



# Section 481 & The Film/TV Industry

**Insights on the Sector's  
Contribution to the Irish Economy**



# Foreword

It is a pleasure to welcome this report which underpins the significance of the economic and socio-economic contribution of the film and TV industry to Ireland and the positive return on Government support.

Without doubt Ireland excels in the quality and production of story-telling through the medium of TV, film, animation and post-production – in recent years, we have borne witness to a number of critical catalysts that have propelled our footprint within the buoyant global content sector.

In line with the increased global demand for quality content, the sector continues to flourish here with a number of high-profile international productions choosing Ireland for production and post-production. This is due to the progressive section 481 tax measure, high quality studio facilities and the talent and skill pool available in Ireland. While the dramatic expansion of the sector is clear to those within the industry its true contribution to our economy and our creative industries has perhaps not yet been highlighted as forcefully to those who do not work in this sector every day in Ireland.

Ireland has delivered an incredibly strong output across film, TV, animation and post-production. These areas are the core pillars of our buoyant Irish audio-visual sector and have led to significant accolade and recognition on the world stage. This is testament to our creative talent combined with the infrastructure supporting the sector from studio expansion to training initiatives and impactful marketing of Ireland as a destination for production. Not only does this industry add to Ireland's reputation as a global leader in culture and the arts but adds to our economy by providing (full time) employment to many and a significant amount to the exchequer. The indigenous screen sector producing content for the domestic market also continues to thrive and demonstrate its importance not only to the fabric of our culture but also on the world stage.

We know the industry is a net contributor to the economy and this report details specific case studies that illustrates this clearly. In addition, the industry provides a critical secondary indirect economic contribution in local employment and local spend to the regional areas within which it operates through productions purchasing accommodation, transport, hospitality and other support services. Film tourism is also a significant by-product that offers substantive opportunity to expand and grow.

Global demand for audio-visual content is predicted to grow by 30% over the next five years – new consumption of content via streaming services is the engine for this growth. Ireland is poised and ready to take best advantage of this growth through its mix of enablers that compete with the very best that other countries vying for the same productions offer. To maximise the sector's future opportunity (and its wider impact on the economy) will require further investment and increased human resource supports, in line with a coherent Government strategy.

This report was compiled with the help of producers, directors, studio facilities and accounting professionals – it consolidates information on many of the industry's drivers and outputs into one report. It offers a valuable insight into the sector's contribution to our Irish economy. It provides an important baseline measurement and methodological approach, that as a yearly review, will add to the depth of our understanding of the component parts that work together to deliver the sector's success.

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Ion Equity





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# Executive Summary



**Section 481, Taxes Consolidation Act, 1997 (“S481”) makes a strong positive contribution to the economy and directly supports Government policy but there are operational challenges which should be reviewed.**

The film and TV sector identify the film tax credit provided by Section 481 Taxes Consolidation Act 1997 (as amended) and known as S481 as being vitally important to Ireland’s ability to have an indigenous screen industry. S481 is a key pillar of the financing structure of the industry. Ireland’s ability to develop and grow a sustainable competitive indigenous film and TV sector, reinforced by an increasing volume of indigenous generated Intellectual Property (IP), must be underpinned by continued S481 support. The participants in this study also identified that there are issues with the operation of the scheme and that operation of S481 needs to be kept under constant review. Specifically, a current review should focus on S481 production eligibility expenditure, the need to raise the cap to a competitive international level, and extension of the ‘Regional Uplift’.

With a large range of production activity receiving S481 support, it is imperative that Government, policy makers and the taxpayers – who ultimately fund the tax credit – are informed of the on-going economic contribution made to the Irish economy by the sector and the production activity benefitting from S481.

To demonstrate the industry’s economic impact, the sector recognises the need to produce an annual report detailing the economic contribution of the sector’s S481-supported activity. The lack of easily accessible industry wide production expenditure data, stemming from industry traditionally not capturing such data in an Economic Impact Assessment (EIA) compatible format, currently prohibits a large-scale EIA encompassing all S481 production recipients.

To provide an accurate representative picture of the sector's total economic contribution, PwC was commissioned by Ardmore Studios and Troy Studios, supported by Screen Producers Ireland, Screen Ireland, Animation Ireland and Ibec Audiovisual, to look in detail at nine film and TV productions from a cross section of industry activity and the story that tells. The report identifies the production activity of the nine case study participants collectively paying an estimated €108.88m to Irish-based suppliers (including labour contractors (Schedule D) and employees). The Full Economic Impact of this expenditure resulted in the S481 case study production activity contributing €144.35m to the national economy. This operational expenditure also supported 1,391FTE jobs in the Irish economy. With S481 payments to case study participants totalling €41.52m, and a Full Economic Impact of €144.35m, the Irish economy receives an approximate positive 3.5:1 return on the S481 investment. With production activity payroll related taxes delivering €11.09m to the Exchequer, combining this with the Full Economic Impact identifies the case study productions generating a Total Economic Contribution of €155.44m.

In addition to the sector's quantified economic contribution, the production activity supported by S481 is identified as supporting a range of ancillary benefits. The screen industry brings significant economic benefits (including direct and indirect employment and expenditure) to regional areas of Ireland as a result of filming and production activity in these areas. Regional production activity plays an important role in sustaining local and rural economies by providing people with opportunities and means to continue to work and live in their local communities. S481 and screen industry activities provide the economy with an important socio-economic and cultural dividend. S481 is critically important to sustaining production of Irish historical and cultural programmes. The screen tourism focused activities of Ireland's principal tourism bodies demonstrate the critical role that the activity of Ireland's film and TV sector play in supporting the economy's largest indigenous sector. The sector's economic activities and engagement with education and skills are making important contributions across a number of Government policy agendas including: culture & creativity; regional development, competitiveness & innovation, education; employment & future skills needs.

Building on this report's case study focused approach, the industry has agreed to produce a 2020 economic impact report. This report will be underpinned by a large-scale film & TV Industry EIA of 2019 S481 supported production activity. To enable this, industry will be supported in the collection of necessary production expenditure data through use of a streamlined EIA data collection methodology and process. Additionally, the 2020 report will examine in detail the impacts of the sector's wider qualitative economic contributions including an analysis of the sector's role as important source of employment and skills development, cultural contributor and enabler of regional economic activity.





# 1

## Introduction

**This report based on a case study approach has found that S481 is critical to the development and ongoing support of the industry, makes a positive contribution to the economy but alone is not enough to attract companies selecting global production locations. However, there are challenges with the operation of the scheme which could be reviewed to make the process more certain and efficient.**

### 1.1 Context

Ireland's audiovisual sector is an important sector within the Irish economy. Olsberg/SPI identified the audiovisual sector generating €1.05 billion in Gross Value Added (GVA) for the Irish economy whilst supporting 16,930 jobs in 2016.<sup>1</sup> The film, TV and animation sector alone accounted for €0.7bn in GVA. The sector created €191m in export earnings for the Irish economy in 2016.

The Government's film tax credit provided by Section 481 Taxes Consolidation Act 1997 (as amended) and known as S481 has played, and will continue to play, a critical role in enabling Ireland's film and TV industry to remain an important sector of the Irish economy. The sector's activity acts as an important source of

employment for those both directly and indirectly involved in production activity. While the majority of production activity has heretofore occurred within the Dublin/Wicklow region, the expansion of activity beyond the capital's footprint ensures that the sector has now become an important nationwide economic impact. The wide range of production activity being undertaken in Ireland is helping to create an internationally renowned 'Film/TV Industry Ecosystem'. Such an ecosystem is critical in enabling Ireland and Irish producers to compete effectively in a very competitive market for international investment whilst simultaneously supporting the continued development of Ireland's indigenous sector. Film and TV production activity has helped showcase Ireland and all it has to offer to a worldwide and domestic

<sup>1</sup> Olsberg SPI – Economic Analysis of the Audiovisual Sector in the Republic of Ireland, Dec 2017. The audiovisual sector comprises Film, TV and Animation, Commercials, Radio and Video games. The Olsberg SPI analysis uses 2016 baseline data. See <https://www.chg.gov.ie/app/uploads/2018/06/economic-analysis-of-the-audiovisual-sector-in-the-republic-of-ireland.pdf>

audience thereby creating economic opportunities within the tourism sector.

Absent the S481 tax credit, it is questionable whether the aforementioned economic opportunities would emerge in an Irish context. Additionally, the existence of S481 can be viewed as a critical policy enabler in allowing the successful delivery of the Government's objective to ensure continued support for the sector.

## 1.2 Understanding S481

Pillar 4 of the Creative Ireland Programme<sup>2</sup> outlines the Government's commitment to developing Ireland as a centre of excellence in media production through supporting the development of the Irish film, television and animation sector. The Government has a stated objective of doubling employment in the industry within ten years.<sup>3</sup> The Government hope that the number of fulltime industry employees will increase to an estimated 24,000 and that the gross value of the sector will increase to nearly €1.4bn.<sup>4</sup> While Government support to the screen industry is principally driven by its provision of S481 to production activity, it also supports the sector with the provision of funding to TG4 and Screen Ireland<sup>5</sup> and tv licence fee money to RTÉ and the Broadcast Authority of Ireland (BAI) Sound and Vision Fund.

**“ Develop Ireland as centre of excellence in media production through supporting the development of the Irish film, TV and animation sector ,”**

### Pillar 4, Creative Ireland Programme

S481 tax credit aims to incentivise film and TV production in Ireland, with the Department of Finance (2018) also identifying that a core purpose of the scheme is the creation of a cultural dividend for the State. The scheme, originally introduced in

1987, changed from an income tax relief directed at investors to a corporation tax relief focused on producer companies from 2015 onwards. Like many tax credits, S481 has a sunset clause. Section 481 had been due to expire at the end of 2020 prior to the Government's announcement of its intention in October 2018 to extend this until 2024. Whilst EU state aid rules preclude the Government from extending the current lifespan beyond this point, the Government has indicated its intention to remain committed to the credit, with future iterations of S481 post 2024 expected. In the Government's 10 year plan for 'Investing in our Culture, Language and Heritage 2018-2027', the Government identifies a stated ambition of "continuing to provide tax incentives for film production in Ireland".

S481 eligibility is dependent on production activity taking place within one of four distinct category types: Animation; Creative Documentaries; Feature Films; Television Drama.<sup>6</sup>

Production companies can claim a tax credit per project on the amount of "eligible expenditure"<sup>7</sup> incurred of up to 32% of the lower of:

1. The eligible expenditure amount
2. 80% of the total expenditure
3. €70m<sup>8</sup>

S481 offers an additional uplift of up to 5% for production activity taking place in the regions outside of Dublin, Wicklow and Cork. This has the impact of potentially raising the value of the tax credit up to 37% in these circumstances.<sup>9</sup> It should be noted that the 5% uplift is time limited with the Minister for Finance identifying that the uplift will taper out.<sup>10</sup>

In order to claim the relief, each production must have a qualifying "producer company" which makes the application and a "qualifying company", a dedicated company which has been set up specifically to make the production and which carries out no other activities.

<sup>2</sup> The Creative Ireland programme, launched by the government in 2016, is a culture-based programme designed to promote individual, community and national wellbeing

<sup>3</sup> Department of Culture, Heritage and the Gaeltacht 'Audio-visual Action Plan', 2018

<sup>4</sup> Department of Culture, Heritage and the Gaeltacht 'First Progress Report on Implementation of the Audio-visual Action Plan', 2019.

<sup>5</sup> In 2020 Screen Ireland will receive €17.2m in Government funding which is used to support and promote Irish film, TV and animation.

<sup>6</sup> S481 credits cannot be claimed in respect of reality TV, live broadcasts or creative documentaries that are not new and original.

<sup>7</sup> Eligible expenditure refers to the cost of all cast and crew working in Ireland and all goods and services sourced in Ireland, including post-production and/or VFX. Projects with 'eligible expenditure' of less than €125,000, or whose total cost of production is less than €250,000 are also ineligible from participation in the scheme.

<sup>8</sup> Therefore, the maximum potential value of the tax relief per qualifying project in this instance is €22.4m (i.e. 32% of €70m) before any regional uplift.

<sup>9</sup> S481 credits are claimed in two instalments. Up to 90% of the credit is payable before the production starts, based on the budget, whilst the remaining balance is payable upon a "compliance review" once the film has been broadcast.

<sup>10</sup> The 5% uplift applies in 2019 and 2020, 3% in 2021 and 2% in 2022.

The “producer company” must:

- Be Irish resident or trading through a branch or agency
- Be trading for at least 12 months as a production company on a commercial basis and have filed a corporation tax return with Revenue by the required filing date
- Not be or be connected to a broadcaster or a business which consists wholly or mainly for transmitting films on the internet
- Not be part of a film group which is an ‘undertaking in difficulty’
- Hold 100% shareholding in a ‘Qualifying Company’ which must be Irish resident and exist as a Special Purpose Vehicle (SPV) to make one film

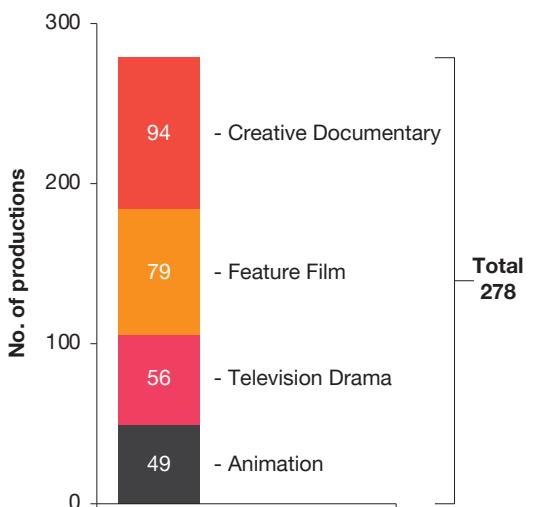
The final step to secure S481 requires a production to be a “qualifying film”, a production that satisfies both the Culture Test and the Industry Development Test.<sup>11</sup>

### 1.3 S481 Activity

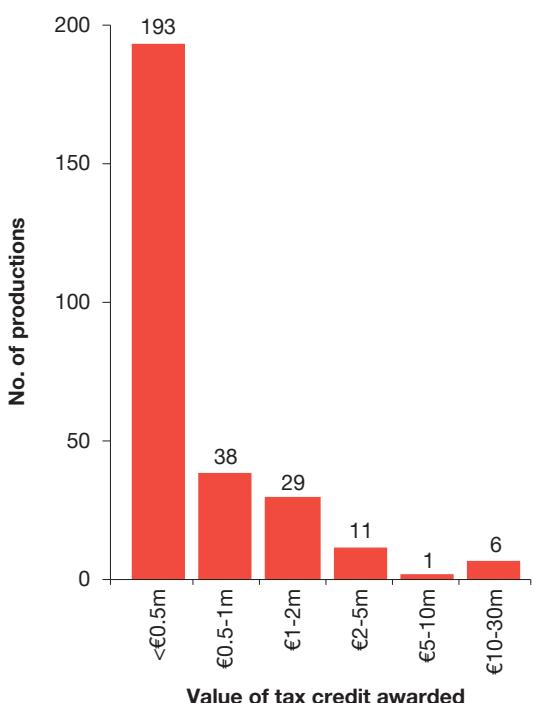
Across the 2015–18 period, 337 productions were identified as benefitting from receipt of S481 with €273m of film tax relief provided across this period. Approved S481 claims over 2015 – 2018 averaged €810,000.<sup>12</sup> Data limitations restricted disaggregation of S481 activity to 278 productions.<sup>13</sup> Figure 1 reveals that Creative Documentaries were the most popular category of production activity to benefit from the tax credit with 94 eligible production recipients.

Approximately two-thirds of productions received a tax credit of less than €500k with just 18 productions receiving a credit of more than €2m. Six productions were allocated a credit of between €10-30m. Whilst Creative Documentaries received more tax credits than any other category, nearly all of these tax credits were less than €500k. In contrast, all of the tax credits received between €10-30m were received by one category, Television Drama.

**Figure 1. S481 Recipients per Eligible Category (2015-18)<sup>14</sup>**



**Figure 2. S481 Distribution per Tax Credit Threshold (2015-18)<sup>15</sup>**



<sup>11</sup> See Appendix 1 for explanation of Culture Test and Industry Development Test requirements.

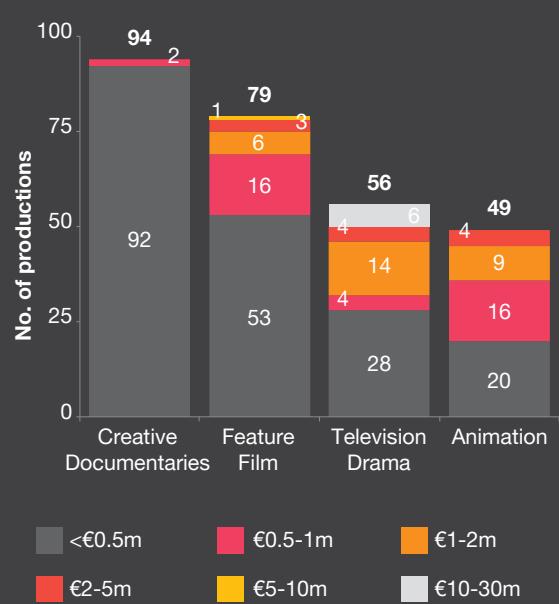
<sup>12</sup> See <https://www.audit.gov.ie/en/Find-Report/Publications/2019/2018-Annual-Report-Chapter-18-Tax-relief-on-film-production.pdf>

<sup>13</sup> While the Comptroller & Auditor General report revealed 337 productions benefitting from S481, disaggregation of S481 recipient data across 2015, 2016, 2017, 2018 on Revenue.ie as of December 2019 identified 278 such productions.

<sup>14</sup> Data Source: Revenue “Beneficiaries of tax relief under S481 Film Relief Scheme” for 2015 and 2016–2018. See: <https://www.revenue.ie/en/companies-and-charities/documents/beneficiaries-tax-relief-2015.pdf> and <https://www.revenue.ie/en/companies-and-charities/documents/beneficiaries-tax-relief-2016-to-2018.pdf>

<sup>15</sup> For data source see Footnote 14.

**Figure 3. S481 Productions Recipients per Tax Credit Threshold (2015-18)<sup>16</sup>**



To demonstrate the industry's economic impact, the sector ultimately wish to produce an annual report detailing the economic contribution of the sector's total S481-supported activity. Production of such a report would be underpinned by a large-scale film & TV Industry EIA (Economic Impact Assessment). The lack of easily accessible industry wide production expenditure data, stemming from industry traditionally not capturing such data in an EIA compatible format, currently prohibits a large-scale EIA encompassing all S481 production recipients.

To provide an accurate representative picture of the total economic contribution, PwC was commissioned by Ardmore Studios and Troy Studios, supported by Screen Producers Ireland, Screen Ireland, Animation Ireland and Ibec Audiovisual to look in detail at nine film and TV productions from a cross section of industry activity and the story that tells.

At a high level the report is focused on two principal objectives:

- A quantification of the economic contribution to the Irish economy from a sample set of nine productions (drawn from across the 2015-18 period) benefiting from S481
- An examination of the qualitative economic benefits and socio-economic impacts arising from the existence of the wider film and TV sector in Ireland

## 1.4 S481 Enabled Economic Activity

With a large range of productions benefiting from access to S481, it is imperative that Government, policy makers and taxpayers – who ultimately fund the tax credit – are informed of the on-going economic contribution of those productions benefitting from S481 and the role the sector plays as a catalyst and driver of activity.

16 For data source see Footnote 14.



# 2

## Ireland's Film & TV Industry Ecosystem



**Ireland is a dynamic and world-class location for national and international film, TV and animation production activity. Ireland's film studio infrastructure, technical infrastructure, established production companies and highly skilled workforce<sup>17</sup> (crew base), aligned with the Government's competitive tax credit and diverse landscape and scenery has facilitated the emergence of an internationally renowned Screen Industry Ecosystem. This ecosystem is capable of generating significant IP, supporting the development of indigenous talent and competing amongst the world's best in terms of industry recognition.**

### 2.1 Mapping the Existing Film & TV Industry Ecosystem

Ireland's Screen Industry Ecosystem operates at a range of levels encompassing and benefitting the breadth of the country. At a macro-level Ireland's ecosystem benefits from Ireland being a party to the European Convention on Cinematographic Co-Production which includes members of the EU and some EEA states. This convention was created in 1992 to promote the development of European multilateral cinematographic co-production and enables all signatory countries to work with each

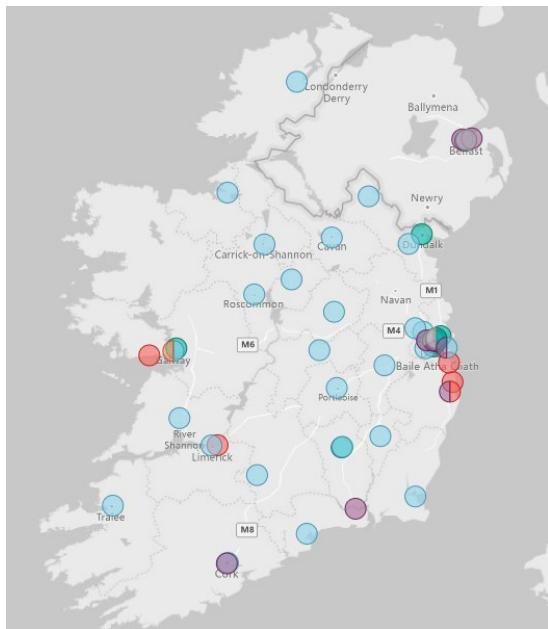
other using one treaty. Ireland also has official bilateral co-production treaties with Australia, Canada, Luxembourg, New Zealand and South Africa. In 2017, the EU introduced changes to the Co-production treaty to make it easier for European countries to work with non-European countries without official bilateral treaties being in place. Ireland signed the revised Convention on Cinematographic Co-Production in 2019.

<sup>17</sup> Ireland's highly skilled workforce is now in place due in part to the driver of S481 as a positive influence and enabler of increasing levels of production activity.

Co-production treaties allow for a project to be approved as a national production of each of the co-producing countries and the project is therefore eligible for any benefits or assistance available from each country. Co-productions facilitate cultural and creative exchange between countries whilst simultaneously reducing the risk and costs for each country. The combination of such treaties, along with S481, help make Ireland an attractive country for inward investment.

Ireland's ecosystem benefits from its ability to offer producers access to a wide range of indigenous actors, on-screen talent and shooting and production locations. Screen Ireland's 'Locations Database'<sup>18</sup> currently showcases more than 2,500 production locations across Ireland, ranging from modern cityscapes and period streets to dramatic coastlines and rugged landscapes. However, it is the infrastructure at the heart of the ecosystem, which has grown over the years through private investment, which is crucial in enabling producers to maximise the benefit of these locations and talent. Ireland's screen industry infrastructure comprises of world-class studios boasting state-of-the-art production facilities, post-production facilities and various support systems. This infrastructure is crucial to enabling Ireland scale its industry activity and compete internationally.

**Figure 4. Screen Industry Infrastructure in Ireland<sup>19</sup>**



Ireland is home to:

## Six Film Studios

Ireland is home to a mixture of film studio space including Ireland's largest studio facility, Limerick based Troy Studios, Ireland's oldest studio lot, Ardmore Studios and Ashford Studios, home of 'The Vikings'. Television drama accounts for 90% of the activity and is mainly made up of incoming productions from studios and content streaming companies such as MGM, NBC Universal, Disney, Skydance, and Netflix. Feature films make up the remaining 10% of studio activity.

**Figure 5. Ireland's Film Studios**



18 Screen Ireland's location database: <https://www.screenireland.ie/locations>

19 Ireland's Screen Industry infrastructure includes Animation Studios, Film Studios, Post Production / VFX Studios, Screen Ireland Offices, Local Film Offices along with a wide range of supporting bodies. Supporting bodies include Screen Producers Ireland, Fáilte Ireland, Animation Ireland, Enterprise Ireland, Tourism Ireland, IDA, Irish Film & Television Network (IFTN), Screen Directors Guild of Ireland and Northern Ireland Screen.

**Table 1. Ireland's Studio Infrastructure**

	<b>Ardmore Studios</b>	<b>Troy Studios</b>	<b>Ashford Studios</b>
<b>Location</b>	Bray, Co. Wicklow	Castletroy, Co. Limerick	Bray, Co. Wicklow
<b>Facilities</b>	<ul style="list-style-type: none"> <li>• 14 acre site</li> <li>• 2 acre backlot</li> <li>• Production facilities</li> <li>• Post production facilities</li> <li>• Support infrastructure: production offices, workshops, dressing rooms etc.</li> <li>• 7 Sound stages: <ul style="list-style-type: none"> <li>» Stage A: 8,000 sq.ft</li> <li>» Stage B: 8,000 sq.ft</li> <li>» Stage C: 3,000 sq.ft</li> <li>» Stage D: 15,000 sq.ft</li> <li>» Stage E: 6,300 sq.ft</li> <li>» Stage F: 23,500 sq.ft</li> <li>» Stage G: 5,800 sq.ft</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• 16 acre site</li> <li>• 5 acre backlot</li> <li>• Production facilities</li> <li>• Post production facilities</li> <li>• Training studio</li> <li>• Support infrastructure: workshops, props and costume areas, production offices and dressing rooms</li> <li>• 4 Sound stages <ul style="list-style-type: none"> <li>» Stage A: 30,814 sq.ft</li> <li>» Stage B: 17,685 sq.ft</li> <li>» Stage C: 17,921 sq.ft</li> <li>» Stage D: 32,668 sq.ft</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• 500 acre site</li> <li>• Production facilities</li> <li>• Support infrastructure: production offices, dressing rooms etc.</li> <li>• 3 Sound stages <ul style="list-style-type: none"> <li>» Stage A: 30,000 sq.ft</li> <li>» Stage B: 14,500 sq.ft</li> <li>» Stage C: 12,500 sq.ft</li> </ul> </li> </ul>

	<b>Kite Studios</b>	<b>Stiúideo Teagael</b>	<b>Popup Studios</b>
<b>Location</b>	Kilcoole, Co. Wicklow	Spiddal, Co. Galway	Inchicore, Co. Dublin
<b>Facilities</b>	<ul style="list-style-type: none"> <li>• Production Facilities</li> <li>• Support infrastructure: production office, dressing rooms etc.</li> <li>• 1 sound stage: <ul style="list-style-type: none"> <li>» Stage A: 9,000 sq.ft</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Production Facilities</li> <li>• Post production facilities</li> <li>• Support infrastructure: production offices, dressing rooms etc.</li> <li>• 2 Sound stages: <ul style="list-style-type: none"> <li>» Stage A: 7,402 sq.ft</li> <li>» Stage B: 6,359 sq.ft</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Production facilities</li> <li>• Support infrastructure: production offices, dressing rooms etc.</li> <li>• 3 Sound stages: <ul style="list-style-type: none"> <li>» Stage A: 4,805 sq.ft</li> <li>» Stage B: 4,359 sq.ft</li> <li>» Stage C: 1,426 sq.ft</li> </ul> </li> </ul>

### Over 24 Animation Studios

Whilst animation has always been a key player in Ireland's vibrant screen industry, it has witnessed substantial growth in the last decade and now employs over 1,700 people. The sector is worth over €120m to the economy and produces projects that are being viewed in over 180 countries worldwide.<sup>20</sup> With the majority of output export oriented for overseas companies, Ireland's animation studios have built very strong working relationships with notable global broadcasting companies such as; Amazon, Disney, Cartoon Network, Netflix, BBC, Nickelodeon and ABC. The sector have won numerous awards in the international marketplace. The annual *Animation Dingle* festival, attended by both national and international animation industry leaders, enables the animation sector opportunities to showcase screenings, facilitate workshops and

ultimately develop important creative partnerships. Animation Ireland (included as one of the supporting networks in Figure 4 above) are the voice of the Irish animation sector and their core objective is to establish Ireland as a creative centre for content and technology. They were involved with the development of the European Commission's 'The European Animation Plan', which was launched in September 2017 to upscale and confront any challenges the sector is facing.

### Over 22 Post Production / VFX Studios

Ireland's post production facilities are recognised globally, with Irish post production companies offering an outstanding quality of work to international producers. For example, Screen Scene has received a multitude of nominations and awards including Oscar, Emmy and IFTA awards.

<sup>20</sup> Irish Film & Television Network (IFTN) "Irish animator wins top global accolade as Irish animation studios make global industry pitch at Mip Jr.", 2019 and Animation Ireland (<http://animationireland.com/animation-market-in-great-white-north-big-draw-for-irish-firms/>)

S481 provides a major anchor to support the post production industry, as Irish companies can offer direct access to the tax credit without physical production taking place here. Ireland's internationally renowned post production facilities offer a full suite of post production services<sup>21</sup> with some companies also providing visual effects (VFX) services.<sup>22</sup>

Olsberg (2017) identify 822 FTEs working in post production/VFX in Ireland in 2016.<sup>23</sup> There are many internationally renowned post production facilities offering a full suite of post production services.<sup>24</sup> The Visual Effects Association of Ireland (VFXAI) was established by Ireland's leading VFX companies - Windmill Lane, Screen Scene, Egg and Piranha Bar - all of which have credits on award-winning international productions. The association ensures there is a dynamic multi-vendor working environment in place which is necessary when the industry needs to increase its scalability.

### Numerous Support Bodies

Within Ireland's Screen Industry Ecosystem a wide range of industry groups, organisations and agencies play important sectoral roles. Whilst support bodies will deliver different supports and services, all groups are united by the common overriding objective to support the development of the screen industry in Ireland.

Alongside the aforementioned technical infrastructure, there are many supporting bodies who are all key backers of the screen industry in Ireland. This includes Screen Ireland (formerly known as the Irish Film Board), Ireland's national screen agency which supports Irish filmmaking from script to screen, with capital funding of €16.2m in 2019. Funding will be increased to €17.2m in 2020. Screen Ireland has 3 main goals:

1. Vision for 2020: To work with industry stakeholders in order to promote an overall vision for the industry, focusing on leadership, gender & diversity, and building audiences for film, television and animation
2. Building on Core Strengths: To attract inward production and investment; To support organisations that will facilitate training initiatives in order to further develop the industry's talents and skills

3. Strong Foundations: To increase funding for film, television and animation through all potential avenues such as public service broadcasters, content distributors, IDA, Enterprise Ireland, other public funding agencies and private sector funders

Screen Skills Ireland is part of Screen Ireland and is the leading national agency with responsibility for investing in people and skills development for the screen industry in Ireland. It was established in 1995 to provide continuing training and career development opportunities. In 2018 alone, for example, Screen Skills Ireland delivered over 47 courses with a total of 628 participants.<sup>25</sup>

Screen Producers Ireland is another major supporting body which represents independent producers in Ireland. Screen Producers Ireland's work involves: shaping the independent production industry that is in line with international best standards; lobbying and engaging with Government to improve the S481 system; and negotiating with other industry stakeholders such as The Broadcasting Authority of Ireland to ensure independent producers are provided with fair regulation across all broadcasting platforms.

Other important supporting bodies which strengthen the ecosystem include a number of Government departments and agencies (Dept. Culture, Heritage and Gaeltacht, Dept. Communications, Dept. Business, Enterprise and Innovation, Enterprise Ireland, IDA, INIS, Tourism Ireland), sectoral associations (Animation Ireland, Irish Society of Cinematographers, Screen Producers Ireland, VFX Association Ireland) and representative guilds (Writers Guild of Ireland, Irish Guild of Set Decorators, Locations Guild of Ireland, Production Manager/ Line Producers Guild of Ireland, Screen Directors Guild of Ireland). Ireland also has a network of Local Film Offices located in every county nationwide to offer localised knowledge and support to the screen industry.

<sup>21</sup> Olsberg "Economic Analysis of the Audiovisual Sector in the Republic of Ireland" 2017

<sup>22</sup> Post production services available include dailies processing, picture editing, colour grading, finishing with delivery available at HD/2K/4K/5K.

<sup>23</sup> VFX services encompass on-set supervision, character animation, complex effects and environments, along with photorealistic lighting and compositing.

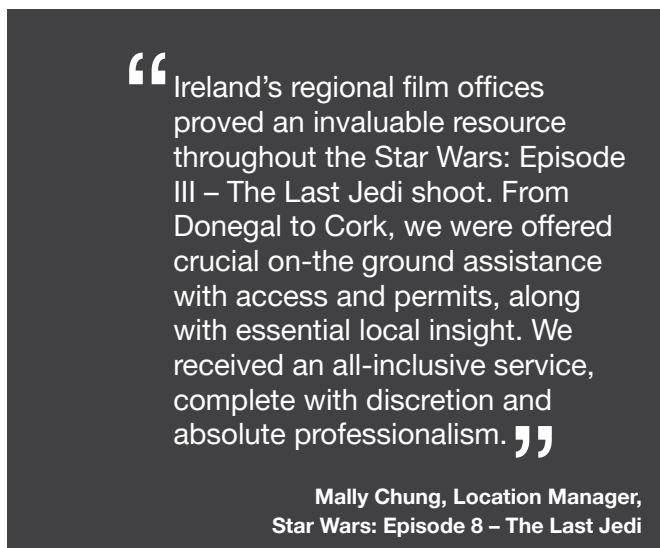
<sup>24</sup> Olsberg "Economic Analysis of the Audiovisual Sector in the Republic of Ireland" 2017

<sup>25</sup> Screen Skills Ireland "A Year in Review 2018". See <https://www.screenskillsireland.ie/wp-content/uploads/2019/01/Year-in-Review-2018.pdf>.

This extensive infrastructure and Ireland's Screen Industry Ecosystem support all scales of production at every stage of the filming process, making Ireland a suitable location for any production. Figure 6 highlights the locational spread of productions benefiting from S481 between 2015 and 2018, demonstrating the national spread of Ireland's Screen Industry Ecosystem. In 2017 and into 2018, Screen Ireland<sup>26</sup> estimated that production activity expenditure outside of Dublin equated to €46.7m emphasising the importance of having this infrastructure in place in regional areas to support the screen industry throughout Ireland.

**“**Ireland’s regional film offices proved an invaluable resource throughout the Star Wars: Episode III – The Last Jedi shoot. From Donegal to Cork, we were offered crucial on-the ground assistance with access and permits, along with essential local insight. We received an all-inclusive service, complete with discretion and absolute professionalism. **”**

Mally Chung, Location Manager,  
Star Wars: Episode 8 – The Last Jedi



**Figure 6. Regional Distribution of S481 Production Recipients<sup>27</sup>**



## 2.2 Irish Film & TV Industry Ecosystem Recognition

Ireland's status and positioning as possessing an internationally renowned ecosystem is best reflected through the recognition of the sector's activity, skills and expertise with receipt of numerous prestigious nominations, awards and international screenings. S481 has played a central role in supporting the development of this ecosystem and without it the industry could not have achieved the wealth of successes listed below. Table 2 provides a sample of some recent awards and nominations for S481-supported productions. Such international recognitions strengthen Ireland's ability to attract inward investment.

26 Screen Ireland “Annual Report Ráitis Airgeadais”, 2017. See <https://www.screenireland.ie/images/uploads/general/Screen%20Ireland%20Annual%20Report%202017.pdf>

27 For data source, see footnote 9

**Table 2. Sample International Recognition of a sample of S481-Supported Productions<sup>28</sup>**

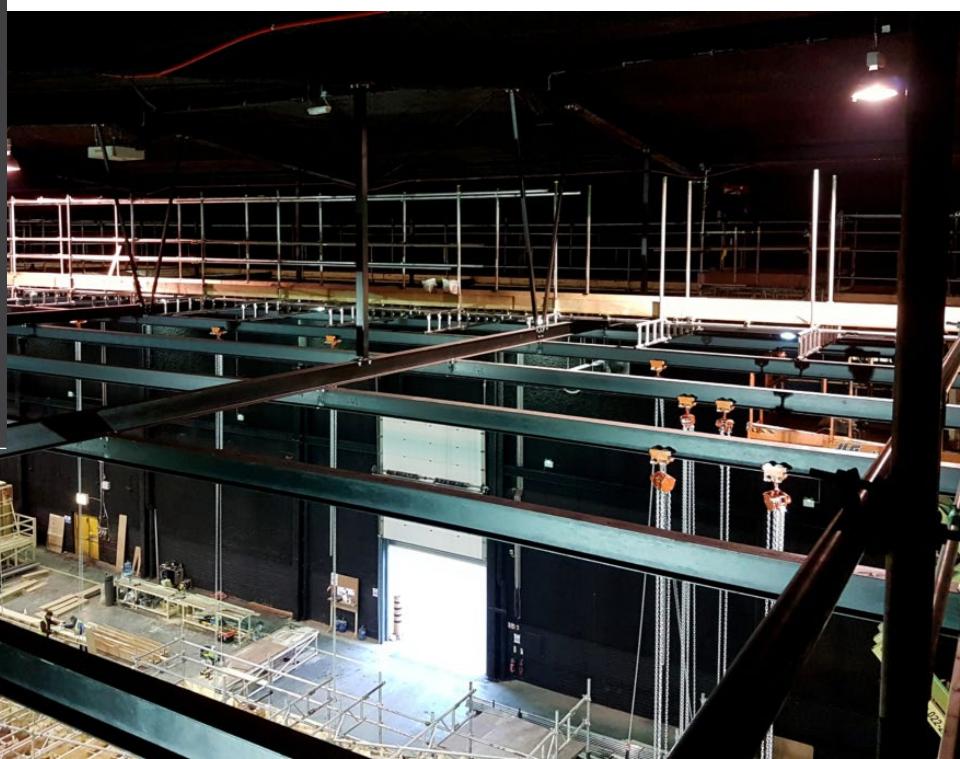
<b>Academy Awards, Emmy Awards and Golden Globes</b>
<b>Feature Film:</b>
<ul style="list-style-type: none"> <li>The Favourite was nominated for 9 Academy Awards for Best Picture, Director, Film Editing, Actress and Supporting Actress, Original Screenplay, Production Design, Costume Design and Cinematography</li> <li>Room was nominated for 4 Academy Awards (won 1) for Best Picture, Director, Actress, Adapted Screenplay and 3 Golden Globes (won 1) for Best Actress, Picture and Screenplay</li> <li>Brooklyn was nominated for 3 Academy Awards (won 1) for Best Picture, Actress, Adapted Screenplay and 1 Golden Globe for Best Actress</li> <li>Sing Street was nominated for 1 Golden Globe for Best Motion Picture</li> <li>The Lobster was nominated for 1 Academy Award for Best Original Screenplay and 1 Golden Globe for Best Actor</li> <li>The Farthest won 1 Emmy Award for Outstanding Science and Technology Documentary</li> </ul>
<b>Television Drama:</b>
<ul style="list-style-type: none"> <li>The Tudors was nominated for 7 Emmy Awards (won 3) for Outstanding Costumes, Art Direction, Cinematography, Hair Styling and Casting and 1 Golden Globe for Best Performance by an Actor in a TV Drama</li> </ul>
<b>Animation:</b>
<ul style="list-style-type: none"> <li>The Breadwinner was nominated for 1 Academy Award for Best Animated Feature and 1 Golden Globe for Best Animated Feature</li> </ul>

**International Film Festival Awards**

Numerous S481-supported productions have featured and won awards at the following world-renowned film festivals:

- Cannes Film Festival
- Sundance Film Festival
- Berlin Film Festival
- Telluride Film Festival
- Toronto Film Festival
- Tribeca Film Festival

The Government's stated ambition of keeping S481 in place in the long term is critical as it is a crucial element of the ecosystem. S481 is a key dynamic in the long term ambition to continue the sustainable growth of the industry, allowing Ireland to continue to attract inward production and co-production activity whilst supporting the development of the indigenous production activity and talent development. This will enable the sector to fully invest in and utilise the world-class infrastructure, highly skilled workforce and strong support network available within Ireland's advanced ecosystem. Such developments will allow the sector to continue to provide jobs, growing employment opportunities and contribute to local and national economic activity.



28 Screen Ireland "Awards". See <https://www.screenireland.ie/about/awards>

# 3

## Irish Film & TV Industry Economic Contribution

**Assessment of the economic contribution of film and TV sector productions benefiting from S481 is determined on the basis of an Economic Impact Assessment (EIA). The lack of easily accessible industry wide production expenditure data, stemming from industry traditionally not collecting such data, currently prohibits a large-scale EIA encompassing all S481 production recipients.**

To provide an accurate representative picture of the total economic contribution a case approach is utilised. The EIA analysis looks in detail at nine film and TV productions from a cross section of S481 industry activity. The nine case study participants are drawn from across the four S481 genres and vary in terms of production scale (e.g. production budget, shoot duration) and allocated tax credit. As part of the EIA case study, participants provided PwC with their self-reported production activity expenditure data.<sup>29</sup>

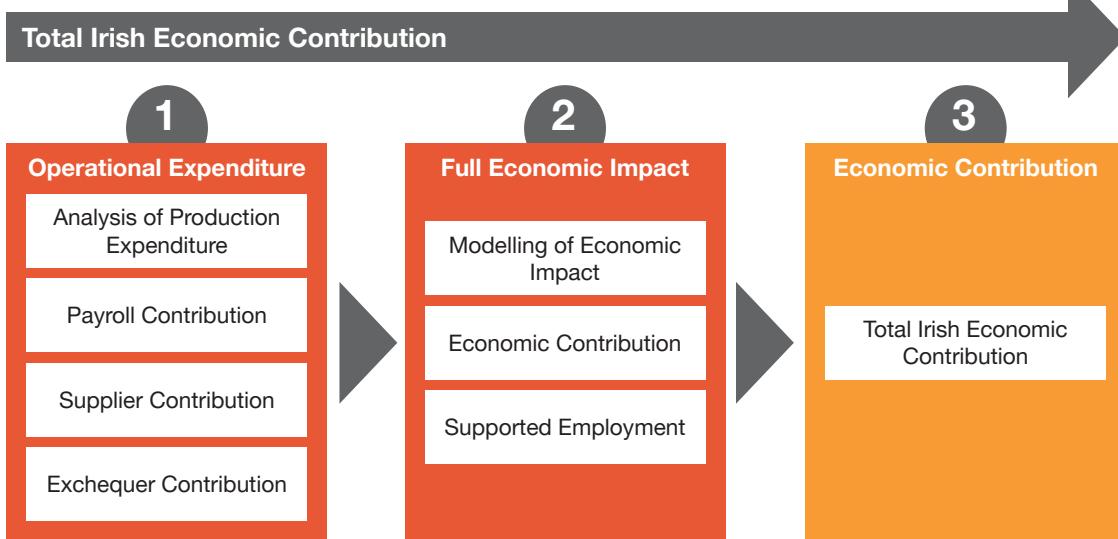
<sup>29</sup> Self-reported production activity expenditure data was disaggregated on the basis of payroll and non-payroll (i.e. supplier) expenditure. Case study participants also identified the value of S481 payment received for each production. PwC did not audit the self-reported figures.

**Table 3. EIA Nine Case Study Participants**

Production Title	Producer	S481 Production Genre
Vikings	Metropolitan Films International	TV Drama
NPTI <sup>30</sup>	Wild Atlantic Pictures	TV Drama
Ros na Rún	Léiriúchán RnR Teoranta	TV Drama
Greta The Widow	Metropolitan Films International	Feature Film
Float Like A Butterfly	Samson Films	Feature Film
A Wild Irish Year	Crossing the Line Productions	Creative Documentary
Keepers of The Flame	South Wind Blows	Creative Documentary
The Breadwinner	Cartoon Saloon	Animated Feature Film
Kiva Can Do!	Kavaleer Productions	Animated TV Series

### 3.1 Modelling Total Irish Economic Contribution of Case Study Participants<sup>31</sup>

The total Irish Economic Contribution resulting from the production activity of the selected case studies is determined based on a three staged approach.

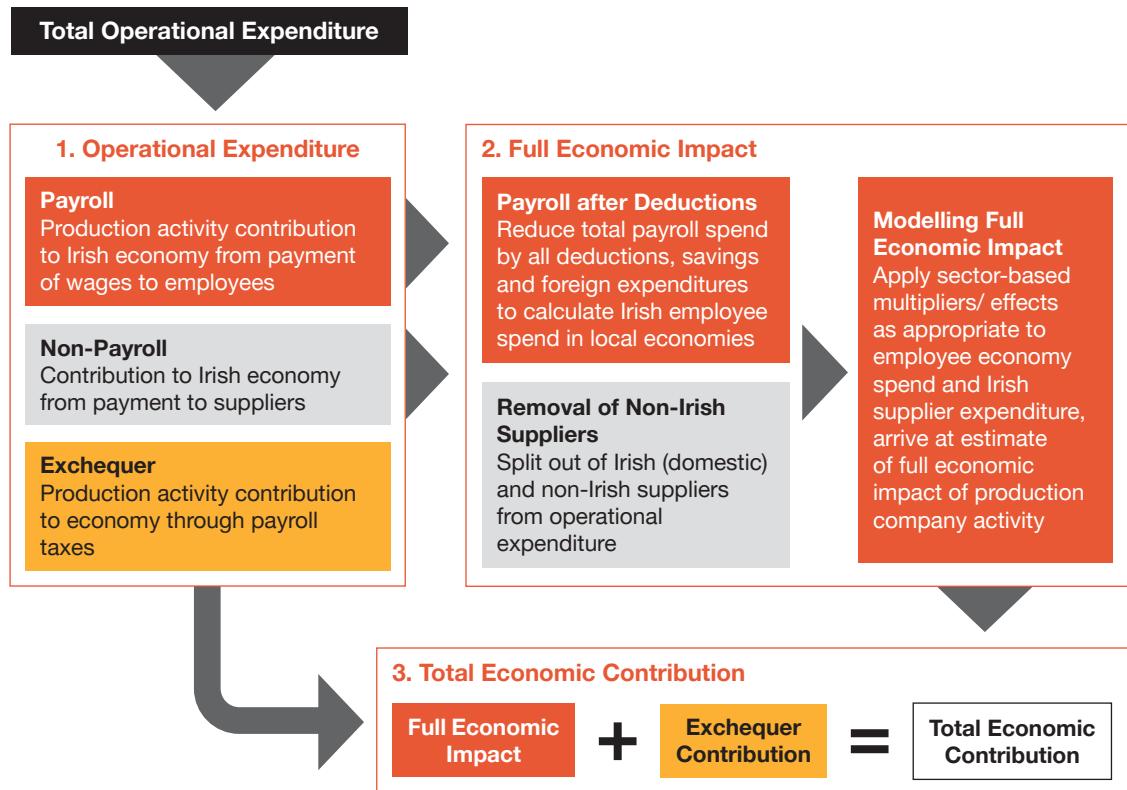
**Figure 7. Modelling Total Irish Economic Contribution of Case Study Participants**

<sup>30</sup> Due to commercial sensitivities and confidentiality arrangements it was not possible to identify (NPTI) the individual production title for which production activity expenditure data was provided.

<sup>31</sup> As part of the EIA process, individual economic impacts are calculated for each of the case study productions. For the purpose of this report, a combination of confidentiality requirements and commercial sensitivities meant that it was necessary to aggregate EIA impacts into single output (€m) and FTE indicators.

In order to calculate the impact of Case Study Participants' spend in the Irish economy, the following methodology was applied:

Figure 8. Total Irish Economic Contribution Methodology



### 3.2 Production Activity Operational Expenditure

The operational expenditure of case study participant's production activity is disaggregated at 3 distinct levels:

- Payroll – income paid to production company employees directly employed on the S481 case study production
- Non-Payroll (i.e. suppliers) – expenditure by production company with goods and service suppliers central to the operation and delivery of production activity
- Exchequer – payment to the Exchequer of production activity payroll related taxes

The sectoral composition of both the payroll and non-payroll expenditures has an important bearing on the size of the full-economic impact of the case study participant's production activity.

#### 3.2.1 Payroll

Once the necessary payroll deductions, including tax, savings, expenditure outside the state, are made from gross payroll paid across the nine case study productions, €25.43m worth of payroll expenditure was spent in the Irish economy (i.e. employee income available for domestic consumption).

**Figure 9. Assumed Consumer Expenditure of Production Employees (€m)**

Source: Production Company Information, CSO (2019), PwC Analysis \* Please note numbers may not add up due to rounding

Table 4 details how production company employees spent €25.43m across a wide range of economic sectors in the Irish economy.

**Case study production employees spent €25.43m in the Irish economy**

**Table 4. Estimated Production Company Employee Irish Economy Expenditure by Sector**

Expenditure by Sector	% of Total	Expenditure (€m)
Fuel & Power	3%	€0.77
Clothing & Footwear	4%	€0.92
Household Equipment & Operation	5%	€1.17
Recreation, Education & Entertainment	8%	€1.98
Transport & Communications	15%	€3.76
Food, Beverage & Tobacco	18%	€4.68
Housing (incl. repairs & decoration)	20%	€5.21
Miscellaneous Goods & Services	27%	€6.94
<b>Total</b>	<b>100%</b>	<b>€25.43</b>

Source: Production Company Information, CSO (2019), PwC Analysis

\* Please note numbers may not add up due to rounding

### 3.2.2 Non-Payroll

Production companies spent €70.25m procuring goods and services from Irish suppliers which plays a central role in the successful delivery of the nine case study productions. Irish supplier service expenditure also includes expenditure on 'Schedule D' non-payroll labour. Schedule D labour expenditure encompasses a wide range of contract employment, including actors, producers, directors, editors, sound engineers, that is critical to any production activity.

The estimated sectoral distribution of non-payroll supplier expenditure is shown in Table 5 below.

**Case Study Production Activity Spent €70.25m on Irish Suppliers**

**Table 5. Composition of Case Study Spend on Goods and Services in Ireland**

Expenditure by Sector	% of Total	Expenditure (€m)
Hospitality (Accommodation, Food, Catering)	1%	€0.78
Professional Services (e.g. Finance, Audit, Legal, Publicity)	2%	€1.32
Production Supplies (e.g. Film/Tape stock, Office Supplies)	3%	€2.22
Travel & Transport	6%	€4.40
Equipment (e.g. Design, Camera, Sound, Lighting, Electrical)	10%	€7.34
Costume/Wardrobe, Hair & Makeup, Set Design	13%	€9.14
Schedule D Talent	30%	€20.73
Location & Production Facilities	35%	€24.33
<b>Total</b>	<b>100%</b>	<b>€70.25</b>

Source: Production Company Information, CSO (2019), PwC Analysis

\* Please note numbers may not add up due to rounding

Production companies spent €20.73m on Schedule D talent

Irish location and production facilities received €24.33m from the case study participants

€9.14m spend on set design, wardrobe, hair & makeup

### 3.3 Modelling the Full Economic Impact of S481 Case Study Production Activity

#### 3.3.1 Methodology Explained

Economic benefits to the Irish economy derive from the operational expenditure (i.e. payroll & non-payroll (suppliers)) associated with each production. The full economic impact of any production is a function of two factors, namely:

1. The value of national economy expenditures, and
2. The sectoral composition of this spend

The sectoral composition of demand is material to the extent that spend in sectors with a low import content (e.g. services) have a more substantial impact on the national economy than expenditures in sectors with a high import content. The full-economic impacts of a € increase in expenditure in a defined sector are measured at three levels which describe the progression of the € spend through the economy, namely direct, indirect and induced.

The most commonly applied form of multipliers and effects are:

- **Output** - the contribution of an additional € in expenditure to national output, and
- **Employment** – a measure of the impact on full-time equivalent jobs (FTEs)

Money spent by each production (non-payroll (i.e. suppliers)) and its employees (payroll) was allocated across the relevant economic sectors (e.g. food, electricity, housing, travel, transport). Output multipliers were used to estimate the direct, indirect and induced impact of this spend on the broader economy. Employment effects were used to estimate the impact of this spend on jobs.<sup>32</sup>

Table 6. Effects Explained

Impact	Description	Example
<b>Direct</b>	The jobs and output generated by immediate beneficiaries of the additional Irish economy expenditure due to production activity expenditure	Impact of payroll spending money on food retailers in a shopping centre
<b>Indirect</b>	The jobs and output of suppliers to the direct beneficiaries of the additional spend	Impact of this additional spend at the shopping centre on suppliers. Increased expenditure with food retailers enables food retailers increase their spend within their supply chain, e.g. spending with beverage suppliers
<b>Induced</b>	The jobs and output resulting from the additional economy expenditure from expenditure of employees of the case study participant's suppliers and sub-suppliers	Income received by retailers as a result of the spending by employees of a catering company used by a production company during the making of a S481-supported film

### 3.3.2 Full Economic Impact

Production activity of the nine case study participants resulted in the nine production companies collectively paying an estimated €108.88m to Irish based suppliers (including labour contractors (schedule D)) and employees. After taxes, savings, etc. approximately €95.68m was spent in the Irish economy. By applying multipliers and effects, the full economic impact of the production companies' operational expenditure is calculated.

Overall, the economic operational expenditure of production activity has contributed €144.35m to the national economy. This operational expenditure is responsible for supporting 1,391 FTE jobs within the economy.

Production activity OpEx for the nine case studies contributes €144.35m to the national economy

Case study production activity supports 1,391 FTE jobs in Irish economy

<sup>32</sup> There is no composite set of economic multipliers and employment effects currently available for the Irish economy. For this reason, those prepared in respect of the Scottish economy in 2016 (published in 2019) are relied on in the preparation of the analysis of the Full Economic Impact of S481 case study participants' production activity expenditure. See: <https://www2.gov.scot/Topics/Statistics/Browse/Economy/Input-Output/Downloads/IO1998-2016All>

**Table 7. Full Economic Impact of Production Activity Operational Expenditure**

	<b>Payroll</b>	<b>Non-Payroll</b>	<b>Total</b>
<b>Production Activity Spend (€m) (after taxes etc.) for 9 Case Study</b>	<b>€25.43m</b>	<b>€70.25m</b>	<b>€95.68m</b>
<b>Production Activity Supported Employment (FTEs)</b>			
Direct & Indirect	315	903	1,218
Induced	42	131	173
<b>Total</b>	<b>357</b>	<b>1,034</b>	<b>1,391</b>
<b>National Output Contribution (€m)</b>			
Direct	€25.43m	€70.25m	€95.68m
Indirect	€7.32m	€16.06m	€23.38m
Induced	€5.91m	€19.38m	€25.29m
<b>Total</b>	<b>€38.66m</b>	<b>€105.69m</b>	<b>€144.35m</b>

Source: PwC Analysis

\* Please note numbers may not add up due to rounding

Whilst case study production activity generates a positive national output contribution of €144.35m, it also delivers an important return for the Irish economy. Table 8 identifies total S481 payments to the case study production companies of €41.52m. Without payment of S481, production activity would not have taken place, and so the economic benefits to the Irish economy would not have materialised. With S481 underpinning a ‘Full Economic Impact’ of €144.35m, the Irish economy receives an approximate positive 3.5:1 return on the S481 investment.

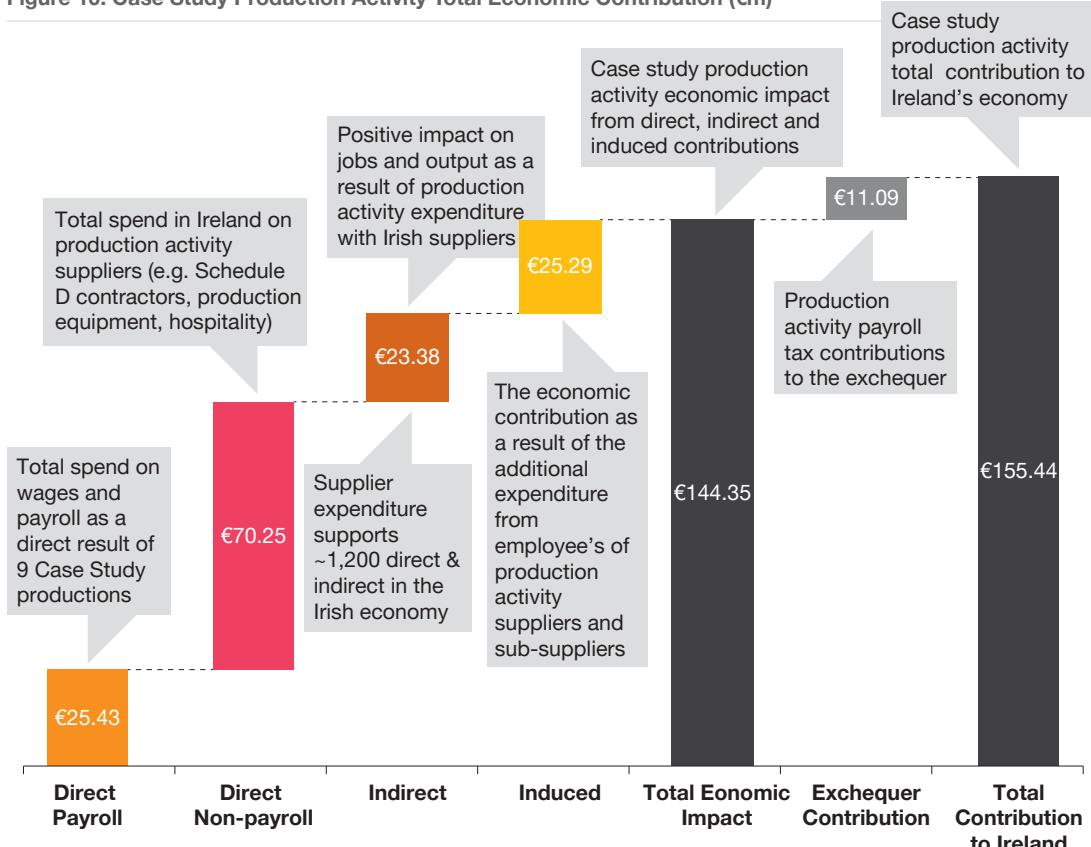
Irish economy receives a 3.5:1 return on S481 investment

### 3.4 Total Economic Contribution of S481 Production Activity

The ‘Total Economic Contribution’ of the case study participants is a function of the sector’s S481 production activity Full Economic Impact (€144.35m) and Exchequer contribution. With production activity payroll related taxes delivering €11.09m to the Exchequer, combining these impacts, Figure 10 identifies the nine case study productions generating a Total Economic Contribution of €152.8m.

Case study S481-supported production activity generated a ‘Total Economic Contribution’ of €155.44m

Figure 10. Case Study Production Activity Total Economic Contribution (€m)



Although the EIA differs methodically from the Department of Finance's previous S481 CBA (Table 8), a number of sensitivities to take account of the costs of S481 (tax foregone and cost of public funds<sup>33</sup>) are applied to the EIA and Total Economic Contribution analysis. Whilst the application of these sensitives reduces the 'S481 Investment Economy Return', the Irish economy still receives a positive 1.63:1 return on S481 investment.

Table 8. S481 Investment Economy Return

S481 Economy Return		
S481 Payment	S481 Production Activity Full Economic Impact	S481 Payment / Full Economic Impact Ratio
€41.52m	€144.35m	3.47
S481 Economy Return Sensitivity Analysis		
S481 Payment Costs <sup>34</sup>	S481 Production Activity Full Economic Contribution	S481 Payment / Full Economic Impact Ratio
€95.50m	€155.44m <sup>35</sup>	1.63

Source: PwC Analysis

\* Please note numbers may not add up due to rounding

Methodical difference between an EIA and CBA		
Economic Impact Assessment (EIA)	Cost Benefit Analysis (CBA)	
<ul style="list-style-type: none"> <li>An exercise to determine how a policy affects the amount and type of economic activity in a region</li> <li>These "economic impacts" can be measured in terms of the change in business sales, jobs, value added, income, or tax revenue</li> </ul>	<ul style="list-style-type: none"> <li>An exercise to determine the social welfare effects a change in policy will have in a region</li> <li>It calculates the economic surplus generated by the change in production activity, as a result of the change in policy. The costs of achieving these surplus gains are deducted in order calculate the net benefit</li> </ul>	

<sup>33</sup> A Shadow Price of Public Funds of 1.3 is used to represent the cost of public funds.<sup>34</sup> S481 payment costs (€95.5m) reflects the value of tax forgone from case study production activity (€41.52m) as a result of the S481 relief and the shadow price of public funds (€53.98m).<sup>35</sup> See Figure 10 for derivation of Total Economy Contribution figure (€155.44m).

# 4

## Industry Insights



**The analysis in section 3 reveals that the production activity of the 9 case studies generate important economic benefits and taxpayer returns in the economy. The case studies provided a unique opportunity to discuss with a sample of key industry practitioners their views on S481 and the benefits that the sector's wider activity delivers to both local and national economies.<sup>36</sup>**

The interviewed stakeholders collectively produced 37 (11%) S481 supported productions across the 2015-2018 period. Discussion with industry participants revealed a number of insights broadly focused across three thematic areas:

1. S481 is integral to the development of Ireland's film and TV sector. S481 is equivalent to a wide range of similar incentives globally. If, as per Government policy, Ireland wants to have a sustainable screen industry, the S481 tax relief is a base requirement to achieve this but alone is not sufficient to guarantee such a development.

2. The operation of the S481 scheme needs to be kept under constant review. Specifically, a current review should focus on: the S481 cap and contemporary production cycles; S481 production eligibility expenditure and administration and duration of the 'Regional Uplift'.
3. While an EIA or CBA will assess and quantify the economic results of production work in the film and TV sector, there are also significant socio-economic and cultural impacts that occur at a regional and local level as a result of screen sector activity.

<sup>36</sup> Discussions with case study participants were supplemented with interviews with a number of additional stakeholders including Andrew Lowe (Element Pictures) and Teresa McGrane (Deputy CEO, Screen Ireland).

## 4.1 S481 & Developing a Sustainable Indigenous Screen Sector

### 4.1.1 S481 & The Competition for Investment

Stakeholders were unanimous in their views and support for the positive role that S481 has played in the development of Ireland's indigenous sector and its ability to attract inward investment. S481 was identified as being vitally important to Ireland's ability to have an indigenous screen industry and is a key pillar of the financing structure of the industry.

In a global context Ireland competes for international inward investment and co-production partners in a very competitive environment. With a wide range of competing territories offering some form of tax credit (Figure 11), sectoral tax credits have become the industry norm. Whilst the terms and conditions associated with individual tax credits varies, a key challenge facing Ireland is the decision by some countries, including the UK, Hungary, Australia, New Zealand, not to place a maximum cap on their film tax credits. With the tax credit now an industry standard base and an expectation of production funders and buyers, Ireland's ability to secure inward investment is generally dependent on it offering over and above the industry norm. The availability of a tax credit cannot be viewed as a guarantee of investment success. As a result, Ireland's screen industry must leverage the availability of the tax credit in parallel

**“**S481 is a critical policy instrument that underpins any investment and sectoral growth conversations **”**

Teresa McGrane  
(Deputy CEO, Screen Ireland)

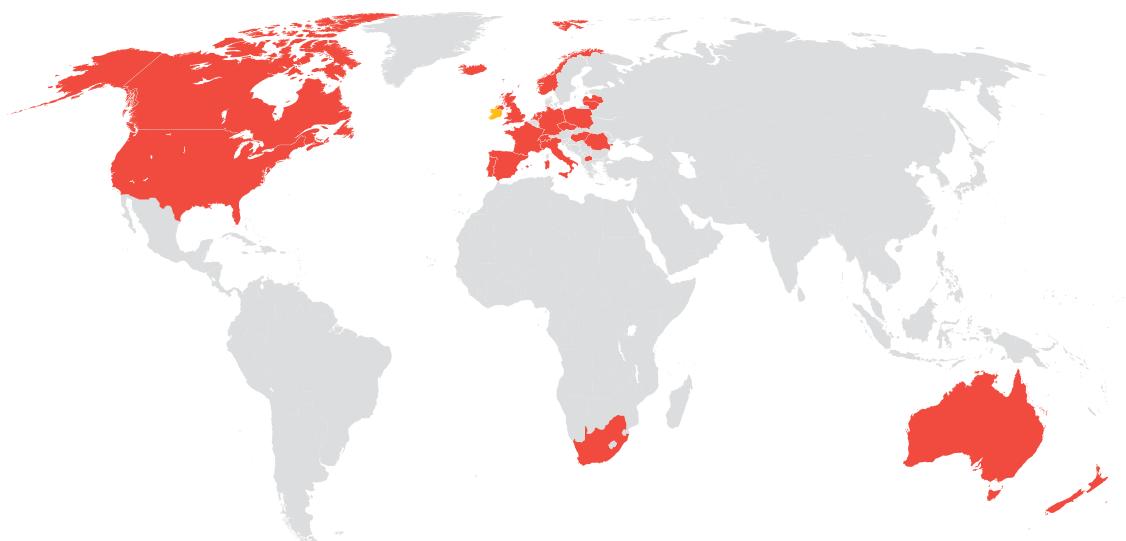
with a range of domestic factors (Table 9) that can help ensure successful project delivery as part of their strategy to secure investment.

**Table 9. Factors Supporting Ireland's Screen Attractiveness (Excl. S481)**

Advanced infrastructure & facilities
Experienced talent base / crew
Wealth of creative talent
Dramatic & unique landscapes (Location suitability)
Established production companies
Strong track record & international reputation of Ireland's screen industry
Secure long-term relationship with local Irish producers
English speaking & European capital city (social & cultural experiences)

Within the animation sector, the first part of the production investment decision is made in many cases on the basis of locally originated "Intellectual Property" (IP) and studio ability to both produce and deliver a show. Ireland's animation sector differs from the live action sector in that the studio-based nature of the sector means its operations must

**Figure 11. International Film Tax Credit Availability**



be underpinned by fully integrated and staffed production facilities. Project investors expect all of Table 9's relevant enabling factors to be present in an animation studio. Once such technical capabilities and demands have been satisfied only then do conversations on the tax credit's role in the project's cost structure discussions become relevant.

All stakeholders agreed that Ireland would not be able to compete and attract inward investment without S481.

**“Without Section 481 there would be no screen industry in Ireland”**

**Siún Ní Raghallaigh**  
(CEO, Ardmore & Troy Studios)

**“S481’s has allowed indigenous producers to attract large scale international productions which has a significant knock-on effect for the development of domestic productions and above and below the line talent ,”**

**Macdara Kelleher**  
(Managing Director, Wild Atlantic Pictures)

#### 4.1.2 Developing Ireland's Indigenous Screen Sector

A symbiotic relationship, underpinned by S481, was identified as existing between inward investment and the indigenous industry. When large productions and investments (e.g. *Braveheart*, *Saving Private Ryan*) first came to Ireland a large scale established local skillset and industry did not exist at the time. Whilst such productions acted as an important catalyst in kick-starting the development of Ireland's screen industry ecosystem in view of the skillsets sought by such productions, S481's support for indigenous productions has enabled the ecosystem to continually develop over time. By supporting smaller indigenous productions, the majority of which stakeholders believe would not be produced or else produced abroad, S481 has enabled the development of local talent and skills. Whilst critical to the creation of a domestic industry, the continual upskilling of the Irish sector through S481 supported productions has enabled local talent to develop the skills necessary to attract international production activity. Conversely, inward investment provides revenue for indigenous firms which can be re-invested in talent development or support first time domestic production activity, thereby enabling further development of the indigenous skillsbase. S481's support for both indigenous and international activity is viewed as creating a demand for skills, without this demand there would be no incentive for the development of an Irish sector.

S481 and sectoral infrastructure were identified as working in parallel with continuation of this relationship viewed as having a central role in the industry's future development. For Ireland to truly develop this sector, it was indicated that Ireland needs to have the ability to scale production activity and the industry; having advanced infrastructure with scale (e.g. sound stages, production stages) is essential to this. Screen producers are concerned that the present level of studio space is limiting the size and number of productions that can currently be facilitated, and as a result is harming the growth of the industry. Productions need to know that they have the option to extend a studio lease for the long term should they produce a successful pilot or first season. While Studios are willing to provide a production extension option, and are adequately compensated for doing so, the opportunity cost of these arrangements is that studio space is unavailable for other productions for potentially significant periods of time. Ireland was identified as currently losing out on production opportunities due to capacity constraints. With the Government's audio-visual action plan 2018 outlining the goal to double industry employment to more than 24,000 in ten years<sup>37</sup>, achieving this growth will require investing in infrastructure and increasing production capacity. As such investment is expensive, takes time to build and is underpinned by private investment, studio operators indicated that certainty on S481's future is critically important to making infrastructure investment commercially viable.

<sup>37</sup> Department of Culture, Heritage and the Gaeltacht's Audio-visual Action Plan 2018 and Department of Culture, Heritage and the Gaeltacht 'First Progress Report on Implementation of the Audio-visual Action Plan', 2019.



“ We need more capacity and studio space ... addressing all other problems such as crew base can follow ... studio space is the critical starting point ”

Andrew Lowe  
(Managing Director (joint), Element Pictures)

For Ireland to have a truly sustainable indigenous screen sector, it was emphasised that such a sector must be underpinned by indigenous stakeholders generating an increasing level of or increasing their share of generated IP. Through its support of smaller indigenous projects, S481 is supporting projects that will allow people learn and develop their craft, enabling their progression to bigger projects. This will facilitate a transition from an ecosystem primarily acting as a service producer and provider to one which is increasingly involved in co-production and

production activity. Such a transition is integral to the development of a long-term sustainable industry as increased co-production and production activities afford Ireland's players the opportunity to generate IP; a benchmark of a successful fully functioning industry. Enhanced IP creation gives the opportunity for a self-sustaining industry and one which is able to re-invest in itself (as identified previously, the more developed Ireland's ecosystem is the greater the chance of attracting inward investment).

“ Vikings has facilitated uplifts in training and skills across all departments, enabling Irish cast and crew to develop and display their world-class talent ”

Liz Gill  
(Producer, Vikings)

In recognising the important role that inward investment has played, and will continue to play, in developing the indigenous sector and contributing to the economy, a number of stakeholders expressed their views that the wider industry and policy makers need to attach an equal level of importance to developing the indigenous sector as to attracting in large scale production activities. It was indicated that the scarcity of strong experienced integrated animation studio operations worldwide is now becoming apparent and this has seen three of Ireland's major studio operations being acquired by international operators over recent years.<sup>38</sup> Whilst there exists a strong positive reflection by the international market of the talents and capabilities of the local sector, the long-term growth of the indigenous animation sector is intrinsically linked to indigenously created content. Stakeholders noted the need for S481 to ensure that it does not lose focus from the fact that one of its key objectives is to organically grow the indigenous sector. Organically growing the indigenous sector will have a greater legacy impact as it means investing in local talent, culture and creating employment in regional areas.

**“**If we focus too much on inward productions and act as a service industry, the indigenous industry cannot grow to its full potential ... in the longterm our most valuable asset is indigenous IP **”**

David Collins  
(Managing Director, Samson Films)

Producers believe that a potentially limiting factor for industry development relates to the current funding models for Ireland's public service broadcasters (PSBs). PSBs, and in particular RTÉ and TG4, are an important supporter of the indigenous sector with their production commissioning ability affording smaller projects the opportunity to develop skills and people. Stakeholders indicated that if the indigenous sector is to generate significant IP then the PSBs must play an integral role with a regular pipeline of commissioning projects and training of people on in-house productions. This would allow talent to develop a strong track record and portfolio of work and enable a future transition to larger projects.

## 4.2 The Operation of S481

### 4.2.1 The S481 Cap & Contemporary Production Cycles

In view of a number of international territories not imposing caps on their film tax credits, and building on the recommendations of the previous Olsberg report,<sup>39</sup> stakeholders recommended that in order to improve the competitiveness of Ireland's offering, at a minimum the S481 cap of €70m should be lifted or at least increased to €100m (as per Olsberg). With recognition that film and production budgets are trending upwards and with companies such as Netflix starting to consider rolling out shows over longer duration periods, some in the sector believe that in order for Ireland to stay competitive there is a need for S481 to prepare for this and move in parallel with this trajectory. It was suggested that S481 caps could be reviewed on a more regular basis to better align with production cycles now being increasingly considered by production companies.

### 4.2.2 S481 Production Expenditure Eligibility & Administration

A pressing S481 concern for the industry is the current lack of certainty as to what production expenditure is deemed eligible and ineligible. This was identified as generating uncertainty amongst investors and co-producers between the proportion of costs that are appearing to be recoverable and thereby acting as a potential deterring factor for inward investment. With some production budgets based on multi-year cycles, any changes in eligibility rules and S481 mid cycle could leave production companies financially exposed if some production costs suddenly become ineligible. Industry professional advisors and representatives held discussions with Revenue over a five month period from May to October (2019) to ensure publication of a Tax and Duty Manual in an effort to provide the clarity industry required regarding calculation of S481. While industry professional advisors and representatives welcomed the publication of this document at the end of October 2019, the sector continue to engage with Revenue to obtain clarification of a number of points included in the final published document.

38 Brown Bag was purchased by 9 Story Media Group in 2015, Boulder Media was purchased by Hasbro in 2016, and Toonz Media in 2019 acquired a majority stake in Telegael.

39 Olsberg SPI – Economic Analysis of the Audiovisual Sector in the Republic of Ireland, Dec 2017.  
See <https://www.chg.gov.ie/app/uploads/2018/06/economic-analysis-of-the-audiovisual-sector-in-the-republic-of-ireland.pdf>

It was suggested that the scope and criteria of expenditure that is deemed eligible expenditure should be expanded so that it can more accurately reflect the true economic costs associated with production activity. For expenditure to be eligible for S481, it must be on items “wholly and exclusively and necessarily” incurred for the production. This test sets a very high bar for qualification of spend as a cost of production. Due to the nature of the screen industry, production companies can incur a substantial amount of production spend that may not meet this test. Some stakeholders believe that recognition of some element of these true economic costs with S481 is critical in enabling them to remain competitive or improve their competitiveness and allow Ireland enhance its international reputation. To avoid these issues, the view exists that the S481 model should be more reflective of the type of expenditure borne by the industry.

The S481 administration process has long seen producers continually recommend the need for system improvements. In recognition of this legislation was introduced to move the current model of processing of S481 credit applications and completion of post project audits, previously

identified as being extremely slow and leading to long delays in initial and final payments, to a self-assessment model. Stakeholders reported instances of producers waiting up to two years following project completion for final credit payment with some legacy compliance cases still existing within the system. The sector is hopeful that movement to self-assessment should speed up and improve processing delay. To provide greater certainty around project financing and cashflow and ensure project viability, producers suggested that Revenue should establish a clearly defined timeframe and deadline on when S481 payments will be made, providing they have no additional queries.

The transition to the ‘self-assessment’ system also means that the risk exposure of Irish producers in the post-project completion phase has increased with producers required to keep certain books and records over and above the normal requirement to keep books and records as set out in the Tax Acts. The producer company is required to keep these records for a period of 6 years from, in most cases, the completion of the qualifying film. This is in addition to the recovery provisions in S481 legislation which provide for a personal liability for significant



shareholders and directors of the Producer Company. In an attempt to address such concerns, where possible some Irish producers are now seeking co-producers or investors to provide a level of indemnity in case project costs fall outside the scope of current eligible spend criteria or if penalties are incurred as a result of eligible spend criteria changes in the post project completion period. Whilst some investors and co-producers are currently willing to provide a level of indemnity, such a situation can undermine the attractiveness of Ireland as a place to do business.

### 4.3 Socio-Economic Benefits

The screen industry was identified as bringing economic benefits to local and regional areas as a result of filming and production activity in these areas. While section 3 indicates the quantitative economic benefits that production activity generates, such activity also generates an important socio-economic and cultural dividend. Production activity engagement with local economies can make important contributions to sustaining local communities by providing local people with the opportunities and means to continue to work and live in their local areas. Stakeholders were unanimous in their views of the sectors' preference for the use of local suppliers. Unless a specialist supplier is required that does not exist locally, production companies will generally hire local businesses to supply equipment, catering, costumes, lighting, construction materials and services (e.g. carpentry), transportation services etc. Local businesses in the hospitality sector such as pubs, restaurants and hotels and B&Bs receive employment and economic benefits from screen activity. It was identified that use of local suppliers offers productions opportunities for achieving a degree of cost minimisation which is critical in a high cost location such as Ireland.

**“**S481 is helping sustain local economies through supporting production in the regions **”**

**Siobhán Ní Ghadhra**  
(CEO, Danú Media, Executive Producer, Ros Na Rún)

The creation of Troy studios within the old Dell building in Limerick meant a building that was redundant has suddenly got a new lease of life and is contributing back into the economy in rent, local rates, employment of a team of core staff and services with additional services used during production shoots.

The nature of the screen industry is that there is a high level of ancillary expenditure outside of direct production costs, whether it be expenditure by the production company itself or visitors interested in industry activity, which brings additional economic benefits. Production companies for example, tend to spend a lot on post-production activities. Production companies regularly fly international reviewers and promoters to Ireland to show case where the production activity took place. This operation usually results in international visitors spending time and money in the Irish economy. Additionally, international visits to Ireland from those involved in the industry are increasingly common. International producers and directors often visit Irish production companies in order to build relationships and find out more about the potential opportunities for producing in Ireland. For example, Cartoon Saloon hosts regular visits from international stakeholders such as Netflix and Amazon producers and staff. Screen industry visitor activity plays an important role within the tourism sector through screen tourism. Section 5 provides an overview of the screen tourism concepts and its impacts for Ireland.

S481 and screen industry activities also provide the economy with an important socio-economic and cultural dividend. S481 was revealed as being critically important to sustaining production of Irish cultural stories. Most indigenous productions which focus on Irish history, language or culture, such as those produced by South Wind Blows Productions, indicated that challenges exist in both sourcing and securing co-producers or inward investment to help with funding. Ros na Rún, Ireland's only Irish language soap drama, plays an important role supporting the continued promotion of the Irish language and culture and would not exist without the support of S481. Co-producers are typically more interested in the co-production of stories that are not solely related to Ireland. Therefore, S481 is a critical financial pillar in enabling these productions to go ahead; without it the industry and Ireland would be at risk of losing historical and cultural story telling.

**“**Without S481 Ireland runs the risk of losing cultural story telling **”**

**Tina O'Reilly**  
(Producer, South Wind Blows Productions)



# 5

## The Story of Screen Tourism

### 5.1 Tourism in Ireland

The tourism industry is one of the most important elements of the Irish economy. In 2018 visitor numbers rose to 11.2m (up 6% from 2017) and contributed almost €6bn to the economy (up 5% from 2017).<sup>40</sup> Tourism is Ireland's largest indigenous industry with approximately 325,000<sup>41</sup> people employed in the sector delivering a strong regional balance of employment. Within Ireland's broad range of tourism sectoral activity, Screen Tourism has been identified by Tourism Ireland and Fáilte Ireland as making a positive economic contribution.

Screen Tourism identified by Tourism Ireland and Fáilte Ireland as making a positive economic contribution

Whilst presently a significant gap exists in terms of the availability of hard data on the economic impact of screen tourism in Ireland, insights from international experiences and domestic activity demonstrate the importance and viability of this concept.

40 Tourism Ireland "Facts & Figures", 2017 and 2018. See <https://www.tourismireland.com/Research/Visitor-Facts-Figures>

41 Department of Transport, Tourism & Sport "Tourism Employment". See <https://www.gov.ie/en/policy/3fcc3a-tourism/>

## 5.2 Screen Tourism Insights

### 5.2.1 The UK

In 2018, the British Film Institute (BFI)<sup>42</sup> examined the impact of the UK screen sector tax reliefs to both industry and the wider UK economy. The BFI identified that films, video games and high-end children's and animation television productions delivered nearly £8bn to the UK economy and generated over 137,000 jobs in 2016 alone. BFI estimated that Gross Value Added (GVA) from screen tourism was £896m with 19,430 FTEs generated.

The GVA benefit was identified as emerging across tourist attractions, hotels and restaurants, which all experience higher income and employment on account of increased tourist visits. The UK film sector contributes the most to screen tourism due to its size. While major films such as *Harry Potter*, *Paddington*, and *Kingsman* have by themselves encouraged travel by audiences from all over the world, UK tourism advertising campaigns have also leveraged off these productions. With the increasing popularity of indigenous UK high-end TV shows, such as *The Crown*, *Outlander* and *Poldark* and in particular *Game of Thrones*, overseas tourism to shooting locations has been identified as growing significantly over the past decade.

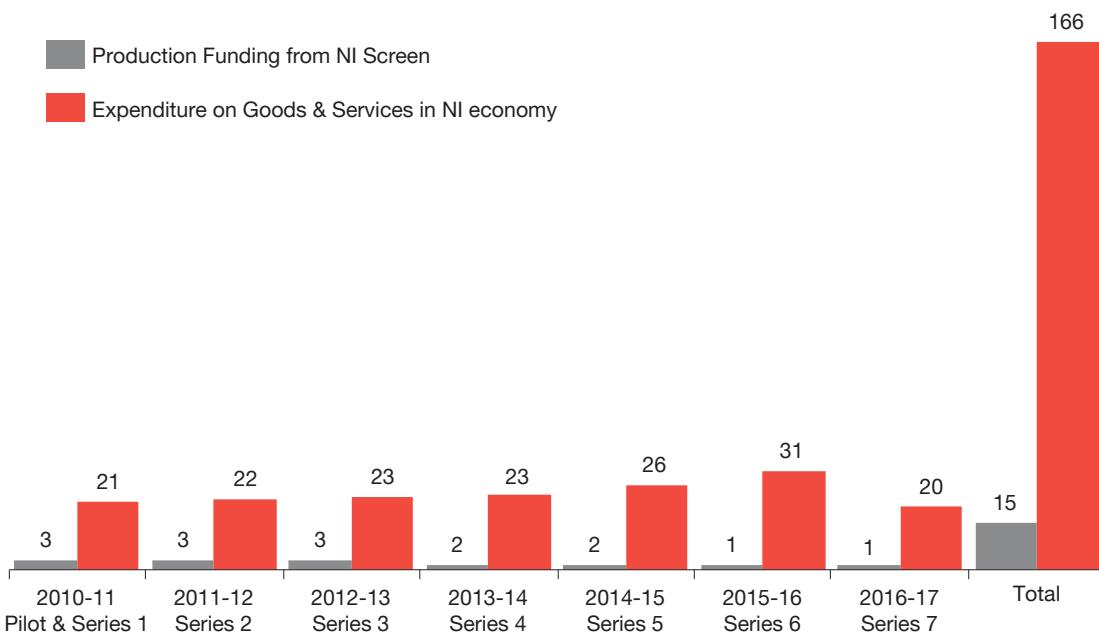
**Table 10. Screen Tourism UK Economy Contribution (2016)**

Sector	Employment	Gross Valued Added (GVA)	Tax Revenue
Film	13,440	£628m	£195m
High-end TV	5,990	£268m	£84m
<b>Total</b>	<b>19,430</b>	<b>£896m</b>	<b>£279m</b>

### 5.2.2. Northern Ireland – Game of Thrones

Whilst the Game of Thrones 8 seasons were shot across a range of international locations (UK, Canada, Croatia, Iceland, Malta, Morocco, Spain), Northern Ireland had more filming locations than anywhere else in the world. Northern Ireland's economy has received a double economic dividend from its Game of Thrones screen activity. While each series received a level of production funding from NI Screen, Games of Thrones related expenditure on goods and services in the Northern Ireland economy far outstripped the level of funding provided - £166m v £15m.

**Figure 12. Game of Thrones Funding v Economic Expenditure (£m/year)<sup>43</sup>**



42 British Film Institute (BFI). "Screen Business – How screen sector tax reliefs power economic growth across the UK".

43 Northern Ireland Screen Report 'Adding Value Vol.2', Note: Expenditure on goods & services into NI economy for series 7 are estimates. Production funding support received by Game of Thrones from NI Screen does not include potential tax credit benefits that Game of Thrones is eligible for under the UK's film tax credit system.

Games of Thrones is also driving significant screen tourism activity. Tourism Northern Ireland estimates indicate that the total number of overseas Game of Thrones fans who travelled to Northern Ireland in 2018 was 350,000 visitors (which is one in six leisure visitors) with an associated economic spend of £50m.<sup>44</sup>

**“**We can see already that businesses are growing on the back of the Game of Thrones series. Two years ago, there were three operators promoting Game of Thrones experiences and now we've over 25 with more in the pipeline. Those businesses are also reporting that business has doubled each year upon year which is just tremendous **”**

Judith Webb (Experience Development Officer, Tourism NI)

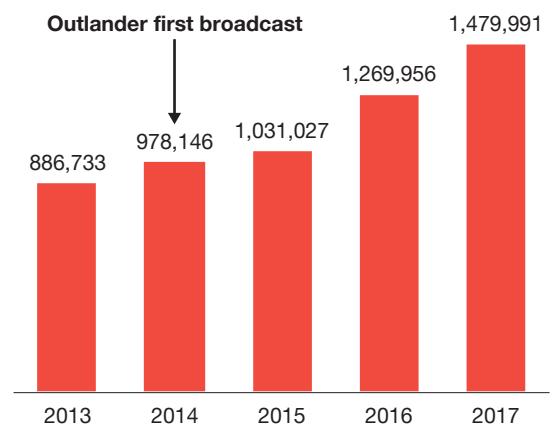
### 5.2.3 Scotland – Outlander

In 2014, Outlander<sup>45</sup> was adapted for television by Sony Pictures with film production based within Scotland. Scotland's history and landscape play an integral role in the storylines. Outlander has had a positive impact on screen tourism with local authorities identifying visitor numbers to attractions used in filming increasing dramatically since the show was first broadcast. Many of these attractions have developed Outlander merchandise and Outlander themed events. VisitScotland report that the show has helped raise the profile of such locations and attractions with increased interest from other productions.

**“**It has been amazing to see the global reaction to Diana Gabaldon's stories of adventure, romance and Scottish history, and the subsequent television adaptation, and seeing it translate into visitor growth for Scotland. Screen tourism continues to be a growing trend, however it is Outlander which has been the story in recent times, inspiring millions of visitors, from the USA to Europe and even China, to embark on their own Scottish adventure **”**

Malcolm Roughhead (CEO, VisitScotland)

**Figure 13. Outlander Visitor Attractions Visitor Number Growth (2013-17)**



### 5.2.4 New Zealand – The Lord of The Rings & The Hobbit

The Lord of the Rings and The Hobbit trilogies, whose dramatic scenery provide the backdrop for the mythical world of Middle-earth, were filmed entirely in New Zealand across 150 different locations. Tourism New Zealand has successfully marketed New Zealand as the home of Middle-earth for the past 15 years with screen tourism displaying strong growth as a result. This successful marketing has supported the development of a range of screen tourism-focused activities and attractions on both the North and South Island which encourage fans to travel throughout the country.

<sup>44</sup> BBC News “Game of Thrones is 'game changer' for NI tourism”, 2019. See <https://www.bbc.com/news/uk-northern-ireland-48343910#:~:targetText=Its%20long%2Dawaited%20finale%20has.region's%20film%20agency%20NI%20Screen>.

<sup>45</sup> The Outlander franchise is a series of novels by author Diana Gabaldon, first published in 1991. They feature elements of historical fiction, romance, adventure, fantasy and time travel.

Figure 14. Middle-Earth Screen Tourism Locations (North and South Island)

## North Island

### 1 Hairy Feet Waitomo



Scenic Film Location tour to see the stunning Denize Bluff farm at Piopio where Sir Peter Jackson filmed the "Trollshaws Forest" scenes

### 2 Waitomo Glowworm Caves



Glide silently by boat in the world of famous Waitomo Glowworm Caves or abseil 100m into the caves

### 3 Hobbiton Movie Set



Guided walking tours to visit the original Hobbiton Movie Set from The Lord of the Rings movie trilogy and The Hobbit films

### 4 Weta Workshop's



Discover the artistry behind the filmmaking including the people, processes and props that make imaginary worlds a reality

Hobbiton, the fictional home of the Hobbits and the movie set where the franchise was shot, is located in Matamata, a small agricultural town in the heart of the Waikato region and Matamata-Piako District. Total spending by international visitors in the Matamata-Piako District increased from NZ\$9 million in 2010 to NZ\$45 million in 2015.<sup>46</sup> It is estimated that The Hobbit trilogy resulted in an

## South Island

### Reid Helicopters 5



Scenic and adventure flights to the Lord of The Ring sites, Abel Tasman, and Marlborough

### Eco Wanaka Adventures 6



Helicopter flight & hiking tour over the "Eagles" path and follow the very footsteps of the "Dwarves and Bilbo"

### Glenorchy and Paradise 7



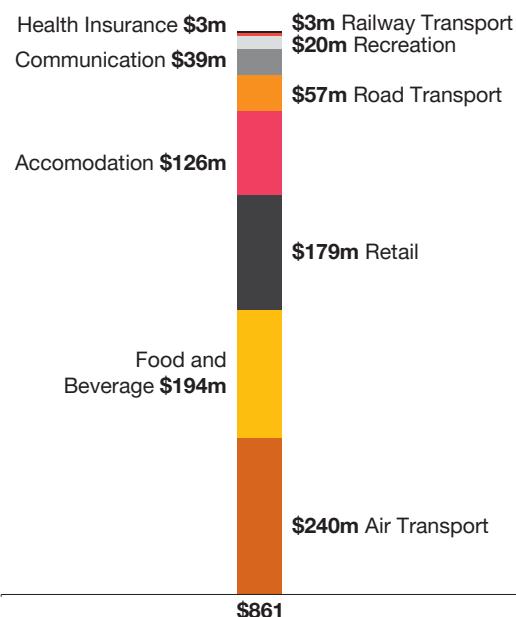
Travel New Zealand's most scenic highway or take a Helicopter Tour from over areas near Queensland

additional 214,811 international visitors in 2013 and 2014 to the district.<sup>47</sup> NZIER analysed the economic impact of The Hobbit trilogy's tourism effect and found it to have increased household welfare by NZ\$268.2m, increased international visitor spending by NZ\$1.11bn and increased tourism-related industry exports by NZ\$861.3m.

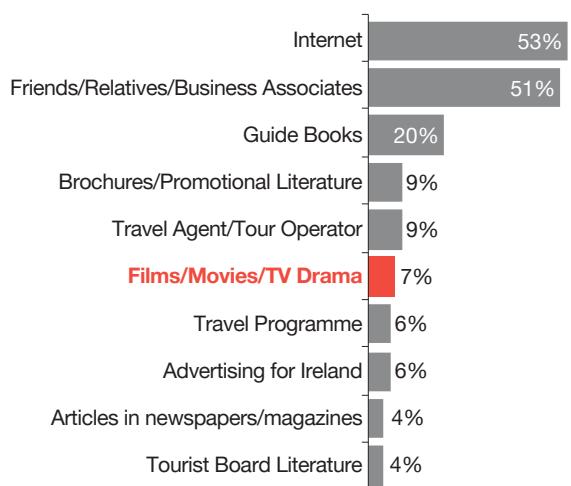
<sup>46</sup> NZIER Report "The economic contribution of the screen industry"

<sup>47</sup> Li, S., Li, H., Song, H., Lundberg, C., & Shen, S., 2017. The Economic Impact of On-Screen Tourism: The Case of The Lord of the Rings and the Hobbit.

**Figure 15. Hobbit Trilogy Tourism-related Industry Exports (NZ\$m)<sup>48</sup>**



**Figure 16. Information Sources Influencing Choice of Ireland as a Holiday Destination (2016)**

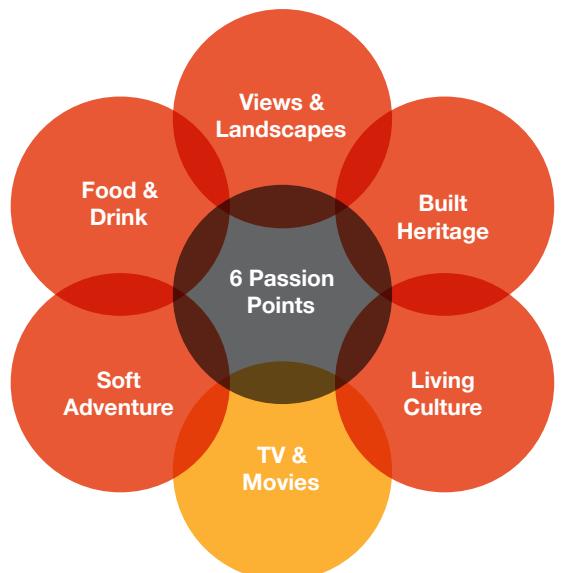


Tourism Ireland have identified '6 Passion Points' that they believe are central to motivating people to come to Ireland. Ireland's film and TV sector activity has been identified as one of their core industry drivers.

### 5.3 Ireland's Screen Tourism Engagement

While there is a general dearth of data quantifying the impact of screen tourism, the screen tourism focused activities of Ireland's principal tourism bodies demonstrate the critical role that the activity of Ireland's film and TV sector play in supporting the activity of the economy's largest indigenous sector. Fáilte Ireland's 'Overseas Holidaymakers Attitudes Survey 2016' emphasises how screen tourism is the sixth largest factor which brings tourists to Ireland.

**Figure 17. Tourism Ireland's Tourists' Passion Points**



Tourism Ireland have sought to maximise the tourism value from the production of iconic movies and TV shows shot in Ireland to showcase the country. Tourism Ireland launched an online video campaign in 2018 featuring two of the leading stars from Vikings (Georgia Hirst and Jordan Patrick Smith) in order to promote Ireland's Ancient East and Dublin. The two online videos were rolled out on Instagram, Twitter and Facebook in over ten markets around the globe, attracting over 2 million views.<sup>49</sup>

## Star Wars filming on Skellig Michael worth €40m in Irish tourism advertising (ITIC)

The filming of Star Wars on Skellig Michael and all around Donegal helped with the promotion of the Wild Atlantic Way as a tourist destination. The Irish Tourism Industry Confederation (ITIC) estimate that Star Wars filming on Skellig Michael was worth €40m in tourism advertising to Ireland. Tourism Ireland created a Star Wars campaign to drive awareness of the connection between the film and the Wild Atlantic Way. This saw a billboard ad launched into space, highlighting "Earth's Wild Atlantic Way" with an image of Skellig Michael, where a photo and short film of the ad were captured. Tourism Ireland then rolled out this ad campaign in 15 markets, reaching 572m people and had a public relations advertising value of €14.1m.<sup>50</sup>

Figure 18. Irish Tourism & The Final Frontier



Tourism Ireland has developed a dedicated tourist offering around 'Ireland on Screen', which provides

tourists with trip ideas for visiting iconic locations where a range of iconic films and TV shows were shot. Trip ideas for Ireland on Screen are broken into 4 dedicated offerings: Wild Atlantic Way on Screen; Ireland's Ancient East on Screen; Dublin on Screen; and Northern Ireland on Screen.

**“**The fact that Vikings is filmed in Ireland's Ancient East is truly a fantastic coup for Irish tourism. It presents Tourism Ireland with a superb opportunity to highlight the area to a large global audience and millions of fans. This new campaign will help to encourage visitors to explore Ireland's Ancient East and Dublin for themselves, particularly in off-peak and shoulder seasons. **”**

Niall Gibbons, CEO of Tourism Ireland

Figure 19. 'Ireland on Screen' by Tourism Ireland



## See Ireland's cinematic spots

Lights, camera, action – start your journey to uncover the cinematic landscapes of Ireland.

DRIVING | 668 MILES

**“**Locals have seen a positive economic benefit in business since the filming of the last Star Wars movie, particularly with regard to boat providers, restaurants, pubs and accommodation. **”**

Fiona Monaghan, Fáilte Ireland's Head of the Wild Atlantic Way

49 Tourism Ireland “Tourism Ireland looks back on a record year for Irish tourism”, 2018. See <https://www.tourismireland.com/Press-Releases/2018/December/Tourism-Ireland-looks-back-on-a-record-year-for-ir>

50 Tourism Ireland – Stars Wars Brochure

# 6



# The Screen Industry & Supporting Government Policy

**From an analysis of the previous discussions on the sector's economic impacts, coupled with the aforementioned qualitative socio-economic impacts, it is crucial to recognise the important public policy benefits that these impacts also generate. The sector's economic activities and engagement with education and skills are making important contributions to a number of key Government policy agendas, e.g. culture & creativity, regional development, competitiveness & innovation, education, employment & future skills needs. Some examples of key government policies that the screen sector plays a role in are discussed below.**

Screen Industry activity makes positive contribution to Government policy delivery

The Department of Culture, Heritage and the Gaeltacht's '*Statement of Strategy 2018-2020*' highlights the Department's mission to "promote, nurture and develop Ireland's arts, culture and

heritage; to support and promote the use of the Irish language and to facilitate the development of the Gaeltacht and Islands". The Government recognises the importance of the screen industry in achieving this mission and lists a key outcome of the strategy as being the "development and expansion of the film and television production sector", whether it is through the creation of productions in the Irish language or through the filming of productions in Gaeltacht regions and offshore Islands which bring screen tourism to the areas. A core proposition of the Department's '*Creative Ireland Programme*' is that engagement with and participation in arts and culture drives personal and collective creativity with

significant implications for individual and societal wellbeing and achievement. The screen industry plays a role in enabling this to happen. Additionally, delivery of the Government's 'Audio-visual Action Plan' and objectives to grow sectoral employment and gross value to 24,000 and €1.4bn respectively, can only be achieved through expanded activity of the sector.<sup>51</sup>

To ensure Ireland's economy is well positioned to adapt and prosper in the future, the Department of Business, Enterprise and Innovation 'Future Jobs Ireland 2019' established a new economic pathway for Ireland based on:

- embracing innovation and technological change;
- improving productivity;
- increasing labour force participation;
- enhancing skills and developing talent; and
- transitioning to a low carbon economy.

The on-going activity of Ireland's screen industry is directly contributing to Government efforts in achieving the first 4 out of 5 of these objectives. For example, the screen industry is a prime example of an industry that embraces technological change, whether it is in the way a film is produced or the way the public enjoys it. The industry is advancing with new technologies such as autonomous drones, 4k+ 3D or ultra high definition 3D, VR headsets and smartphone filmmaking equipment. With Ireland's wealth of creative talent and experienced talent base and crew identified as important factors in Ireland's ability to attract production companies to film in Ireland, the sector is committed to enhancing the skills of its people and developing talent. Screen Skills Ireland is currently working with regional stakeholders in Limerick, Galway, Cork and Kilkenny to develop a greater regional balance in film and animation skills across the country. This will assist in ensuring screen production jobs continue to exist in regional areas. Screen Skills Ireland's "10 Point Action Plan 2020 - 2025" establishes an action plan for supporting sectoral skills development over 2020 - 2025.

'Project Ireland 2040' highlights the Government's policy goal of supporting strengthened rural economies and communities and recognises the importance of tourism in accomplishing this. As discussed previously, it is evident that the screen industry supports jobs for crew and cast members in rural areas and brings publicity to areas such as the Wild Atlantic Way and Ancient East Ireland. Such publicity plays a critical role in driving screen tourists to regional and rural communities. Likewise,

the Department of Tourism's 'Tourism Action Plan 2019-2021' highlights marketing Ireland as a visitor destination as an important area to focus on, especially in regional areas. The success of productions such as Stars Wars, Game of Thrones and Vikings, coupled with Tourism Ireland's recognition of film and TV shows being one of their key 'Tourists Passion Points', demonstrates the vital role played by the screen industry in driving tourism.

The 2016 'Programme for a Partnership Government' directly referenced a Government ambition to increase the level of support to the screen industry. Government outlined a desire of working to progressively increase funding to the arts, including the Arts Council and Screen Ireland as prevailing economic conditions continued to improve and working with Screen Ireland to ensure that Ireland is maximised as a location for international film production.

**Figure 20. Film & TV Contribution to National Policy Delivery**



51 Department of Culture, Heritage and the Gaeltacht 'First Progress Report on Implementation of the Audio-visual Action Plan', 2019.

# 7

## Conclusion



The film and TV sector identify S481 as being vitally important to Ireland's ability to support an indigenous screen industry. S481 is a key pillar of the financing structure of the industry. Ireland's ability to develop and grow a sustainable and competitive indigenous film and TV sector, reinforced by an increasing volume of indigenous generated IP, must be underpinned by continued S481 support. With a large range of production activity receiving S481 support, it is imperative that Government, policy makers and the taxpayers – who ultimately fund the tax credit – are informed of the on-going economic contribution made to the Irish economy by the sector and the production activity benefitting from S481.

Production activity OpEx for the 9 case studies contributes €144.35m to the national economy

Production activity supports 1,391 FTE jobs in Irish economy for the 9 case studies

The results of the EIA case study provide a sample picture of the total economic contribution that S481 production beneficiaries make to the Irish economy. The case study analysis identified the S481-supported production activity of the nine case study participants collectively paying an estimated €108.88m to Irish based suppliers (including labour contractors (Schedule D)) and employees. The Full Economic Impact of this expenditure resulted in the S481 case study production activity contributing €144.35m to the national economy. This operational expenditure also supported 1,391FTE jobs in the Irish economy. With S481 payments to case study participants totalling €41.52m, and a Full Economic Impact of €144.35m, the Irish economy receives an approximate positive 3.5:1 return on their S481 investment. With production activity payroll related taxes delivering €11.09m to the Exchequer, combining this with the Full Economic Impact identifies the case study productions generating a Total Economic Contribution of €155.44m.

**Irish economy receives a 3.5:1 return on S481 tax credit investment**

**S481-supported production activity generated a 'Total Economic Contribution' of €155.44m**

In addition to the sector's quantified economic contribution, the production activity supported by S481 is identified as supporting a range of ancillary benefits. The screen industry brings significant economic benefits (including direct and indirect employment and expenditure) to regional areas of Ireland as a result of filming and production activity in these areas. Regional production activity plays an important role in sustaining local and rural economies by providing people with opportunities and means to continue to work and live in their local communities. S481 and screen industry activities also provide the economy with an important socio-economic and cultural dividend. S481 is critically important to sustaining production of Irish historical and cultural programmes.

Whilst there presently exists a significant gap in terms of the availability of hard data on the economic impact of screen tourism in Ireland, insights from international experiences and domestic activity demonstrate the importance and viability of this concept. The screen tourism focused activities of Ireland's principal tourism bodies demonstrate the critical role that the activity of Ireland's film and TV sector play in supporting the economies largest indigenous sector. Finally, the sector's economic activities and engagement with education and skills are making important contributions across a number of Government policy agendas including, culture & creativity; regional development, competitiveness & innovation, education; employment & future skills needs.

Ultimately, to demonstrate the industry's economic impact, the sector recognise the need to produce an annual report detailing the economic contribution of the sector's wider S481-supported activity. Building on this report's case study focused approach, the industry has agreed to produce a 2020 economic impact report. This report will be underpinned by a large-scale film & TV Industry EIA of 2019 S481 supported production activity. To enable this, industry will be supported in the collection of necessary production expenditure data through use of a streamlined EIA data collection methodology and process. Additionally, the 2020 report will examine in detail the impacts of the sector's wider qualitative economic contributions including an analysis of the sector's role as important source of employment and skills development, cultural contributor and enabler of regional economic activity.



# Appendix 1

## S481 Culture Test and Industry Development Test

### Culture Test

All projects that are put forward to qualify for Section 481, the Irish tax incentive for film and television, are analysed by the Department of Culture, Heritage and the Gaeltacht and must meet three of the following cultural test criteria:

1. The project is an effective stimulus to film making in Ireland, and is of importance to the promotion, development and enhancement of creativity and the national culture - through the medium of film, including, where applicable, the dialogue/narration is wholly or partly in the Irish language or the production of a full Irish-language version of the film is included as part of the total budget for the film.
2. The screenplay (or, in the case of a documentary film, the textual basis) from which the film is derived is mainly set in Ireland or elsewhere in the EEA.
3. At least one of the principal characters (or documentary subjects) is connected with Irish or European culture.
4. The storyline or underlying material of the film is a part of, or derived from, Irish or European culture and/or heritage; or, in the case of an animation film, the storyline clearly connects with the sensibilities of children in Ireland or elsewhere in the EEA.
5. The screenplay (or textual basis) from which the film is derived is an adaptation of an original literary work.

6. The storyline or underlying material of the film concerns art and/or an artist/artists.
7. The storyline or underlying material of the film concerns historical figures or events.
8. The storyline or underlying material of the film addresses actual, cultural, social or political issues relevant to the people of Ireland or elsewhere in the EEA; or, in the case of an animation film, addresses educational or social issues relevant to children in Ireland or elsewhere in the EEA.

### Industry Development Test

Projects that apply for Section 481 are assessed by the Department of Culture and must satisfy the Industry Development test by providing quality employment and training opportunities. Applications must outline;

1. How the film is of importance to the promotion, development and enhancement of the national culture including, where applicable, the Irish language; and
2. How the film acts as an effective stimulus to film making in the State through, among other things, the provision of quality employment and training opportunities.





