



Art of Tax Reform

Submission, August 2025



Committee
for
Sydney



Source: Bankstown Poetry Slam /
Bankstown Arts Centre

Acknowledgement of Country

The Committee for Sydney acknowledges Aboriginal and Torres Strait Island peoples as the traditional custodians of the land. We pay our respects to their Elders, past and present. We recognise sovereignty was never ceded. This was, and always will be, Aboriginal land.

Innovation Fund Partners

We would like to thank our Innovation Fund Partners for their support of the Committee for Sydney's research.

Our Innovation Fund Partners are future focused and outcome driven. They are leaders of change. Their combined investment underpins our annual research program and together with our members, enables us to grow our impact and output – striving to create a better Sydney that offers unparalleled opportunity and quality of life for everyone.



Sydney
Local Health District



Who we are

The Committee for Sydney is an urban policy think tank, and a not-for-profit approved research institute. We are advocates for the whole of Greater Sydney, focused on developing solutions to the most important problems we face. We are proud to have more than 150 members that represent key business, academic and civic organisations across Sydney.

We thank PwC Australia for hosting a dedicated workshop, and recognise the following organisations that participated in the workshop, and supported development of this submission:

- Allens
- Animal Logic / Truant Pictures
- Art Pharmacy
- Australian Museum
- Australian Public Policy Institute
- BDO
- CBRE
- City of Sydney
- Corrs Chambers Westgarth
- Create NSW
- Creative Australia
- Deloitte
- Fern and Associates
- KPMG
- Live Performance Australia
- NSW Department of Creative Industries, Tourism, Hospitality and Sport
- Plenary
- PwC
- Sydney Dance Company
- Sydney Festival
- Sydney Fringe Festival
- Sydney Harbour Federation Trust
- Sydney Theatre Company
- Sydney Writers' Festival
- The University of Sydney
- Western Sydney University
- Westpac

Our vision

A creative culture for Sydney that's not just vibrant - it's viable for the long term

Sydney's creative industries are a cornerstone of our identity, economy and global reputation. From live performance and visual arts to digital games and festivals, the sector generates cultural value, fuels innovation and supports thousands of jobs. Yet creative work is increasingly precarious, underfunded and constrained by tax structures that fail to reflect the realities of creative production.

The NSW Government's Art of Tax Reform discussion paper rightly identifies the need for targeted reform to support this crucial sector's sustainability and growth.

This submission responds to that call, drawing on extensive consultation with the creative, tax, property, policy and philanthropic sectors, including a dedicated workshop bringing together senior tax, property and culture leaders. It presents a suite of reforms designed to:

- Reduce financial and administrative barriers for individual creatives and small organisations
- Encourage private investment and philanthropy through smarter incentives
- Support innovation and risk-taking in the development of new creative works

- Activate underutilised spaces and infrastructure for cultural use
- Align tax policy with local, state and national cultural goals and international best practice.

The recommendations outlined in this paper are grounded in the lived experience of the sector. They reflect a shared ambition to build a more equitable, dynamic and resilient creative economy in Sydney and across NSW.

If implemented, these reforms would have a transformative impact. They would unlock new funding pathways, reduce compliance burdens and stimulate cultural production at every scale – from grassroots initiatives to major public works. They would help reposition Sydney as a global leader in creative innovation, attracting talent, investment and audiences from around the world.

The Committee for Sydney strongly supports the NSW Government in seizing this opportunity for reform.

By embedding creativity into the architecture of tax policy, we can ensure Sydney's creative culture is not just vibrant – but that it is viable for the long term.



Our workshop on the culture tax reform discussion paper brought together experts from the creative, economic development, property and taxation sectors.



Section A

Priority tax reforms for consideration

This paper prioritises six key tax reform measures (with a larger set of useful and recommended reforms in Section B).

Each of the following proposals aligns with the principles outlined in the discussion paper: they are targeted, scalable and designed to improve equity, reduce complexity and stimulate investment in the creative economy.

Recommendations

1. Below-market leasing incentive

Recommendation: Introduce a tax deduction for landlords who lease properties to certified creative organisations at below-market rates.

In many urban property markets – and acutely across Greater Sydney – creative operators can't afford market leasing rates for properties. The property types many creative businesses seek are often also targeted at commercial or retail uses. Property leasing rates are valued on potential commercial rental values. This effectively prices out creative activities, and can even lead to perverse outcomes in which landlords consider it better to keep properties vacant rather than rent to creatives at below-market rates, which could jeopardise their book valuation.

This recommendation is designed to enable landlords to deduct the lease value difference when they lease out space to certified creative businesses at a below-market rate.

In terms of alignment with the discussion paper, this would address access to affordable space (a key barrier to participation), encourage activation of underutilised property, and build on models used in housing and social infrastructure.

What is the potential impact?

Creative operators would pay below-market rates for leasing a property. The value of the deduction for the property owner is the difference between market value and lease value. The deduction would need to be grossed up for tax (i.e. value of deduction is only at 30% for corporations in cash).

Is it good tax policy?

Existing structures in place across the property market already provide a similar level of support, including programs for build-to-rent, affordable housing and social housing. Many existing incentives utilise tax deductions and “gross them up” (i.e. fully reflect each transaction even if they cancel each other out, rather than recording the net transactions or balances), an approach used in the housing industry.

Other levers could include state tax and land tax. State governments could also use reinsurance as a lever, by covering premiums including property insurance and public liability.

Are there risks, spill-over effects or wider consequences?

An issue could emerge if the asset class/organisation type is not well defined. This could be addressed with a clear process for making those definitions, for example, the Australian Charities and Not-for-profits Commission (ACNC), which was established to both govern and define which charities had access to charitable settings (a less satisfying option would be means-testing creative tenants).

Subletting could also result in the wrong tenants getting access to the incentive. This could be solved by drafting lease terms to define creative use and how a property can be sublet.

Who is responsible for the change?

Tax reform led by the NSW and Australian Governments, informed by consultation with and ultimately taken up by the property industry.

Recommendations

2. Expand R&D tax incentives to creative IP

Recommendation: Extend R&D tax incentive (RDTI) to include original creative works and clarify eligibility for creative IP development.

The RDTI is a federal tax incentive that offsets some of the costs of undertaking R&D within a business. It is available to any incorporated entity that conducts (or plans to conduct) R&D activities related to the organisation and is spending more than \$20,000 on R&D. This recommendation proposes broadening what can be considered as 'Core R&D' under the ATO's eligibility criteria. As it stands, the RDTI is weighted towards scientific, technical and manufacturing activities, meaning creative output is excluded – even if it is novel or innovative.

As part of the wider Strategic Examination into R&D (SERD) being undertaken by the Australian Government, there is an urgent need to expand Australia's focus on R&D to one of innovation, with the desire to increase innovative activity undertaken by businesses. Expanding the RDTI's eligibility criteria to include novel or innovative creative activities and outputs would help to incentivise such activities being undertaken in the Australia creative sector. In turn, this will create more opportunities for job creation, export opportunities and investment into the sector.

This would require clarification of what is considered 'original work' and an increased focus on IP generation in a creative context to satisfy R&D knowledge needs.

In terms of alignment with the discussion paper, this measure would strongly support innovation and risk-taking in cultural

production, nurturing local development, as well as encouraging retention of Australian IP. It mirrors international models that recognise creative R&D.

What is the potential impact?

This could have a huge impact on screen and digital games. In creative sectors, the RDTI currently applies to the technical work, but not to the creative work. This reform would expand the focus to the creative ideas and products, providing a framework for supporting creative risk taking in the sector.

Is it good tax policy?

This is a policy reform that builds on an existing taxation structure, is progressive and builds on an equity framework. It creates opportunity for job creation, with an efficient broad base, and potential to pair with other rebates.

Are there risks, spill-over effects or wider consequences?

- Like any other tax incentive, this will have a direct cost to the Australian Government, but must be weighted up by the value of the IP being generated
- Need to consider how the reform is supporting Australian talent and IP creation
- Requires debate on how 'originality' is defined for the purposes of the eligibility criteria.

Who is responsible for the change?

Australian Government (states could also develop a scheme).

Recommendations

3. Tax-free status for prizes and grants

Recommendation: Make government-funded arts prizes and grants tax-exempt for individuals.

Both artists and sportspeople are generally subject to income tax on prizes and awards if they are operating as a business, whereas money and other benefits received from the pursuit of a pastime or hobby are not considered assessable income.

While this ostensibly treats artists and sportspeople in the same way, the income tax system may particularly incentivise artists to treat their pursuits as a business – so that they can claim deductions on materials, studio rent, exhibition expense, protective clothing and so on. In practice, this means sportspeople who compete at a sub-livelihood level are treated differently to creatives, with more of the latter assessed as businesses and required to pay tax on grants and prizes.

This reform recommendation would remove income tax on government grants and prizes (i.e. making it exempt income). This reform would need guardrails and thresholds to reflect nuance and to mitigate against the risk of creep.

In terms of alignment with the discussion paper, this would improve income stability for artists as well as reducing the administrative burden and inequity. It responds to sector concerns and work by Arnold Bloch Leibler and the National Association for the Visual Arts (NAVA).

What is the potential impact?

Primarily individuals and small business. Particularly important in literary arts.

Is it good tax policy?

This concept would improve equity for creatives and provide greater clarity and simplicity, as compared to the current uneven approach.

Are there risks, spill-over effects or wider consequences?

There could be political and practical difficulties with scope creep (e.g. in contrast to other sectors that don't receive tax-free prizes). It could also lead to shifting behaviour to fit under concession. It would need guardrails and thresholds to reflect nuance and mitigate against risks of creep.

Who is responsible for the change?

Australian Government.

Recommendations

4. Superannuation donations to cultural organisations

Recommendation: Enable superannuation contributions to be donated to registered cultural organisations upon death.

One of the most significant areas of potential private support for creative culture is superannuation balances remaining at the end of life. Australia's superannuation savings are currently valued at more than \$4.1 trillion. However, many people die with significant superannuation savings intact.

Current policy settings discourage Australians from giving a portion of these remaining savings to charities. Donations to eligible charities when people are alive are tax deductible. Gifts or bequests through a will are also tax free. By contrast, bequests to charities from superannuation are subject to a 17% tax.

The process is also more complicated, differs between superannuation funds, and is often an area of legal dispute. Currently, people are unable to directly bequest funds to a charity from any remaining superannuation when they pass away.

Removing the 17% tax on making a superannuation death benefit to a charity and allowing charities to be a direct recipient of a death benefit nomination would open a significant source of private financial support for creative culture.

In terms of alignment with the discussion paper, this would unlock new philanthropic pathways, encourage legacy giving, and build on work conducted by Impact Economics and Policy and Philanthropy Australia.

Potential impact?

This recommendation has the potential to significantly increase the giving culture in Australia, as well as directly increasing revenue for cultural organisations. This would reduce the reliance on public funding, as well as delivering a tax-free death benefit.

Are there risks, spill-over effects or wider consequences?

- How categories are decided?
- Risks of tax minimisation?
- Better understanding why there are existing limitations on who you can leave your super to?

Who is responsible for the change?

Australian Government.

Recommendations

5. Enhanced cultural donation deduction (150%)

Recommendation: Increase the tax deduction for donations to cultural organisations to 150%, capped at \$10,000.

This reform recommendation proposes lifting the tax deduction rate for donations to cultural organisations to 150% of the donation value, capped at \$10,000. The purpose of this is to incentivise private participation in culture to levels already seen in other charitable areas (e.g. medical research).

This should be capped at a lower level (e.g. \$10,000) in order to create a culture of giving, and to avoid unintended uses such as money laundering.

In terms of alignment with the discussion paper, this would encourage broader participation in giving to support creative culture. It supports equity by targeting lower-income donors. Inspired by UK GiftAid and other international models.

Potential impact?

This has been designed to reach the large numbers of lower income donors who currently do not give to support culture. It would particularly benefit creative work with younger and more diverse audiences. By engaging new donors, it would also deepen their engagement (e.g. increasing attendance).

Is it good tax policy?

It broadens the pool of givers, and could be applied through same tax receipt process as at present.

It may make sense to deliver via an intermediary (such as the Australian Cultural Fund).

Capping the maximum amount provides good integrity.

Are there risks, spill-over effects or wider consequences?

This may lead to other charities or sectors arguing they should have access to a similar incentive. It might lead to substitution of government funds and would need to be a special register. Should be reviewed as arts/culture including as a proportion of national giving.

Who is responsible for the change?

Australian Government.

Recommendations

6. Pre-production rebates for creative works

Recommendation: Introduce a rebate for eligible pre-production costs in live performance, festivals and other creative works.

Production is the riskiest part of creative work, particularly live performance. The issue is most costs are incurred before opening night, with the hope of ticket sales making a profit. If it is unsuccessful, it becomes a sunk cost. This upfront risk disincentivises the industry from creating and producing original works. The rebate would act as an insurance policy for the producer/promoter/individual artist, offsetting that risk.

The rebate would apply to all pre-production costs – similar to the post-production rebate that currently exists in the screen and gaming sectors. It would effectively be a ‘cash back’ rebate rather than a ‘tax back rebate,’ enabling both not-for-profits and for-profit entities to claim this on their upfront costs.

Good comparative examples include:

- UK rebate: Highly enticing. Has led to works being taken/established in the UK rather than Australia, moving production investment offshore
- USA rebate: Moulin Rouge (live musical) was developed using Australian IP, but in the USA, due to a government incentive/similar subsidy
- 1980s Australian creative incentive: A rebate of 150% back. Drove massive investment, but eventually became a tax avoidance scheme. Worth studying and learning from.

Practically speaking it would likely include:

- ‘Refundable’ and ‘non-refundable’ options
- Reduction in tax payable (if in profit)
- Actual cash deduction/refund (if in loss position) – this also goes to timing, as many productions will be in a loss position at the time of opening.

In terms of alignment with the discussion paper, this would reduce the risk in cultural production, supporting both not-for-profit and for-profit entities. It builds on successful screen and gaming rebate models.

What is the potential impact?

Supports Australia’s competitiveness in global creative production markets.

This would encourage new creative IP development and risk-taking, and help shift investment back onshore. Strong potential for cultural and economic growth across regions and sectors.

Is it good tax policy?

It is equitably applied to both not-for-profits and for-profits, and can be claimed regardless of tax position (profit or loss). It can be structured to reflect government priorities – stimulating sectors as needed.

Recommendations

6. Pre-production rebates for creative works (cont.)

The measure would provide a high degree of fiscal flexibility and targeting capacity, with governments able to dial up and down:

- Rebate percentage
- Eligible sectors or locations
- Budget exposure.

In terms of integrity, it would be tied to actual expenses, ensuring genuine industry investment.

This would be scalable and targetable. Initial subsidy levels could be ~40% of eligible pre-production costs.

You could:

- Apply it to all quantum of production: from tens of thousands to million-dollar projects
- Apply it to Australia-only IP
- Apply it to shows produced in specific locations (e.g. regional shows and festivals/particular creative suburbs)
- Target specific sectors – e.g. government could stimulate different parts of the creative economy at different times (as NSW has done with screen and gaming)
- 'Rebate tiers' could be introduced based on company or project size
- It could be limited to only new works, or reimagined works – or more broadly to all manner of live performance, festivals and other events
- It could include venue hire, scripts, set design and construction, purchasing equipment and so on.

Are there risks, spill-over effects or wider consequences?

The risk of non-productive spend should be managed (e.g. you cannot claim unless you have an opening night) to prevent sitting on IP or idle equipment purchases.

Who is responsible for the change?

Likely Australian Government. However, states could contribute as they have with screen and gaming subsidies.

An alternate or potentially complementary incentive to offset pre-production costs is a rebate that could be offered to audiences, similar to the Covid-era 'Dine and Discover' vouchers (these would be NSW-based).

Recommendations

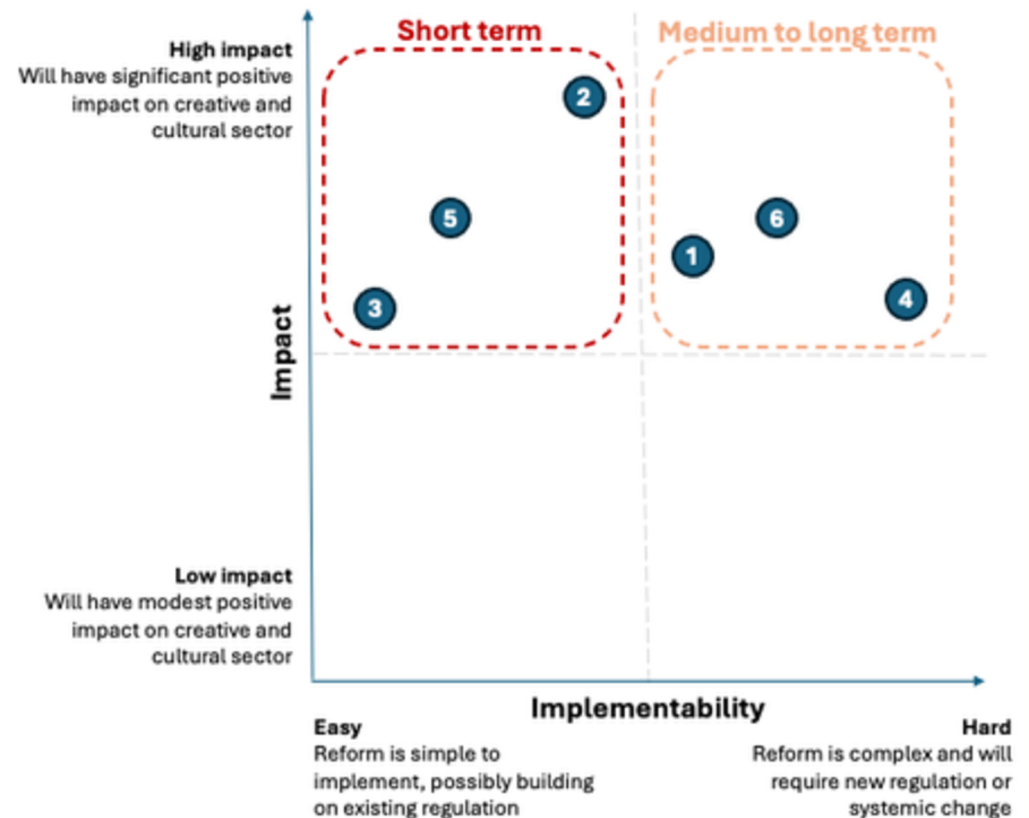
Summary of priority tax reform recommendations

Of the six reform recommendations we propose, each has varying degrees of impact as well as 'implementability.' This means some may be enacted in the immediate term, while others will require longer-term reform processes.

We have classified short-term solutions as those that can be implemented within existing structures, or that require modest or no regulatory change. They may not have as high an impact as others, but can be implemented relatively quickly.

Long-term solutions are those with higher impact that will require regulatory change, system-wide innovation or involvement by non-government stakeholders. The Committee has plotted the six recommendations against 'impact' and 'implementability' to identify short and longer-term reforms:

1. Below-market leasing incentive
2. Expand R&D tax incentives to creative IP
3. Tax-free status for prizes and grants
4. Superannuation donations to cultural organisations
5. Enhanced cultural donation deduction (150%)
6. Pre-production rebates for creative works.



Section B

Broader reform opportunities

The creative sector's diversity is one of its great strengths, and it ensures there will be no single silver bullet that can solve for all the issues and opportunities.

The Art of Tax Reform Summit and ensuing reform packages should necessarily focus on high impact reforms – but to make a significant difference, they will need to incorporate a much larger suite of lower impact measures that added together will deliver significant impact.

The Committee for Sydney convened a workshop to develop ideas for cultural tax reform. The top six have been outlined in detail, however, dozens were identified during the workshop. These have been summarised by typology in the following table. The Committee for Sydney would be happy to explore these in more detail should any resonate.

Broader reform opportunities

GST, income tax, private sector incentives

Taxation measure	Specific reforms
Goods and services tax (GST)	
<ul style="list-style-type: none"> • Incurred GST expenses early (e.g. buying gear) – can't reclaim until \$75,000 threshold • Admin and consumer price burden at \$75,000 threshold – should be 100% • Remove GST on all not-for-profit status ticket sales • Raise GST to reduce compliance burden • Lower GST registration threshold • Allow part of GST to go to super • Streamlined/simple GST approach for cultural contributors 	<ul style="list-style-type: none"> • Recognise additional admin burden – support access to concierge-style lodgment • Provide tax specialists (class rulings) to creative sector • Recognise 'primary producer' status for artists (investigate further) • Education and professional tax advice – concierge service to lodge BAS for artists • Recognise and address cost of registering for GST • Consider DGR status for cultural economic participation.
Income tax	
<ul style="list-style-type: none"> • Make grants and prizes tax-free • Clarify hobby vs business rules (e.g. allow early deductions for creatives) • Flat rate tax deduction for creatives • Reduce red tape; improve tax compliance guidance for creatives • Review personal services income rules for the creative sector • R&D tax credits for original creative works 	<ul style="list-style-type: none"> • Include artists and creatives under PBI definitions • Culture Tickets Rebate – allow individual tax deductions for arts • Encourage superannuation for individual artists via pre-tax deductions • Introduce income averaging or better cash flow tools.
Philanthropic / incentives (private sector)	
<ul style="list-style-type: none"> • Matched reserves scheme (government and corporate and donor) – even if not DGR • Facilitate donations from super funds (e.g. on death) • Increase tax deduction on DGR donations from 100% to 150% • UK-style GiftAid – redirect tax benefit to recipient instead of donor 	<ul style="list-style-type: none"> • Pre-tax payroll giving (with promotional incentives) • Expand cultural organisation definition to include heritage • Stamp duty concessions for transfers to DGRs or cultural trusts • Intermediaries to redistribute donations to individuals or for-profit creative businesses.

Industry incentives, property taxes

Taxation measure	Specific reforms
Industry incentives	
<ul style="list-style-type: none">• Incentivise producers – ensures artists are paid• Expand rent rebate to creative professionals (like gaming sector)• Expand games rebate to live performance sector• Rebates preferable to grants (more accessible)• Broaden definition of 'digital' in PPV incentives• Extend PPV incentives to artists	<ul style="list-style-type: none">• Recognise overlapping creative fields (e.g. art, film, design)• Consider AI-generated art – is it art?• Support production, live music, exhibitions and cultural venues with tax deductions• Provide certainty; make incentives activity-driven.
Property taxes	
<ul style="list-style-type: none">• Clarify eligibility for charity status of property trusts• Deductibility for cultural venue use – even if owned by others• Use apportionment for land use if mixed• Exempt vacant property used for cultural purposes• Accelerated depreciation for cultural/arts fitouts• Stamp duty concession for transfers to DGRs/trusts• GST exemptions for cultural uses (spaces/transactions)	<ul style="list-style-type: none">• Land tax exemption for not-for-profits allowing community cultural use• Creative enterprise zones – supported by tax relief and planning levers• GST relief for building upgrades, leases, purchases for cultural use• Tax deduction for below-market leases to certified creative organisations• Address vacancy rates through tax incentives.

Broader reform opportunities
Small business, other

Taxation measure	Specific reforms
Small business	
<ul style="list-style-type: none"> • Raise non-commercial loss threshold • No tax on prizes, grants, fellowships • Reduce workers' compensation insurance burden for creative employers • Reduce/remove payroll tax for small cultural organisations • Allow instant asset write-off for artworks (e.g. moving art) • Business admin support to operate in a businesslike manner • Standard deductions for cultural expenditure • Production tax credits for making/producing • Rent relief for commercial leases for small creative businesses • Better classification of cultural small business (e.g. insurers, ATO) 	<ul style="list-style-type: none"> • Clear definition of small business – consistent across systems • Standardised creative industries toolkit – definitions, examples • Fringe benefits tax exemption parity for creative sector (equal to other not-for-profits) • Support contractor vs employee decision-making (e.g. guidance) • R&D credits for original creative IP • Income averaging – over five years, broader application • Early-stage venture capital incentives and exemptions • Encourage general tax sector reforms to reduce funding barriers • Allow landlords to claim deductions for below-market cultural leases.
Other	
<ul style="list-style-type: none"> • Superannuation: ensure creatives can contribute pre-tax • Explore 'pokie tax' to fund cultural initiatives (creator signalling). 	

Concluding statement

Be clear on the opportunity and the path forward

The NSW Government has a strong track record of progressive reform in support of creative culture to build on. However, delivering reform in a complex environment that spans local, state and federal government, technical legal, financial, tax and accountancy issues, and the full spectrum of creative practice, will be far from trivial. We recommend two key steps to ensure this program delivers significant benefits for Sydney and the state.

Be clear on the opportunity – not just charitable support for creatives, but catalytic reforms to benefit the broader community, driving economic productivity and strategic objectives of government.

This program of reform will be more difficult to deliver if it's seen as charity for the creative sector – if it is seen simply as loss to the tax take, it will face resistance.

However, we know creative self-expression has a critical role in wellbeing, community and connection, and creative culture is understood to play an important role in attracting talent, spurring a culture of creative risk-taking and innovation, and ultimately fuelling economic productivity.

Sydney has long been the creative capital of the nation, but with its creative workforce in decline – against a national growth trend – we believe this may be suppressing aspects of the economy. Reforming tax structures that have not kept pace with the way creative entrepreneurs are working offers the potential to release the significant catalytic potential of creative culture and drive productivity gains.

One way to make this clear may be economic analysis to understand the relationship between creative practice and the taxation system, and to model the long-term flow-on effects of reforms being considered. This could demonstrate the package of reforms is not just a boon for creatives and the community, but also for the taxation system and broader economy.

Be clear on the job of the summit in this reform process – this should drive how the event is staged and who is in the room.

The Art of Tax Reform Discussion Paper and call for submissions have gathered and generated a strong set of ideas. The Summit should not start at the same point as the discussion paper, that's already done. Instead, the Summit should demonstrate clear progress and set out a path to reform and implementation.

Concluding statement

Be clear on the opportunity and the path forward

Before the Summit, we would like to see ideas prioritised on key factors (such as ease of implementation, potential scale of impact), as illustrated in Section A. Those with straightforward implementation and the potential for impact should go directly into the reform package.



That would leave the Summit to focus on proposals that although difficult to implement, offer high potential for impact. Event design and facilitation would then focus on what is needed to develop the strongest ideas into well-designed reform proposals, including considering how best to position them for implementation.

We commend the NSW Government for taking on this reform opportunity – this is the work of good government, making sure all the levers available are working in support of the vision, for a city and state buzzing with creative energy and innovation.



Keep in touch

Committee for Sydney
sydney.org.au

 Committee for Sydney
 committee@sydney.org.au