

NSW Government
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REGIONAL ARTS AUSTRALIA

Art of Tax Reform: Unlocking opportunities to improve taxation for Australian creative industries.

Submission – 10 August 2025

Regional Australia is changing. The role and value of regional arts sector is changing. The role and value of creative arts sector is changing. The Australian creative sector is uniquely positioned to contribute to the nation's resilience amidst the ongoing cost-of-living crisis while fostering innovation, collaboration, and economic growth.

Creative industries offer solutions that go beyond traditional economic models. By integrating creativity into broader economic strategies, we can stimulate the creative sector and deliver cost-effective, scalable benefits to Australians, empowering individuals, businesses, and communities for a more innovative and sustainable future.

In this submission, we outline four strategic initiatives designed to unlock opportunities to improve taxation for Australian creative industries. These initiatives recognise the sector's potential as a driver of job creation, skills development, and regional and national revitalisation. By leveraging creativity as an economic and social asset, these measures aim to address immediate affordability pressures while building long-term capacity.

The four initiatives presented in this submission provide tangible mechanisms that support the principles outlined in the submission framework:

- Public purpose; clear rationale for government intervention.
- Effectiveness; effective and evidence-informed tax change approaches that addressing policy objectives.
- Cost efficiency; cost-effective mechanisms to support targeted government investment.
- Sustainability; initiatives that support long-term financial sustainability of the sector

Proposed initiatives
Creative Industries Management Deposit Scheme
Non-Commercial Leasing Arrangements
Recognition of Portfolio Incomes
Tax exemptions for Govt Grants & Fellowships

We welcome the opportunity to participate in the consultation process for the 'Art of Tax Reform' NSW.

SUBMISSION CONTACT



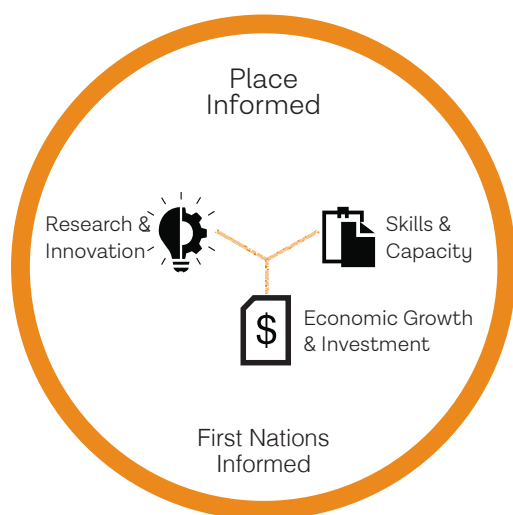
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Executive Director

About Regional Arts Australia

For over 80 years, Regional Arts Australia has been facilitating opportunities, increasing access, maintaining collaborative relationships, and providing timely support to celebrate Australian stories across art forms and across landscapes.

Regional Arts Australia (RAA) is a not-for-profit organisation and registered charity that is the national voice for arts in regional Australia. We work to unlock the cultural ambition of regional, rural and remote Australia and embed the arts and creative industries across multiple policy platforms. We believe in strong partnerships between governments, industry, not-for-profits and commercial business.

Our approach strengthens the fabric of the creative ecosystem across regional Australia. We value best practice and embed the aims of First Nations First with self-determination and self-governance at the core, 'recognising and respecting the crucial place of First Nations culture'. Through our networks and partnerships, we build connection, generate exchange, and strengthen a national network of artists, communities and organisations.



RAA manages the Australian Government's Regional Arts Fund (RAF) overseeing a devolved model through the Regional Program Administrators who deliver the fund directly to recipients in each State and Territory.

The Regional Arts Fund consistently provides resources towards sustainable cultural development projects and practice across regional and remote Australia. In the 2023-24 period a total of 484 projects were allocated through the Regional Arts Fund Quick Response Grants, Project Grants, Strategic Partnership Projects, a 62% increase from previous years. The total number of successful projects increased by 75% and the total funding awarded increased by 58%. Funding was distributed across 55 Federal Electorates and 355 applicant locations. 74% of projects were delivered in the applicants' home State/Territory, with 52% of those being delivered in the applicants' hometown. Audience numbers grew with competitive grants reaching more than 10 million audience members and participation also increasing by more than 2 million.

As an organisation and a network, we provide the Federal Government with a direct, cost effective and fiscally responsible means to boosting innovation within the national cultural policy. Our delivery record demonstrates best practice, reliability and transparency.

Proposal 1

A CREATIVE INDUSTRIES MANAGEMENT DEPOSIT SCHEME

This proposal is squarely aimed at addressing one of the fundamental issues that impact on the financial sustainability of artists – the peaks and troughs they endure in relation to their income. Modelled on the successful Farm Management Deposit Scheme (FMD) the Creative Industries Management Deposit Scheme would allow artists, who like farmers, have good income years and bad income years to better manage their cashflow and as a result make the operation of their creative industry business more financially sustainable. This would improve access to income averaging.

The FMD Scheme allows primary producers to make tax deductible deposits into nominated bank accounts during high income years and withdraw them during bad years. We believe that artists should be able to do the same, because they have a similar economic/income profile. For example, an artist may only hold an exhibition once every few years, all the income earned in the year of the exhibition becomes taxable income. RAA believes that the artist would benefit if they could manage that revenue (and its tax) to better reflect the way the artist earns their income.

Farmers can claim a tax deduction for deposits made into an FMD account if they meet certain conditions. When they withdraw from their FMD account, these deposits count as part of the farmer's assessable income for that year. Interest generated by the FMD account is paid into another bank account and treated as income in the year it is earned.

To be eligible to claim a deduction for a deposit to an FMD account, a farmer must:

- be an individual (including a partner in a partnership, or beneficiary of a trust)
- be carrying on a primary production business in Australia when they make a deposit
- have no more than \$100,000 in taxable non-primary production income in the income year the deposit is made
- hold no more than \$800,000 in total in FMDs.

RAA is proposing that similar criteria be used for the proposed Creative Industries Scheme, whereby non-creative industries' income is factored into the ability to access the Scheme's benefits.

Many artists have formed sole director companies in order to gain the protections that a corporate structure provides, such as limited liability. This can be very important to artists whose work is performance or installation based. Therefore, we would also like to consider the extension of the scheme to include sole director companies, with sole director having no more than \$100,000 in taxable non-creative income.

One of the major barriers to a successful arts' practice in Australia is the reality of "lumpy" income. Gaining a significant commission, holding a successful exhibition, being part of an on-going production can result in an artist making substantial income in any given financial year. However, this can be followed by an "income drought" where there are no commissions, exhibitions or productions. If the taxation system enabled and facilitated artists to plan for income droughts then the entire sector would be far more financially viable and consequently sustainable.

The proposed scheme replicates actions already taken by the Government to recognise the unusual income earning patterns that farmers experience. RAA believes that Australian artists deserve to receive similar taxation treatment to farmers because they share similar income profiles.

RAA would welcome the opportunity to work with the NSW and Federal Government on the development of the Creative Industries Management Deposit Scheme as we view it as a very positive change to the taxation treatment available to artists and as such would have a positive effect on cost of living for creative practitioners.

Proposal 2

NON-COMMERCIAL LEASING ARRANGEMENTS

The current tax system induces landlords to leave shops empty and claim losses (against other income) rather than fill them. Non-commercial leasing arrangements for artists, creative business and new ventures, we believe can act as a catalyst for regional economic development generating regional vibrancy and economic stimulus. However, landlords have little incentive to do this particularly because the value of a property, and therefore the size of the mortgage, is tied to the rent that it can make. It makes more commercial sense to leave a building empty and continue to demand a high rent, than fill it with a low-rent tenant which would by extension devalue the building, perhaps putting a commercial mortgage at risk.

We suggest that consideration be given to permitting landlords to write-off the rent loss that would result from leasing premises at a non-commercial rate to a creative industry. This would allow the landlord to keep the rent at a commercial level, ensuring that financial arrangements were not put at risk, while encouraging them to lease to creatives, in addition, at a State Level where property owners leased at non-commercial rates or donated space to a creative industry the landlord should be able to claim some property tax relief.

Affordable spaces for creative individuals can rejuvenate regional main streets by infusing them with unique energy. These spaces become hubs for innovation, attracting diverse businesses and engaging the community. The presence of creative ventures adds vibrancy, fosters entrepreneurship, and transforms shopping districts into thriving, dynamic cultural destinations, enhancing overall economic vitality.

In a regional context the arts and cultural ecology tends to be embedded throughout the community, business and education sectors. Non-commercial lease arrangements would support 'creative spaces', 'start-ups', 'co-working spaces' and 'in residence' programs in regional towns, cities and communities.

Proposal 3

RECOGNITION OF PORTFOLIO INCOMES

RAA has heard from many artists about the difficulties they face with the current 'cost of living' crisis. Many artists, like many Australians, are working multiple jobs, however, only one of those jobs attract the Tax-Free Threshold. One way that people can address 'cost of living' pressures is through working a second or even third job, however when a substantial part of the income earned from that job is taken in tax this acts as a disincentive to additional employment.

The ABS states that:

There were 955,600 multiple job-holders (6.6% of employed people) 7.9% of employed women were multiple job-holders, compared to 5.6% of employed men. Workers aged 20-24 years old were most likely to be working multiple jobs (7.9%) (ABS Labour Statistics, Sep 2023)

With almost 1,000,000 people working more than one job, it is time for change. RAA believes that many of those with a second job are artists who are supplementing their creative

industries' earnings through a second or even third job. RAA believes that it is time for a structural change to the way that the Tax-Free Threshold is applied, so that the current practice of Portfolio Incomes (where income is earned from a portfolio of jobs, including in the creative industries, not one single position) is recognised and supported.

In a time when we are all talking at length about the 'cost of living' and how people on low incomes can make ends meet, the application of the Tax-Free Threshold to only one job makes the business of "making ends meet" just that much harder. While it is fine to say that no one will pay more tax than they need to, and that it all comes out when their tax return is done, there is no getting away from the fact that workers cannot hold their electricity or rent bills over until their tax returns come in.

RAA believes that Portfolio Incomes are now entrenched in the Australian economy, and this is borne out in the ABS statistics. Further we believe that people working in the Creative Industries are highly impacted by the fact that they can only claim a Tax-Free Threshold once. RAA asks that consideration be given to ways that the issue can be mitigated so that Portfolio Income workers receive the benefits of their work at the time the work is done, and not once their tax return is filed.

Proposal 4

TAX EXEMPTIONS FOR GOVT GRANTS & FELLOWSHIPS

The Australian Government's Regional Arts Fund (RAF) consistently provides resources towards sustainable cultural and artistic projects across regional and remote Australia.

Demand for the Regional Arts Fund is higher than ever, with the measurable impact for this investment equally high. While funded projects can achieve great things, a key challenge is sustaining activity and engagement over the medium-to-long-term. Taxing Federal and State government-funded grants effectively reduces the amount available for project delivery and as such undermines the return on investment. Unlike wages or business income, fellowships and grants are not compensation for services rendered but are support for a time-limited activity or project. They often come with defined conditions, accountability, and reporting requirements. Treating grants and fellowships as taxable income misconstrues their nature and purpose. It appears to make little sense that the Federal and State Governments provide a grant to an artist only to claw back part of it in the form of taxation.

Exempting Federal and State Government grants and fellowships from the calculation of taxable income would ensure that the full value of the grant or fellowship supports the intended outcomes.

Many countries offer tax exemptions, reductions or incentives specifically designed to support artists. The UK offers Creative Sector Tax Reliefs, Denmark allows artists to split their income over multiple tax years (for up to 10 years), helping smooth tax burdens.

<https://www.gov.uk/guidance/corporation-tax-creative-industry-tax-reliefs>

https://www.culturalpolicies.net/country_profile/denmark-4-1-4/

In Australia the Prime Minister's Literary Awards which would otherwise be assessable income, is exempt from income tax. RAA advocates for providing full or partial tax exemptions for public-interest grants and fellowships, recognizing their role in advancing national innovation, culture, and capacity building.

Summary

A thriving national regional arts sector demands crucial dialogue and support. Since 1943, Regional Arts Australia (RAA) has been facilitating opportunities, increasing access, maintaining collaborative relationships, and providing timely support to celebrate Australian stories across art forms and across landscapes.

Our aim is to advocate for investment that builds connection, generates exchange, and strengthens community cohesion. These recommendations are responsive to need and addresses a whole of ecosystem approach to creativity in regional areas while valuing the diversity of contemporary practice.

Crystallising Change	a structured process to identify, clarify and catalyse change in response to pressing challenges.
Empowering Leadership	with the tools, networks and confidence needed to take bold action and drive transformative change.
Cross-Sector Collaboration	Encourage partnerships between diverse sectors, fostering innovative solutions that draw on a wide range of expertise and perspectives.
Scalable Impact	Action Initiatives designed to be scalable, benefitting not just individuals or organisations but contributing to communities and broader regional sustainability