of those screen productions commenced principal photography or PDV Production (as the case may be), and together they are bundled to achieve a total QNZPE of NZ\$30 million or more.
13. The definitions of QNZPE and PDV Production are set out in Sections III and IV.

(b) Format

14. A screen production must be in one of the following formats:

(a) **a feature film** (including those shot direct-to-video) where the film is:

- a film commonly screened as the main attraction in commercial cinemas;
- no less than 60 minutes, or in the case of a large format (IMAX) film no less than 45 minutes; and
- is shot and processed to commercial release standards for exhibition to the public in cinemas, by way of telecasting (including broadcasting by way of the delivery of a television programme by a broadcasting service), or for distribution to the public as a video recording (whether on video tapes, digital video disks or otherwise); or

(b) **a television movie** being a drama (i.e. a composition which tells a story through the development of theme and plot, by means of dialogue and action and the portrayal of characters, settings, and life situations) of a like nature to a feature film capable of exhibition on television where television movie is:

- no less than one commercial television hour in length, or in the case of a programme predominantly utilising cell, stop motion and/or computer animation not less than one half commercial television hour; and
- is shot and processed to commercial release standards, for cinema exhibition or telecast; or

(c) **a television drama series or mini-series** being an episodic television drama, including animation, which is either:

- (i) an extended but self-contained drama made for television wherein the key dramatic elements of character, theme and plot are introduced, developed and concluded so as to form a narrative structure (similar to that of a novel) which features a major continuous plot enhanced by minor plots and there is the expectation of an ending that resolves the major plot tensions and is arranged into consecutive episodes for screening purposes; or
- (ii) an anthology of drama works for television where the key dramatic elements of character, theme and plot are introduced, developed and concluded so as to form a narrative structure within each episode (similar to that of a novel or a short story) but there is no continuity of plot between episodes (although there may be host elements common to each episode) and is made to be broadcast under one generic title; and
- is shot and processed to commercial release standards, for telecast.

15. Screen productions that fit in the following categories (or to a substantial extent fit in the following categories) are specifically excluded from eligibility:

- a documentary;
- reality TV;

- an advertising programme or commercial;
- a discussion programme, current affairs, news, a panel programme, a variety programme, or a programme of a like nature;
- a production of a public event, including a sports event; or
- a training programme.

(c) Relevant Entity

16. An applicant must be the entity responsible for all activities involved in:
- **for the LBSP Grant**, making the screen production in New Zealand; or
 - **for the PDV Grant**, all PDV Production for the screen production in New Zealand;
- and must have access to full financial information for the production in New Zealand which can be made available to the NZFC upon request. Only one entity per screen production can be eligible for a grant.
17. The applicant for each screen 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.

(d) Residency Status

18. An applicant must either be:
- a) a New Zealand resident company (a company is a New Zealand resident company if:
- the company is incorporated in New Zealand; or
 - although not incorporated in New Zealand, it carries on business in New Zealand and has either its central management or control in New Zealand, or its voting power is controlled by shareholders who are residents of New Zealand); or
- b) 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 grant application and when the grant is paid). Advice can be obtained from the Inland Revenue Department (“IRD”) on whether a company is a fixed establishment in New Zealand for the purposes of lodging an income tax return.

Exclusion of Access to other Incentives

19. An applicant seeking a grant will not be eligible for any other New Zealand Government film finance or tax incentives in relation to the screen production (including year 1 deductions under section DS2 of the *Income Tax Act 2004*, or funding through government agencies such as NZFC, NZ On Air or Te Mangai Paho or through the New Zealand Film Production Fund). Applicants will however continue to be eligible for development funding (as defined in Section III) that is financed by the New Zealand Government.

Co-production Treaties

20. A screen production which is financially and creatively structured to take advantage of a film co-production treaty between New Zealand and any other country will be eligible for a grant as long as the New Zealand co-producer of the screen production does not access any of the Government incentives listed in clause 19.

SECTION III – DEFINITION OF QUALIFYING NEW ZEALAND PRODUCTION EXPENDITURE (QNZPE)

Introduction

21. This section outlines the definition of QNZPE.
22. All costs claimed as QNZPE must be presented in an audited expenditure statement attached to each application. Arrangements should be made to track expenditure that relates to New Zealand and non-New Zealand production activity as early as possible. Where necessary, invoices from any supplier used 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.
23. QNZPE is generally defined as the production expenditure spent by the applicant on the screen production where that expenditure is incurred for, or is attributable to:
 - goods and services provided in New Zealand;
 - the use of land located in New Zealand; or
 - the use of a good that is located in New Zealand at the time that the good is used in the making of the screen production.

Specific Inclusions

24. For the sake of clarity, the following New Zealand expenditure items are specifically noted as being included within QNZPE:
 - (a) *New Zealand Development and Pre-production Expenditure*
 - (b) *New Zealand Copyright Acquisition*
 - (c) *New Zealand Business Overheads*
 - (d) *New Zealand Copyrighted Publicity and Promotion Expenditure*
 - (e) *Travel to New Zealand*
 - (f) *Advances*
 - (g) *Production Insurance and Completion Bonds*
 - (h) *Freight*

(a) *New Zealand Development and Pre-production Expenditure*

25. New Zealand development and pre-production expenditure is defined as expenditure incurred in New Zealand on the development and pre-production stages of the screen production i.e., prior to the commencement of principal photography. It includes expenditure to cover:
 - location surveys and other activities undertaken to identify and assess locations for possible use in the screen production;
 - storyboarding and script writing;
 - research for the screen production;
 - casting actors;
 - developing a budget; and

- developing a shooting schedule for the screen production.

26. The only legal costs that may qualify as New Zealand development and pre-production expenditure are those costs that relate to writers' contracts or to copyright issues, including chain of title.

(b) New Zealand Copyright Acquisition

27. The cost, if deductible under the *Income Tax Act 2004*, or the depreciation, if allowable under the *Income Tax Act 2004*, of copyright or licensing of copyright in a pre-existing work for use in the screen production may be claimed as QNZPE if the original owner of copyright in the pre-existing work is a person:

- that the *Income Tax Act 2004* treats as either being resident in New Zealand under section OE 1 or OE 2; or
- who carries on a business in New Zealand through a fixed establishment.

28. The cost, if deductible under the *Income Tax Act 2004*, or the depreciation, if allowable under the *Income Tax Act 2004*, of commissioning and purchasing copyright (or an interest in copyright) in a work created for use in the screen production may be claimed as QNZPE if the cost was incurred in New Zealand.

(c) New Zealand Business Overheads

29. New Zealand business overheads are those general business overheads that qualify as New Zealand expenditure under the definition of QNZPE in clause 23. Expenditure on these overheads may be claimed as QNZPE to the extent that the amount does not exceed the lesser of:

- In the case of the LBSP Grant, 3% of the total of the company's QNZPE on the screen production, or in the case of the PDV Grant, 3% of the company's qualifying PDV Production expenditure; or
- NZ\$500,000.

(d) New Zealand Copyrighted Publicity and Promotion Expenditure

30. Publicity and promotion expenditure in relation to the screen production (including press expenses, still photography, video tapes, public relations and other similar expenses) may be included as QNZPE where:

- it was incurred by the applicant company before completion of the screen production; and
- copyright in the publicity material is held by a person the *Income Tax Act 2004* treats as either being resident in New Zealand under section OE1 or OE2, or who carries on a business in New Zealand through a fixed establishment.

(e) Travel to New Zealand

31. Travel to New Zealand for work undertaken on the screen production may be included as QNZPE where that travel relates to incoming journeys:

- for non-cast personnel whose remuneration qualifies as QNZPE and who work on the screen production in New Zealand for a period totalling fourteen days or more; and
 - for cast personnel whose remuneration qualifies as QNZPE, regardless of the number of days spent working on the screen production in New Zealand.
32. The cost of an incoming journey is equivalent to 50 per cent of a return commercial airline fare.
33. Where the production schedule requires personnel to travel in and out of New Zealand more than once during the making of a screen production then each of those incoming journeys may be claimed as QNZPE.

(f) Advances

34. All payments made by way of an advance on a payment in respect of deferrals, profit participation or residuals (as described above) and which are non-recoverable qualify as QNZPE where they satisfy the criteria specified in clause 23 above.

(g) Production Insurance and Completion Bonds

35. Production insurance, with the exception of Errors and Omissions insurance, and completion bonds may be included within QNZPE.

(h) Freight

36. International freight, provided that it is paid in New Zealand, may be included within QNZPE.

Specific Exclusions

37. The following expenditure items do not qualify as QNZPE and should be excluded:

- (a) *Financing Expenditure*
- (b) *Costs relating to Short-term Visits for Non-cast Personnel*
- (c) *Costs of Services embodied in Goods*
- (d) *Deferrals, Profit Participation, Residuals*
- (e) *Others*

(a) Financing Expenditure

38. Financing Expenditure is not to be included as part of QNZPE. Financing of a screen production is not related to the actual production or making of the project. Financing expenditure includes returns payable on amounts invested in the screen production and expenditure connected with raising and servicing finance for the screen production, such as interest payments.

(b) Costs relating to Short-term Visits for Non-cast Personnel

39. Non-cast personnel who travel to New Zealand and work on the screen production for thirteen days or less (in total), cannot have expenditure in relation to their remuneration and other benefits, including travel costs, included as QNZPE.

(c) Costs of Services embodied in Goods

40. If the cost of certain services are embodied in the cost of a good that is delivered to the applicant company, and those services were predominantly (i.e. greater than 50 percent of cost) performed outside New Zealand, then those services are not provided in New Zealand for the purposes of determining QNZPE.

(d) Deferrals, Profit Participation, Residuals

41. Except where they qualify under paragraph 34, deferrals, profit participation, and residuals are not to be included as part of QNZPE. QNZPE does not include expenditure that is dependent on the screen production's commercial performance and its earnings - expenditure directly linked to the screen production's commercial performance cannot be quantified until after the screen production has actually been exhibited. Therefore, expenditure items specifically excluded from QNZPE include:
- Payments deferred until the screen production provides financial returns through box office receipts, earnings, or profits (e.g. bonuses paid to directors);
 - Payments dependent on eventual profits made on the screen production; and
 - Amounts payable in relation to the residual rights of cast members concerning the commercial exploitation of the screen production through future exhibition and distribution.

(e) Acquisition of Depreciating Asset

42. Except for copyright acquisition expenditure that qualifies as QNZPE, the acquisition of a depreciating asset and any capital costs invested in that asset do not qualify as QNZPE. See paragraphs 55 to 57 for the definition and treatment of a depreciating asset.

(f) Others

43. Errors and Omissions insurance, cast perks, gifts, entertainment and gratuities are not regarded as QNZPE.

SECTION IV - DEFINITION OF QUALIFYING POST, DIGITAL AND VISUAL EFFECTS PRODUCTION EXPENDITURE AND POST, DIGITAL AND VISUAL EFFECTS PRODUCTION (PDV PRODUCTION)

Qualifying PDV Expenditure

44. Qualifying PDV expenditure is defined as QNZPE (as defined in Section III) that is spent directly on PDV Production in relation to a single screen production which meets the format requirements in Section II. Qualifying PDV expenditure also includes expenditure on all activities which are necessarily related to PDV Production. Examples of these are set out in paragraph 45 below. The screen production itself need not meet any timing or expenditure thresholds.
45. Activities which are necessarily related to PDV Production include (but are not limited to):
- Cost of personnel including per diems (subject to paragraph 39 of the Criteria)
 - Studio and office hire
 - Equipment purchase and hire
 - Travel costs (subject to paragraph 31 of the Criteria)
 - Depreciation of assets (subject to paragraphs 55 and 56)

PDV Production

46. PDV Production means the activities listed in Annexure 1.

Non-NZ PDV Production

47. It is recognised that NZ suppliers of PDV Production services to a screen production may from time to time sub-contract part of those services outside New Zealand. The costs of services supplied by a company or person outside New Zealand do not qualify as QNZPE for the purposes of the PDV Grant. The applicant for a PDV Grant must require suppliers of PDV Production services to provide invoices which are broken down to show the cost of New Zealand and non-New Zealand services.

SECTION V — TREATMENT OF EXPENDITURE

Goods and Services Tax (GST)

48. All figures set out in this document are quoted net of GST. As such, the grant is calculated in relation to amounts that are net of GST. However, due to New Zealand tax law it is required that the grant is paid GST inclusive. For this reason, the grant will be made to eligible applicants on a GST plus basis with applicants having to return the GST component during their normal GST returns.

Currency Exchange

49. All production expenditure incurred in foreign currencies must be converted into New Zealand dollars on a monthly basis at exchange rates published by the Reserve Bank of New Zealand. See www.rbnz.govt.nz.

Arm's Length Expenditure

50. The basis of the arm's length principle is to ensure that amounts charged between the applicant company and any associate companies (including parent and subsidiary companies) for the provision of goods or services are commercially reasonable.
51. Where the applicant incurs expenditure under a non-arm's length arrangement which inflates or deflates the cost of a particular good or service in relation to the screen production, then only the commercial rate for that good or service will be counted towards 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.
52. 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 or deflates the expenditure of a particular good or service purchased by the applicant.

Basis of Expenditure

53. To be included as QNZPE an expenditure item must have actually been incurred on the making of the specific screen production for which the application is made. In addition, the applicant must have actually discharged its liability to pay at the time of application for the grant.

Expenditure by Prior Companies

54. Eligibility for the LBSP or the PDV Grant extends to an applicant that takes over the screen production or the PDV Production services (as the case may be) from another company (or companies) and completes the screen production or the PDV Production services. The applicant is taken to have incurred the production expenditure of the previous company (or companies) for the purposes of the grant. Any costs incurred by the applicant in the take over of the project are excluded from its calculation of QNZPE.

Depreciating Assets

55. Where an applicant purchases an asset for use in a screen production and sells or disposes of that asset on the completion of the screen production (or on completion of the QNZPE), the net cost of that asset can be claimed as QNZPE (for depreciation which occurs in New Zealand).
56. Where an applicant holds a depreciating asset (other than copyright) and uses it in making a screen production which it retains at the completion of a screen production (or completion of QNZPE), then QNZPE (for depreciation which occurs 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 screen production (for tax purposes).
57. The definition of a 'depreciating asset' for the purposes of the grant is as outlined by IRD. Further information about the treatment of depreciating assets under Subpart EE of the Income Tax Act 2004 may be downloaded from the IRD website at www.ird.govt.nz.

Transfer Pricing

58. Consideration of functions, assets and risks is an essential element in any transfer pricing analysis. It is therefore difficult to be prescriptive as such 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 New Zealand company and the timing of payments received for services provided.

SECTION VI – APPLICATION FOR GRANT

59. The grants are administered by the NZFC. Applications for a grant will be assessed by a panel established by the NZFC made up from industry practitioners and relevant government agencies.
60. Three complete copies of the application in its relevant form, including all required documentation, should be sent to:

Manager, Large Budget Screen Production Grant
 NZ Film Commission
 PO Box 11 546
 Wellington
 New Zealand

Courier address:
 Level 3
 119 Ghuznee Street
 Wellington

Initial Assessment

61. Applicants may seek initial assessment from the NZFC by supplying details of budgeted expenditure and other relevant information, such as format, against the criteria for the relevant grant. This will enable the NZFC to provide, in writing, an initial non-binding view as to whether a production meets the criteria.
62. The purpose of the assessment process is to provide an applicant with an initial opinion from the NZFC as to whether a production and what portion of its expenditure is likely to meet the relevant grant criteria. It will also enable the NZFC to schedule its resources. To assist this process, applicants should also provide a timeframe for the production with their application for assessment.
63. Should the NZFC indicate that an application does not meet the criteria for the relevant grant the applicant may reapply at any other stage of production. This is because actual expenditure may vary against budgeted expenditure making an otherwise ineligible production eligible for a grant in the process.

Exchange Rate Fluctuation and Pre-Qualification

64. Applicants concerned that they may not meet the expenditure threshold for a LBSP or PDV Grant solely due to fluctuations in exchange rates may 'pre-qualify' for the Grant by following the process in paragraph 65 below.
65. The applicant should seek initial assessment and at the same time should:
 - 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
 - Nominate the relevant non-New Zealand dollar currency or currencies.

The application for initial assessment must be received by the NZFC no earlier than 3 months before the start of principal photography or PDV Production (as the case may be). In the event that the start date is delayed, the applicant may reapply.

66. 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'.
67. Then, if, at the time the applicant submits its application for the LBSP or PDV Grant, the QNZPE or qualifying PDV expenditure (as the case may be) 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 LBSP or PDV Grant will be calculated and paid on actual QNZPE incurred (using the actual exchange rates as per paragraph 49 to convert any non-NZ dollar QNZPE).

Applications

68. An applicant may submit a grant application to the NZFC:
- once all QNZPE for the screen production, is completed; or
 - each time the QNZPE for the screen production has exceeded a multiple of NZ\$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 screen production is completed,
- provided that** an applicant may not apply for a grant later than 3 months after completion of the screen production (or completion of the last screen production within a bundle). Each application must be made on the relevant grant application form.
69. In the case of bundled screen productions, an applicant or applicants may only submit an application when QNZPE on all screen productions within a bundle is completed. However, an interim application may be made in respect of any individual screen production which has either: (a) completed QNZPE where such QNZPE is \$15 million or more; or (b) incurred QNZPE of \$50 million or more. The applicant or applicants may not apply for a grant later than 3 months after completion of the last screen production within the bundle.
70. The total LBSP Grant will not exceed more than 15% of the screen production's total approved QNZPE. The total PDV Grant will not exceed more than 15% of total approved QNZPE that is spent directly or necessarily related to PDV Production.
71. The following information must be included with each application form:
- (a) *Audited Expenditure Statement*
 - (b) *Sample Footage*
 - (c) *Statutory Declaration*
 - (d) *Further Information as Requested*

(a) Audited Expenditure Statement

72. All costs claimed as QNZPE must be presented in an audited expenditure statement. The audit must be prepared by a person who is:
- qualified under the Companies Act 1993 to audit companies;
 - not an officer, partner or employee of the applicant company, or a related body corporate of the applicant company (but may be contracted by them from time-to-time on a non-permanent basis). A related body corporate of an applicant company would be a subsidiary of an applicant company, the holding company of an applicant company or a subsidiary of the holding company of the applicant company; and
 - approved by the NZ Film Commission.
73. The auditor's statement 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.

(b) Sample Footage

74. A dated selection of DVD footage from the screen production, together with a full final credit listing, and proof of distribution or exhibition arrangements for the screen production must be included with each LBSP Grant application to verify that the screen production is ready for distribution or exhibition to the general public.
75. The NZFC reserves the right to be supplied with a DVD of the entire screen production or, alternatively, to be invited to a screening of the screen production in its entirety following the screen production's release. The selected footage and final copy of the screen production will be kept only for the purposes of the application process.

(c) Statutory Declaration

76. The information provided in an application must be certified in a Statutory Declaration by an authorised person from the applicant company - normally this would be the Producer or the Chief Executive Officer.

(d) Further Information as Requested

77. The NZFC reserves the right to require any further information deemed necessary to complete the grant 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.
78. Applicants should familiarise themselves with the relevant grant application form and the further information requested in that form.

Form of Certification and Application Forms

79. Certification and application forms may be submitted either in hard copy or online through the NZFC's website. Forms and guidelines can be downloaded from the NZFC website at www.nzfilm.co.nz.

Independent Consultants

80. The NZFC panel will be the body responsible for assessing whether the application satisfies the criteria for the relevant grant. However, the NZFC panel may seek the advice of one or more independent consultants to:
- provide an independent assessment of whether specific items claimed in an expenditure statement are 'reasonably attributable' to QNZPE;
 - assess whether costs charged for specific items are made on an arm's length basis; and
 - provide advice on the extent to which costs between subsidiary companies and parent/associate companies are commercially reasonable.
81. Where necessary the independent consultants may seek further information from the applicant or its auditor to assist its assessment. Where this information relates to arm's length issues, the consultants may seek information on the process and methodologies adopted to show that the amounts charged accord with the arm's length principle. The consultants will be subject to a contractual duty of confidentiality.

Payment of Grant

82. Payment of final funding will be dependent on the IRD verifying the information provided to the NZFC and the panel's decision. Provided that the application for expenditure is complete and verified the NZFC will endeavour to approve payment within 3 months of application. The Ministry of Economic Development will make payment of the grant upon advice from the NZFC.

Confidentiality

83. Certain information supplied by the applicant will be provided to the NZFC panel, IRD, the Ministry of Economic Development, and independent consultants where reasonably necessary during the grant approval process.
84. 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.
85. As such, the applicant should clearly indicate those parts of its proposal which it regards as commercially sensitive and confidential. In processing a request under the *Official Information Act*, the NZFC will consult the relevant applicant prior to a decision on release of documents.

Information for Research Purposes

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

Further information

87. For further information on these criteria and the process of applying for a grant contact the Manager of the LBSPG in the NZFC on tel: +64 (0)4 382 7680, email: LBSPG@nzfilm.co.nz or write to:

Manager, Large Budget Screen Production Grant
NZ Film Commission
PO Box 11 546
Wellington 6142
New Zealand

88. For information about taxation and other obligations of companies commencing business in New Zealand, filing business activity statements and annual income tax returns consult the IRD website at www.ird.govt.nz, or IRD's screen production desk's website at www.ird.govt.nz/industry-guidelines/screen-production/. The dedicated phone line is 0800 SCREEN (0800 727 336).

Annexure 1 as of 16 July 2007**POST, DIGITAL AND VISUAL EFFECTS PRODUCTION MEANS THE FOLLOWING ACTIVITIES:****Post Production:*****General***

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

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 Blue 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 (DCE)

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 included in qualifying PDV expenditure even if they are incurred during the principal photography stage of production.