CITY OF SYDNEY

Cultural Tax Reform
City of Sydney Submission

Image credit: *Intangible Goods*, Elizabeth Commandeur and Mark Starmach, Art and About Project 2018.

Submitted to the NSW Government
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The City of Sydney acknowledges the Gadigal of the Eora Nation as the Traditional Custodians of our local area.

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Introduction

The City of Sydney welcomes the NSW Government's commitment to a summit on tax reform for the arts, culture and creative industries. Our ongoing research demonstrates a pressing need to support the retention of artists, creative workers and creative spaces in our capital cities. Our recently adopted Cultural Strategy 2025-2035 outlines a vision to retain, rebuild and reimagine our cultural life and creative sector. This cannot be done with arts funding alone. Increasingly, legislative reform in the areas of taxation, financing, urban planning and industry codes and practices will enable resilience and growth in cultural and creative sectors.

Our submission is informed by the following research undertaken by the City of Sydney:

- Analysis of Australian Bureau of Statistics data, the City of Sydney Floorspace and Employment Survey and extensive industry and community consultation undertaken in the development of our *Cultural Strategy 2025-2035*.
- A *Creative Space Affordability Study* undertaken by Left Bank Co in 2025, commissioned by the City of Sydney, in collaboration with representatives from the property sector, urban planning, academic partners, other local governments, and international counterparts in London, Austin and Bloomberg Philanthropies.
- A Feasibility Study on the delivery of a *Creative Land Trust* in Sydney, commissioned in partnership with the Committee for Sydney and the NSW Government.
- The City of Sydney's *Creative Workers Survey*
- Participation in a workshop facilitated by the Committee for Sydney bringing together creative sector leaders, tax experts and government representatives in response to the *Art of Tax Reform* Discussion Paper.

This submission has been reviewed by our Nightlife and Creative Industries Advisory Panel which includes representatives from major festivals, cultural institutions, creative sector peak organisations, the hospitality sector, property sector, night time industries association, and other local stakeholders.

Terminology

For the purpose of this submission:

Artist refers to a person who earns income as a Creative Artist, Musician, Writer and/or Performer.

Creative space means the work spaces in which cultural products are produced, such as artist studios, creative workshops, writers' rooms, rehearsal and recording studios, and where culture is presented, such as theatres, cinemas, music venues, museums and galleries.

Tax expenditure broadly refers to the revenue foregone through the application of tax exemptions, deductions, rebates and concessions that differ from standard taxable activities and marginal tax rates. It is a re-investment of tax revenue by way of not collecting it.

Tax concessions are a reduction in the rate of tax applying to certain groups, industries or types of earnings.

Tax exemptions exclude certain groups, business types, industries, incomes and earnings from taxation.

Tax allowances include deductions and offsets that reduce taxable income, or credits and rebates that refund a portion of tax already paid.

Principles for Reform

Culture is essential for a thriving quality of life. Culture underpins all that is meaningful in our lives, it reflects our values, captures our character, shares and records our stories. Our culture defines and binds us through a sense of shared identity, memory and aspirations.

Culture can be intangible, its metrics unconventional, and the value it captures can exceed the sum of its parts. Culture is something you can't put a price on… but it does come at a cost. Hence, taxation is a critical element in the economics of creating culture, and investment in culture continues to be a highly important and reasonable use for tax-generated public revenue.

Any discussion of tax reform for the benefit of artists and the creative industries must note the central role our taxes already play in funding culture. Reform should not unduly limit the capacity of the tax system to collect the government revenue that will sustain our investment in the arts.

Further, tax reform should supplement existing investments to broaden the scope and scale of our national investment, fill gaps, and not replicate existing programs and cash disbursements. This is crucial. Tax expenditure should <u>increase</u> the overall investment, <u>not replace</u> direct cash investment in arts and culture.

Tax reform presents an excellent opportunity to reduce the costs of producing culture, incentivise private investment, and unlock new approaches to subsidising and stimulating the creative economy.

In particular, tax reform could be a tool to address systemic issues, market failures, and shift the dial for parts of the cultural ecosystem experiencing enduring precarity.

To that end, our submission recommends the following priorities for tax reform:

- Address income inequity for artists whose cultural products are generally not purchased or remunerated at a price that meets the true cost of production.
- Address market failure that has led to an undersupply of suitable workspace that is affordable for the creative industries in our cities.
- Sustain cultural infrastructure and key institutions.
- Diversify the investment in culture to address funding gaps, better support new markets and meet strategic needs.

We recommend the reform process be co-designed with the cultural and creative industries through the *Art of Tax Reform* summit in September, and beyond. And, while the outcomes of this consultation are designed to inform the 2028 National Cultural Policy, the issues they address are urgent and action should not be delayed.

Reasons to Act

Artists are a community at risk.

The financial insecurity of arts practice has long been the topic of anecdote and ridicule. The concept of the "struggling artist" is never far from a conversation about a creative career. Now, as cost of living and housing pressures climb and the long-tail impacts of the Covid-19 pandemic continue to limit growth in the creative industries, the financial precarity is increasingly evident and there's a real risk we'll lose generations of arts practitioners, a loss that will have significant economic, social and cultural consequences. Now, more than ever, all levels of government should consider how we can properly address income inequity in the arts.

Greater Sydney still has the largest creative workforce in the country, but it is retracting. Our overall workforce has grown, but the core cultural professions (artists, writers, musicians and performers) have declined significantly. Sydney is the only capital city in Australia to have a clearly documented decline in its artist population in recent years, but other capital cities look to be following the trend.

We know that the cost of renting in Sydney is having an impact on sustaining creative careers. The *Artists as Workers* research undertaken by Creative Australia has demonstrated a steady decline in artist incomes over the past 15 years, while over the same time, Sydney rents have almost doubled. The median weekly rent in Sydney is equivalent to 62% of the average income of artists.

Earlier this year, the City of Sydney undertook our first annual Creative Workers Survey, designed to track confidence and resilience within our local creative community in real time. The findings are stark. 57% of respondents are considering leaving Sydney within the next 12 months. The costs of housing and accessing creative workspace are the drivers of this uncertainty.

Most artists generate earnings from their craft as a secondary source of income. Research undertaken for Creative Australia in 2024 found that “just under half of artists make less than $10,000 per year on average from their creative work”, and “only 15 percent... made more than $50,000.”[1] More recent research undertaken by the City of Sydney found the median creative income of artists in Greater Sydney was just $5,000 a year, with around 80% of that commonly invested in renting workspace.[2]

When averaged against the hours required to maintain creative practice and develop cultural products, remuneration for most cultural labour is well below minimum wage. Our cultural funding landscape contributes to this. Grants are primarily provided to subsidise losses for standalone cultural projects and events, largely with the outcome of underwriting the consumer’s experience.

Arts subsidies facilitate sale prices for cultural products that are below the cost of production, setting a lower market rate for things like theatre and concert tickets or the sale price of an artwork, creating a price expectation that all artists and cultural producers need to match, with or without subsidy.

International examples of income tax exemptions, higher tax-free thresholds, and standard income deductions for artists can guide new thinking about how we might value the true cost of creative production and cultural labour in Australia, without impacting the cost of consuming it.

There is an urgent need to stabilise and increase the supply of creative space in cities.

The City of Sydney has spent more than a decade investigating the complex and systemic issues affecting the availability, affordability, and sustainability of creative space—both within our local government area and across Greater Sydney.

We know that creative space is so much more than the theatres, music venues and galleries that are the backbone of cultural life in our city. It is critical infrastructure and workspace that underpins the creative economy, supports employment, and facilitates the interconnected supply chains of industries like film, fashion, theatre, music, and industrial design – vital industries to our city’s vibrancy, liveability and competitiveness.

The creative industries have very specific spatial needs and they occupy the kinds of spaces that are becoming less common in urbanised global cities. Spaces like warehouses, studios and rehearsal rooms, where there is space to make mess and noise.

Our city has seen a dramatic reduction in creative workspace as much of the building stock previously occupied by light industry has been rezoned and redeveloped for housing.

In 2012 creative industries occupied nearly 8.5% of all the commercial floor space in the City of Sydney area. In 2022 creative industries made up less than 7% of our floor space[3]. In real terms, that is a decline of 172,970m². Of that lost space, the studios and workspaces occupied by artists, writers, musicians and performers has reduced by more than 14,300m².

[1] Throsby and Petetskaya, 2024. Artists as Workers: An Economic Study of Professional Artists in Australia
[2] City of Sydney, 2025. Creative Workers Survey
[3] City of Sydney, 2007, 2012, 2017, 2022. Floorspace and Employment Survey

Our Creative Workers Survey found that 56% of creative workers report low or very low confidence in retaining access to the space they need to produce their work in the next 12 months. Many are just one rent increase or lease loss away from closure.

Much like the housing market, the commercial property market in Sydney is now chronically unaffordable for most creative space operators. Despite what is commonly accepted in property market practices, affordability is not the price that two parties can agree to in a lease negotiation.

Our research indicates almost all creative space operators leasing their space are paying a rate of rent that exceeds any comparable affordability definition. The City's research suggests the median amount being spent by artists on workspace is in excess of \$400 per m^2 per annum, whereas the affordable level is, based on income, closer to \$90. Affordability is being achieved with trade-offs against personal earnings, employment and costs of production. In this context, tax expenditure that reduces commercial rents for creative producers is a productivity investment capable of repaying its worth.

Traditional arts funding models are not addressing contemporary challenges facing culture and the creative industries.

Across Australia, arts and cultural policy has focused almost exclusively on public subsidy, usually through project grants, events and key infrastructure investment. This plays an important role in providing affordable opportunities for the consumption of culture. However, it is proving ineffective in delivering the goal of a larger and more diverse cultural sector, and sustainable careers for artists.

The City's research has found the cost of accessing space and basic artistic materials probably exceeds the amount most artists are earning from their creative practice. Further, the combined cost of housing and workspace consumes 43% to 50% of the average artist's total income.

The end result has been a sharp decrease in both the number and diversity of artists working in New South Wales, and in Greater Sydney specifically. Artists who do not have external income sources are priced out of the workforce. As existing arts policy levers do not impact on things like artist housing, creative space, or ongoing work costs, they are generally servicing those who already have access to non-creative income streams. The prime outcome of this has been a reduction in artists from lower socio-economic areas, with some areas in Western Sydney losing more than half of their artist workforce between 2011 and 2021.

By targeting productive activities and improving the amount of real income retained by artists, tax levers have an opportunity to supplement existing funding programs by lowering the barriers to making art at a professional level in New South Wales.

This issue is compounded by directing the bulk of arts subsidy to non-profit operators. While this approach has made sense through the lens of robust governance and accountability for public funds, it fails to take in the reality of the creative industries that operate primarily as for-purpose for-profit enterprises. While we steadily mature our risk appetite for cash investment in for-profit operators like music venues and festival producers, we can reduce costs for these parts of the creative industries through tax measures. The "Government, Culture and Creativity: it's about more than funding" report released by A New Approach outlines eight levers for governments to support culture and creative industries in addition to direct cash funding. Increasingly, we need our arts and cultural policy to be enabling and leveraging procurement, collaboration, streamlining, and cross-portfolio investment, as well as taxation and regulatory reform, as a means of strengthening our creative industries and increasing cultural production.

Opportunities for tax reform

Improving artist incomes.

Tax concessions on secondary artistic earnings

We know that most artists receive payment for their arts practice as secondary employment. However, generally, employees are discouraged from claiming the tax-free threshold on withholding declarations for secondary income sources. While withheld taxes might be claimable on a tax-return, this does little to support the day-to-day cash at hand for a low-income earning artist. Applying a separate tax-free threshold for artistic incomes could support better cashflows for artists and accommodate for the irregularity of many artistic incomes.

Income averaging and standard deductions

Income averaging already provides for artists to manage infrequent and fluctuating earnings over multiple tax years. This approach should be retained and reviewed to ensure the definition of 'special professionals' who are eligible for income averaging accurately reflects the breadth of creative workers who might benefit from it.

However, there is more that could be done. Income averaging doesn't necessarily address the upfront expenses, volunteer time and opportunity costs incurred in maintaining creative practice and developing cultural products. Somewhat intangible, and often unpaid, cultural labour can be undertaken for years in the creation of an artwork or cultural product for future sale, and the sale price rarely factors in the germination of the idea and establishing the pathway to realise it.

France's BNC scheme (noted in the *Art of Tax Reform* Discussion Paper), is a good example of placing a tangible value on intangible creative labour. By applying a flat deduction rate to artist incomes (under a reasonable threshold) we may better allow for unremunerated and pre-sale expenses.

Tax exemption for art prizes and literary awards

We support advocacy by the National Association for the Visual Arts (NAVA) and the Committee for Sydney for the Federal Government to consider an income tax exemption for art prizes and literary awards. These cash awards are different to government grants, which are generally offset by production costs and business expenses for creative professionals. Although they apply to only a small cohort of artists, prizes and awards are a form of recognition for the significant unremunerated labour and personal costs of creative practice. They honour retrospective (often unpaid) creative efforts and achievement and as such, an exemption from income tax would be a reasonable additional investment in our best and brightest.

Instant asset write-off for art purchases

In 2015, the federal government's *Small Business Measures* legislation introduced a suite of tax benefits with a pre-determined 10-year expiration date. Among them was an allowance for small businesses to claim 100% depreciation for purchases like motor vehicles, office furniture, computers and other equipment – including art.

When we spoke with our stakeholders, we heard how this simple measure spurred a noted increase in art sales, and a unique incentive to encourage private investment in acquiring local art. The *Small Business Measures* were retired at 30 June 2024, however consideration should be given to how instant asset write-off on the purchase of Australian art, or a comparable tax allowance, could be introduced to maintain this incentive for the private purchase of local works.

Increasing affordable creative workspace.

Vacancy tax

A vacancy tax could be one measure to drive underutilised properties back onto the market. However, there is no indication that a vacancy tax, in itself, would stimulate affordable leasing of underutilised properties to the creative sector. Most creative spaces require specific planning and regulatory approvals, which cannot be easily shoehorned into commonly vacant office and retail spaces. In practice, under pressure to lease a property quickly, landlords may well prioritise high-yield non-creative businesses with more simple spatial needs.

Not all vacant commercial property is the result of greed or neglect. The nature of how we use commercial property is changing in an increasingly digitised world with a more mobile workforce. We need to act with intent and in support of landlords to ensure underutilised commercial property stock can be put to strategic community needs. This will be best achieved through incentives and investment programs.

However, vacancy tax should be explored in the context of other measures to retain and increase creative space. For example, where floorspace has been dedicated to cultural uses through a negotiated planning agreement in exchange for uplift or additional GFA, a vacancy tax would strengthen compliance measures. Likewise, where the retention of creative industries has been required by development consent, the threat of vacancy tax will compel a landlord to provide longer-term and more affordable leases.

The UK's Assets of Community Value (ACV) scheme provides for communities to nominate buildings with significant social and cultural value. Once classified as an ACV, an owner wishing to sell is compelled to offer the community the first right to bid through a transparent public sale. A similar scheme that identifies and classifies assets of cultural value could work well in tandem with a vacancy tax, to penalise the owners of shelved cultural assets. The Hopetoun Hotel or Newtown's The Hub are local examples of prime cultural assets that have long laid dormant. Such a scheme could see spaces like this more readily returned to operation.

Landlord Incentives for below market rate leasing

A more strategic approach would be to incentivise the leasing of vacant property to creative industries through the introduction of a tax allowance for supportive landlords. Our consultation with the property sector indicates a preference for incentives over penalties in order to stimulate long term owner-lessee partnerships with mutually beneficial outcomes.

Commercial properties are valued on their potential rental yields, which deters private landlords from reducing rents for creative tenants. In many cases this results in properties remaining vacant, long-term, rather than reducing their book valuation.

Applying a tax deduction to the in-kind value of below-market-rate leases would be a win-win incentive. Here, demonstration of a long-term lease with rental rates set at a significant discount below a market evaluation could be claimed as an income offset by the landlord. The aim of this tax allowance would be to facilitate security of tenure for creative tenants at sustainable rental rates, without disadvantaging private owners of the building stock best suited to creative work.

This idea was explored in the roundtable convened by the Committee for Sydney. The outcomes of the roundtable discussion recommended such a deduction would need to be 'grossed up' in order to capture the full value of the discount for landlords, or partnered with an additional cost-saving lever, such as a land tax exemption.

Land tax exemptions or concessions

Land tax exemptions are an effective tool in maintaining a supply of diverse and affordable housing in urban areas. Our consultation with the property sector has suggested that applying a similar approach to creative space projects will provide a cost-effective incentive for developers with a mechanism that is already well understood and utilised.

Consideration should be given to an exemption from land tax for properties exclusively dedicated to cultural and creative uses, and a moderate reduction in taxable land value for mixed use developments that contain a component of cultural or creative space.

As with the existing exemption for boarding houses, a maximum rental rate for the creative space should be set in order to be eligible for the tax concession. And as with Build-to-Rent concessions, evidence of a genuine long-term lease to a cultural tenant should be required. These conditions will ensure the incentive results in long-term below-market-rate leases.

It is worth noting, land tax exemptions already apply to property owned by non-profit organisations, clubs and societies, as long as the properties are not operated for commercial gain. Such a restriction should not apply to creative spaces, which are largely operated by for-profit business types, and thrive with a combination of creative production and presentation spaces, retail and hospitality uses.

Deductible gifting of property

The supply of creative space could be improved through the gifting of property to cultural organisations and creative space operators. Gifts of property can be tax deductible in certain circumstances, and to suitable Deductible Gift Recipients (DGRs). The City of Sydney and NSW Government are exploring the feasibility of a Creative Land Trust for Sydney. Such an entity could receive donations of property, however eligibility is complex. Properties that have not been purchased within the previous 12 months or have been inherited are subjected to a lengthier, more complex process to determine deductibility. Consideration should be given to whether current processes are sufficiently enabling gifting of inherited properties and property bequests for cultural and creative industries purposes.

Likewise, a tax deduction for a discounted sale of property for cultural and creative purposes should be explored.

This should be supported by stamp duty exemptions. Properties transferred to charities in NSW are only eligible for a stamp duty exemption if they are to be operated exclusively for charitable uses. Again, ‘charitable’ can be a perilous definition for properties used for cultural and creative purposes that rely on complex revenue and operating models to deliver social and cultural benefits.

Addressing funding gaps, developing new markets, and meeting strategic needs.

Private gifting through intermediaries

In Australia, tax allowances are the primary driver of private investment in arts and culture through donations to DGRs. This type of philanthropy tends to be motivated by personal tastes and aspirations, a connection to the cultural product, or a sense of prestige and legacy, and is not commonly linked to a broader strategic framework for the creative industries or priorities established by government or the cultural sector.

For example, it is fair to argue that, in Australia, the bulk of philanthropic investment in the arts is directed to a relatively small number of organisations who are also in receipt of the largest share of government grants.

In many jurisdictions, egalitarian and purpose-focused philanthropic investment is facilitated by intermediaries who can broker philanthropic funds and distribute them to arts and cultural organisations, projects and strategic initiatives – the types of investments that may be less immediately visible but will ultimately address unmet need. The Australian Culture Fund (ACF) is an example of an intermediary whose role could be expanded.

For example, as it is operated by Creative Australia, the ACF could be an avenue for supporting "unfunded excellence" – those applications to Creative Australia that were highly commended by peer assessors, but unable to be supported within the allocated budget.

The ACF is already playing an important role in providing cash support directly to artists, but it is always linked to a project outcome and often provides supplementary income for projects in receipt of other government grants. As it is dealing exclusively in charitable funds, the ACF seems uniquely positioned to provide support to artists that is not project-dependant, such as housing and income support. Could the ACF have a role to play in providing general income support for new, emerging, diverse and underrepresented artists? Or subsidising access to rehearsal, recording, workshop and studio space for creative development – those crucial artistic processes required to conceive a potentially fundable cultural project?

We need to embrace the full potential of philanthropic funds to support the grass-roots fundamentals of the creative ecosystem, as well as our most prestigious cultural icons. We can do this with confidence by resourcing a suitable intermediary of sound governance, like the ACF, with an expanded strategic remit.

When thinking about expanding the distribution of philanthropic funds, we need to recognise that most businesses working in the creative industries are for-profit business entities that are ineligible for charitable donations.

There are very good reasons why some cultural operators need to remain for-profit, such as access to loans and financing, or retaining IP and company control of founder-led creative enterprises. Many cultural businesses operate hybrid business models with multiple revenue sources, particularly in the contemporary music and performing arts sectors. In considering the role of an intermediary like the Australian Culture Fund, it is worth exploring how legislative change could enable a charitable intermediary to collect philanthropic funds and distribute them to for-profit entities like music venues, commercial theatre producers, or creative space operators, while retaining the donor's tax benefit from gifting to a DGR.

<u>Bonus deductions for donations to DGRs</u>

Proposed in the *Art of Tax Reform* Discussion Paper and a popular topic of conversation at the Committee for Sydney roundtable, is the allowance of a deduction greater than the value of the donation to a DGR. For example, applying an income deduction of 150% of the value of a donation. Similar schemes have been in place in Australia in the past and operate in other jurisdictions.

The productivity commission's *Future Foundations for Giving* report cites modelling that demonstrates such a scheme could decrease the net yield of arts philanthropy, both by encouraging major donors to reduce the cash they currently donate for receipt of the same benefit, and by increasing tax expenditure at a potential cost to government arts budgets.

However, outcomes of the Committee for Sydney roundtable suggest a moderate, nuanced approach, may encourage lower value gifting from a larger cohort of potential donors. The recommendation from the roundtable, which should be further explored, proposes a higher rate of deduction for cash donations below $10,000 made by individual donors earning under a moderate personal income threshold. This will direct the additional benefit to lower income earners, reduce the potential tax expenditure, but still encourage non-givers to start gifting.

Consideration could be given to restricting the receipt of this bonus deduction exclusively to donations made to a specific intermediary, like the Australian Culture Fund, for investment in expanded artist support programs as outlined above. This would provide added confidence in the governance and strategic investment of the funds generated by this increased tax expense.

Private Ancillary Funds

Individual giving has already been increased in Australia through the introduction of ancillary funds. The Productivity Commission's *Future Foundations for Giving* report found that by 2021, 27% of individual gifting was being managed through ancillary funds. These funds are only required to distribute a minimum of their invested donations per year, with the rest spent on growing the fund and administrative costs. The report recommends the minimum distribution required of private ancillary funds be set at between 5% and 8% per year. This recommendation should be explored at the Art of Tax Reform summit.

Social Impact Investment

Social Impact Investment is an example of an intermediary model that could increase investment in the commercial creative and innovation sectors. Social Impact Investment can provide low-risk and unsecured lines of finance to for-purpose enterprise at R&D stage and is being used in the UK to invest in the development of commercial theatre productions and to scale up community cultural development projects. We recommend the NSW's Office of Social Impact Investment be tasked with a study to explore the opportunities for the cultural and creative industries to better benefit from impact investment. Noting, more direct support could be provided to the for-profit commercial creative sub-sectors through industry offsets.

Industry offsets and pre-production rebates.

The existing producer and location offsets available for film production in Australia have generated increased investment and employment in the screen sector. The same principles could be replicated to support live performance and contemporary music production. We support the advocacy and representations made on these initiatives by Live Performance Australia and APRA AMCOS.

This opportunity was explored at the Committee for Sydney roundtable, with a proposal for pre-production rebates for creative works. The preference was for investment in pre-production and pre-revenue costs for new Australian works with a 40-50% rebate on eligible development expenses. The result will reduce taxes for profitable projects, mitigate losses for unsuccessful projects, and generally support a higher confidence in producers of new work, locally.

Cultural Levies

Many countries and cities impose a tourism tax to raise revenue for investment in the visitor experience – including arts and culture. Edinburgh is the first UK city to introduce a visitor levy. The recently adopted measure will introduce a 5% levy on the cost of overnight accommodation, capped at 5 nights. The scheme is projected to raise £50 million a year, with the funds largely dedicated to local culture, heritage, events, building the city's global reputation and a more sustainable visitor economy.

The opportunity of such a levy is to generate an alternate, ongoing revenue source to underwrite major cultural institutions and events, and thus free up arts and cultural funding budgets to better resource new talents, the small-to-medium sector, and emerging strategic needs. The logic of the levy would suggest a more secure and increased investment in cultural tourism will increase visitation, which will in turn replenish and grow the levy's cultural fund.

Other levies, such as surcharges on ticket prices for international touring musicians and theatre productions are an opportunity that could be explored. However, these levies are generally reinvested exclusively within the industry sub-sector from which they were derived, and can be seen as inflationary and counter-competitive for the growth of international markets. A broader approach that might support the breadth of the cultural industries, such as a levy on bed nights, will perhaps better benefit the full creative industries ecosystem, visitor infrastructure and international marketing of local cultural experiences.

Summary of recommendations

Principles for tax reform for culture	
1	Tax expenditure should increase overall investment, not replace cash investment, in the arts, culture and creative industries.
2	Reform should not unduly limit the capacity of the tax system to collect the government revenue that will sustain and increase cash investment in the arts, culture and creative industries.
3	Tax reform should supplement existing investments to broaden the scope and scale of investment in culture, not replicate existing programs.
4	Tax expenditure should prioritise addressing systemic issues and market failure.

Recommendations	
1. Improving Artist Incomes	
1.1	The Federal Government explore a separate tax-free threshold for secondary artistic incomes.
1.2	The Federal Government review the definition of ‘special professionals’ eligible for income averaging, to ensure eligibility applies to the broad range of artists and creative producers who might benefit from it.
1.3	The Federal Government explore the application of a flat deduction rate for artistic incomes.
1.4	The Federal Government provide a tax exemption for art prizes and literary awards
1.5	The Federal Government re-introduce a mechanism for instant asset write-off (or a comparable tax concession) for the purchase of contemporary Australian Art.
2. Increasing Affordable Creative Workspace	
2.1	The NSW Government explore the application of a vacancy tax for creative spaces delivered through a planning agreement or floorspace bonus scheme.
2.2	The Federal Government introduce a scheme for identifying and preserving assets of cultural and community value. In tandem with such a scheme, the NSW Government explore the application of a vacancy tax on shuttered cultural asserts.
2.3	The Federal Government explore the application of an income deduction for the value of discounted rent for landlord’s who provide long-term below-market-rate leases to creative spaces. The value of the deduction may need to be “grossed up” to recoup the value of the discount.

Recommendations	
2.4	The NSW Government consider land tax exemptions for property exclusively used for cultural and creative purposes, with a provision for the property to be used, at least in part, for profit making activities.
2.5	The NSW Government ensure the application of land tax exemptions or concessions be only applied where there is evidence of long-term tenancy by an eligible cultural or creative industries operator at below-market-rate leasing. Eligibility should apply specifically to spaces used for the production and presentation of cultural products, and not property that has an exclusive retail or office use.
2.6	The Federal Government support the partnership between the NSW Government and the City of Sydney to explore the feasibility of a Creative Land Trust, and, if feasible, establish a Trust with gifts of property and establishment funds.
2.7	The Federal Government review the processes and eligibility for deductible donations of property, with a particular focus on incentivising bequests and the transfer of inherited property to cultural and creative organisations.
2.8	The Federal Government explore the application of an income deduction for the below-market value of a discounted sale of property for cultural and creative purposes.
2.9	The NSW Government review the eligibility criteria for stamp duty exemption on property transferred for charitable purposes to ensure it may apply to properties gifted for the purpose of operating a creative space.
3. Addressing funding gaps, developing new markets, meeting strategic need.	
3.1	Creative Australia review the role of the Australian Culture Fund to explore opportunities for the Fund to: - Support “unfunded excellence” (highly ranked unsuccessful applications) in Creative Australia funding rounds - Provide income and housing support for artists - Subsidise access to rehearsal, recording and studio facilities for artists to sustain their craft and develop new work - Distribute charitable funds to for-profit for-purpose creative operators like music venues, commercial theatre producers and creative space operators, while maintaining the tax benefit for the donor. The Federal Government should explore the required legislative change to support this expanded role.
3.2	The Federal Government explore opportunities, more broadly, for legislative reform to facilitate the distribution of donated funds to for-profit for-purpose creative operators like music venues, commercial theatre producers and creative space operators.
3.3	The Federal Government explore an enhanced deductible value of 150% for donations of less than $10,000, made for cultural purposes, by individual donors who earn a low-to-moderate income.

Recommendations	
3.4	The Federal Government review the recommendations made by the productivity commission to increase the minimum annual distributions of private ancillary funds, with a view to raising the annual investment in culture.
3.5	The NSW Office of Social Impact Investment explore the opportunities for the cultural and creative industries to better benefit from low-risk impact investment.
3.6	The Federal Government explore opportunities to expand the producer and location offsets used in Australian film production, so that they may apply to contemporary music production and touring, and the development of commercial theatre works. Specific consideration should be given to a pre-production rebate on expenses related to the development of new Australian work.
3.7	The NSW Government explore the opportunities and impacts of introducing a visitor levy, to be charged by accommodation providers, with the funds raised by the levy to be invested in sustaining major cultural assets and providing long-term, secure funding for major festivals and events.
3.8	Any savings in NSW and Federal arts budgets provided by the introduction of a visitor levy be re-invested in local artists and small-to-medium arts organisations producing new work, with a particular focus on supporting diverse and under-represented artists.

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