

Building a legacy: Tax and the arts and culture system

Australia's tax system provides a unique opportunity for all levels of government to enable and realise arts and culture policy ambitions now, and for generations to come.

What's the problem?

Evidence shows arts and culture makes a measurable difference to our nation's cultural, social and economic prosperity.

However, this is hindered by barriers to public access, as well as business viability, income stability and international competitiveness within our cultural and creative industries.

Australia's tax system can play a role in removing these barriers by facilitating financial inflows and streamlining operations.

What does the evidence tell us?

There are different types of tax concessions used in Australia's cultural and creative industries.

These tax concessions:

- **facilitate financial inflows** by encouraging investment, enabling compensation and growing business income
- **facilitate operations** by building capacity and capability, increasing access to resources and infrastructure, and reducing business expenses.

Tax concessions used in Australia's cultural and creative industries

Who is the concession for?	What type of concession is used?
Industry	Film and digital games tax offsets
Not-for-profits	Income tax exemptions Goods and services tax concession Fringe benefits tax rebates and exemptions Franking credit refunds Tax-deductible gifts and donations (to deductible gift recipients or private ancillary funds)*
Individuals	Income averaging for authors, investors, performing artists, production associates and sportspersons Non-commercial losses exception rules for primary producers and artists Tax-free prizes and grants Capital gains tax concessions for artwork <\$500

*This provides benefits to not-for-profits as well as incentives for donors.

What is tax?

Governments collect taxes to provide public goods and services. They can use the tax system to incentivise investment and behaviour. This can be done through **tax concessions** where the tax treatment of groups or activities differs from the standard. Tax concessions include:

- rebates
- offsets
- deductions
- exemptions
- deferrals.

Each of these concessions involves **revenue forgone**, that is, a reduction in tax revenue collected by governments. This puts pressure on governments to justify and offset these concessions.

Example: Facilitating financial inflows

The federal government provides tax incentives for screen production in Australia through **four film tax offsets**: the Producer Offset; the Location Offset; the Post, Digital and Visual Effects Offset; and the Digital Games Tax Offset. These facilitate financial inflows while supporting local production, workforce and content.

Example: Facilitating operations

Some states and territories provide **tax concessions** that reduce tax liabilities (i.e. reduce expenses) for cultural entities.

Example: Facilitating operations

The federal government offers an exception to the **non-commercial loss rules** for professional arts business activities. This allows net losses from professional arts business activities to be claimed in the year they are incurred, facilitating business operations. A professional arts business is carried on by authors, performing artists and production associates.

For a more detailed exploration of this topic, see:

To Scale: Mapping financial inflows in Australian arts, culture and creativity

Government, Culture and Creativity: It's about more than just funding.

Opportunities to act

1. Increase knowledge of tax concessions

There are already many tax concessions designed to support Australia's cultural and creative industries – but sometimes industry, not-for-profits or individuals do not know about them.

While tax reform takes time, there are opportunities available right now to increase knowledge of current tax arrangements by proactively providing:

- **greater certainty** of the application of existing tax concessions – tailored for and tested with cultural and creative industries
- **enhanced literacy** for First Nations artists and arts organisations, emerging artists and those new to cultural and creative industries
- **further development for tax advisors** and other tax professionals to increase their knowledge of tax concessions for cultural and creative industries.

2. Create a national approach to arts and culture governance

As of 2023–24, combined state and territory government investment in arts and culture is greater than federal government investment, and both are bolstered by sizable local government investment.

This fundamental shift in our public investment landscape underscores the need for **sustained collaboration** among federal, state and territory, and local governments – to align

tax and cultural policy and integrate direct cultural funding with the indirect enabling actions uniquely available to governments.

Two actions to achieve this are:

- The federal government, in partnership with state and territory and local governments, should **develop and implement a 10-year National Arts and Culture Strategy**. This would complement (not replace) existing cultural policies.
- The National Cabinet should elevate the existing Cultural Ministers' meeting to a formalised **Ministerial Council to establish an enduring intergovernmental forum** for coordination and collaboration on structural reform.

3. Pursue clear, targeted and stable tax reforms for the creative industries

Tax reform is not an end in itself. Rather, it is one of many ways to see government arts and culture policy ambitions realised. Governments should pursue tax reform aligned with the following principles:

- **clear rules** to encourage participation and ensure transparency
- **targeted incentives** that address market failures or encourage desired behaviours
- **stable environments** to create certainty for investors.

Beyond this, tax reform should consider both **supply and demand** across the arts and culture system to support creators and audiences.

About A New Approach (ANA)

A New Approach (ANA) is Australia's national arts and culture think tank. Through independent public leadership, ANA helps build an ambitious and innovative policy, legislative, regulatory and investment environment for Australia's arts, culture and creativity. We do this because the evidence shows that culture and creativity have a direct, transformative impact on people and communities. We believe that Australia can secure its place as a cultural powerhouse whose creativity is locally loved, nationally valued and globally influential.

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Explore our previous work at www.newapproach.org.au. Contact us about this work via hello@newapproach.org.au.