

# 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 taxes - generating more tax revenue than arguably any other creative sector. We advocate for tax policies that support SMEs, and incentives that drive innovation, like R&D tax incentives. Dialogue around tax reform and digital industries should be based on achieving global consensus.**

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

We strongly believe that we do. While we are a digital sector, unlike many other parts of the digital economy our industry is still a traditional business model at heart. The games market continues to revolve chiefly around the transactional sales of consoles and physical and digital games, all of which are taxed locally. Like the physical market, GST is also collected on all digital sales in both Australia and New Zealand, from the purchase of AAA games to small in-game purchases. Further, while our industry is international, 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 the entire creative sector and likely raise and pay tens of millions of dollars annually in tax revenues.

## 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 less tangible user-generated value. All parts of our sector, from 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, have 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 the Digital Games Tax Offset, we support stronger R&D tax incentives that more effectively cover software and encourage games companies to invest in new technology. We also 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 all advanced economies.

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