

Office for the arts

Departmental Submission into the Productivity Commission’s Review of Philanthropy

The Office for the Arts is a division of the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (the Department). It supports inclusiveness and growth in Australia’s arts, entertainment and cultural sector, and protects its workforces and promotes Australian content and culture through existing functions and the five-year National Cultural Policy, *Revive: a place for every story, a story for every place*.

The Office for the Arts’ purpose is to develop policies and deliver programs that encourage excellence in the arts, help to protect our cultural heritage and support public access to and participation in arts and culture in Australia. This is achieved through delivering strategic advice and policy development, effective program and grants management, regulatory management and collaborative stakeholder engagement. This includes through the implementation of *Revive*.

The Office for the Arts welcomes the opportunity to discuss this submission and the framework for supporting philanthropy in greater detail with the Productivity Commission.

**The new National Cultural Policy— *Revive: a place for every story, a story for every place****.*

On 30 January 2023, the Prime Minister, the Hon Anthony Albanese and the Minister for the Arts, the Hon Tony Burke MP, launched the new National Cultural Policy— *Revive*: *a place for every story, a story for every place*.

*Revive* is a five‑year plan to renew and revive Australia’s arts, entertainment and cultural landscape. Under it, the Government commits to supporting intergovernmental cooperation and promoting partnerships and philanthropic giving. The Government will also increase support for First Nations arts and culture, with autonomous decision-making determined by First Nations peoples, through the creation of a new board (located within Creative Australia) that will, amongst other matters, leverage parallel investment in First Nations arts and culture from public, philanthropic and commercial bodies, both in Australia and internationally.

*Revive* was developed following extensive consultation, including five review panels and a Policy Advisory Group comprised of eminent experts from the sector, and over 1200 submissions received[[1]](#footnote-1). These covered a range of topics, including increasing opportunities for arts philanthropy.

**Overview of the arts philanthropy framework**

Public and private sector support of an ongoing nature cultivates a vibrant and sustainable arts sector that benefits all Australians.

Whether from individuals or businesses, private sector support for the arts plays an important role in providing a supportive environment in which the arts can thrive. Such support is achieved through giving, investing, partnerships and volunteering. In many areas of the arts, and for many arts organisations, private sector support is essential for providing funding stability[[2]](#footnote-2). With this stability, they are able to plan for the future and produce high-quality, challenging and relevant work[[3]](#footnote-3).

The current framework to encourage private giving to the arts in Australia includes taxation incentives and programs of support. This comprises both arts-specific and general taxation measures, such as the Register of Cultural Organisations, the Cultural Gifts Program, provisions for public and private ancillary funds as well as mechanisms to encourage workplace giving[[4]](#footnote-4).

The Australian Government also funds Creative Partnerships Australia (soon to be merged with the new Creative Australia, which will continue the work of Creative Partnerships), whose objective is to promote private sector support for the arts.

The individual components of the framework are elaborated upon further in this submission.

**Private Sector Support**

Private sector investment supports the ongoing sustainability of artists and arts organisations in Australia. In the context of the arts, it encompasses giving, investing, partnerships, corporate sponsorships and volunteering.

According to the Australian Major Performing Arts Group (AMPAG)’s 2017 report, donation income for individual companies is variable year on year, with individual companies often reporting substantial increases or decreases from year to year as a result of such things as targeted fundraising campaigns, individual one-off donations and substantial bequests[[5]](#footnote-5).

While donations, bequests and sponsorship to the arts experienced a downturn in 2020 due to the COVID-19 pandemic, support is recovering in line with previous levels and is anticipated to continue to grow with government support[[6]](#footnote-6).

The Government’s approach to encouraging private sector support in the arts is two-fold. Firstly, it equips artists and arts organisations with the skills required to fundraise and build partnerships with supporters and investors. Secondly, the Government facilitates and incentivises giving and private investment through matched funding programs and taxation incentives.

As *Revive* notes, there is an opportunity to foster increased partnerships between commercial and not-for-profit arts sector organisations, and to drive co-investment for the creation of original Australian stories and artistic works which can remain in repertoires for many years. There is also a role for increased mentoring and support to develop business skills and entrepreneurship across the sector, and to develop sustainable business models.

**Creative Partnerships Australia (Creative Partnerships)**

Creative Partnerships is a wholly-owned Commonwealth company operating under the *Public Governance, Performance and Accountability Act 2013* and the *Corporations Act 2001*, and is funded through a grant agreement with the Commonwealth.

Creative Partnerships is currently the Australian Government’s primary body encouraging and facilitating private investment in the arts. It delivers capacity-building programs, mentoring and training that assist artists and cultural organisations to attract private sector support.

The aim of Creative Partnerships is to foster a culture of private sector support for the arts in Australia; to grow a more sustainable and vibrant cultural sector for the benefit of all Australians.

Creative Partnerships fosters a culture of private sector support for the arts:

* by investing in the professional and business development of the arts and cultural sector to maximise partnership potential and long-term growth;
* by working with philanthropists and business to facilitate and champion arts partnerships and investment; and
* through its matched funding programs for artists and arts organisations, such as Plus1.

Creative Partnerships works with artists and arts organisations, philanthropists and businesses to encourage and facilitate partnerships, mentoring and investment.

The Australian Cultural Fund

As a deductible gift recipient under Subdivision 30-BA of the *Income Tax Assessment Act 1997*, Creative Partnerships administers the Australian Cultural Fund (ACF), a fundraising platform for Australian artists that facilitates tax-deductible donations to arts and culture.

The ACF was established in 2003 to encourage donations to the arts. In 2022 alone, it raised $9.5 million, with 500 artist campaigns receiving donations from over 9000 donors and foundations. Over 8000 of these donors were first-time philanthropists via the ACF[[7]](#footnote-7).

The ACF works by enabling artists to register projects and start a fundraising campaign on its online platform. Donors give funds to Creative Partnerships and nominate a preference for which project they would like to receive support. Creative Partnerships assesses the gift and approves funds to the artists, taking donor preferences into consideration.

**Transfer of Creative Partnerships to the Australia Council (to become known as Creative Australia)**

After a decade and a decrease in the direct engagement that the Australia Council has with the philanthropic community, the functions of Creative Partnerships and its philanthropic connections will be transferred to the Australia Council from 1 July 2023 (to be known as Creative Australia from 1 July 2023)[[8]](#footnote-8). The *Australia Council Amendment (Creative Australia) Act 2023* enables this transfer.

This reform brings publicly funded, philanthropic and commercial interests together in the same organisation, Creative Australia, creating synergies between public and private partnerships, as well as government and philanthropic investment.

The transfer of Creative Partnerships’ functions provides an opportunity to increase partnerships between commercial and not-for-profit arts sector organisations, and to drive co‑investment in the creation of original Australian stories and artistic works which can remain in repertoires for many years. There is also a role for increased mentoring and support to develop business skills and entrepreneurship across the sector, and to develop sustainable business models.

Creative Australia will also become responsible for administering the Australian Cultural Fund and private investment will continue to be encouraged through matching funding programs and tax incentives.

**Register of Cultural Organisations**

The Register of Cultural Organisations (ROCO) is a list of cultural organisations that can receive tax deductible gifts. The register aims to strengthen private sector support for the arts and encourages Australians to contribute to the nation's vibrant cultural life. Australian organisations can be listed on the register if their principal purpose is to promote one of the following cultural activities in Australia:

* literature
* visual arts
* community arts
* performing arts
* arts or languages of Indigenous persons
* music
* crafts
* design
* television
* video
* radio
* film
* movable cultural heritage.

The Treasurer and the Minister for the Arts approve new additions to the register. [The Office for the Arts](https://www.arts.gov.au/) currently administers the register, but this is being transferred to the Australian Taxation Office (see below).

Public art galleries, museums and libraries are generally not included on the register because they are approved by the Australian Taxation Office under their own deductible gift recipient categories.

**Deductible Gift Recipient (DGR) reform**

On 5 December 2017, the Australian Government announced reforms of the administration and oversight of organisations with DGR status. The changes are designed to strengthen governance arrangements, reduce administrative complexity and ensure continued trust and confidence in the sector. Major elements of the reforms include:

* Requiring non-government organisations wishing to be endorsed as a DGR to be registered as a charity with the Australian Charities and Not-for-profits Commission (ACNC).
* The removal of public fund requirements for DGRs.
* Transferring the administration of the four DGR registers to the ATO and the ACNC.

One of the actions of *Revive* is to:

* *Streamline programs that incentivise philanthropic support for the arts, such as the Register of Cultural Organisations, to assist cultural organisations to attract funding and cultural gifts from businesses and individuals.*

*Treasury Laws Amendment (Refining and Improving Our Tax System) Bill 2023*

On 22 March 2023, the Government introduced the *Treasury Laws Amendment (Refining and Improving our Tax System) Bill 2023* (the Bill) to Parliament. The Bill seeks to, amongst other matters, effect the transfer of administration of four unique deductible gift recipient categories to the Australian Taxation Office, including the ROCO. The amendments transfer practical responsibility for assessing deductible gift recipients from the Minister for the Arts and the Assistant Treasurer to the Australian Taxation Office.

The amendments will make all deductible gift recipient categories consistent in administration, reducing the regulatory burden imposed on endorsed organisations and streamlining application and reporting requirements for organisations.

Approval times for ROCO are expected to reduce from up to 12 months to around one month.

**The Cultural Gifts Program**

Also administered by the Department is the Cultural Gifts Program, which provides tax incentives for donations of cultural items to Australian public collecting institutions. Individuals and organisations who pay tax in Australia can claim tax deductions, through the [*Income Tax Assessment Act 1997*](https://www.legislation.gov.au/Details/C2022C00029), for donating Australian and international artistic and cultural items to public art galleries, museums, libraries and archives. As a result, the program helps participating institutions build their collections and benefits the Australian public by increasing access to culturally significant items, particularly in regional Australia.

In 2019-20, the Cultural Gifts Program attracted 726 donations with a total value of $95.8 million. In 2020-21, 563 CGP donations were made with a total value of $113.5 million, with 37 per cent of donations made by the artist or creator of the item.

**A comparison of philanthropy in Australia vs internationally**

Australia has a unique environment with distinct cultural characteristics underpinning our approach to philanthropy. This makes cross-country comparison challenging as other countries, in particular the United States, have differing cultures around philanthropy and giving. There are also differences in the frameworks that each country has in place to encourage and facilitate private sector support, as well as variations in the definitions and methodologies used to compile data.

A statistical paper by the Bureau of Communications, Arts and Regional Research found that while like-for-like comparison between countries is not possible, Australia appears to compare well internationally. Broadly, the paper estimates that Australia’s per‑capita private sector support for the arts is higher than in Canada and similar to England, though lower than in the United States[[9]](#footnote-9)9.

Similarly, the 2011 Mitchell review paper found that Australia has a strong, internationally competitive framework to encourage private sector support for the arts and that arts organisations, peak bodies, artists, philanthropists and government recognise that the programs and incentives to encourage giving to the arts is competitive on an international scale. This has been effective in encouraging the growth of private sector support. This review also notes that cultural organisations have been one of the largest beneficiaries of provisions allowing the establishment of private ancillary funds (PAFs), a particular type of trust fund set up for the purpose of philanthropic giving[[10]](#footnote-10).

The primary concern in this regard, of course, should be whether Australia is meeting its own potential in terms of philanthropy.

**The importance of data**

While there is not currently a central source of arts philanthropy data, the Office for the Arts understands that data is being collected from:

* museums, galleries and libraries via the Australian Taxation Office (ATO)
* major performing arts companies and galleries and multi-year funded arts and cultural organisations via the Australia Council.
* organisations on the Register of Cultural Organisations (ROCO) which, as noted above, is soon to be transferred to the ATO.

ROCO has a large, non-public data set of statistical information about ROCO organisations’ charitable income, drawn from organisations since 1991. With the transfer of the ROCO to the ATO, charitable income statistics of ROCO public funds will cease to be collected.

The Bureau of Communications, Arts and Regional Research (BCARR) also regularly monitors, gathers and publishes information on the cultural and creative sectors[[11]](#footnote-11). BCARR is currently reviewing the methodology used in the Australian Bureau of Statistics Cultural and Creative Activity Satellite Account to better capture the contribution of the cultural and creative sector.[[12]](#footnote-12)

The 2017 BCARR report highlights the need for more robust and comprehensive data on private sector support for the arts in Australia. It recommends the collection of ongoing data in a consistent manner, and the linking of existing data sets across jurisdictions (where there are no legal restrictions) to enable more reliable and sophisticated analysis and to unlock the potential toward greater insights on arts support in Australia[[13]](#footnote-13).

**The National Collecting Institutions – The relevance of philanthropic donations**

The nine National Collecting Institutions[[14]](#footnote-14) within the Arts portfolio receive the majority of their revenue from Government funding which is supplemented by additional revenue they attract by actively seeking to generate philanthropic and private sector support. Seeking philanthropic support aligns with the Government’s broader position of encouraging the Institutions to increase their value to the public through non-government sources of funding.

Through the Government’s National Cultural Policy, *Revive: a place for every story, a story for every place*, there is a commitment to ensuring Australia has strong cultural infrastructure to sustain our arts, culture and heritage – this is one of five key pillars of the Policy. Like the building of physical infrastructure such as roads and bridges, strong cultural infrastructure requires a framework that facilitates partnership and coordination between all levels of government. The National Cultural Policy will support intergovernmental cooperation, promote partnerships and philanthropic giving, and expand access to the national collections. This will assist the Institutions in preserving, protecting and celebrating Australia’s stories and history.

The Institutions house the majority of Australia’s most significant collections, which have a combined value of above $9 billion. These Institutions play an essential role in making these collections accessible to all Australians. To recognise the role of the Institutions the Government has announced it is investing an additional $535.3 million towards the Institutions over four years from 2023-24 and $118.4 million per annum and indexed from 2027-28 . This investment will enable the Institutions to meet their financial obligations and invest for the future by maintaining staff and services and allow them to undertake essential capital works and address critical storage needs.

In announcing this investment, the [Minister for the Arts, the Hon Tony Burke MP](https://minister.infrastructure.gov.au/burke/media-release/protecting-australias-cultural-and-historical-institutions) noted that this funding ‘gets our institutions back to where they should be – where the Government delivers strong core funding and philanthropists take them to the next level’. This highlights the ongoing role that philanthropy and private support will play into the future for these Institutions, where it adds value to their offerings, allows them to experiment and trial new activities and engage public support rather than being called upon to support core operations.

The Institutions generate own-source income in order to enhance their ability to offer activities such as public and online exhibitions, touring and education programs. They achieve this income through fundraising activities, sponsorship, commercial revenue growth and private giving. All the Institutions are registered to allow tax deductions for donations above $2. As noted above, they are also able to receive collection material donated under the Cultural Gifts Program, which provides tax incentives for donations of cultural items to Australian public collecting institutions.

Philanthropic contributions are received and used in a variety of ways by the different Institutions. For example, the National Gallery of Australia generates own-source revenue from sponsorship, donations and gifts of works of arts and dividends, including the operation of its Foundation which is the umbrella organisation for all Gallery benefactor groups and raises funds and secures gifts of art to support the vision of the Gallery. Over the last few years, the philanthropic giving community continued to support efforts at the Gallery to present a series of leading programs and exhibitions as well as to develop digital initiatives and youth engagement.

The National Museum of Australia has also been the recipient of a variety of philanthropic support. Recent notable donations have included Mr Tim Fairfax AC and Mrs Gina Fairfax supporting the development of a new children’s play and education space, announced in September 2022; in October 2020 the Museum announced that Mr John Gandel AC and Mrs Pauline Gandel AC (through Gandel Philanthropy) had donated $1.5 million to support the launch of Australia’s ‘Defining Moments Digital Classroom’; and in September 2020, the Museum announced that Mr Trevor Kennedy had donated several thousand items of historical and cultural significance.

Some Institutions have historically been more successful in attracting cash donations and have greater capacity to invest for improved financial gain, than those who predominantly receive donations of cultural material. Donated cultural material bring whole-of-life costs that are not necessarily funded and receiving Institutions must carefully assess the significance of the donated material for their collection before agreeing to accept it.

In 2021-22, eight of the Institutions[[15]](#footnote-15) within the Arts portfolio reported receiving $9.3 million in cash donations and $5.7 million in donated cultural material; this is less than before the COVID pandemic where in 2018-19 these Institutions received $21.9 million in cash donations and $12.6 million in donated cultural material. Overall these Institutions generated total own-source income of $76.7 million in 2021-22 compared to the 2018-19 figure of $88.2 million[[16]](#footnote-16).

Legislative reforms in 2021[[17]](#footnote-17)allowed six of the Institutions[[18]](#footnote-18) to invest donated (non‑government) funds beyond the limits imposed by section 59 of the *Public Governance, Performance and Accountability Act 2013*. This allows Institutions to make the most appropriate investment decisions relevant to their activities and therefore gain greater value from private investment. This is intended to attract and incentivise philanthropic interest to invest in Institutions by giving confidence that their donations will have maximum value. By appropriate investing of philanthropic support, it most directly allows Institutions to deliver additional activities and services for the benefit of Australia. While to date the benefit of this investment power has been limited with lower amounts of donated income and the effect of the COVID-19 pandemic and historically low interest rates, it is anticipated that greater returns may become more achievable in future.

Private sector support and philanthropy from individuals and business entities will necessarily continue to play an important role in contributing to the growth of the Institutions, and builds on the greater confidence provided through the recently announced ongoing increase to core funding by Government.

1. [Revive: a place for every story, a story for every place | Office for the Arts](https://www.arts.gov.au/have-your-say/revive-place-every-story-story-every-place) [↑](#footnote-ref-1)
2. Bureau of Communications, Arts and Regional Research, June 2017, *Background statistical paper: Private sector support for the arts in Australia*. [↑](#footnote-ref-2)
3. October 2011, *Building Support: Report of the Review of Private Sector Support for the Arts in Australia* [↑](#footnote-ref-3)
4. October 2011, *Building Support: Report of the Review of Private Sector Support for the Arts in Australia* [↑](#footnote-ref-4)
5. Australian Major Performing Arts Group, 2017, *Tracking Changes in Corporate Sponsorship and Donations* [↑](#footnote-ref-5)
6. January 2023, *Revive: A place for every story, a story for every place* [↑](#footnote-ref-6)
7. Australian Cultural Fund, 21 March 2023, *ACF: Helping artists create and art lovers donate*, [The Australian Cultural Fund is a fundraising platform for the arts (fandp.com.au)](https://fandp.com.au/australian-cultural-fund-fundraising-platform-388971/#:~:text=In%202022%20alone%2C%20%249.5%20million,time%20philanthropists%20via%20the%20ACF.) [↑](#footnote-ref-7)
8. January 2023, *Revive: A place for every story, a story for every place* [↑](#footnote-ref-8)
9. 9 Bureau of Communications, Arts and Regional Research, [Private sector support for the arts | Department of Infrastructure, Transport, Regional Development, Communications and the Arts](https://www.infrastructure.gov.au/research-data/bureau-communications-arts-and-regional-research/arts/private-sector-support-arts) [↑](#footnote-ref-9)
10. October 2011, Building Support: Report of the Review of Private Sector Support for the Arts in Australia [↑](#footnote-ref-10)
11. [Cultural and Creative activity | Department of Infrastructure, Transport, Regional Development, Communications and the Arts](https://www.infrastructure.gov.au/research-data/bureau-communications-arts-and-regional-research/arts/cultural-and-creative-activity) [↑](#footnote-ref-11)
12. [Cultural and Creative Activity Satellite Accounts Methodology Refresh | Department of Infrastructure, Transport, Regional Development, Communications and the Arts](https://www.infrastructure.gov.au/have-your-say/cultural-and-creative-activity-satellite-accounts-methodology-refresh) [↑](#footnote-ref-12)
13. Bureau of Communications, Arts and Regional Research, [*Cultural and creative activity in Australia 2008-09 to 2016-17* (infrastructure.gov.au)](https://www.infrastructure.gov.au/sites/default/files/documents/cultural_and_creative_activity_in_australia_2008-09_to_2016-17-2.pdf) [↑](#footnote-ref-13)
14. Collectively known as the ‘National Collecting Institutions’ these are the Australian National Maritime Museum, Bundanon Trust, Museum of Australia Democracy (Old Parliament House), National Archives of Australia, National Film and Sound Archive, National Gallery of Australia, National Library of Australia, National Museum of Australia and the National Portrait Gallery of Australia. [↑](#footnote-ref-14)
15. Does not include Bundanon Trust which has not published for 2021-22. [↑](#footnote-ref-15)
16. Institutions provide data and information on own-source revenue including contributions and donations through usual reporting channels including annual reports. [↑](#footnote-ref-16)
17. Through the [*National Collecting Institutions Legislation Amendment Act 2021*](https://www.legislation.gov.au/Details/C2021A00020) [↑](#footnote-ref-17)
18. The six institutions with increased investment powers are the Australian National Maritime Museum, National Film and Sound Archive of Australia, National Gallery of Australia, National Library of Australia, National Museum of Australia and National Portrait Gallery of Australia.  [↑](#footnote-ref-18)