



DIGITAL ECONOMY STRATEGY

A leading digital economy and society by 2030

Investment Incentives

The Australian Government is empowering businesses to grow investment in digital technologies.

The Australian Government is delivering tax incentives for businesses to stimulate investment in digital technologies to enhance their productivity and grow and create jobs by:

- providing a **digital games tax offset** for qualifying Australian games expenditure to eligible businesses
- allowing taxpayers to **self-assess the effective life of certain depreciating intangible assets**
- undertaking assessment review of the **venture capital tax concessions** to ensure they are achieving their intended objectives.

Digital Games Tax Offset

The Government will introduce a 30 per cent refundable tax offset for eligible businesses that spend a minimum of \$500,000 on qualifying Australian games expenditure. This tax offset will make Australia an attractive destination for digital talent. Consultation with industry in mid-2021 will inform the criteria and definition of qualifying expenditure to support the development of digital games. Games with gambling elements or that cannot obtain a classification rating will not be eligible.

Talent in the gaming sector has transferable digital capabilities that Australia could apply to a range of other sectors. These areas include the defence innovation, medical technology, education technology, emergency planning, construction (digital twins), agtech, and modern manufacturing. The Digital Games Tax Offset will be available from 1 July 2022 to Australian resident companies or foreign resident companies with a permanent establishment in Australia.

Towards 2030: Investing in digital game development skills

Extra dimensional Enterprise is an international games business that is looking to expand its operations from its current base in London. They have been exploring Australia as a possible location, given the talent in existing studios, the available infrastructure and the attractiveness of Melbourne as a place to live and work.

Accessing the Digital Games Tax Offset, Extra-dimensional Enterprises establishes an office in Australia. The business employs 10 staff in Australia including Leo an Australian programmer who worked overseas in the games industry and takes advantage of the opportunity to return and work at home. Extra-dimensional Enterprises invests significant capital to develop a new augmented reality game and platform. Local health researchers are able to pick up this platform to further their research on mobility in older Australians.

Illustrative Example

Allowing taxpayers to self-assess the effective life of depreciating intangible assets

The Government will amend the income tax law to allow taxpayers to self-assess the effective life of certain intangible assets, rather than being required to use the effective life currently prescribed by statute.

This amendment applies to patents, registered designs, copyrights and in-house software for tax purposes. Taxpayers will be able to bring deductions forward if they self-assess the assets as having a shorter effective life to the statutory life. This change reduces the cost of investment for business. It also aligns the tax treatment of these intangible assets with the treatment of tangible assets.

This will apply to eligible assets acquired following the completion of temporary full expensing which was introduced in the 2020-21 Budget.

Towards 2030: Reducing cost of investment

In July 2023, Softly Engineering Pty Ltd acquires a patent for a new engineering process relating to 3D printing worth \$1.5 million. Under the current law the effective life of the patent is 20 years. However, as 3D printing is developing so fast, Softly self-assesses the effective life is only 15 years, before the patent will be replaced with new technology.

Without being able to self-assess, Softly would only be able to deduct \$75,000 a year in depreciation costs (assuming Softly applies the prime cost method of depreciation). Under the new regime, the annual deduction would be \$100,000 increasing the deduction by \$25,000.

The business can now self-assess the effective life of the patent to be more accurate. This change enables Softly to bring forward the depreciation in order to improve cash flow and invest in the next innovation.

Illustrative Example

Venture capital tax concessions

The Australian venture capital market is currently supported by tax incentives designed to attract foreign investment and encourage venture capitalists to invest in early-stage Australian companies to drive innovation and additional investment.

The Government will undertake a review of these tax incentives to ensure current arrangements are fit-for purpose and support genuine early stage Australian start-ups.