

# Advocating for a fair tax system that encourages innovation

**Our industry, like all sectors, should rightly pay its fair share of taxes. In addition to corporate income and other taxes, GST in both Australia and New Zealand is collected on digital sales including in-game purchases, unlike in many other countries. Australia's export-focused game developers have also brought in significant tax receipts and possibly the highest of all Australian creatives. We advocate for tax policies that support SMEs and incentives that drive innovation (like the R&D tax offset). Dialogue around tax reform and digital industries should be based on seeking global consensus.**

## Does the video games industry pay its fair share of tax?

We strongly believe that we do. While games are a digital sector, unlike many other parts of the digital economy our industry still has a traditional business model. The games market continues to revolve heavily around the transactional sales of consoles and physical and digital games, all of which are taxed locally. Like the physical market, all digital sales in both Australia and New Zealand, from the purchase of AAA games to small in-game purchases, are subject to GST. Also, while our industry is globally-focused, it is at the same time a very local one. Our members, who represent the overwhelming majority of the industry, all have physical offices and teams of staff in Australia and/or New Zealand, and many operate infrastructure like warehousing. Finally, our local game developers are undoubtedly among the most successful exporters across all creative industries, and likely generate tens of millions of dollars or more each year in tax revenue.

## What is the industry's view on the debate around digital taxes?

There has been discussion in Australia, New Zealand, and other countries around taxation of the digital economy, including the idea of a 'digital tax'. This debate is of limited relevance for our industry as games companies overwhelmingly generate revenue from selling consoles, physical and digital games, and game content, rather than through user-generated value. All parts of our sector, from gaming consoles and platforms, to developers, publishers and distributors, pay tax. We believe that the reforms last decade to extend GST to digital goods in both Australia and New Zealand, which we supported, has comprehensively dealt with the issue of tax in our sector. Nevertheless, as a digital industry we are stakeholders in the broader tax debate, and believe that reforms to the taxation of the digital economy can only be achieved effectively by reforming the international tax system, such as through the OECD, a process that we know is already underway.

## What tax reforms are needed to strengthen the video games sector?

In addition to extending existing screen tax offsets to game development, we support the strengthening of R&D tax incentives that encourage games companies to invest in new technologies. We support expanded payroll tax exemptions in Australia (noting that New Zealand has no payroll tax), particularly for small to medium sized businesses. Finally, we support reform of corporate income tax to make our tax systems more competitive, with OECD data showing that Australia and New Zealand have among the highest business tax rates of advanced economies.

*Ben Au, Director of Policy & Government Affairs, [ben@igea.net](mailto:ben@igea.net)*